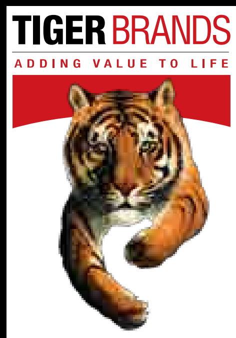

Integrated Report 2012

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

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Stakeholder feedback

For feedback on this Integrated Report 2012, suggested additional information for inclusion and/or improvements to the formatting, accessibility, functionality and usability, please email companysecretary@tigerbrands.com.

STAKEHOLDER NAVIGATION

This guide is intended to assist in directing all our key stakeholder groups to areas in this Integrated Report 2012 that specifically address their respective interests.

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OUR REPORTING STRUCTURE

Scope and boundary

This Integrated Report 2012 aims to provide stakeholders with an understanding of the group's business, prospects and strategy and an appreciation of the overall environment in which the group operates. The report covers the operations of Tiger Brands Limited and its subsidiary and associate companies for the year ended 30 September 2012.

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Companies Act. In reporting on the non-financial aspects of its performance, the group has been guided by the Global Reporting Index (GRI), the King III Report on Governance for South Africa, 2009 and the Listings Requirements of the JSE Limited. The Integrated Report 2012 has also been informed by various standards and codes that govern specific areas, including the Department of Trade and Industry's Black Economic Empowerment (BEE) Codes of Good Practice.

For further information, please contact the group company secretary, Ian Isdale:
T: +27 (0)11 840 4350
E: companysecretary@tigerbrands.com.

This Integrated Report 2012 is available online at www.tigerbrands.com.

Assurance

External

The group's external auditors, Ernst & Young Inc., have independently audited the annual financial statements. The scope of their audit is limited to the information set out in the annual financial statements and does not extend to any financial or operating indicators included in the integrated report.

Empowerlogic (Pty) Limited has verified the B-BBEE information presented in relation to the South African operations.

Internal

The board acknowledges its responsibility for ensuring the integrity of this Integrated Report 2012. In the opinion of the board, the Integrated Report addresses all material issues and fairly presents the performance of the group and the outline of the environment in which the group operates. The board authorised the content of this report on 10 December 2012.

André Parker
Chairman

Peter Matlare
Chief Executive Officer

Funke Ighodaro
Chief Financial Officer

Disclaimers

This Integrated Report 2012 contains forward looking statements that, unless otherwise indicated, reflect the company's expectations as at 30 September 2012. Actual results may differ materially from the company's expectations if known or unknown risks, or uncertainties, affect its business, or if estimates or assumptions prove inaccurate. The company cannot guarantee that any forward looking statement will materialise and, accordingly, readers are cautioned not to place undue reliance on any forward looking statements. The company disclaims any intention and assumes no obligation to update or revise any forward looking statement, even should information become available as a result of future events or for any other reason, other than as required by the JSE Listings Requirements.

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PERFORMANCE HIGHLIGHTS

JSE SNAPSHOT

Share code: TBS ISIN: ZAE000071080
Sector: Food Producers
Headquarters: Johannesburg, South Africa
Listing date: 1944

GROUP HIGHLIGHTS

Group turnover	Operating profit	Operating cash flow
R22,7 bn	R3,5 bn	R2,6 bn
Up 11,0%	Up 7,1%	

Operating profit margin	Headline earnings per share	Dividend per share
15,3%	1 689 cents	850 cents
Down 0,6%	Up 7,3%	Up 7,5%

Net cash returned to shareholders	Return on equity	Market capitalisation* (at 30 September 2012)
R1,3 bn	23,7%	R52,2 bn
Up 7,2%	24,1	Up 30,4%

Including treasury and empowerment shares

KEY FIGURES (CONSOLIDATED)

Year ended 30 September

(R'millions)	2012	2011	2010
Turnover	22 677,0	20 430,2	19 316,0
Operating profit	3 474,3	3 244,6	3 015,1
As % of sales	15,3%	15,9%	15,6%
Profit attributable to ordinary shareholders	2 718,2	2 583,9	2 192,3
Market capitalisation (at 30 September)[1]	52 219	40 035	36 062
Cash available from operations	2 632,2	2 665,3	2 625,5
Capital expenditure	480,3	817,8	634,2
As % of sales	2,1%	4,0%	3,3%
Net financial (debt)/cash	(1 181,7)	(1 670,9)	41,5
Net debt to total shareholders' funds	10,1%	16,3%	(0,5%)
Per share			
Basic earnings per share (cents)	1 706,7	1 628,6	1 385,9
Diluted basic earnings per share (cents)	1 671,5	1 598,0	1 363,6
Headline earnings per share (cents)	1 689,0	1 574,6	1 393,0
Annual dividend declared by the board of directors (cents)	850,0	791,0	746,0

[1] *Including treasury and empowerment shares.*

DIVISIONAL CONTRIBUTION

Domestic markets
84%
of group turnover

Foods*
76%
of group turnover

HPCB
8%
of group turnover

International markets
16%
of group turnover

Exports
10%
of group turnover

International
6%
of group turnover

**Grains and Consumer Brands Division excluding HPCB*

GROUP PROFILE

Tiger Brands is a branded FMCG company operating in South Africa and other emerging markets in Africa and Latin America. It is one of the largest manufacturers and marketers of FMCG products in Africa and a Top 40 JSE listed company, with a proud record of solid financial performance over several decades.

Tiger Brands has been built through the development of its own brands and the acquisition of other leading brands, businesses and companies. Over the years, solid revenue and profit growth has been achieved and shareholder value enhanced through the sale and unbundling of non-core assets.

Top-line 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. Profitability has been enhanced through continuous improvement programmes, the extraction of synergistic cost-efficiencies across the group's businesses and judicious price, volume and margin management.

In recent years, the group has expanded its footprint further into the rest of the African continent through strategic acquisitions. In addition, the emphasis on selling the group's South African brands through effective distribution networks across Africa has delivered significant growth in export revenues.

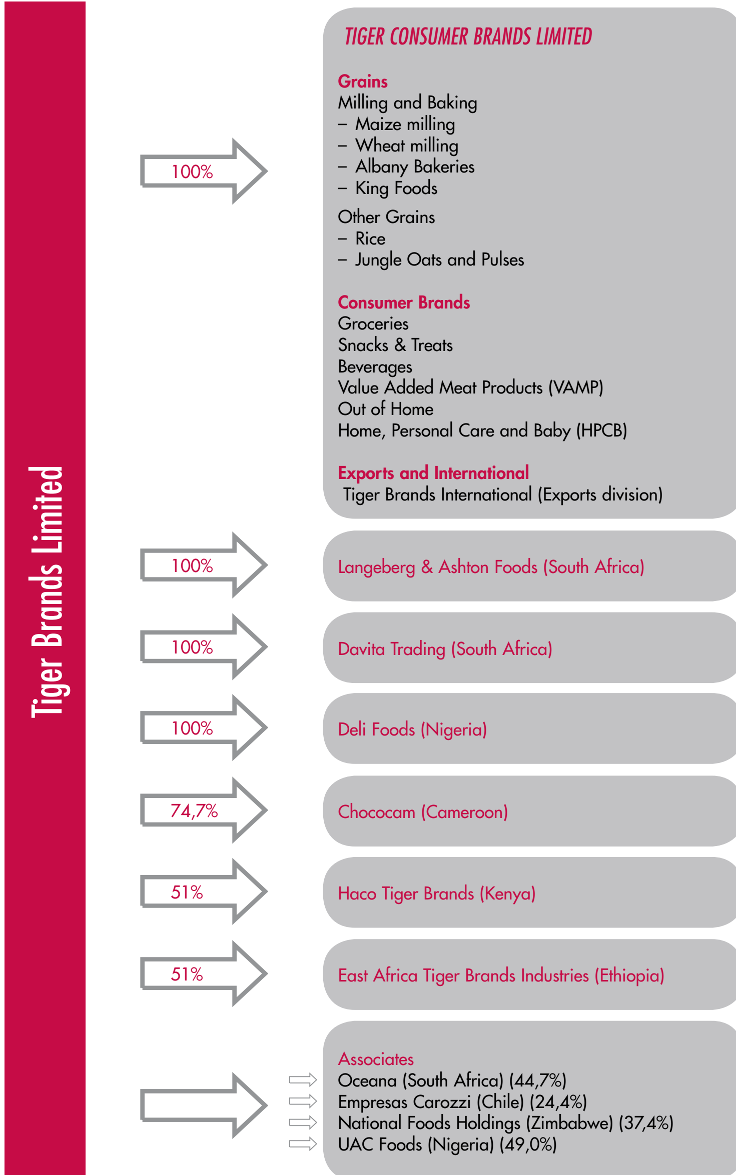
Tiger Brands holds meaningful minority shareholding interests in Chilean-based FMCG company, Empresas Carozzi, JSE listed fishing company, Oceana Group Limited, UAC Foods Limited and National Foods Holdings Limited, the latter two FMCG companies operating in Nigeria and Zimbabwe, respectively. These companies are accounted for as associate companies in the group's results.

Tiger Brands prides itself on being a world-class manufacturer and marketer in the FMCG categories in which it operates. The group continually invests in capital assets and research and development to ensure that its facilities maintain world-class standards in manufacturing efficiency, quality assurance and sustainability.

The group's brand strategy is underpinned by investment in consumer and shopper research which is used to obtain comprehensive consumer insight in the various FMCG markets in which the group operates.

GROUP OPERATIONS AND MARKETS

ORGANISATIONAL STRUCTURE



GROUP OPERATIONS AND MARKETS continued

FOOTPRINT

SOUTH AMERICA

Tiger Brands holds a meaningful minority share in Empresas Carozzi, a leading branded foods business in South America, which is based in Chile, and also has manufacturing sites in Peru and Argentina. Empresas Carozzi owns leading branded products in the biscuits, confectionery, rice, pasta, petfood and beverages markets.

EAST AFRICA

Tiger Brands is the majority shareholder in Haco Tiger Brands (Kenya) and EATBI (Ethiopia). A range of local brands and core Tiger Brands' brands are marketed and manufactured in these countries.

WEST AFRICA

Tiger Brands owns a 100% shareholding in the biscuits company Deli Foods, 49% shareholding in UAC Foods and 63,35% shareholding in Dangote Flour Mills (which transaction was only concluded in October 2012). Through these businesses, Tiger Brands has expanded its presence in the West African market in various food categories.

CENTRAL AFRICA

Chococam, in which Tiger Brands owns a controlling interest, is based in Cameroon and manufactures/markets a range of confectionery, beverages and spreads brands and distributes several core Tiger Brands' brands in the region.

SOUTHERN AFRICA

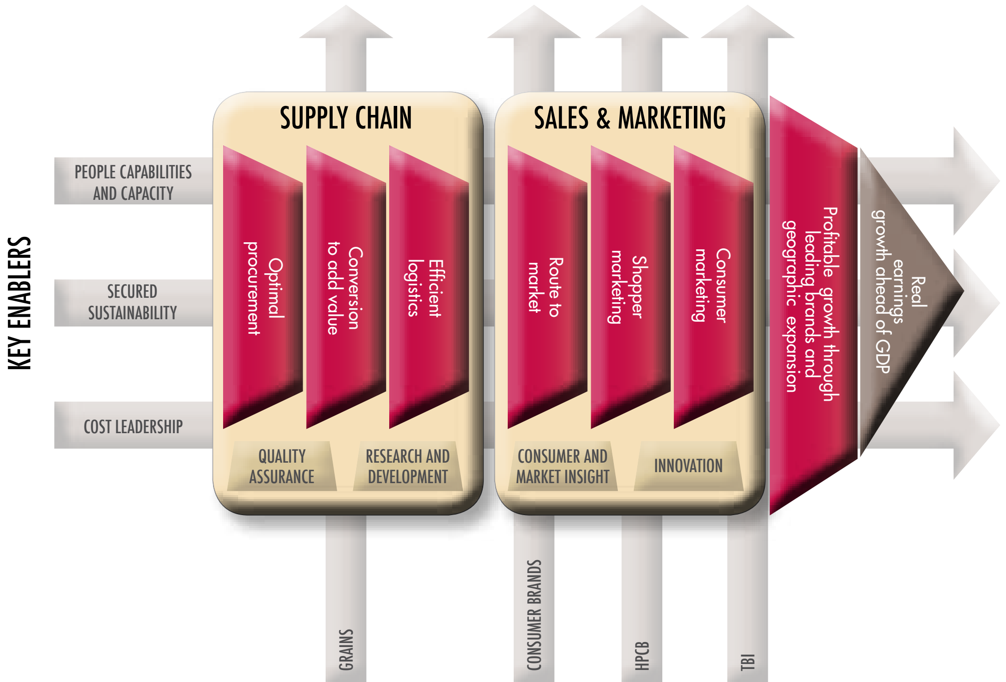
Tiger Brands holds a 37,4% share in the branded grains business National Foods Holdings in Zimbabwe.

SOUTH AFRICA

Tiger Brands is headquartered in South Africa where it is among the top 40 companies listed on the JSE. Tiger Brands holds the number one or two position in most categories in which it operates – spread across a wide range of FMCG food, home care, personal care and baby categories. Tiger Brands manufactures its range of high quality, functionally differentiated products in more than 50 manufacturing sites spread across South Africa.

GROUP OPERATIONS AND MARKETS continued

TIGER BRANDS BUSINESS MODEL



The Tiger Brands business model extends vertically across the full value chain – from procurement of raw materials, through to marketing to the end consumer.

Supply: Tiger Brands has an established and effective procurement capability for all of its raw material and manufacturing requirements, sourced both locally and globally.

Functionally differentiated, branded goods are manufactured at over 50 sites across sub-Saharan Africa and stringent quality assurance measures are in place to ensure the highest product quality standards. Significant investment is made in research and development and global technology partnerships to ensure consumer relevant and cutting-edge innovation.

Tiger Brands outsources its logistics function, obtaining optimum efficiency in the outbound delivery of its products to retailers, wholesalers and distributors.

Demand: Optimal and efficient route-to-market capabilities are essential in the effective distribution of products to customers and channels for resale to the end consumer. Tiger Brands retains the key component of customer relations, but in the main outsources its sales and merchandising function to a dedicated field sales service.

Consumer insight assists in developing consumer relevant branded products and leading innovation to sustain our leading brand positions. Consumer marketing ensures the creation of demand for our brands to drive top-line growth.

Divisions: Tiger Brands' domestic operations are structured into two divisions – comprising Grains and Consumer Brands. The Home, Personal and Baby care business is managed as part of Consumer Brands. Tiger Brands' International division is responsible for all exports and the management of the operating companies in the rest of Africa.

GROUP OPERATIONS AND MARKETS continued

BUSINESS OPERATIONS

Grains

39%

of group turnover

BRANDS

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

Consumer Brands

45%

of group turnover

BRANDS

- Groceries – Koo, All Gold, Crosse & Blackwell, Fatti's & Moni's, Black Cat
- HPCB (Home, Personal Care and Baby) – Purity, Ingram's Camphor Cream, Doom, Elizabeth Anne's, Jeyes, Perfect Touch, Dolly Varden, Status, Lemon Lite, Kair, Protein Feed, Airoma, Peaceful Sleep
- 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

Exports and International

16%

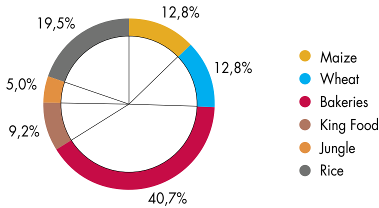
of group turnover

BRANDS

- Tiger Brands Exports – This division exports the group's branded products into the rest of Africa
- Langeberg & Ashton Foods – Gold Reef, Silverleaf
- Haco Tiger Brands (Kenya) – Ace, BIC, Jeyes, Miadi, Motions, TCB, Bloo, SoSoft
- 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 (South Africa) – Jolly Jus, Benny, Davita
- EATBI (Ethiopia) – Peacock, Crown, Solar, Micky, Miracle, Florida

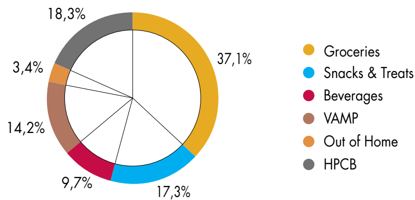
Contribution to divisional turnover

Grains



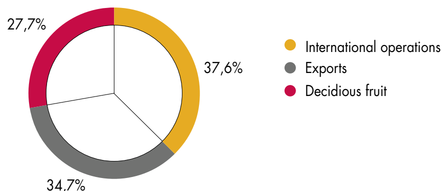
	2012	2011	% CHANGE
Turnover (Rm)	8 854,0	8 348,9	6,0
Operating income before abnormal items (Rm)	1 731,7	1 746,1	(0,8)
Operating margin (%)	19,6	20,9	

Consumer Brands



	2012	2011	% CHANGE
Turnover (Rm)	10 190,1	9 704,6	5,0
Operating income before abnormal items (Rm)	1 522,2	1 457,1	4,5
Operating margin (%)	14,9	15,0	

International and Exports



	2012	2011	% CHANGE
Turnover (Rm)	3 634,0	2 381,2	52,6
Operating income before abnormal items (Rm)	451,0	208,9	115,9
Operating margin (%)	12,4	8,8	

STAKEHOLDER ENGAGEMENT

Tiger Brands recognises that nurturing its relationships with significant stakeholders is a key driver of success that informs business strategy and enables the group to improve the impact of its activities on society.

Stakeholders include individuals or groups who potentially affect, or are affected by the group and its operations.

	Tiger Brands commitment	Communication channel
EMPLOYEES	**Reward, recognition and growth opportunities from a leading company that cares about its employees and their future.** Tiger Brands complies with employment laws and practices and is committed to the protection of human rights.	▹ Bi-annual staff presentations by executive management to communicate the group's strategy and performance. ▹ Regular intranet communication to inform employees of significant events or developments. ▹ Various forums at manufacturing units at which employment equity, skills development and management issues are addressed. ▹ Workplace culture programmes at manufacturing units to facilitate improved employee relationships. ▹ Tiger Stripes recognition awards. ▹ Tiger Tales quarterly magazine.
CONSUMERS	**Trustworthy, high quality, leading brands that add value to consumers' lives.** The group is compliant with the Consumer Protection Act and other relevant legislation and regulations relating to consumers. We monitor trends in nutrition and conform to standards as outlined by the World Health Organisation.	▹ Research surveys to capture consumer insights and gain category understanding. ▹ Regular communication with consumers through mobile and website interfaces for each core brand. ▹ In-house consumer services centre which addresses all consumer complaints and queries. ▹ Member of Consumer Goods Council of South Africa. ▹ GDA (guideline daily amount) table informs consumers of the nutritional values in Tiger Brands' food products.

	Tiger Brands commitment	Communication channel
CUSTOMERS (RETAILERS/ WHOLESALERS)	A high-performance, leading company that builds valuable partnerships for future growth.	▷ Regular communication on matters concerning category strategy, value chain efficiencies, transactional and promotional activities. ▷ Focus on cost efficiencies throughout the value chain to effectively compete on value. ▷ Customer structures aligned to ensure category expansion and profitable growth.
INVESTORS	Delivering consistently superior financial performance for sustainable growth.	▷ Planned communication sessions led by the Chief Executive Officer and nominated executive management. ▷ Regular meetings and presentations to analysts, institutional investors and the media in South Africa, the US and the UK. ▷ Company website provides all relevant information on the group. ▷ Press releases, announcements and notifications are distributed to shareholders through SENS, the post and the company's website. ▷ Shareholders are encouraged to attend the company's annual general meeting to vote on resolutions and to discuss relevant issues with the company's directors and management.
COMMUNITY	A successful company that is part of and adds to the wellbeing of the community.	▷ Preferential procurement policy (see page 99). ▷ Enterprise development projects (see pages 98 and 99). ▷ CSI policy and projects (see pages 100 to 105). ▷ Tiger Brands Foundation (see pages 104 and 105).
GOVERNMENT AND REGULATORS	A successful, stable and ethical company that contributes to the economic growth of the communities in which we operate.	▷ Taxes paid timeously. ▷ Engagement on draft legislation and regulations through meetings and formal communication channels. ▷ Interface through Business Leadership South Africa. ▷ Adherence to the B-BBEE Codes (see pages 96 and 97).

CORPORATE STRATEGY

OUR VISION

OUR VALUES

- CONSUMER-CENTRICITY IS OUR BUSINESS
- INTEGRITY AT ALL TIMES IN ALL WE DO
- PASSION FOR EXCELLENCE
- VALUING OUR PEOPLE
- TREATING ALL OUR PEOPLE WITH DIGNITY
- CONTINUALLY REINVESTING IN SOCIETY

OUR MISSION

- TO DELIVER LOCAL VOLUME GROWTH THAT IS 2% GREATER THAN CATEGORY GROWTH
- TO DRIVE SCALE IN INTERNATIONAL TERRITORIES
- TO DELIVER EARNINGS GROWTH THAT IS 3% GREATER THAN THE SOUTH AFRICAN CONSUMER PRICE INFLATION

OPERATIONAL CONTEXT

Macro-economic environment

The **global economy** continues to face challenges, due to the recessionary drag in the Eurozone and the weak growth and escalating fiscal deficit in the United States. This is affecting key emerging market economies, which remain vulnerable in the face of weak export demand. While the fortunes of the **sub-Saharan Africa** region remain closely tied to the global economy, renewed focus on infrastructural development, rapidly expanding consumer markets and increased foreign direct investment are boosting growth. Even so, many sub-Sahara African economies remain vulnerable to external factors, including fluctuations in international food and energy prices.

In **South Africa**, the economy lost momentum in 2012 due to the global economic crisis as well as protracted industrial strike action experienced in the mining and manufacturing sectors. The weak global outlook has resulted in moderate cost cutting in the domestic market, with private firms delaying capital expenditure, containing wage growth and limiting job gains. This has led to slower consumer spending, which had previously been the main driver of domestic demand.

Consumer trends

Over the last two years, there have been significant price shocks and serious food shortages in many areas of the globe, arising from extreme weather conditions and increased speculation in soft commodity pricing. The resultant increases in the prices of key food raw materials, as well as above inflationary increases in energy and fuel costs, have had a significant adverse effect on the pricing of packaged food products.

As products have become more expensive, the size of the average shopper basket has reduced due to the ongoing constraints in consumers' disposable income. Consequently, markets have shown volume declines.
In seeking to economise, consumers have expanded their brand purchases to include lower-priced items as evidenced by the growth of economy and dealer own brands.
Consumers, however, continue to seek products offering the greatest value proposition and manufacturers are adapting to their changing needs in various ways, including appropriate, affordable pack/format offerings, expanded availability, increased promotional activity and innovation.

Customer trends

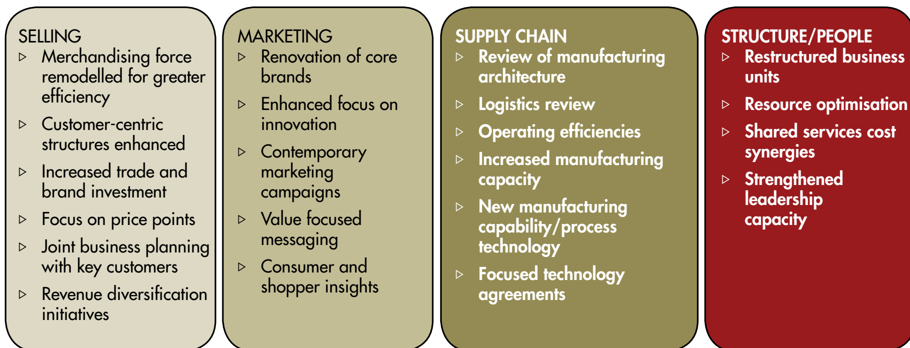
Competitive activity within the retail trade has sharpened, as customers seek earnings growth by driving their own label and economy brands to gain volume share. In seeking store and brand differentiation to escape price wars with other retailers, there has been increased promotional activity, store expansions and private label growth. The strength of the rand during the early part of the year enabled global sourcing of finished goods and resulted in a significant increase in imported goods, adding to the competitive pressures facing local manufacturers.

CORPORATE STRATEGY continued

STRATEGY

Domestic

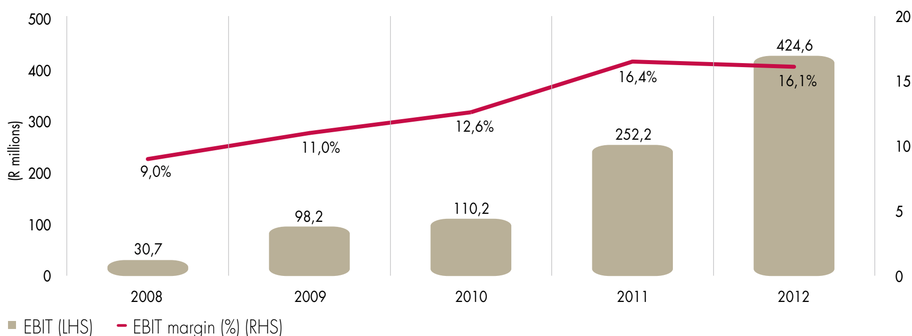
The tough economy and intense competitive landscape have negatively affected the group's domestic performance over the last few years. Tiger Brands has responded with initiatives across the board to drive top-line volume growth and achieve cost-efficiencies in order to offset input cost push and protect margins.



International

The strategic thrust for the geographic expansion of the business has gained momentum over the past two years. Export growth has been significant, bolstered by the acquisition of Davita and the consequent strengthening of the group's distribution network across the rest of Africa. Tiger Brands' recent acquisitions in the rest of Africa have shown positive results, benefiting from the fix, optimise and grow strategies that have been implemented.

Growth of African exports and business operations – 2008 to 2012



** Excluding Langeberg and Ashton Foods, which mainly exports to developed markets.*

Goals and objectives

The group is focused on driving profitable growth in both the local and international divisions:

- *Domestic* – grow volumes by 2% greater than annual projected category growth
  - Regain Tiger Brands' market share in relevant categories
  - Growth in new/adjacent markets through innovation and/or acquisitions
- *International* – at least 30% top-line contribution
  - Increased exports
  - Innovation
  - Acquisitions and greenfield investments
- *Cost savings*
  - Cost synergies through shared services
  - Continuous improvement initiatives
  - Supply chain efficiencies and improvements in manufacturing architecture

Strategic thrusts

- Drive top-line growth efforts through focused revenue growth management
- Protect number 1 and 2 category positions through brand building and innovation
- Accelerate expansion in emerging markets
- Expand into adjacent/new markets through innovation and greenfield initiatives and/or acquisitions
- Achieve cost leadership to enable margin protection and reinvestment in top-line growth
- Establish customer leadership and competitive go-to-market capability
- Optimise the business portfolio

Key enablers

- Optimum human resource capacity and distinctive capabilities
- Secured sustainability for the future and an entrenched risk management system
- Differentiating innovation and enhanced technology/science capability
- Competitive, contemporary marketing strategies and appropriate brand investment to drive growth
- Single, enabling IT system to optimise synergies and leverage Tiger Brands' strength
- Efficient, sustainable supply chain

CORPORATE STRATEGY continued

KEY PERFORMANCE INDICATORS

The performance of Tiger Brands is measured against identified, long-term health metrics, which are aligned to the vision, mission and strategic thrusts of the company.

	Health metric	Target
Financial	Long-term profitable growth	Top-line growth ≥3% above SA GDP plus CPI ≥15% EBIT margin ≥3% real HEPS growth per annum
	Capital market performance	≥2% per annum above FINDI 30 index over rolling five-year period
	Return on invested capital/RONA	RONA ≥34%
	Return on equity	ROE ≥23% weighted average of total company
Brand leadership	Long-term brand share growth and strong brand equity	Number 1 or 2 in each category Market share ≥10 years ago Brand health score for core brands >60
	Brand investment for future sustainability and growth	Marketing investment ≥4% of net sales for all core brands
Customer performance	Preferred supplier status	Preferred supplier status with key customers
	Category leadership	Category leaders ≥70% of categories within top five customers
	Service levels	Service levels >95%
Organisational health	Employer of choice (positive climate and enabling culture)	Achieve top quartile score in Deloitte's Best Company to Work for survey
	Retention and development of best people	Retain 90% of key management Retain 80% of critical talent
Future sustainability	Licence to trade protected	Compliance with legislative and regulatory requirements

LEADERSHIP

ETHICAL LEADERSHIP

The board strives to ensure that the company conducts its business with the utmost integrity in all dealings with its stakeholders. The social, ethics and transformation committee reflects and guides Tiger Brands' commitment to responsible corporate citizenship.

The committee is tasked with monitoring Tiger Brands' compliance with relevant social, ethical and legal requirements and best practice codes. It further reports to shareholders on matters that fall within the scope of its mandate. The establishment of the committee will bring clearer focus to Tiger Brands' responsibility towards the communities in which it operates, on social transformation in the workplace, and on the protection of the safety, health and dignity of employees. (Please see "Corporate governance", page 58, for more information.)

The group has adopted a **Code of Ethics** ("the Code") which applies to all employees of the group and the board. The purpose and scope of the Code is to:

- Promote and enforce ethical business practices and standards in the group;
- Reflect the group's policy on ethics which forms part of the key performance indicators of each employee. (An acceptance of employment with the company is deemed to be an acceptance of the principles set out in the Code);
- Raise ethical awareness and guide day-to-day decisions;
- Support training programmes; and
- Assure customers, suppliers and competitors of the integrity of group companies.

Further, to give effect to the tenets of the Code, a confidential ethics hotline is in place and all reports received are investigated by the group's commercial audit department, which investigates and assists in prosecutions when fraud or other breaches of group policy have been identified.

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

LEADERSHIP continued

DIRECTORATE

The board of directors as at year end 30 September 2012:

Independent non-executive directors

1. André Parker (61)

Chairman

MCom

André was appointed to the Tiger Brands board in August 2007. He is a director of Distell Limited and Chairman of TSB Sugar Holdings. André was appointed as the Chairman of the company with effect from the close of the annual general meeting of shareholders held on 14 February 2012.

2. Bheki Sibiya (55)

Deputy Chairman

BAdmin, MBA

Bheki was appointed to the Tiger Brands board in March 2003. He is Chief Executive of the Chamber of Mines, a non-executive director of Famous Brands Limited, Chairman of CapAfrica and PPC Limited and Executive Chairman of Smartvest Investments.

3. Santie Botha (48)

BEcon (Hons)

Santie was appointed to the Tiger Brands board in August 2004. She is the Chancellor of the Nelson Mandela Metropolitan University. Santie is a director of Imperial Holdings Limited, Famous Brands Limited and Curro Holdings Limited.

4. Richard Dunne (64)

CA(SA)

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

5. Khotso Mokhele (57)

BSc Agriculture, MSc Food Science, PhD Microbiology

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

6. Makhup Nyama (55)

BCom, MBA, Diploma in Marketing Management

Makhup joined the Tiger Brands board in August 2010. He is a former Chief Executive Officer of Saab Grintek (Pty) Limited and Deputy Chief Executive of CS Holdings Limited. Makhup is a director of Makhup Properties, Kapela Holdings and Xon Holdings.

7. Rob Nisbet (57)

BCom, BAcc, CA(SA)

Rob was appointed to the Tiger Brands board in August 2010. He was Group Financial Director of MTN Group Limited for 14 years until he resigned to pursue his own interests. Prior to joining MTN Group he was a director of other private and public companies.

8. Maya Makanjee (50)

BA Fine Arts, BCom, MBL (cum laude)

Maya was appointed to the Tiger Brands board in August 2010. She has recently joined the Vodacom Group as the Chief Officer: Corporate Affairs. Prior to this, she was the CEO of FinMark Trust. Maya is also a director of the Vodacom Foundation and the World Wide Fund for Nature (WWF).

9. Mark Bowman (46)

BCom, MBA

Mark was appointed to the Tiger Brands board in June 2012. He is currently Managing Director of the African operations of SABMiller Plc. He previously held the positions of Managing Director of SABMiller Plc's Polish operation, Kompania Piwowarska S.A. and of ABI Limited.

LEADERSHIP continued

EXECUTIVE MANAGEMENT COMMITTEE

A

B

C

D

E

F

G

H

Executive directors

10. Peter Matlare **(53)**
Chief Executive Officer
BSc (Hons), MA
Peter was appointed to the group in April 2008. He is a non-executive director of Oceana Group Limited and an independent non-executive director of ABSA Group Limited and ABSA Bank Limited.

11. Funke Ighodaro **(49)**
Chief Financial Officer
BSc (Hons), FCA (England and Wales)
Funke was appointed to the group in June 2011. She is an independent non-executive director of Datatec Limited.

12. Clive Vaux **(61)**
Corporate Finance Director
CA(SA)
Clive was appointed to the Tiger Brands board in 2000. Prior to joining Tiger Brands, he held the positions of group financial director of CG Smith Limited and CG Smith Foods Limited and group financial director of Reunert Limited.

Executive management committee

Peter Matlare **(53)**
See above.

Funke Ighodaro **(49)**
See above.

Clive Vaux **(61)**
See above.

A. Neil Brimacombe **(48)**
Business Executive: Exports and International (excluding Nigeria)
BCom (Hons), MBL
13 years' service with the group.

B. Thabi Segoale **(40)**
Business Executive: Nigeria
MSc
Five years' service with the group.

C. Brenda Koornneef **(60)**
Group Executive: Marketing and Corporate Strategy
BCom
11 years' service with the group.

D. Matsie Matooane **(47)**
Group Executive: Human Resources
MIS, MBA
Seven years' service with the group.

E. Ian Isdale **(62)**
Group Company Secretary and legal adviser
BA, LLB, EDP
29 years' service with the group. Non-executive director of Country Bird Holdings Limited.

F. Phildon Roux **(47)**
Business Executive: Consumer Brands
BCom (Hons), MBA
Phil re-joined Tiger Brands Group in January 2011. Non-executive director of Oceana Group Limited.

G. Noel Doyle **(46)**
Business Executive: Grains
FCA, CA(SA)
Noel re-joined Tiger Brands Group in July 2012.

H. Patrick Sithole **(45)**
Group Supply Chain Executive
BSc Chem Eng
Patrick joined Tiger Brands in August 2012.

PERFORMANCE REVIEW

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REPORTS TO STAKEHOLDERS

CHAIRMAN'S LETTER TO STAKEHOLDERS

"Our South African base serves us well as we expand into the rest of the African continent."

Chairman: André Parker

Dear Stakeholders

This is the first opportunity to engage directly with you since my appointment as Chairman in February 2012. I deem it both a privilege and challenge to be Chairman of Tiger Brands, a truly iconic South African company that has been listed on the JSE for nearly 70 years, during which time it has provided real value growth to its stakeholders, while also building many leading South African brands. More recently, the company has significantly expanded its influence beyond the borders of South Africa.

You may rest assured that the board and management team are deeply aware of our role and responsibilities as custodians of this unique heritage, and that we will make every effort to ensure that the company continues to grow from strength to strength.

Environment

Trading conditions in the year under review were challenging. Significant difficulties being confronted by many of the world's major economies have not left South Africa unscathed. As a result, demand for our branded consumer goods has come under pressure as the consumer wilts under the burden of higher unemployment levels on the one hand, and the impact of increased commodity prices, on the other.

Expansion

This macro-economic situation has, however, been offset to some extent by the company's strategic move to expand into the rest of Africa. The rest of the continent is increasingly being recognised as the final emerging market opportunity, and our early investments are meeting our best expectations.

In the past four years, we have acquired interests in Kenya, Cameroon, Ethiopia and Nigeria, and increased our investment in Zimbabwe. In addition, the acquisition of Davita has also proved to be beneficial and is meeting expected profitability levels.

Subsequent to the financial year-end, the acquisition of a controlling interest in Dangote Flour Mills PLC of Nigeria, a market leader in both the Nigerian flour and pasta markets, was finalised. This acquisition adds significant scale to our existing Nigerian businesses and is an important step towards building on our African expansion strategy. A cornerstone of our strategy is to have strong and credible in-country partners. We are therefore delighted that Alhaji Aliko Dangote, one of Africa's most prominent industrialists, has undertaken to retain the Chairmanship of Dangote Flour Mills and a strategic stake in the company. Tiger Brands is indeed fortunate in having excellent in-country partners in Nigeria, Kenya, Ethiopia, Zimbabwe and Chile.

Although South Africa will always remain home for Tiger Brands, I am pleased to report that our stated strategy of diversification into new developing markets as sources of future growth, is well on track.

Results

The group achieved headline earnings of 1 689 cents per share for the year ended 30 September 2012, which represents a 7,3% increase compared to the previous year. This result is satisfactory given the tough trading conditions prevalent in South Africa. Peter Matlare deals more comprehensively with the key factors that influenced this performance in his Chief Executive Officer's report on pages 33 to 35.

It is noteworthy to report that, despite the pressures experienced by the South African consumer, most of our core brands have retained their market leadership positions, many of which are the number 1 or 2 brands in their categories. In particular, and for the second year running, Koo was named as the country's top consumer brand in the *Sunday Times* Top Brands Awards for 2012, while Tastic retained its number 1 position in the Essential Foods Category for the 12th consecutive year. In addition, a further six of the company's brands were listed among South Africa's Top 20 brands.

Corporate social investment

We maintained our Level 3 B-BBEE rating for the third consecutive year. The focus remains on employment equity, enterprise development and skills development.

Over the years, our CSI programme has evolved into a more strategic model focused on the impact of the projects we support. We have identified food security, nutrition, education and hygiene and sanitation as focus areas for our CSI spend.

The Tiger Brands Foundation successfully continued its in-school breakfast feeding scheme, which to date has served 6 076 714 breakfasts to primary school learners.

Please see pages 100 to 105 for further detail on our CSI projects and activities of the Foundation.

Directorate

Lex van Vught stood down as Chairman and director of the company during 2012. He was an exceptional leader who left his mark during six years at the helm, guiding Tiger Brands

REPORTS TO STAKEHOLDERS continued

through good and challenging times, as well as transforming the company into the leading regional African company that it is today. At a time when leadership is seemingly in short supply, Lex stands out as an example of a fully involved leader who stood the test of time. Tiger Brands owes Lex a great debt of gratitude and we wish him well in his retirement.

Mark Bowman, currently managing director for SABMiller Africa, was appointed as director during the year. We look forward to Mark's contribution, given his experience as a well-seasoned FMCG practitioner, coupled with his exposure to doing business in the rest of Africa.

Outlook

Although the economic outlook for 2013 remains challenging, your board is confident that the strength of our brands, together with the intense management focus on winning the route-to-market battle, will enable us to enhance our performance in South Africa.

In addition, our new acquisitions in the rest of Africa have the potential to deliver growth well in excess of the domestic market and we will be investing in the necessary financial and human resources in order to tap this potential. Our strong balance sheet will furthermore allow us to pursue more targeted value-adding acquisitions in developing markets.

Appreciation

In conclusion, we are fortunate in having a strong and committed management team, capably led by Peter Matlare. The board is appreciative of their and every employee's contribution to the success of Tiger Brands. In a similar vein, we cannot operate at all without the cooperation of our valued customers and suppliers, to whom we owe our very existence.

Finally, I wish to thank my fellow board members for their wisdom and support in ensuring that the board plays its leadership role in ensuring that Team Tiger achieves its goals.

André Parker
Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

"Good progress has been achieved in executing the group's growth strategy."

Chief Executive Officer: Peter Matlare

The 2012 financial year was challenging, reflecting in broad measure the state of the South African economy. Intense market competition and muted domestic growth were compounded by significantly increased volatility in the pricing of soft commodities, which negatively affected the food sector.

Consumer spending, which had previously been the main driver of domestic demand, slowed in the face of weaker business confidence and rising cost pressures. With above-inflationary cost increases affecting their real disposable income, consumers continued to make tough choices in their spending decisions, cutting back on consumption levels where necessary and widening their brand repertoire to include cheaper alternatives.

Growth on the balance of the African continent was more robust and the prior year acquisitions performed well, contributing positively to the 7,3% growth in headline earnings per share achieved for the year. Tiger Brands retained its strong financial position and continued to generate strong operating cash flows, affirming the group's proud record of stringent financial discipline and resilience in challenging economic times. The group maintained the number 1 or 2 brand position across most of the categories in which it participates and its core brands continued to be recognised through various awards for their brand stature. Significant progress has been achieved in the group's international expansion strategy, with the successful conclusion of the Dangote Flour Mills acquisition subsequent to the financial year end, providing added momentum.

Strategy update

The group is focused on driving profitable growth in both its domestic and international businesses through organic growth, innovation and further expansion of its footprint across selected emerging markets.

REPORTS TO STAKEHOLDERS continued

Organic growth

An overarching goal is to reposition the domestic businesses for growth by lowering our cost base to ensure long-term competitiveness.

Over the last three years, volumes have softened across a number of product categories, due to pricing differentials relative to economy brands and increased competition from private label offerings. Whilst the group maintains strong equity in all of its core brands, it has taken corrective action to stimulate volume growth in the domestic market and regain market share.

There is an increased focus on optimising the price points of the group's products relative to competitor brands and on increasing our investment in marketing as well on merchandising and customer facing structures to enhance delivery for customers and to increase consumption and penetration of our brands. The group will continue to defend and grow its core brands and provide consumers with the value they seek through affordable format offerings and expanded distribution into new market segments.

During the year, the group implemented a number of cost saving initiatives aimed at ensuring its competitive positioning on shelf and to secure top-line growth. The cost savings initiatives include a three-year project to standardise the different ERP platforms across the group, thereby improving visibility of costs and providing opportunities for better leverage of the group's purchasing activities. Further cost synergies will be derived through shared services in finance, procurement and other areas. Through various continuous improvement programmes, the group continues to generate efficiency gains and is improving its manufacturing architecture and supply chain structures.

Innovation and brand investment

In line with the group's strategy of delivering long-term sustainable growth for shareholders, we continue to renovate and extend our core brands according to changing market needs and the competitive environment. The group also continues to invest in marketing its products to support its leading brands. The role of innovation remains critical in maintaining the recognisable functional differentiation of our premium brands.

We continue to focus on the development of formats that are more accessible and offer a better value proposition relative to cheaper brands, and internal resources in the areas of R&D and new product development are being enhanced to strengthen our innovation capability.

Successful efforts in this regard during the year included, amongst others, the:

- Launch of Albany Ultima, a healthy seeded bread range targeted at health conscious consumers;
- Launch of Ingram's camphor cream for men, to take advantage of the growing market of men's grooming products;
- Exciting new Status deodorant fragrance variants;
- Extension of Koo into the wet stock seasoning category, with an innovative new concentrated Koo liquid thickening stock;
- Launch of the popular countline ranges (Jellytots, TV bar and Nosh) into chocolate slabs;

- Launch of the innovative Enterprise microwave bacon; and the
- Re-launch of Oros, Energade, Maynards, Allsorts, Crosse & Blackwell, Ingram's and Status brands.

International expansion

The group's international expansion efforts into the rest of the African continent have gained momentum over the last two years. This has led to significant growth in exports, accelerated by the prior year acquisition of Davita and the strengthening of our distribution network across Africa. This will facilitate the successful roll-out of our flagship brands into new markets over time. The international operations on the balance of the continent continue to benefit from the "fix, optimise and grow" strategies, which are being implemented as these businesses are integrated into the group. The group is on track to achieve its medium-term objective of a 30% revenue contribution from its international operations. Currently, the group has manufacturing operations in five countries across the African continent and exports to 32 countries on the continent, in aggregate contributing 16% of group turnover.

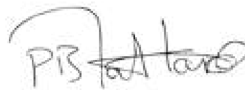
Subsequent to year-end, the group has concluded its acquisition of a 63,35% shareholding in Dangote Flour Mills Plc, the second largest flour milling company in Nigeria. The acquisition represents an important step in Tiger Brands' acquisition strategy on the balance of the continent and adds substantial scale to the group's existing interests in Nigeria. The Nigerian market is recognised as one of the fastest growing in sub-Saharan Africa and represents a significant growth opportunity for the group in the milling and related essential foods categories.

People

I would like to extend my sincere appreciation to all our employees who have been resilient and innovative under difficult conditions. Retention and development of our people remains a key area of focus.

Outlook

Given the ongoing weakness in the global economy, the continued volatility in soft commodity prices and the vagaries of the exchange rate, we expect that the 2013 financial year will be another tough year. In South Africa, consumers are likely to be affected by rising costs and increased unemployment whilst competition will remain intense. On the balance of the African continent, we expect better growth. However, none of these economies will be immune to the declining fortunes of the global economy. Our focus will be on delivering against the group's strategies, with precision, in order to ensure sustained growth and a further strengthening of our brands.



Peter Matlare
Chief Executive Officer

REPORTS TO STAKEHOLDERS continued

CHIEF FINANCIAL OFFICER'S REPORT

"The group delivered a solid performance overall notwithstanding the challenges in the domestic market."

Chief Financial Officer: **Funke Ighodaro**

Consolidated income statements

Highlights for the year ended 30 September

(R'millions)	2012	2011	%
Turnover	22 677	20 430	11,0
Operating income	3 474	3 245	7,1
Income from investments	20	19	5,3
Net financing charges	(138)	(64)	(115,6)
Income from associates	416	265	57,0
Abnormal items	5	127	
Profit before taxation	3 777	3 592	5,2
Income tax expense	(1 029)	(1 014)	(1,5)
Non-controlling interest	(30)	6	
Attributable to ordinary shareholders	2 718	2 584	5,2
HEPS (cents)	1 689	1 575	7,3

Group turnover increased by 11% to R22,7 billion, driven primarily by domestic pricing inflation of 8% and a solid contribution from exports and the international businesses. Domestic sales volumes declined by 3% due to a contraction in the market as well as increased competition across most categories. The export and international businesses, benefited from strong volume and pricing growth as well as the full year effect of acquisitions concluded in the prior year.

The group's operating margin compressed by 60 basis points to 15,3% due to the substantial cost inflation experienced during the year, which was exacerbated by increased volatility in agricultural soft commodity prices and the weak rand exchange rate. The increased costs were partly absorbed in order to maintain the competitiveness of the group's products on shelf and to protect sales volumes. The group's operating margin was also negatively affected by the sharp increase in the IFRS 2 share

option charge for the year, which largely resulted from the mark to market revaluation of the group's cash-settled share option liability. This was as a consequence of the 30% increase in the company's share price over the period.

It is pleasing to note that notwithstanding these pressures, the group was able to maintain its operating margin above its benchmark target of 15%. This was largely due to the group's continuous improvement initiatives as well as a tight focus on costs. In addition, margins were enhanced by the solid performance of the export and international businesses and the return to profitability of Langeberg & Ashton Foods, which was loss making in the previous two years.

As part of the efforts to reset its cost base, the group embarked on a number of initiatives during the year, including a three-year project to consolidate and standardise the ERP platforms across the group, in order to drive synergies through the establishment of shared service functions in finance, procurement and other areas. In addition, following a review of its manufacturing architecture, certain manufacturing facilities are being consolidated to achieve greater operational efficiency. It is anticipated that these initiatives will deliver meaningful savings in the medium term, which will be reinvested for longer-term sustainable growth in the domestic market.

Operating income increased by 7% to R3,5 billion. Excluding the effect of the IFRS 2 cash-settled share option charges, operating income grew by 9% to R3,6 billion. The domestic businesses reflected subdued growth, increasing operating income by 2% to R3,3 billion, whilst the export and international businesses more than doubled their contribution to operating income to R451 million.

Abnormal items include a R35 million profit recognised on the sale of the group's Mousson brand and certain costs relating to the acquisition of Dangote Flour Mills, which was concluded subsequent to the year end.

Net financing costs increased by 116% to R138 million in line with the group's increased borrowings.

Associate companies performed exceptionally well during the year, with the group's share of earnings growing by 57% to R416 million and the net income from associates accounting for 15% of the net profit attributable to ordinary shareholders.

Attributable net profit increased by 5% to R2,7 billion, after accounting for taxation of R1,0 billion and non-controlling interests of R29,6 million. The reduction in the group's effective tax rate to 27,2% mainly relates to the higher relative contribution to earnings of income from associates as well as prior year adjustments in respect of provisions no longer required.

Non-controlling interests increased to R29,6 million for the year compared to a loss of R5,6 million in the prior year.

Basic earnings per share increased by 4,8% to 1 706,7 cents. Impacted primarily by the take-on gain recognised in the prior year in respect of National Foods, headline earnings increased by 7,3% to 1 689,0 cents per share.

REPORTS TO STAKEHOLDERS continued

Financial position

As at 30 September

(R'millions)	2012	2011
Property, plant and equipment	3 359	3 317
Goodwill and intangible assets	4 012	3 826
Investments	2 655	2 360
Current assets	7 412	6 187
Total assets	**17 438**	15 690
Shareholders' equity	11 303	9 860
Non-controlling interests	393	386
Total equity	**11 696**	10 246
Non-current liabilities	657	676
Net debt	1 182	1 671
Current liabilities	3 903	3 097
Total liabilities and equity	**17 438**	15 690

The group's balance sheet remains strong, reflecting total shareholders' equity of R11,7 billion and net gearing of 10% at the year-end. During the year, the group invested R480 million in capital expenditure and acquired intangible assets relating to the Status deodorant brand with effect from 1 November 2011. Capital expenditure on property, plant and equipment was significantly lower than the prior year spend due to timing delays resulting from the review of the group's manufacturing architecture. A number of capital projects have been carried into the 2013 financial year.

The increase in investments was largely due to the group's share of earnings from associate companies of R416 million net of dividends received of R176 million, as well as the increased investment in National Foods Holdings of R97 million. In addition, there was a R41 million reduction in the group's investment in pension fund surplus assets due to contribution holidays taken during the year.

Inventories of R3,7 billion were higher by R620 million due to the substantial cost inflation experienced in the year, as well as slower sales volumes and a deliberate stock build up in certain of the group's divisions, ahead of the busy first quarter of the 2013 fiscal. The 8% increase in trade receivables to R3,0 billion was roughly in line with the group's pricing inflation.

Current liabilities increased by R806 million to R3,9 billion, and include provisions of R515 million relating primarily to leave pay and the group's IFRS 2 cash-settled share option liability.

Net debt reduced by R489 million to R1,2 billion, whilst total shareholders' equity increased by R1,5 billion to R11,7 billion. Net profit increased shareholders' equity by R2,7 billion, with foreign currency and other movements adding a further R51 million, mainly as a result of a foreign currency hedge taken out in anticipation of the Dangote Flour Mill acquisition. Dividends paid in the year amounted to R1,3 billion.

Cash flow

Year ended 30 September

(R'millions)	2012	2011
Cash available from operations	2 632	2 665
Dividends and capital distributions	(1 318)	(1 230)
Capital expenditure	(480)	(818)
Acquisitions	(408)	(2 112)
Other items	78	(148)
Net decrease/(increase) in net debt	504	(1 643)
Effects of exchange rate movements	(15)	(70)
Net (debt)/cash at the beginning of the year	(1 671)	42
Net (debt)/cash at the end of the year	(1 182)	(1 671)

Cash from operating activities of R2,6 billion was in line with the prior year, net of increased working capital requirements due to the higher inventory levels. Dividends paid of R1,3 billion were 7,2% higher than the prior year. Capital expenditure of R480 million was R338 million lower than the prior year, whilst the net cash outflow in respect of acquisitions amounted to R408 million, compared to R2,11 billion in the prior year.

Acquisitions and disposals

During the year, the group spent R218 million on the acquisitions of the Status, Simply Cereal and Spiraforce brands. A further R90,1 million was invested in increasing the group's shareholding in Langeberg & Ashton Foods from 66,6% to 100%. In addition, the group's shareholding in National Foods was increased by 11,7% to 37,4% for a purchase consideration of R97 million.

Insurance proceeds of R22,8 million were received following fire damage at the Pietermaritzburg bakery in addition to the proceeds of R35 million received on the disposal of the Mousson brand. Further details of the acquisitions are set out in note 39 to the annual financial statements.

Events after the balance sheet date

With effect from 4 October 2012, the group concluded its acquisition of a 63,35% shareholding in Dangote Flour Mills for a total purchase price of R1,5 billion.

The purchase agreement provides for the payment of an additional purchase consideration in the event that DFM achieves certain profit hurdles in respect of its financial year ending 31 December 2012. Based on DFM's current trading performance, it is not anticipated that any additional consideration will become due for payment by Tiger Brands.

Liquidity

The group's main source of liquidity continues to be cash generated from its operations. In addition, Tiger Brands has uncommitted credit facilities in place for general corporate purposes. The undrawn committed credit facilities in place as at 30 September 2012 amounted to R2,6 billion. The company is satisfied that its financing arrangements are adequate to meet its working capital requirements for the foreseeable future.

REPORTS TO STAKEHOLDERS continued

Obligations

Details of the group's contractual commitments as at 30 September 2012 are set out in note 33 to the annual financial statements.

Market capitalisation and final shareholder distribution

The company's total market capitalisation (including treasury and empowerment shares) as at 30 September 2012 was R52,2 billion, R12,2 billion higher than in the prior year.

A final dividend of 555 cents per share has been declared for the year ended 30 September 2012. This dividend, together with the interim dividend of 295 cents per share declared at the half year, is equivalent to a total dividend for the year of 850 cents per share. (2011: 791 cents). The company continues to maintain its policy of paying an annual distribution based on a headline earnings cover of two times.

Financial risk management

The group is exposed to a range of financial risks through its business activities, including risks relating to the markets, currency risks, interest rate risks, soft commodity prices, credit and liquidity risks. The group's exposure to, and the policies for managing these risks are detailed in note 37 of the annual financial statements.

Funke Ighodaro
Chief Financial Officer

MILESTONES

1920s Jacob Frankel establishes business in Newtown, Johannesburg

1920 Tiger Brands logo registered

1925 Jungle Oats launched

1944 Tiger Oats and National Milling Company Limited incorporated and listed on the JSE

1982 Barlow Rand (now Barloworld) acquires majority share in Tiger Brands through CG Smith Limited

1993 CG Smith unbundled from Barlow Rand

1998 Tiger Oats acquires ICS Holdings Limited (formerly the Imperial Cold Storage and Supply Company)

1999 Acquires stake in Empresas Carozzi of Chile

2000 Tiger Oats renamed Tiger Brands

2000 Adcock Ingram becomes a wholly owned subsidiary of Tiger Brands and delists from the JSE

2001 Tiger Brands unbundles and separately lists its animal feed and poultry operations into Astral Foods

2004 Tiger Brands unbundles and separately lists Spar

2006 Acquires the sugar confectionery businesses of Nestlé, including Jelly Tots

2007 Expands branded portfolio by acquiring Bromor Foods, with key brands Oros, Energade and Rose's

2008 Unbundles and separately lists Adcock Ingram

2008 Extends African footprint by acquisition of controlling stake in Haco Industries of Kenya and Chococam of Cameroon

2009 Further expands branded portfolio by acquisition of Crosse & Blackwell

2011 Further African expansion by acquisition of interest in the East Africa Group of Ethiopia and Deli Foods of Nigeria

2011 Acquires Davita, a South African exporter of powdered seasonings and beverages

2012 Acquires 63,35% interest in Dangote Flour Mills in Nigeria, subsequent to financial year-end

DIVISIONAL REVIEW

GRAINS

(R'millions)	2012	2011	% change
Turnover	8 854,0	8 348,9	6,0
Operating income	1 731,7	1 746,1	(0,8)
Operating margin (%)	19,6	20,9	

Salient features

- Intensly competitive landscape
- High inflationary cost cycle and volatility in agricultural soft commodity pricing
- Significant shift in relativity of Thai and Indian rice prices
- Good progress on innovation

The year under review

The Grains division faced substantial cost inflation and volatility during the year, which resulted in higher selling prices and softer volumes. Overall pricing inflation of 10% was offset by a 4% volume decline, which largely arose in the maize and rice businesses. The raw material prices of maize and sorghum were at historical highs, whilst pricing in the rice market was affected by the abnormally high differentials between the cost of higher grade Thai rice, largely used by the group, and lower grade Indian rice that was available in the market during the year and used by economy brands. Following the intense competition in the prior year due to deep discounting by competitors, pricing in the wheat milling and baking business normalised, limiting the extent of the margin compression for the business as a whole. Operating income of R1,7 billion was in line with the prior year.

Milling and Baking

The milling and baking businesses performed satisfactorily during the year, notwithstanding the significant cost inflation and volatility experienced in the raw material cost in particular of maize and sorghum. Turnover growth of 8% was largely driven by pricing inflation due to input cost pressures, which were partially absorbed by the business to maintain the competitiveness of products on shelf and to stimulate volumes. Efforts to limit the impact on operating margins through cost saving initiatives were largely successful and an operating margin of 22,0% was achieved, which was marginally below the prior year margin of 22,3%. Operating income increased by 7% to R1,5 billion, notwithstanding some volume decline in certain businesses.

Within the bread category, volumes were softer and competition increased because of sustained promotional pricing by branded competitors and Instore bakeries. Nonetheless, the Albany brand continues to deliver on its premium positioning despite aggressive pricing strategies by competitors. In line with its innovation focus,

Albany launched the Ultima range of health breads, which has performed well over the period. The business will continue to drive profitable growth through expanded distribution, particularly within its core inland market, as well as continued innovation through its value-added range of products.

Within the milling business, maize volumes were negatively affected by record soft commodity prices, which remain extremely volatile, and the relative low cost of alternative carbohydrate products. Tiger Brands continues to drive innovation in its core super maize product, based on consumer research.

Volumes in the wheat milling business continue to recover following the extensive deep discounting by competitors that occurred in the prior year and also due to innovation in the consumer pre-mix flour category.

Raw sorghum prices increased by 35% during the year, negatively affecting volumes and operating margins within the King Food business. The Ace Instant porridge product performed well in the face of increasing competition.

Other Grains

The results of the Other Grains division were negatively affected by the poor performance of the rice business during the year, culminating in turnover growth of 1% and a 29% decline in operating income to R259 million.

Rice volumes declined significantly due to the impact of the pricing differential between premium graded Thai rice used in the group's core Tastic and Aunt Caroline brands and lower grade Indian rice varieties which became available in the local market following the opening up of the Indian rice market to exports, for the first time in a number of years. For much of the 2012 financial year, Thai rice traded at a significant premium to other varieties due to the Thai government's policy of setting minimum benchmark prices at which it buys rice from local farmers. This has resulted in the pricing of Thai rice being artificially inflated relative to other rice varieties in the market.

In the short term, given the group's significant position in the rice market and taking into account quality considerations, we continue to maintain our existing supply chains in anticipation of the Thai policy being reversed over the medium term. Considerable stock build-up by the Thai government and loss of Thai rice exports has occurred since the policy was implemented. The pricing differential has had a significant negative impact on margins as the rice business has had to partially absorb the resulting cost inflation in order to remain price competitive relative, in particular, to economy brands, which have benefited from the influx of cheaper Indian rice varieties. Alternative sources of supply will be pursued in the event that the Thailand government policy persists.

The Jungle division achieved solid turnover growth, underpinned by organic growth as well as the acquisition of the Simply Cereal business, a manufacturer of muesli products. Volumes were supported by innovation-led growth, with the launch of new flavour variants supporting consumer demand.

Outlook

The outlook for the year ahead remains challenging and the high levels of inflation and volatility in the soft commodity market are likely to persist, exacerbated by the current weakness in the rand exchange rate. It is expected that the pricing of Thai rice will remain artificially high for some time due to the Thai government's support of its local farmers, and this may result in some level of instability in the rice market in the immediate period ahead. Innovation remains core to our business and significant work has been done throughout the division based on consumer research and trials to ensure that the group continues to win with consumers and customers in its core markets.

DIVISIONAL REVIEW continued

CONSUMER BRANDS

(R'millions)	2012	2011	% change
Turnover	10 190,1	9 704,6	5,0
Operating income	1 522,2	1 457,1	4,5
Operating margin (%)	14,9	15,0	

Salient features

- Good progress on value chain re-engineering
- Cost and efficiency focus enhanced
- Market shares stabilised
- Innovation focus and delivery improved

Markets came under pressure during the year, as consumers faced ongoing constraints with regard to their disposable income. Although market share stabilised, profit margins were compressed slightly due to aggressive market competition. These factors necessitated a deeper focus on cost and efficiency improvements, as well as a drive for volume growth, through pricing activities and an increased investment in marketing and trade spend.

Across the division, a number of value chain re-engineering work streams were initiated in an effort to position the business for sustained competitiveness. In addition, there was a heightened focus on innovation, particularly within the snacks and treats and beverages businesses.

Groceries

Turnover grew by 10%, driven by volume growth of 3% and pricing inflation of 7%. This was impacted by high raw material costs, particularly in spreads (peanut butter), canned meats and dry beans (used in baked beans). In order to maintain the cost competitiveness of products on shelf, pricing restraint was exercised, with the input cost push pressures being partially absorbed by the business in key product segments. Trade marketing spend was also increased to stimulate demand. These factors had a negative impact on the overall operating margin, which declined by 100 basis points to 14,3%. Nonetheless, the business grew operating income by 3% to R539 million, with market shares being stabilised across a number of product categories.

The focus on increased efficiencies remains a critical enabler to future growth. In this regard, good progress has been made through continuous improvement and value chain re-engineering initiatives, which bode well for the future.

Snacks and Treats

The confectionery category was hard hit by the macro-economic environment, given the discretionary nature of this segment. The total sugar confectionery market contracted by 3,3% in volume terms. Industrial action at Beacon compounded this position, negatively affecting service levels in the first half of the financial year. Good progress was made in restoring margins and recovering lost sales in

the second half of the financial year, assisted by new product innovation and renovation of core brands. Although turnover growth was subdued at 2%, market shares in key segments improved. Strong operational leverage resulted in a 37% growth in operating income to R267 million.

Beverages

Competition remains aggressive in the sports drinks and dairy fruit blend categories, with a commensurate reduction in sales volumes and market share. A network optimisation study was completed towards the end of the year, which will lead to plant consolidation and investment in high-speed production capacity. This should significantly enhance the competitiveness of the business. Due to the difficult trading environment, turnover declined by 4% to R990 million, however, operating income increased by 8% to R101 million. Exciting product innovation and a focused summer campaign, together with value chain improvements, should position the business favourably for 2013 and beyond.

Value added meats products (VAMP)

The VAMP business was under pressure from low-cost competition and private label growth. As a result, sales volumes declined and market shares contracted. Margins were negatively affected by the sharp increases in animal feed costs, which were partly absorbed in an effort to compete effectively. This, together with the lower volumes, resulted in a 23% decline in operating income to R93 million, notwithstanding a 2% growth in turnover. A concerted effort to contain costs will be required to enhance competitiveness without compromising on quality, product innovation and continued investment in leading technology.

Home, personal care and baby (HPCB)

Increased competition from multinationals with high rates of innovation and brand investment suppressed volumes and prices, resulting in modest growth in turnover and a flat operating income position. The home care category contracted by 7,3% in volume terms during the reporting period, driven particularly by the Insecticides category. However, Tiger Brands was able to maintain its market leading position through the Doom brand.

Within personal care, the newly acquired Status brand performed in line with expectations while the Ingram's skin care brand performed particularly well, benefiting from significant market support.

The baby care category faced new entrants within the jarred baby food segment. Tiger Brands responded by focusing on price management and increased brand support in order to defend its market position. Sustained innovation, together with focus on marketing and trade programmes, will be key to maintaining the group's market position within baby nutrition. Purity/Elizabeth Anne maintained its market share within the non-nutrition category.

In aggregate, HPCB grew turnover by 3% to R1,9 billion, whilst operating income remained flat at R454 million.

Out of Home

The Out of Home business performed satisfactorily, notwithstanding a difficult economy which severely impacted the food services sector. Turnover grew by 19% as a result of a 12% volume growth. However, operating income declined by 1% to R68 million due to significant input cost pressures.

Commercial outlook

Sustained competitor activity within a protracted low growth market is anticipated. It is essential that the critical value chain re-engineering efforts being implemented gain traction, and that a rigorous cost and efficiency focus is maintained in support of market share gaining strategies. Highly differentiated innovation and brand activity will be key success factors.

DIVISIONAL REVIEW continued

EXPORTS AND INTERNATIONAL

(R'millions)	2012	2011	% change
Turnover	3 634,0	2 381,2	52,6
Operating income	451,0	208,9	115,9
Operating margin (%)	12,4	8,8	

Salient features

- Strong performance overall underpinned by solid volume growth
- Prior year acquisitions largely bedded down and performing to expectations
- Challenges at Deli Foods being addressed

The year under review

Much progress has been made in integrating the businesses acquired in the prior financial year into the group. Other than in respect of Deli Foods, which experienced some challenges during the year, these businesses performed well and are trading in line with expectations. TBI Exports, Haco and Chococam achieved strong volume and turnover growth, whilst Langeberg & Ashton Foods, which made a loss in the previous two years, achieved a substantial profit turnaround during the year.

The businesses within the Exports and International division grew turnover by 53% during the year and now account for 16% of total group turnover. Excluding the contribution from prior year acquisitions, organic growth for the year was 21%.

The overall operating margin for the division improved from 8,8% to 12,4%, bolstered by the profit turnaround achieved by Langeberg & Ashton Foods as well as the high-margin contribution from Davita. Operating income for the division increased by 116% to R451 million, with the newly acquired businesses contributing 55% of this growth.

Expansionary growth remains a key thrust within the International division, driven by:

- Organic growth through innovation and deeper market penetration across the various territories in which the group operates;
- New category entry, either through exports or investment in greenfield assets; and
- Further acquisitions

The group's international expansion efforts are largely focused in sub-Saharan Africa. However, we continue to investigate opportunities as well in Latin America.

Exports

Tiger Brands International

The exports business enjoyed another successful year. Excellent volume growth of 21% was achieved on the back of strong demand from Southern African countries.

Margins were maintained and operating income grew by 26% relative to the prior year. This was achieved notwithstanding increased competition from new low-cost entrants, with pricing, pack size and format expression being critical components for competing effectively. The division continues to drive penetration of its products in new and existing geographies, broadening the range of Tiger Brands' products being distributed and marketed.

Davita (100% held by Tiger Brands)

Davita was acquired by the group with effect from 31 May 2011 and consequently its results for the 2012 financial year are not directly comparable with the previous year. It is a manufacturer of powdered juices and seasoning products, with its two key brands being Jolly Jus and Benny. Its manufacturing operations are based in Johannesburg and its products are exported to approximately 32 countries in the rest of Africa.

Ongoing initiatives are in place to align and optimise the operations of Davita with the group's requisite standards and to address capacity issues through manufacturing upgrades and process changes. Pleasing revenue synergies have been achieved by expanding Davita's distribution base across the group's existing footprint, with a consequent improvement in volume growth.

Prospects for the business remain promising and growth will be pursued through innovation, increased marketing and further penetration into new and existing markets.

Langeberg & Ashton Foods (L&AF) (100% held by Tiger Brands)

Tiger Brands increased its shareholding in L&AF from 67% to 100% with effect from 31 October 2011.

L&AF is one of the largest producers of canned fruits and fruit purées globally and exports approximately 85% of its output, mostly to developed markets.

The year under review saw a pleasing profit turnaround from a R43,3 million loss position in 2011. This was achieved notwithstanding intense competition from fruit producers in developed countries and increased European import tariffs on certain purée products. Although sales volumes were marginally down on the prior year, the profit turnaround was achieved through significant improvements in pricing, assisted by currency gains arising from the weak rand exchange rate. Margin expansion was further assisted through the elimination of unprofitable and low-margin contracts as well as growth through new export channels such as China. During the year, the business invested R16 million in a new asceptic plant, which will result in increased capacity, improved efficiencies and greater flexibility in the management of its fruit intake.

International

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

Haco Tiger Brands continues to record excellent growth in its core stationery and personal care categories, expanding its distribution footprint across the east African region through consumer-led innovation. However, stationery volumes in its domestic market have been disappointing due to aggressive pricing by competitors.

Continued investment in Haco's manufacturing base, as well as continuous improvement initiatives, have resulted in margin expansion.

DIVISIONAL REVIEW continued

Efforts to expand its food category participation are reflecting good progress, with the confectionery, condiments and baby nutrition segments in particular showing growth.

Cameroon: Chocolaterie Confiserie Camerounaise (Chococam) (74,7% held by Tiger Brands)

Chococam achieved pleasing volume growth in its core categories of candies, powdered beverages, and chocolate spreads, both in its domestic market, as well as in its key central African export markets.

The business has continued to make progress in upgrading its manufacturing facilities, with the associated efficiencies impacting positively on costs. Its market leading position across most of its product categories was sustained through increased investment in marketing and brand building as well as improved route-to-market and distribution capabilities. New product innovations contributed to the solid top-line growth.

The combination of volume growth, and a tightly managed cost base, resulted in double-digit growth in operating income. With a strong innovation pipeline, this business is expected to achieve continued growth in 2013.

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

The acquisition of a 51% interest in EATBI was concluded at the end of April 2011. Consequently, its results for the 2012 financial year are not directly comparable with the prior year. The business holds leading positions in laundry powder, laundry soap, skin care products and pasta.

Manufacturing efficiency initiatives contributed to a pleasing business performance in 2012 and much work has been done to align the operations of EATBI to the group's requisite standards. The positive volume momentum achieved in 2012 is expected to continue in 2013, with a number of new category extensions and product launches planned.

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

Deli Foods, a biscuit manufacturing business based in Lagos, was acquired in April 2011. Consequently, its results are not directly comparable with the prior year.

Deli Foods operated in a challenging macro-economic environment in 2012, with sectoral violence in the north of the country and riots associated with the petrol price subsidy reduction affecting its first half performance. In the second half, sustained aggressive competitor pricing and business disruptions resulted in a disappointing performance for the year. Pleasing progress has been made on a number of group integration initiatives, and a much improved performance is expected in 2013.

Associate companies

South Africa: Oceana Group Limited (OCEANA) (44,7% held by Tiger Brands)

Oceana is a leading fishing company listed on the JSE Limited. Its headline earnings per share for the year ended 30 September 2012 increased by 37% compared to the previous year, while earnings per share increased by 33%. Improved results were achieved by each of Oceana's business segments on the back of a 27% increase in turnover.

Canned fish sales volumes on the domestic market were considerably higher than the previous year with the business benefiting from its Lucky Star brand and rising incomes in the lower LSM segments of the market.

Chile: Empresas Carozzi (24,4% held by Tiger Brands)

Empresas Carozzi is a leading branded food business in South America, based in Chile. It also has manufacturing operations in Peru.

The year under review was highly successful for Empresas Carozzi, with good performances from its domestic food and confectionery businesses, exports and agro-industrial divisions.

A leading petfood business, Nutripro, acquired in October 2011, has performed above expectations and is expected to contribute meaningfully to sales and profits in the future.

Significant investments have been made in 2012 in the upgrading of the pasta, petfood, biscuits, powdered juices and chocolate facilities, with capacity expansion investments also being made in chocolates and biscuits. These investments are expected to make a positive contribution to the business in 2013.

The overall improved Chilean economic environment, the Nutripro acquisition, and the ongoing investments in productive capability, brands and innovation, provide for a positive outlook for 2013.

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

The acquisition of the 49% interest in UAC Foods took effect in May 2011. As part of the alignment to Tiger standards, good progress has been made in upgrading the manufacturing assets.

The impact of rising costs and inability to recover prices in the market were mitigated by the successful implementation of continuous improvement and other efficiency initiatives.

Manufacturing capacity within snacks was increased during the year, with further capacity expansion plans scheduled to be rolled out early in 2013.

A number of innovation projects activated towards the end of the 2012 financial year, coupled with an improved macro-economic environment, are expected to contribute to an improved operating performance in 2013.

Zimbabwe: National Foods Holdings (37,4% held by Tiger Brands)

National Foods is a leading branded food company operating in Zimbabwe through an infrastructure of factories, depots and agencies. The company posted pleasing operating profit growth during the year, underpinned by double-digit volume growth, improved operational efficiencies and a focus on the core areas of the business.

The Zimbabwean economy has remained stable throughout the year although the second half of the financial year showed signs of slowing down due to liquidity constraints. The FMCG category experienced fierce competition from wholesalers and a surge of imported low cost product of variable quality. The focus from 2009 to 2012 has been to establish a competent manufacturing base and to compete for market share with nationwide distribution capability and keenly priced products. Good progress has been made in achieving its central strategic intents but there is still significant work to be done to right size and re-equip the business to match regional efficiency benchmarks.

KEY STATISTICS

FIVE-YEAR REVIEW

for the year ended 30 September 2012

(R'millions)	2012	2011	2010	2009[4]	2008[2,4]	2008[3,5]
Consolidated income statements						
Revenue	**22 771**	20 479	19 378	20 643	19 170	20 126
Profit before taxation, income from associates and abnormal items	**3 356**	3 200	2 951	2 909	2 449	2 575
Income from associates	**416**	265	252	204	72	72
Abnormal items	**5**	127	(188)	344	4	13
Profit before tax	**3 777**	3 592	3 015	3 457	2 525	2 660
Income tax expense	**(1 029)**	(1 014)	(840)	(978)	(792)	(826)
Profit for the year	**2 748**	2 578	2 175	2 479	1 733	1 834
Attributable to:						
Shareholders of the parent	**2 718**	2 584	2 192	2 444	1 696	1 770
Non-controlling interests	**30**	(6)	(17)	35	37	64
Consolidated statements of financial position						
Property, plant and equipment	**3 359**	3 317	2 586	2 203	2 369	2 369
Goodwill and intangible assets	**4 012**	3 826	1 986	1 669	1 714	1 714
Investments	**2 655**	2 360	1 717	1 510	1 479	1 479
Current assets	**7 783**	6 693	6 695	6 237	7 026	7 026
Total assets	**17 809**	16 196	12 984	11 619	12 588	12 588
Issued capital and reserves before share-based payment reserve	**10 970**	9 562	8 064	6 850	5 639	5 639
Share-based payment reserve	**332**	298	252	134	122	122
Non-controlling interests	**393**	385	285	301	458	458
Deferred taxation liability	**250**	300	123	98	227	227
Provision for post-retirement medical aid	**407**	377	351	326	328	328
Long-term borrowings	**235**	537	404	483	498	498
Current liabilities	**5 222**	4 737	3 505	3 427	5 316	5 316
Total equity and liabilities	**17 809**	16 196	12 984	11 619	12 588	12 588
Consolidated cash flow statements						
Cash operating profit after interest and taxation	**3 048**	2 686	2 608	2 233	1 858	1 858
Working capital changes	**(592)**	(173)	(113)	(471)	(548)	(548)
Dividends received	**176**	152	131	79	50	50
Cash available from operations	**2 632**	2 665	2 626	1 841	1 360	1 360
Dividends and capital distributions paid[1]	**(1 318)**	(1 230)	(1 180)	(1 259)	(1 121)	(1 121)
Net cash flow from operating activities	**1 314**	1 435	1 446	582	239	239
Net cash flow from investing activities	**(732)**	(2 914)	(1 100)	172	(811)	(811)
Net cash flow before financing activities	**582**	(1 479)	346	754	(572)	(572)
Net cash flow from financing activities	**(297)**	(96)	1	100	(854)	(854)
Net cash flow from discontinued operation	**–**	–	–	290	225	225
Net increase/(decrease) in cash and cash equivalents	**285**	(1 575)	347	1 144	(1 201)	(1 201)

Notes

1. Includes capital distribution of R372,7 million in 2011, R1 155,4 million in 2010 and R457,8 million in 2008.

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.

6. In terms of IFRS 5, the statement of financial position was not restated for the sale of Sea Harvest whereas the statement of comprehensive income was restated. Accordingly, ratios which contain references to the statement of comprehensive income have been adjusted for the sale of Sea Harvest.

DEFINITIONS

Term	Definition
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 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 are 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 finance costs.
Net funding	Capital and reserves, non-controlling interests and long-term and short-term borrowings net of cash.
Net debt	Short-term borrowings and long-term borrowings, less cash and cash equivalents.
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 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).

KEY STATISTICS continued

SEGMENTAL REPORT

for the year ended 30 September

(R'millions)	Turnover[1] 2012	Turnover[1] 2011	Operating income[2] 2012	Operating income[2] 2011	Depreciation and amortisation 2012	Depreciation and amortisation 2011	Impairment losses 2012	Impairment losses 2011
DOMESTIC OPERATIONS	19 043,0	18 049,0	3 023,3	3 035,7	361,1	336,2	0,9	9,7
Grains	8 854,0	8 348,9	1 731,7	1 746,1	112,4	102,5	–	–
Milling and baking[3]	6 681,9	6 192,2	1 472,9	1 382,2	102,5	92,4	–	–
Other Grains[4]	2 172,1	2 156,7	258,8	363,9	9,9	10,1	–	–
Consumer Brands	10 190,1	9 704,6	1 522,2	1 457,1	201,4	187,8	0,9	9,7
Groceries	3 771,7	3 423,4	539,1	523,9	101,2	88,2	–	–
Snacks & Treats	1 762,2	1 734,3	266,9	195,4	40,6	39,8	–	–
Beverages	990,3	1 029,0	101,4	94,3	17,6	17,1	0,9	–
Value Added Meat Products	1 450,2	1 419,3	92,6	120,7	29,9	29,9	–	–
Out of Home	350,6	295,1	68,2	69,2	–	–	–	2,6
HPCB	1 865,1	1 803,5	454,0	453,6	12,1	12,8	–	7,1
Personal care	625,0	589,1	156,4	156,3	5,5	5,7	–	5,2
Babycare	658,7	628,5	183,1	183,9	1,0	1,1	–	–
Homecare	581,4	585,9	114,5	113,4	5,6	6,0	–	1,9
Domestic intergroup sales	(1,1)	(4,5)	–	–	–	–	–	–
Other[5]	–	–	(230,6)	(167,5)	47,3	45,9	–	–
Exports and International	3 634,0	2 381,2	451,0	208,9	84,0	48,2	–	–
Exports	1 264,7	712,0	313,2	170,2	10,3	3,5	–	–
International operations	1 366,5	822,3	111,4	82,0	62,5	34,7	–	–
Deciduous Fruit	1 130,0	962,4	26,4	(43,3)	11,2	10,0	–	–
Other intergroup sales	(127,2)	(115,5)	–	–	–	–	–	–
TOTAL	22 677,0	20 430,2	3 474,3	3 244,6	445,1	384,4	0,9	9,7

Notes

All segments operate on an arm's length basis in relation to intersegment pricing.

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. Includes the corporate office and management expenses relating to international investments. Also included are IFRS 2 charges relating to the Phase I and II black economic empowerment transactions of R35,6 million (2011: R50,2 million) and the cash-settled options of R142,1 million (2011: R65,3 million).

(R'millions)	Total assets[4] 2012	Total assets[4] 2011	Accounts payable, provisions and accruals and taxation 2012	Accounts payable, provisions and accruals and taxation 2011	Capital expenditure 2012	Capital expenditure 2011
DOMESTIC OPERATIONS	13 526,8	12 179,9	3 433,4	2 681,1	411,7	779,3
Grains	4 954,0	3 930,4	1 069,3	785,7	217,1	552,2
Milling and baking[1]	3 826,0	3 032,8	707,0	602,8	206,1	544,6
Other Grains[2]	1 128,0	897,6	362,3	182,9	11,0	7,6
Consumer Brands	7 746,2	7 425,0	1 574,3	1 470,9	165,9	201,7
Groceries	3 080,7	3 049,8	579,4	593,0	101,0	115,3
Snacks & Treats	717,6	870,6	312,3	222,3	25,7	38,5
Beverages	1 577,7	1 468,6	178,6	160,5	11,2	19,0
Value Added Meat Products	1 017,3	878,4	246,4	225,0	24,5	22,2
Out of Home	–	–	0,4	(0,5)	–	–
HPCB[4]	1 352,9	1 157,6	257,2	270,6	3,5	6,7
Other – FCMG[3]	826,6	824,5	789,8	424,5	28,7	25,4
Exports and International	4 282,7	4 016,2	470,9	415,7	68,6	38,5
Exports	2 147,6	2 111,6	79,6	79,3	1,7	3,4
International operations	1 294,2	1 236,6	254,5	215,9	44,3	31,8
Deciduous Fruit	840,9	668,0	136,8	120,5	22,6	3,3
TOTAL	17 809,5	16 196,1	3 904,3	3 096,8	480,3	817,8
Split of non-current assets						
South Africa	6 737,6	6 490,5				
Outside South Africa	633,7	651,9				
TOTAL	7 371,3	7 142,4				

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] *Reconciliation of total assets.*

(R'millions)	2012	2011
Total assets per statements of financial position	17 853,4	16 196,1
Deferred taxation assets	(43,9)	–
	17 809,5	16 196

KEY STATISTICS continued

VALUE ADDED STATEMENT

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:

(R'millions)	2012	%	2011	%
Turnover	22 677,0	100,0	20 430,2	100,0
Less: Net cost of products and services	16 114,3	71,1	14 493,6	70,9
Value added	6 562,7	28,9	5 936,6	29,1
Add: Income from investments and associates	488,4	2,2	304,3	1,4
Wealth created	7 051,1	31,1	6 240,9	30,5
Applied to:				
Employees				
Salaries, wages and other benefits	2 530,1	35,9	2 241,1	35,9
Providers of capital	1 509,2	21,4	1 313,8	21,1
Interest on borrowings	191,0	2,7	83,6	1,3
Dividends and capital distributions to non-controlling interests and preference shareholders	4,1	0,1	0,7	0,1
Capital distributions to ordinary shareholders	–	–	372,7	6,0
Dividends to ordinary shareholders	1 314,1	18,6	856,8	13,7
Government				
Taxation (refer note 1)	1 189,1	16,9	1 082,6	17,3
Retained in the group	1 822,7	25,8	1 603,4	25,7
	7 051,1	100,0	6 240,9	100,0
Note 1				
Income taxation (excluding deferred tax)	1 080,5		1 003,2	
Skills development levy	17,5		13,4	
Rates and taxes paid to local authorities	27,7		23,5	
Customs duties, import surcharges and excise taxes	63,4		42,5	
Gross contribution to government	1 189,1		1 082,6	

The payments to government exclude taxation deducted from employees' remuneration of R285,8 million (2011: R275,2 million), net VAT of R133,2 million (2011: R132,3 million), excise duty on revenue and UIF payments as well as dividend withholding tax.

(R'millions)	2012	%	2011	%	2010	%	2009	%	2008	%
Trend of value added										
Employees	2 530,1	36	2 241,1	36	2 151,9	37	2 338,9	37	2 577,2	38
Providers of capital	1 509,2	21	1 313,8	21	1 305,3	22	1 697,3	27	1 122,5	16
Government	1 189,1	17	1 082,6	17	881,6	15	1 030,3	16	1 032,9	15
Retained in the group	1 822,7	26	1 603,4	26	1 492,4	26	1 273,4	20	2 153,4	31
	7 051,1	100	6 240,9	100	5 831,2	100	6 339,9	100	6 886,0	100

SUMMARY OF RATIOS AND STATISTICS

	2012	2011	2010	2009[4]	2008[3,7]	2008[3,6]
ORDINARY SHARE PERFORMANCE						
Number of ordinary shares upon which headline earnings per share is based ('000)[2]	**159 263**	158 655	158 193	157 012	157 893	157 893
Headline earnings per ordinary share (cents)	**1 689**	1 575	1 393	1 382	1 150	1 195
Dividends per ordinary share (cents)[1]	**850**	791	746	704	786	786
Dividend cover (times)[1]	**2,0**	2,0	1,9	2,0	1,9	1,9
Net worth per ordinary share (cents)	**7 086**	6 209	5 247	4 439	3 673	3 673
PROFITABILITY AND ASSET MANAGEMENT						
Asset turnover (times)	**2,6**	2,8	2,9	3,2	3,3	3,5
Working capital per R1 000 turnover (R)	**22,5**	20,1	20,7	18,7	21,9	20,8
Operating margin (%)	**15,3**	15,9	15,6	15,3	13,3	13,2
Effective taxation rate (%)	**27**	28	28	28	31	31
Return on equity (%)	**24,1**	25,0	28,2	30,6	30,1	31,2
Return on average net assets (%)	**33,8**	38,2	45,2	49,7	43,9	45,7
FINANCING						
Current ratio	**1,5**	1,4	1,9	1,8	1,3	1,3
Net interest cover (times)	**25**	51	37	12	31	37
Net debt/(cash) to net funding (%)	**9**	14	(1)	5	17	17
Total liabilities to total shareholders' funds (%)	**47**	51	45	54	93	93
Cash flow to net liabilities (%)	**60**	56	87	66	35	35
EMPLOYEE STATISTICS						
Number of employees at year-end[8]	**14 609**	14 164	11 348	11 443	11 987	11 987
▷ permanent	**10 878**	10 755	9 022	8 901	8 601	8 601
▷ seasonal	**3 731**	3 409	2 326	2 542	3 386	3 386
Revenue per employee (R'000)	**1 559**	1 712	1 708	1 804	1 599	1 679
Value added per employee (R'000)[5]	**449**	419	486	398	451	451
Operating profit per employee (R'000)	**238**	229	266	274	211	219
ECONOMIC INDICATORS						
Consumer Price Index (September on September)	**5,5%**	5,7%	3,2%	6,1%	12,4%	12,4%
Key closing exchange rate vs ZAR						
▷ USD	**8,29**	8,10	6,98	7,56	8,32	8,32
▷ GBP	**13,38**	12,60	11,01	12,07	14,98	14,98
▷ EUR	**10,69**	10,88	9,52	11,03	11,79	11,79
STOCK EXCHANGE STATISTICS						
Market price per share (cents)						
▷ year-end	**27 312**	21 000	18 960	15 050	13 740	13 740
▷ highest	**29 321**	21 050	19 199	16 400	19 259	19 259
▷ lowest	**20 252**	17 297	14 501	11 267	12 849	12 849
Number of transactions	**418 955**	373 418	349 411	245 699	172 932	172 932
Number of shares traded ('000)	**150 973**	157 833	183 599	213 904	154 503	154 503
Value of shares traded (R'm)	**38 662**	29 955	31 661	29 926	23 560	23 560
Number of shares traded as a percentage of total issued shares	**79,0**	82,8	96,5	123,2	89,4	89,4
Dividend yield at year-end (%)	**3,1**	3,8	3,9	4,7	5,7	5,7
Earnings yield at year-end (%)	**6,2**	7,5	7,4	9,1	8,7	8,7
Price:earnings ratio at year-end	**16**	13	14	11	12	12
Market capitalisation at year-end (R'm)	**52 219**	40 035	36 062	26 121	23 776	23 776
Market capitalisation to shareholders' equity at year-end (times)	**4,6**	4,1	4,3	3,7	4,1	4,1

Notes

1. *Based on the sum of the interim dividend paid in the year under review 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. *Excluding Sea Harvest, which was sold on 28 May 2009.*
5. *Includes Sea Harvest and Adcock Ingram Holdings Limited (to 2008).*
6. *Not adjusted for Sea Harvest, which was sold on 28 May 2009.*
7. *In terms of IFRS 5, the statement of financial position was not restated for the sale of Sea Harvest whereas the statement of comprehensive income was restated. Accordingly, ratios which contain references to the statement of comprehensive income have been adjusted for the sale of Sea Harvest.*
8. *Includes employees of international operations.*

GOVERNANCE AND RISK

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CORPORATE GOVERNANCE

The board of directors and management of Tiger Brands remain committed to the highest standards of corporate governance and ethical and moral business behaviour. In making such commitment, the board is sensitive to the fact that the company's shareholders are the true owners of the company and that management's role *vis-à-vis* the company is that of a trustee on behalf of the shareholders.

It is important for 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 that 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 satisfied that it has applied the key principles 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 (GRI) and the principal policies and practical applications of corporate governance as outlined by the Public Investment Corporation. In addition to this framework, Tiger Brands is committed to complying with all relevant legislation, regulations and best practices in all countries in which it operates.

EXCEPTIONS TO KING III

For the 2012 financial year, apart from the exceptions below, the board confirms that Tiger Brands has applied the Code of Corporate Practice and Conduct as set out in the King III report. (see King III checklist on pages 212 to 217).

The King III report requires that an overview of the directors' appraisal process, results and action plans be disclosed in the integrated report. Tiger Brands does not believe that it is appropriate to disclose the detail of this appraisal process. However, the remuneration and 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 on pages 72 to 89. 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 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.

Including the Chairman, the board currently consists of nine independent non-executive directors and three executive directors who are chosen for their business acumen and skills. New appointees to the board are appropriately familiarised with the company through an induction programme.

Mr AC Parker, an independent non-executive director, is Chairman of the board, having succeeded Mr LC van Vught, who retired as Chairman, and retired from the board, following the annual general meeting of shareholders that was held in February 2012. Mr PB 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, Mr M J Bowman was appointed as a director. 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 its responsibilities including:

- 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
- Appointing the Chief Executive Officer
- Retaining full and effective control of the company
- Monitoring the management and the implementation of the corporate vision
- Delegating responsibility to an executive committee or board sub-committees

The board has delegated certain specific responsibilities to statutory committees or sub-committees of the board. The board committees assist the board and directors in discharging their duties and responsibilities in terms of the Companies Act and the appropriate governance authorities.

Directors

In terms of the articles of association, all 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. Executive directors are required to retire from the board by rotation on the same basis as non-executive directors. 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.

CORPORATE GOVERNANCE continued

Frequency of meetings

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

- Strategy
- 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

				Strategy		Budget
Director	22/11/11	14/02/12	21/05/12	11/07/12	07/08/12	12/09/12
Independent non-executive						
LC van Vught (Chairman)[1]	✓	✓				
AC Parker (Chairman)	✓	✓	✓	✓	✓	✓
BL Sibiya (Deputy Chairman)	✓	✓	✓	A	✓	A
RM W Dunne	✓	✓	✓	✓	✓	✓
SL Botha	✓	✓	✓	✓	✓	✓
MJ Bowman[2]				A	✓	✓
KDK Mokhele	✓	✓	✓	✓	✓	✓
MP Nyama	✓	✓	✓	✓	✓	✓
RD Nisbet	✓	✓	✓	✓	✓	✓
M Makanjee	✓	✓	✓	✓	✓	✓
Executive						
PB Matlare (Chief Executive Officer)	✓	✓	✓	✓	✓	✓
O Ighodaro (Chief Financial Officer)	✓	✓	✓	✓	✓	✓
CFH Vaux	✓	✓	✓	✓	✓	✓

[1] *Resigned as Chairman of the company from the conclusion of the annual general meeting held 14 February 2012*

[2] *Appointed 1 June 2012*

✓ *Indicates attendance*

A *Apologies tendered*

Board committees

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

- Audit committee
- Risk and sustainability committee
- Remuneration and nomination committee
- Social, ethics and transformation committee
- Investment committee

All committees exist under a charter or terms of reference, which are reviewed regularly. The audit committee and social, ethics and transformation committee are statutory committees established in terms of the Companies Act. It is considered appropriate that the risk and sustainability committee is a sub-committee of the audit committee. It is considered appropriate that in addition to the statutory requirements outlined in terms of the Companies Act and Regulations, the social and ethics committee also considers issues relating to transformation. The committee is accordingly called the social, ethics and transformation committee.

Remuneration and nomination committee

Composition
SL Botha (Chairman)
AC Parker (appointed 14 February 2012)
LC van Vught (resigned 14 February 2012)
BL Sibiya (resigned 1 June 2012)
RMW Dunne (appointed 1 June 2012)
MP Nyama

Mr AC Parker replaced Mr LC van Vught as a member of the remuneration committee from 14 February 2012. Mr RMW Dunne replaced Mr BL Sibiya as a member of the committee on 1 June 2012. Mr Sibiya resigned in view of his increased business commitments. Prior to his formal appointment, Mr Dunne was invited to attend the committee meeting held on 7 May 2012.

The company's Chief Executive Officer, Mr PB Matlare, 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 2012, the committee also received advice from the company's human resource and finance functions as well as independent consultants.

The committee performs two distinct functions, one relating to remuneration and the other relating to the nomination of non-executive directors to the board.

The committee's primary function in terms of the remuneration responsibility 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, after receiving the views of executive management.

The full terms of reference of the committee can be found on the Tiger Brands website (www.tigerbrands.com).

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 the strategic requirements of the company as well as retirements, nominations, and appointments of directors, and make appropriate recommendations to the board. It is also responsible for ensuring that appropriate succession planning is in place for key management positions.

CORPORATE GOVERNANCE continued

A comprehensive remuneration report is contained on pages 72 to 89 of this Integrated Report 2012.

Directors' attendance at remuneration and nomination committee meetings

Director	15/11/11	06/02/12	07/05/12	14/09/12
Independent non-executive				
LC Van Vught[1]	✓	✓		
BL Sibiya[2]	A	A		
SL Botha	✓	✓	✓	✓
RMW Dunne[4]			✓	✓
MP Nyama	✓	✓	✓	✓
AC Parker (Chairman)[3]		✓	✓	✓
Executive				
PB Matlare (Chief Executive Officer)	✓	✓	✓	✓
CFH Vaux	✓	✓	✓	✓

[1] *Resigned 14 February 2012*
[2] *Resigned 7 May 2012*
[3] *Joined RemCom 6 February 2012*
[4] *Joined RemCom 7 May 2012*
✓ *Indicates attendance*
A Apologies tendered

Audit committee

Composition
RMW Dunne (Chairman)
KDK Mokhele
RD Nisbet

The audit committee operates under an approved charter and in terms of the Companies Act. The members are all independent non-executive directors.

Directors' attendance at audit committee meetings

Director	14/11/11	14/05/12	12/09/12
Independent non-executive			
AC Parker[1]	✓		
RMW Dunne	✓	✓	✓
KDK Mokhele	✓	✓	✓
RD Nisbet	✓	✓	✓
Executive			
PB Matlare (Chief Executive Officer)	✓	✓	✓
O Ighodaro (Chief Financial Officer)	✓	✓	✓
CFH Vaux	✓	✓	✓

[1] *Mr AC Parker was appointed Chairman of the company from the conclusion of the annual general meeting of shareholders held on 14 February 2012, and this appointment precluded him from being a member of the audit committee. Accordingly Mr Parker withdrew his nomination as a member of the audit committee, prior to the annual general meeting of shareholders.*
✓ *Indicates attendance*

The report of the audit committee is set out on pages 66 to 68.

Risk and sustainability committee

Composition
RMWV Dunne (Chairman)
KDK Mokhele
Members of executive management

The 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 reports to the audit committee and the board on risk and sustainability issues. 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 attends all meetings.

The other members of the committee comprise the group's senior management, including 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 this committee.

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

Directors' attendance at risk and sustainability committee meetings

Director	07/11/11	14/05/12	06/08/12
Independent non-executive directors			
RMWV Dunne	✓	✓	✓
KDK Mokhele	✓	✓	✓
Executive			
O Ighodaro (Chief Financial Officer)	✓	✓	✓
CFH Vaux	✓	✓	✓

✓ *Indicates attendance*

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

CORPORATE GOVERNANCE continued

Social, ethics and transformation committee

Composition
BL Sibiya (Chairman)
M Makanjee
AC Parker
PB Matlare
Members of executive management

Previously called the transformation committee, this committee has been renamed and now includes in its terms of reference the requirements of the Companies Act, 2008. The board established the social, ethics and transformation committee (the committee) in 2011 to assist the board in ensuring that the company is and remains a good and responsible corporate citizen, and to perform the statutory functions required of a social, ethics and transformation committee in terms of the Companies Act, 71 of 2008, as amended (the Companies Act) and King III. The responsibilities and functioning of the committee are governed by a formal mandate approved by the board, which is subject to regular review by the board, at least annually.

The main objectives of the committee are to monitor the company's activities with regard to any relevant legislation, legal requirements and prevailing codes of best practice with regard to matters relating to:

- social and economic development including the principles of the United Nations Global Compact, broad-based black economic empowerment, employment equity and the Organisation for Economic Cooperation and Development's (OECD) recommendations on corruption;
- good corporate citizenship which includes promotion of equality, prevention of unfair discrimination, corporate social responsibility, ethical behaviour and managing environmental impacts;
- consumer relations;
- labour and employment including skills development; and
- safety, health and environmental issues.

The social, ethics and transformation committee then draws these matters to the attention of the board and reports on these matters to the shareholders at the annual general meeting. The committee agreed on a reporting framework to facilitate proper implementation of the social, ethics and transformation mandates as provided for in the Companies Act. This reporting framework covers aspects contemplated in the UN Global Compact – specifically the 10 principles relating to human rights, labour, the environment and anti-corruption. It also covers the OECD recommendations which predominantly relate to anti-bribery and anti-corruption with specific emphasis on the risk control systems to prevent and detect bribery and corruption.

Management has been reporting, on a periodic basis, either quarterly or annually, on aspects that are of interest to the social, ethics and transformation committee. In the reporting period, the committee considered reports by various themes and noted that the group's Code of Ethics, as well as enabling mechanisms such as the tip-off line, were in place, and that there were no human rights incidents to report. In South Africa, aspects such as prohibition to child labour, forced compulsory labour, discriminatory practices are also monitored by the Department of Labour.

It was further noted that risk management controls and systems were in place and that the risk and sustainability committee leads in this regard on behalf of the board. In respect of the Consumer Protection Act, the committee noted that all consumer complaints are monitored by executive management as well as the risk and sustainability committee. A four-year Consumer Complaints review, indicating a progressive decline in the number of complaints was noted.

The labour report was considered by the committee. Women representation in junior management is at 29%, middle management at 33%, senior management at 17% and at executive management is at 33%. The trend had remained about the same over a three-year period. The committee noted that income

differentials were annually tracked by the Department of Labour.

The committee further noted that R10,9 million was spent on various forms of skills development across occupational levels. Additionally, 172 learnerships were offered in 2012. In respect of social development and impact on society, the committee noted that in addition to skills development and learnerships the group had 54 learners on ABET, 185 students on Thusani Trust bursary programme (children of Tiger Brands' employees) – of which 24 would graduate in 2012. A further 10 students were afforded full bursaries toward engineering degrees (first to third year as the programme was initiated in 2010.) Further, it was noted that the group had adopted 12 Grade 11 learners through the Ikusasa Lami township schools programme. Additionally, 40 students had been accommodated for workplace experience.

CSI and Tiger Brands Foundation are reported separately on pages 98 to 105.

In respect of the broad-based black economic empowerment (B-BBEE) performance, the company retained a level 3 contributor rating in the period under review. The focus areas, for both the year under review and the immediate future are: employment equity, skills development and enterprise development. The company will continue to drive improvement in these areas.

Directors' attendance at social, ethics and transformation committee meetings

Director	18/11/11	13/02/12	11/05/12	03/08/12
Independent non-executive				
BL Sibiya (Chairman)	✓	✓	✓	A
M Makanjee	A	✓	✓	✓
AC Parker	✓	✓	✓	✓
Executive				
PB Matlare (Chief Executive Officer)	✓	✓	A	✓

✓ *Indicates attendance*

A Apologies tendered

Dealing in company shares

A formal policy outlining the procedures for dealing in Tiger Brands' shares has been adopted. The policy aims 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 by a director or a member of the senior executive management committee must be referred to the Chairman of the company to obtain his consent before any instruction is given to a stockbroker.

The consent required may be delayed or withheld according to 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 JSE Listings Requirements.

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.

AUDIT COMMITTEE REPORT

This report is provided by the audit committee appointed in respect of the 2012 financial year in compliance with the Companies Act. The committee's operation is guided by a detailed charter that is informed by the Companies Act and King III and is approved by the board.

The audit committee has executed its duties and responsibilities during the 2012 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 to the shareholders for appointment, Ernst & Young Inc. as the external auditor, and D Engelbrecht as the designated auditor, for the financial year ended 30 September 2012, 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, 26 of 2005, and determined that there were none other than a technical breach by Davita prior to its acquisition by Tiger Brands, of certain reporting requirements in terms of the Companies Act, 71 of 2008. This breach has subsequently been rectified;
  - 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 requirement 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 then ended 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 and sustainability committee.

▷ In respect of sustainability issues, the committee has:
- considered the findings and recommendations of the risk and sustainability committee;
- met with 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.

AUDIT COMMITTEE REPORT continued

- In respect of the coordination 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;
- The committee also considered the expertise, resources and experience of the Chief Financial Officer and concluded that these were appropriate; and
- In addition, in terms of section 3.84 of the Listings Requirements of the JSE Limited, it has been determined that the Company Secretary, I W M Isdale, has the competence, qualifications and experience to hold the position of Company Secretary. Ian Isdale has a BA LLB(UKZN) degree and, in addition, holds an EDP (Wits). He was formerly an admitted advocate and legal practitioner in Zimbabwe and is currently the president of the Corporate Lawyers Association of South Africa. Ian Isdale has been Company Secretary and Legal Adviser to Tiger Brands Limited since May 1994. He is not a director of Tiger Brands Limited. The committee and the board are satisfied that Ian Isdale provides guidance and assistance to the company in his capacity as Company Secretary, on an objective, arm's length basis notwithstanding the fact that he is a full time employee and holds the position of Group Legal Adviser, in which position he also provides objective advice. The committee and the board of Tiger Brands Limited have reached this conclusion as a consequence of their longstanding working relationship with the Company Secretary. This was confirmed in the evaluation of the performance of the Company Secretary which was included as part of the recently conducted external evaluation of the board. The board evaluation is further dealt with in the Remuneration Report, forming part of the Integrated Report.

Independence of the external auditor

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

- 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 2012, the committee is of the view that, in all material respects, they comply with the relevant provisions of the Companies Act and IFRS and fairly present the consolidated and separate financial position of the company at that date and the results of its operations and cash flows for the year then ended. The committee has also satisfied itself of the integrity of the remainder of this Integrated Report 2012.

Having achieved its objectives, the audit committee has recommended the annual financial statements and Integrated Report for the year ended 30 September 2012 for approval to the board. The board has subsequently approved the annual financial statements and the Integrated Report 2012, which will be open for discussion at the forthcoming annual general meeting.

RISK MANAGEMENT

Tiger Brands recognises that managing risk and compliance is an integral part of generating sustainable shareholder value and enhancing stakeholder interests. To align its priorities and objectives against a background of changing risk and uncertainty, the group has developed a risk management policy that defines the objectives of and commitment to risk management.

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

Major risks are reviewed quarterly and are updated on an ongoing basis. The group's strategic and operational risks are identified, documented and monitored by management and reviewed by the risk and sustainability committee.

The safety of the group's employees is considered to be of paramount importance. To this end, the risk and sustainability 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.

The risk and sustainability committee is responsible for overseeing the group's risk management programme and reporting thereon to the audit committee and the board, which retains ultimate responsibility for the control and reduction of risk. The day-to-day responsibility for risk management remains with management both at an operational and group executive level.

The board has implemented a formal combined assurance framework in order to coordinate and monitor the provision of assurance. The board obtains assurance that the controls over identified risks are operating effectively by the utilisation of external and internal assurance providers, including the external auditors, internal auditors and other professional advisers, as well as from management itself. The board sets the level of risk tolerance and limits of risk appetite for the group and takes a prudent approach to risk. The risk and sustainability committee actively monitors the group's key risks as part of its standard agenda.

Risk control process

Each of the group's divisions regularly reviews their strategic and operational risks, following a consistent approach of identifying and prioritising high-risk areas. 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.

Responsibility for each of the identified risks 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 steps being taken to manage or mitigate such risks.

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

RISK MANAGEMENT continued

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

Significant risks

The risk management process has identified certain key risks faced by the group, which are summarised below. The risks identified below do not necessarily comprise all the risks affecting the group and are not presented in any particular order of priority. Additional risks and uncertainties not presently known to the group or deemed immaterial, could also adversely affect the group's business or operations.

- **Macro-economic 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 macro-economic conditions on customers, suppliers, funding requirements and the business environment in general. Notwithstanding 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.

- **Changing competitive landscape**
  Tiger Brands is facing increasing competition in South Africa. Competitive activity within the retail trade has increased, as retailers seek profitable growth through the development of their own brands as well as store and brand differentiation. Tiger Brands has responded with various initiatives to drive top-line growth and achieve cost efficiencies in order to remain cost competitive on shelf.

- **Consumer preferences**
  Tiger Brands' success depends on its ability to anticipate consumer preferences and to offer high-quality products that appeal to consumers. The group continually monitors and analyses market trends and regularly carries out research on consumer habits and attitudes. It seeks to keep its core brands relevant and contemporary and invests extensively in innovation through new product development plans which aim to convert category growth strategies into viable products that meet consumer needs.

- **Cost competitiveness**
  The higher input costs across the entire value chain and increasing competitive pressures have resulted in widening price differentials on certain of the group's product categories. The group has embarked on a number of initiatives to drive down costs, which will enable it to maintain its competitive brand positioning and manage price differentials in relevant categories where these have affected market share.

- **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.

- **Product safety**
  The quality and safety of the group's products is of paramount importance for its brands and reputation. The group continually monitors, reviews and approves quality control procedures and 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.

- **Information technology**
  The risks surrounding the security, back-up, conversion and software and hardware 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.

- **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 92 to 94.

- **Resources and procurement**
  The group continually monitors and reviews the changes in climatic conditions on agricultural produce and the implications thereof for its supply chain. Exposure and strategy relating to the 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 set out in note 37 to the annual financial statements.

- **Electricity and water supply**
  Due to 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 identify 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 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.

Other risks identified

- Acquisitions
  – failure to achieve investment case
- Foreign exchange
- Security of production facilities
- Political/country
- Portfolio management

REMUNERATION REPORT

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 policy

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

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

- 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, never applying percentiles rigidly but taking into account industry type, skills scarcity, nature of business, overall group and individual business performance, as well as 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 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.

Executive remuneration

The total remuneration packages of the executive directors and senior management are subject to annual review and independently 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 which an individual has, steps are taken to build a talent pool around the relevant individual to de-risk the organisation.

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 a short-term 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 members of the Tiger Brands executive committee are also participants in the Tiger Brands Black Managers Trust, as well as the Tiger Brands Black Managers Trust No II.

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 component as well as a number of strategic components. In 2012, 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 financial performance component is based on growth in profits, as measured by headline earnings per share (HEPS), 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.

In 2012, 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
- 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
- Tiger Brands' relative share price performance versus the performance of the Financial and Industrial 30 index (FINDI 30).

Each of the above elements carried an appropriate weighting. Performance against individual targets and objectives is also taken into account in the final bonus determination. All participants in this scheme are able to earn an annual short-term incentive of up to 150% of total remuneration package, increasing progressively from 100% to 150% for above targeted performance. The maximum short-term incentive is paid only when the company achieves stretch business performance targets and all the strategic targets are achieved.

Incentive bonuses payable to executive directors in respect of 2012 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 88.

The profit incentive scheme for 2013 is similar to the 2012 scheme, with 80% of the bonus being based on financial performance criteria (HEPS and return on net assets), and the remaining 20% based on specific strategic criteria. The strategic element of the bonus in 2013 will focus on the following areas:

- Further progress in the company's growth strategy in the rest of Africa and the successful integration of current acquisitions.
- BEE transformation, with specific emphasis on employment equity, skills development and enterprise development.
- Further progress in the organisational and cultural development of the company.
- Progress in building management succession and capability.
- Energy management – improvement in overall energy intensity.

Phantom Cash Settled Option Scheme

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 executive directors and senior managers on an annual basis since 2006.

The rules of the Phantom Cash Option Scheme are based on the 1985 equity- settled share option scheme. Apart from the fact that the options are "cash settled" rather than "equity

REMUNERATION REPORT continued

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 2012, a total of 50% of the options are not subject to performance vesting conditions. The vesting of these options remains purely time-based. The right to exercise the remaining 50% is, however, subject to the requirement that the company's HEPS increases by a minimum of 3% per annum above inflation, on a rolling cumulative basis, over the relevant three, four and five-year performance periods. If the minimum financial hurdle rate is not achieved, 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.

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.

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. 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.

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 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 values so arrived at are divided by the option grant price to determine the total number of options to be awarded to an individual.

The multiples for allocation to executive directors, prescribed officers and other members of the Executive Committee in respect of the 2012 allocations, were reviewed by the committee based on market information provided by Deloitte. The committee took a decision to increase the multiples as it was

noted that the current multiples applied by the company lagged the market. As a result, the multiples for allocations applied to executive directors, prescribed officers and other members of the executive committee in respect of the 2012 allocations increased from 1,0 to 1,17 at the bottom end of the range and from 1,4 to 1,64 at the top end of the range. Implementation of the revised multiples was effected on 3 February 2012.

Proposed long-term incentive plan

During the year, Deloitte was requested to review the company's current approach to long-term incentivisation and, if appropriate, recommend a suitable replacement which is in line with global best practice and emerging South African practice, and which gives recognition to the required attributes of shareholder alignment, retention of key talent and long-term sustained performance, all in what is likely to become an increasingly more difficult and volatile market. After due consideration, the remuneration and nomination committee have decided to apply to shareholders for approval to implement a hybrid long-term incentive plan which will contain the following salient features.

Motivation for a hybrid share plan

The purpose of the proposed hybrid long-term incentive plan – the Tiger Brands Long-Term (share-based) Incentive Plan (LTIP) is to attract, retain, motivate and reward executives and managers who are able to influence the performance of Tiger Brands and its subsidiaries on a basis which aligns their interests with those of the company's shareholders.

Under the LTIP, executives and selected managers of the company and its subsidiaries will be offered, on an annual basis, a weighted combination of:

- Allocations of share appreciation rights
- Conditional awards of full value performance shares
- Grants of full value restricted shares.

Given the evolving trends in best practice and in recognition that the correlation between share price and company financial performance is beset by exogenous factors that can influence and sometimes override executive performance, Tiger Brands wishes to implement a hybrid scheme which better focuses executive attention and reward on performance. To achieve this, it is proposed that a growth oriented element (share appreciation right) is combined with two full value elements, the one rewarding future company performance (performance share), and the other, rewarding actual individual performance and retaining key talent (restricted share).

The share appreciation right element is similar in architecture to Tiger Brands' existing cash-settled phantom share option scheme, but will incorporate a number of minor variations given its integration into the recommended hybrid design of the LTIP. In the past, annual allocations have been made using a set multiple of guaranteed package to define a face value and therefrom, given the prevailing share (strike) price, a number of phantom share options were derived. This same methodology is to be retained for allocations of share appreciation rights, but the set multiple will be reduced in order to accommodate the parallel offer of the two other elements, both forms of full value share.

When a participant exercises a phantom share option or share appreciation right, the value that accrues to him is the positive gain (appreciation) of the underlying share price above the strike price. Full value shares differ in that there is no strike price; the full value of

REMUNERATION REPORT continued

the share accrues to a participant on vesting. As such, full value shares are not so reliant on share price growth, and not so sensitive to the volatility of share prices, the timing of offers and the external factors that can drive share prices.

It is firmly believed that the combining of the share appreciation right element with the two full value elements will serve to give recognition to the required attributes of shareholder alignment, retention of key talent and long-term, sustained performance, as well as share price growth.

Performance shares closely align the interests of shareholders and executives by rewarding superior shareholder and financial performance in the future. Performance shares will be awarded predominantly to senior executives who can influence and impact long-term strategic performance.

Restricted shares provide for share-based retention to those senior managers who through their performance on an annual basis have demonstrated their value to the company. Restricted shares will be predominantly granted to high-performing senior managers to assist in their retention. They will also offer the opportunity for executives to electively waive a portion of their annual cash incentive bonus, and to use the elective deferred portion to invest in Tiger Brands shares and have them matched by the company with additional shares.

Offers will be governed by Tiger Brands' reward philosophy and strategy, in which a target reward is set for defined categories of executives and senior management.

Target reward is defined as the present value of the future reward outcome of an allocation/award/grant, given the targeted future performance of the company and of its share price. It should not be confused with the term "face value" which is used to define the current value of the underlying share at the time of allocation/award/grant.

It is envisaged that the combined, weighted implementation of the above long-term incentive elements will allow Tiger Brands to remain competitive in annual and share-based incentives, and will ensure that executives share a significant level of personal risk with the company's shareholders.

Share appreciation right element

Annual allocations of share appreciation rights will be made to executives and selected managers. They will be available to be settled in equal thirds on the third, fourth and fifth anniversaries of the date of allocation, but need not be exercised until the sixth anniversary, at which time they must be exercised or they will lapse.

On settlement, the value accruing to participants will be the appreciation of Tiger Brands' share price. Settlement may be via cash (as is the case in the current scheme) or in shares, which shares may be issued and allotted, or acquired and transferred to participants.

Performance criteria will be stipulated in which the number of share appreciation rights vesting in relation to the full number allocated is reduced if company financial performance targets are not met. The performance criteria in the table below have previously been adopted in the existing Phantom Share Option Scheme for the vesting of 50% of any allocation, and will now continue to be applied to 100% of any allocation of share appreciation rights.

Sliding scale for the application of performance vesting conditions based on a targeted increase of 3% per annum real growth rate in HEPS over three, four and five-year periods

Threshold levels for real HEPS growth	% of allocation to vest
> 0% and < 0,5%	5%
≥0,5% and < 1,0%	10%
≥1,0% and < 1,5%	16%
≥1,5% and < 2,0%	27%
≥2,0% and < 2,5%	44%
≥2,5% and < 3,0%	75%
≥3,0%	100%

Thus a form of appreciation unit will continue to be offered as in the past, but with a stronger performance orientation. In addition, the allocation will be at a reduced level in terms of target reward, with the balance comprising a weighted combination of the other two elements that are described hereunder.

Performance share element

Annual conditional awards of performance shares will be made to executives and senior managers. Performance shares will vest on the third anniversary of their award, to the extent that the company has met specified performance criteria over the intervening period. Essentially the value per share that vests is the full value of the share (there is no strike price), but the number of shares that will vest will depend on the company's performance over the intervening three-year period against set targets.

The board will determine the performance criteria for each award, and it is initially proposed that vesting will be determined in terms of the company's comparative total shareholder return (TSR) in relation to the constituent members of the FINDI 30 Index.

The vesting of the performance shares will thus be based on the following relationships:

- If Tiger Brands' TSR over the three-year period places it in 15th position out of the 30 companies comprising the 'index', then the targeted number (one-third of the maximum number) of performance shares awarded will vest.
- If Tiger Brands' TSR over the three-year period places it in 7th position or better, then the maximum number (three times the targeted number) of performance shares awarded will vest.
- If Tiger Brands' TSR over the three-year period places it in 23rd position or worse, then all performance shares awarded will be forfeited.
- If Tiger Brands' performance over the three-year period lies between 7th position and 15th position on the one hand, or between 15th position and 23rd position on the other hand, then a pro-rated number of performance shares will vest.

No retesting against the performance criteria will be allowed. Any performance shares which do not vest at the end of the three-year period will be forfeited.

The performance share element closely aligns the interests of shareholders and executives by rewarding superior financial performance in the future. As such, it is envisaged that the awards of performance shares will feature at all executive and senior management levels, but feature more strongly the higher the participant's grade within the organisation.

REMUNERATION REPORT continued

Restricted share element

On an annual basis, executives, senior managers and key talent will receive a grant of restricted shares. The value of restricted shares granted will be linked to the annual cash bonus scheme, in one of, or a combination of:

- Bonus matching
  - Matching, according to a specified ratio, the actual annual cash incentive accruing to the executive. Standard matching ratios have been set for each grade, based on:
    - The on target bonus percentage for the grade, and
    - The required balance within the offers of full value shares between performance shares and restricted shares (Chief Executive Officer – 70%/30%; F Lower 60%/40%; E Upper and E Lower – 50%/50%).

The standard matching ratio (although designed in relation to the on target bonus) will be applied to the actual bonus achieved, irrespective of how this relates to the on target amount.

- Bonus deferral
  - An elective, prior year-end deferral of a portion (25%, 33% or 50%) of an individual's actual bonus calculation and its immediate conversion into restricted shares, with matching by the company (according to a set ratio) with additional restricted shares.

As the individual is effectively opting to put an element of a cash bonus that would otherwise accrue to him at risk, this sub-element of the LTIP may be referred to as a "co-investment plan". Restricted shares will vest after three years.

The restricted share element provides for share-based retention to those executives who through their performance on an annual basis have demonstrated their value and commitment to the company.

It is envisaged that should the LTIP be supported by shareholders at the forthcoming annual general meeting, a final allocation (at a substantially reduced level) will be made in terms of the current Phantom Share Option Scheme and the LTIP will be phased in by the offer of both share appreciation rights and performance shares. In the following year the Phantom Share Option Scheme will be phased out and allowed to run its course with the past allocations. The full hybrid LTIP will then be implemented, with offers of share appreciation rights, performance shares and restricted (bonus) shares based on the bonuses earned in the 2013 financial year.

Vesting of share options in the event of termination of employment – Phantom Cash Option Scheme

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. The termination rules are in line with the recommendations contained in King III following certain changes which were made to the rules in late 2010.
A comparison of the old and new rules is set out in the table which follows. The new rules are applicable to options awarded from 1 January 2011 onwards.

Termination event	**Old rule** (options awarded pre 1 January 2011)	**New rule** (options awarded from 1 January 2011)
(a) Resignation	Options not exercised on or before the last date of employment will lapse	No change
(b) Normal retirement	There will be no early vesting. All options will be retained and will vest post-retirement subject to normal vesting criteria	No change
(c) Early retirement	There will be no early vesting of options. For options granted prior to January 2009, all options will be retained. However, for options granted in 2009 and 2010, the number of options that will be retained will be pro-rated based on the period of service at the date of early retirement relative to the full vesting period of the unvested options. Retained options will vest post-retirement subject to the normal vesting criteria applicable to the respective years	No change, but a sliding scale has replaced annual retesting
(d) Retrenchment	The number of options to be retained will be pro-rated based on the period of service at the date of retrenchment relative to the full vesting period of the unvested options. Such options will be allowed to vest early, and the performance conditions waived. Such retained options must be exercised within a period of six months after date of retrenchment	No change, other than that only 50% of the retained options must be exercised within the six-month period after the date of retrenchment. The remainder will continue to be subject to performance conditions (but a sliding scale has replaced annual retesting)
(e) Disposal of a subsidiary or business	Performance conditions are waived and all unvested options are deemed to vest on the date of disposal. Such options must be exercised within a period of six months after the date of disposal	The number of options to be retained will be pro-rated based on the period of service at the date of disposal relative to the full vesting period of the unvested options. A total of 50% of the retained options must be exercised within the six-month period after the date of disposal. The remainder will continue to be subject to performance conditions (with a sliding scale replacing annual retesting)
(f) Death	Performance conditions are waived and all unvested options are deemed to vest on the date of death. Such options must be exercised by the executor within a period of six months after date of death	No change – although not in line with King III, a pragmatic approach has been taken in view of the small number of incidents
(g) Dismissals	Options not exercised on or before the last date of employment will lapse	No change

REMUNERATION REPORT continued

The termination clauses for the LTIP are similar to those itemised above and are described in more detail in the plan rules. A summary of the termination rules is also provided in the summary of principal terms which forms part of the notice of the forthcoming annual general meeting and which will be put to shareholders for approval at that meeting.

Details of equity-settled options issued in terms of the Tiger Brands (1985) Share Option Scheme held by executive directors as at 30 September 2012, 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 2012, 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					
CFH Vaux	65 400	–	23 400	42 000	8 239

[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 Brands option holders were treated on a consistent basis with Tiger Brands shareholders following the distribution of Tiger Brands' 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

Executive directors

Name	Date of grant	Holding at 1 October 2011	Granted 2012	Exercised 2012	Forfeited 2012	Holding at 30 September 2012	Number of options subject to retention	Number of options subject to performance targets	Grant price (Rand)	Number of options vested at 30 September 2012	Fair market value of vested options at 30 September 2012 (R'000)
O Ighodaro	Feb 2012	–	18 900	–	–	18 900	9 450	9 450	253,18	–	–
	Jun 2011	21 850	–	–	–	21 850	10 925	10 925	186,97	–	–
Total		**21 850**	**18 900**	**–**	**–**	**40 750**	**20 375**	**20 375**		**–**	**–**
PB Matlare	Feb 2012	–	32 800	–	–	32 800	16 400	16 400	253,18	–	–
	Feb 2011	35 300	–	–	–	35 300	17 650	17 650	189,09	–	–
	Feb 2010	73 200	–	–	–	73 200	36 600	36 600	172,07	–	–
	Feb 2009	40 400	–	–	–	40 400	20 200	20 200	141,91	13 467	1 702
	Apr 2008	84 376	–	(42 188)	–	42 188	21 094	21 094	106,44	–	–
Total		**233 276**	**32 800**	**(42 188)**	**–**	**223 888**	**111 944**	**111 944**		**13 467**	**1 702**
CFH Vaux	Feb 2012	–	20 600	–	–	20 600	10 300	10 300	253,18	–	
	Feb 2011	22 100	–	–	–	22 100	11 050	11 050	189,09	–	
	Feb 2010	45 400	–	–	–	45 400	22 700	22 700	172,07	–	
	Feb 2009	25 400	–	–	–	25 400	12 700	12 700	141,91	8 467	1 070
	Apr 2008	29 363	–	–	–	29 363	14 681	14 682	106,44	19 575	3 173
	Jan 2008	23 920	–	–	–	23 920	11 960	11 960	130,59	15 947	2 201
	Jan 2007	7 340	–	–	–	7 340	7 340		133,39	7 340	1 003
Total		**153 523**	**20 600**	**–**	**–**	**174 123**	**90 731**	**83 392**		**51 329**	**7 447**

Prescribed officers

Name	Date of grant	Holding at 1 October 2011	Granted 2012	Exercised 2012	Forfeited 2012	Holding at 30 September 2012	Number of options subject to retention	Number of options subject to performance targets	Grant price (Rand)	Number of options vested at 30 September 2012	Fair market value of vested options at 30 September 2012 (R'000)
NG Brimacombe	Various	165 675	19 800	(64 279)	–	121 196	60 598	60 598	Various	–	–
NP Doyle – Note 1	Jul 2012	–	30 000	–	–	30 000	15 000	15 000	Various	–	–
PM Roux – Note 2	Various	52 000	23 600	–	–	75 600	37 800	37 800	Various	–	–
N Segoale	Various	138 203	20 700	(21 068)	–	137 835	68 918	68 918	Various	–	–

Note 1 – The allocation in 2012 comprises a sign-on allocation granted on 2 July 2012 of 30 000 Phantom Cash Options which are subject to the normal vesting conditions. Performance conditions are applicable to 50% of the allocation

Note 2 – Includes a sign-on 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.

REMUNERATION REPORT continued

Executive committee members (excluding executive directors and prescribed officers)

	Date of grant	Holding at 1 October 2011	Granted 2012	Exercised 2012	Forfeited 2012	Holding at 30 September 2012	Number of options subject to retention	Number of options subject to performance targets	Grant price (Rand)	Number of options vested at 30 September 2012	Fair market value of vested options at 30 September 2012 (R'000)
Total	Various	356 047	53 200	(41 657)	(32 805)	334 785	170 846	163 939	Various	73 513	10 378

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. PB Matlare was allocated the rights to 13 500 Tiger shares in July 2008 at an initial notional price of R117,91 per Tiger Brands underlying share. This notional cost will vary over time in terms of a repurchase formula and, when these participation rights are taken up, this will result in the participant being entitled to receive 13 500 Tiger Brands 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 Brands and an Adcock share.

In addition, on 31 December 2009, a top-up allocation of rights to 2 763 Tiger Brands shares (and 2 763 Adcock Ingram shares) was awarded by the BMT I to each of PB Matlare and N Segoale at an initial combined notional price of R122,39 for a Tiger Brands 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, PB 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 Brands 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 them 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 2012, the aggregate number of all outstanding options represented 1,97% (2011: 2,42%) 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% (2011: 15,7%) of gross pensionable remuneration for retirement funding purposes. The cost of these contributions forms a component of the directors' total remuneration packages. The four prescribed officers are also members of 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% (2011: 15,8%) of gross pensionable remuneration to the Tiger Brands Management Provident Fund for retirement funding purposes.

Details of contributions made during the year ended 30 September 2012 on behalf of executive directors, prescribed officers and other members of the executive committee are set out on pages 87 and 88.

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 IWM Isdale.

The total values of other benefits paid in respect of the executive directors, prescribed officers and other members of the executive committee are set out on pages 87 and 88.

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 79. All options issued under the Tiger Brands (1985) Share Option Scheme have vested in full and are therefore not subject to any termination conditions.

On 15 June 1999, Mr IWM 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

REMUNERATION REPORT continued

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 IWM 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 and submitted to the remuneration and nomination committee for final approval. 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

In the past, the Chairman of the company performed an internal board assessment every two to three years, the last informal assessment taking place during the latter part of 2010. In line with the findings of the 2010 assessment, Mr MJ Bowman, who has extensive international experience, was appointed to the board with effect from 1 June 2012. The board will benefit significantly from Mr Bowman's wealth of knowledge in the international arena. Board training was also identified as an area requiring attention and, as a result, a training module, with specific focus on compliance, is being developed for implementation in early 2013.

In 2012, the company engaged the services of Deloitte to conduct a formal independent assessment of the board. The review included the following:

- An assessment of the effectiveness of the board as well as the board committees
- An assessment of the Chairman's leadership and contribution
- A peer assessment of individual directors' performance and contributions
- An assessment of the Company Secretary's performance and support.

The results of the process were discussed by the board at its meeting on 20 November 2012. The review highlighted existing good practices, lessons learnt and identified areas for further development and focus.

The overall conclusion reached was that the essential structures and processes are well established and are largely functional for the Tiger Brands board of directors to be effective. Furthermore, the board has satisfactorily fulfilled its role and responsibilities, and discharged its accountability to the company for the year under review.

Areas identified for further development and focus included the following:

- the various board and committee charters be formally reviewed and confirmed by the board on an annual basis, thereby building the review into the ongoing processes of the board;
- the delegation/limits of authority framework be formally reviewed and confirmed by the board on an annual basis;
- a detailed annual work plan be developed for the board in order to provide greater clarity of matters to be tabled throughout the year;
- the board to establish a more proactive and formalised process for ongoing updates on matters of interest, as well as education, training and development;

- the recommendations from the current evaluation process be captured in an action plan, progress against which should be monitored on a regular basis by the board.

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 sub-committees 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, 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 board and board committee meetings. Consistent non-attendance at meetings, if applicable, will be appropriately handled as part of the company's 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 2012 were approved by shareholders on 14 February 2012.

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 and nomination committee. Following consideration by the remuneration and nomination 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.

REMUNERATION REPORT continued

The table below sets out the current and prior year annual fees:

Levels of fees for non-executive directors

Year-end 28 February (Rand)	2013	2012
Base fee	**287 525**	271 250
Committee chair		
Audit committee	**218 519**	206 150
Remuneration and nomination committee	**162 208**	141 050
Risk/sustainability committee	**134 757**	117 180
Social, ethics and transformation committee	**124 211**	117 180
Committee membership		
Audit committee	**112 189**	101 990
Remuneration and nomination committee	**81 104**	70 525
Risk/sustainability committee	**67 379**	58 590
Social, ethics and transformation committee	**62 105**	58 590
Chairman's remuneration	**1 335 266**	1 259 685
Deputy Chairman's remuneration	**690 060**	651 000

The Chairman and Deputy Chairman do not receive any additional remuneration for their participation in the sub-committees of the board.

In addition to the above fees, non-executive directors are paid an amount of R15 169 per meeting in respect of special meetings of the board and an amount of R3 034 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 and nomination committee and the Chief Executive Officer.

Fees paid to individual non-executive directors for the year ended 30 September 2012 are set out in the table of directors' emoluments on page 87.

The board, based on the recommendation of the remuneration and nomination 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 2013. 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 12 February 2013. The specific resolutions to be voted on by shareholders in respect of directors' remuneration increases are special resolution numbers 2, 3 and 4.

It is company practice to conduct an external benchmarking exercise on the fees payable to non-executive directors every two years.
A market review of non-executive directors' remuneration was last undertaken in 2011 and this formed the basis of the increases, which were effective from 1 March 2012.

(a) Table of directors' emoluments for the year ended 30 September 2012

(R'000)	Fees	Cash salary	Bonus	Other benefits	Retirement fund contributions	Gains on options exercised	Total 2012
Executive directors							
O Ighodaro	–	2 861	494	60	479	–	3 894
PB Matlare (CEO)	–	4 040	736	304	712	7 175	12 967
CFH Vaux (Note 1)	–	3 043	542	33	616	8 426	12 660
Total A	–	9 944	1 772	397	1 807	15 601	29 521
Non-executive directors		EFs					
AC Parker (Chairman) (Note 2)	1 010	15					1 010
SL Botha	449	15					449
MJ Bowman (from 1 June 2012)	96	–					96
RMW Dunne	666	15					666
M Makanjee	357	15					357
KDK Mokhele	452	–					452
RD Nisbet	404	15					404
MP Nyama	373	15					373
BL Sibiya (Deputy Chairman)	689	15					689
LC van Vught (to 14 February 2012) (Note 3)	471	–		8			479
Total B	4 967			8			4 975
Total A + B	4 967	9 944	1 772	405	1 807	15 601	34 496

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 2012
NG Brimacombe	–	2 857	517	109	588	8 763	12 834
NP Doyle (1 July 2012 – 30 September 2012)	–	779	–	18	131	–	928
PM Roux	–	3 488	617	155	597	–	4 857
N Segoale	–	2 787	543	400	523	3 101	7 354
Total	–	9 911	1 677	682	1 839	11 864	25 973

REMUNERATION REPORT continued

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	Gains on options exercised	Total 2012
Total (Notes 4 and 5)	–	8 492	1 010	1 900	1 738	10 681	23 821

Number of executive members (excluding executive directors and prescribed officers) – 2012: 5

Note 1 – Included under gains on options exercised is an amount of R3 480 219 in respect of share options in Adcock Ingram Holdings Limited and the Spar Group Limited exercised in January 2012.
Note 2 – Includes fees paid as a non-executive director of the company for the period 1 October 2011 to 13 February 2012, and remuneration paid as Chairman of the company from 14 February 2012 to 30 September 2012.
Note 3 – Other benefits comprise an amount of R8 333 being the value of a farewell gift.
Note 4 – Included in other benefits is an amount of R1 163 231 in respect of a severance package paid to a member of the executive committee.
Note 5 – Included under gains on options exercised is an amount of R372 781 in respect of share options in Adcock Ingram Holdings Limited exercised by a member of the executive committee in May 2012.
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 2011

(R'000)	Fees	Cash salary	Bonus	Other benefits	Retirement fund contributions	Gains on options exercised	Total 2011
Executive directors							
NG Brimacombe[1]		1 571	–	61	323	10 724	12 679
M Fleming[2]		595	–	210	119	2 043	2 967
O Ighodaro[3]		914	4 800	20	160	–	5 894
PB Matlare (CEO)		3 798	475	300	672	3 648	8 893
BN Njobe[4]		1 186	–	158	220	–	1 564
CFH Vaux[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					
LC van Vught (Chairman)	1 232	14					1 232
SL Botha[6]	149	54					149
SL Botha[7]	304	–					304
RMW Dunne	589	14					589
M Makanjee	373	54					373
KDK Mokhele	431	14					431
RD Nisbet	375	14					375
MP Nyama	398	68					398
AC Parker	485	68					485
BL 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)	Cash salary	Bonus	Other benefits	Retire-ment fund contri-butions	Gains on options exer-cised	Total 2011
NG Brimacombe (1 May – 30 September 2011)	1 122	334	44	231	–	1 731
PM 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)	Cash salary	Bonus	Other benefits	Retire-ment fund contri-butions	Deemed interest	Gains on options exer-cised	Total 2011
Total	9 280	1 368	970	1 856	–	1 306	14 780

Number of executive members (excluding executive directors and prescribed officers) – 2011: 6

Note 1 – NG Brimacombe resigned as a director of the company effective 30 April 2011 but remains on the executive committee.

Note 2 – M Fleming resigned from the company effective 31 December 2010. Outstanding leave valued at R140 655 was paid out on termination of his employment. 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 was refundable to the company had the employee terminated 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 – BN Njobe resigned as a director of the company effective 30 April 2011 and resigned as an employee of the company with effect from 30 September 2012.

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 SL 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.

SERIOUS ABOUT SUSTAINABILITY

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OUR PEOPLE

Tiger Brands' people strategy is fully aligned to the group's corporate strategy. We aim to attract and retain key talent in order to build organisational competencies and leadership capacity for long-term growth and to cement our reputation as a good corporate citizen.

We uphold the highest standards and seek to add value to the lives of employees through attractive career opportunities, market-related remuneration and an inclusive and enabling culture.

A summary of our performance for the year is tabled below:

Key indicators

	2012	2011
Employee headcount*	14 609	14 164
Female employees	3 070	3 237
Employee turnover rate	10,6	9,5
Learnership development programme participants	172	245
Total training spend (R'm)	10,9	16,0

** Includes employees of international operations.*

Talent and performance management

Given the highly competitive market, talent management has long been a strategic business priority. We believe that defined responsibilities, clear accountability and effective performance management ensure that each employee adds value. The talent management process defines and measures key talent to ensure an effective pipeline and the development and training of high-potential individuals.

Through the performance management system, formal reviews are conducted twice a year against key outputs and success measures, and potential inhibitors to performance are identified with a plan to address these. Further, in recognition of the importance of individual performance, every Tiger Brands employee has a personal development plan, which both sets out current development needs and builds future capability for career advancement.

Reward

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' Trusts (No I and No II). (See remuneration report on pages 72 to 89 for further detail.)

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

Enabling and inclusive culture

As the group's expansion efforts outside South Africa intensify, its operating model is being modified to build the skills and capabilities required to manage businesses across different regions. A key focus is on integrating the newly acquired businesses into the group, and bringing together different organisational cultures and people management practices within the group's framework.

Skills development

Learning and development are integral to our high-performance culture, equipping talent with the competence to fulfil their potential. Employees have the opportunity to continually develop themselves through workplace qualifications and shorter function-specific programmes. We offer bursaries to employees, financial support for tertiary education for their children through the Thusani Trust (for black employees), and ongoing personal development opportunities.

In the year under review, Tiger Brands spent approximately R10,9 million (2011: R16 million) on various in-house training programmes.

The Tiger Brands Academy in-house training facility provides an opportunity for employees to acquire cross-functional skills. In addition, the academy supports various national skills development initiatives through learnerships in respect of national diploma certificates in manufacturing management, supply chain management and other skills required for world-class manufacturing practices. In the year under review, 443 employees participated in Tiger Brands Academy programmes and 172 employees enrolled in national certificate learnership programmes.

	Number of learners 2012	Number of learners 2011	Actual training days 2012
Finance Academy	**17**	30	33
Customer Academy	**91**	33	1 092
Leadership Academy	**54**	49	512
IT Academy	**35**	154	35
Marketing Academy	**48**	53	317
Manufacturing Academy	**198**	197	559
Total	**443**	516	2 548

Learnership title	Number of learners 2012 intake	Number of learners 2011 intake	Qualified in 2012
National certificate in manufacturing management (NQF)	22	1	3
National diploma in manufacturing management (NQF6)	24	16	–
FET certificate in generic management (NQF4)	19	28	2
Meat processing learnership (NQF3)	25	24	23
Electrical learnership (Artisans and Apprentices) (NQF3)	6	–	–
Electrical learnership (Artisans and Apprentices) (NQF2)	3	–	–
Fitter learnership (Artisans and Apprentices) (NQF3)	3	–	–
Packaging learnership (NQF3)	33	45	–
Plant baking learnership (NQF3)	–	30	–
Apprentices	23	31	3
Fundamentals programme (NQF3)	–	11	–
Total	172	245	31

During the year, six graduates were enrolled in the structured 12 month Graduate Programme and 40 students received workplace experience in food technology, engineering, marketing, production and operations as reflected in the table below. These students become a feeder pool for the Graduate Programme and other entry level appointments.

	2012					2011				
Discipline	Food Tech	Engineering	Finance	Marketing	Other*	Food Tech	Engineering	Biotech	Marketing	Other*
	15	2	5	5	13	12	9	13	1	22

**Other includes production and operations.*

OUR PEOPLE continued

The ABET programme is well entrenched in the group and 54 registered learners completed basic literacy and numeracy training during the year (2011: 151). Currently, there are 390 registered learners on the programme at different levels – from basic orientation (BO) to Level 4, as indicated in the table below.

		Literacy					Numeracy				
Year	Active learners	BO	1	2	3	4	BO	1	2	3	4
2012	**390**	**6**	**57**	**92**	**79**	**62**	**–**	**27**	**39**	**24**	**4**
2011	467	18	61	130	86	57	–	36	46	27	4
2010	540	9	114	165	78	52	–	23	67	25	7
2009	400	1	132	58	54	77	–	10	31	22	15

The leadership development plan is continually refined, with relevant plans in place for the group's top 40 leaders. During the year, 37 people graduated from a customised Tiger Brands leadership programme based on specified leadership competencies, that were identified as critical for the success of the group.

Employee wellness

Tiger Brands provides a comprehensive employee wellness service through a combination of company run on-site clinics and contracted professional services.

In the 2012 financial year, the group invested over R7,4 million in the provision of on-site clinic services (2011: R8,4 million). These clinics offer occupational health support as well as limited primary healthcare, free of charge, to all permanent and temporary employees. The on-site clinic in Ashton is also open to the broader community.

Contracted professional services include an HIV/Aids management programme and an employee wellness support programme, which are offered free of charge to all permanent and contract employees:

- The group's HIV/Aids policy governs its actions in this arena. We have a comprehensive HIV/Aids framework in place, which includes support for HIV-positive employees through a third-party administered programme, catering for both those with and without medical aid. Access to anti-retrovirals for employees on medical aid is through the relevant medical aid scheme. In the year under review, 1 091 employees were voluntarily counselled and tested (2011: 959). The group's overall prevalence rate is 2,73% (2011: 2,59%).
- The group's employee wellness support programme offers 24-hour telephonic as well as face-to-face professional counselling. In all, 548 employees accessed this service during the year, its second year of operation, which represents a 7,52% utilisation rate comparing favourably to the 5% to 7% norm. Users can access psychologists, social workers, dieticians, biokineticists and financial and legal advisers. In the year ahead, there will be more communication to users to enable increased use of the web-based self-help facility.

We offer employees voluntary membership of the group's in-house medical scheme, affording them and their dependants access to cost-effective comprehensive health cover. The scheme has 4 559 principal members (2011: 4 696) and 10 455 beneficiaries (2011: 10 839), of whom 1 646 are pensioners (2011: 1 681). There are also 234 employees covered by Sechaba Medical Solutions (Sizwe). In addition 345 employees are on the Food Workers Medical Benefit Fund and 48 are on the Umvuzo Medical Scheme.

Health and safety

As a food company, the health and safety of our employees and the end consumer of our products is critical. Each operating site has a health and safety committee, and health and safety forms part of our culture of continuous improvement. Audit results are shared with the executive team and the risk and sustainability committee.

An in-house consumer services centre addresses all consumer complaints and queries relating to products. Generally accepted food manufacturing standards are rigorously applied and food safety at all facilities is audited by independent providers on an ongoing basis.

The overall site rating score (relating to health and safety, fire defence, security, emergency planning, etc) for 2012 was 96% (2011: 96%) while the health and safety score was 97% (2011: 96%).

Employee rights and relations

Our code of ethics governs internal relations and relationships with customers, suppliers, competitors and communities (see page 23).

Employees enjoy freedom of association and 14 unions are recognised and operate at various group sites.

We monitor and assess the implementation of our continuous improvement (20 Keys) and culture creation processes (InvoComs) at our manufacturing sites with a view to enhancing our employee relations. Currently 95% of our operating sites have completed the culture creation process, and 90% have gone a step further and implemented our continuous improvement programme. The table below reflects our comparative performance to date.

	Sites which have completed InvoComs implementation	Sites in the process of implementing 20 Keys
2012	**41**	**39**
2011	42	40
2010	41	38
2009	41	36
2008	40	39

** The figures include both permanent employees and contract staff.*

TRANSFORMATION

Our B-BBEE scorecard

Elements	Available points	2012	2011	2010	2009
Tiger Brands ownership	20	**19,7**	18,4	19,7	6,2
Management control	10	**6,5**	6,5	9,6	9,5
Employment equity	15	**7,5**	9,6	9,1	7,9
Skills development	15	**8,1**	9,1	9,5	8,8
Preferential procurement	20	**18,8**	18,8	18,8	16,4
Enterprise development	15	**11,7**	10,3	10,1	9,2
Socio-economic development	5	**5,0**	5,0	5,0	5,0
Total score	100	**77,2**	77,7	81,8	63,0
Level		**3**	3	3	5

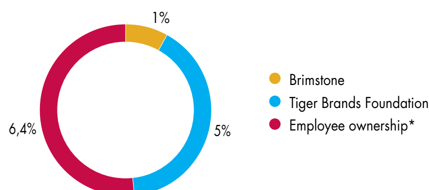
As a responsible South African company, the group drives B-BBEE and measures its transformation performance against set targets. In 2012, the group was rated a B-BBEE Level 3 contributor for the third consecutive year.

The focus areas, for both the year under review and the immediate future, are employment equity, skills development and enterprise development.

Ownership

The group's B-BBEE equity ownership score of 12,4% comprises:

B-BBEE equity ownership



* *4% ownership by the Black Managers' Trust; 0,51% ownership by the General Staff Trust; and 1,85% ownership by Thusani Trust (which funds the tertiary education of the children of our black employees).*

Management control

Management control is driven at group level by the board and the Chief Executive Officer.

Black directors and executive management (% of total complement)

Employment equity

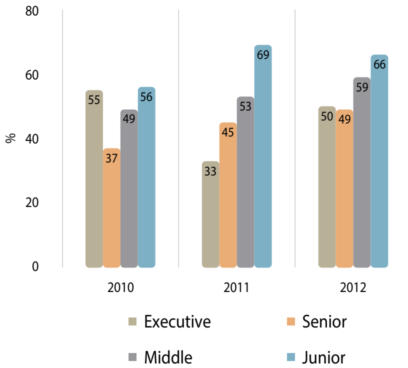
Tiger Brands continues to grow its black management talent pool, and we are making steady progress at all levels. We realise that achieving real employment equity is a long-term challenge, and as a result invest in junior and middle management levels in order to develop a pipeline of future senior and executive level black leaders.

90% of our employees in the year were black, 28% women and 0,84% disabled, which is in line with the 2011 statistics.

Black management

The number of black employees in management positions over the period 2010 to 2012 is reflected in the graph below:

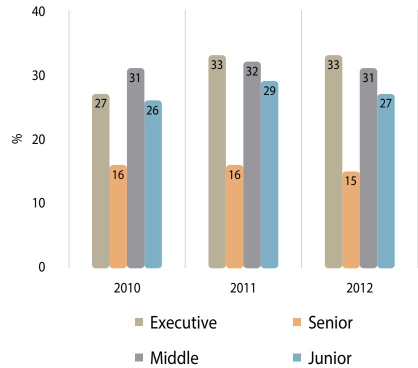
(% of total complement)



Female employees

The number of women in management positions has increased year-on-year as below:

(% of total complement)



CORPORATE SOCIAL INVESTMENT

The company's vision and mission statements, strategic objectives and value system are integrated into all policies, procedures, decision-making and operations, with sustainability as the ultimate objective. Sustainability development is guided by the King III report, the GRI and standards set by the JSE's Socially Responsible Investments (SRI) Index.

Sustainability at Tiger Brands has been structured into six pillars to enable the group to give practical effect to our commitment:

1. Business growth
2. Enterprise development
3. Social impact
4. Environmental impact
5. Compliance and governance (throughout Integrated Report 2012)
6. Partnerships (see stakeholder engagement on page 16)

Business growth

During the year, the group focused on fully integrating sustainability into business strategy. Advancements in this regard are evidenced throughout this Integrated Report 2012.

Enterprise development

Enterprise development is driven from within our individual businesses, as opposed to at group level. In aggregate, R55,9 million was spent on enterprise development in the year under review (2011: R49,5 million).

Key enterprise development projects

Soul Food

Tiger Brands' Soul Foods' objective is to develop small enterprises in culinary skills and business management and give them access to the mainstream economy. The cookery training is undertaken by The School of Culinary Arts and South African Chefs Association, and business training is offered by the Institute of Enterprise Development. Candidates receive a uniform, equipment and practical and theory training, a package valued in excess of R30 000. In four years the programme has seen 224 catering companies successfully complete the course out of the original 250 beneficiaries.

Soul Food successes:

- 60% of beneficiaries have achieved increased success in their businesses and are still going concerns;
- 30% of beneficiaries have formed joint ventures to tender for catering work or have found employment at other catering companies as chefs or cooks;
- Adelaide Maila, one of the first caterers to complete the course, has been appointed the Manager of South African Chefs Association in Soweto;
- Koo employs successful Soul Food graduates for store activations when other catering work is not available; and
- Tiger Brands sponsors mobile catering units owned by successful candidates.

Going forward the group intends to roll out the programme to all major areas in South Africa, creating brand ambassadors for Tiger Brands.

Khayelitsha Cookies

The initiative, Khayelitsha Cookies, was established in 2004, with only two ovens and two employees. It employs previously disadvantaged and unemployed women, mainly from the Mfuleni and Khayelitsha townships, and collectively hold a 30% stake in the business. In 2011, Tiger Brands invested in Khayelitsha Cookies and in January 2012, launched Purity Goodies Rusks and Biscotti – a range of healthy snacks suitable for toddlers from 18 months to preschool age.

Nceku Trucking

Tiger Brands has funded R5,5 million worth of vehicles to date. Since inception Nceku Trucking has grown to employ four drivers and five other employees. The business is a regular service provider of delivery services for Tiger Brands.

Centre for Culinary Excellence

Tiger Brands' partnership with the Centre for Culinary Excellence is intended to build cooking and catering capability among black-owned catering companies and chefs, in a manner that will also facilitate a route-to-market for our Out of Home and Groceries categories.

Since inception, the joint programme has completed the first phase of training and started a second phase aimed at rural women, also expanding from Johannesburg to KwaZulu-Natal.

To support Tiger Brands' Schools Feeding Scheme, based in Alexandra, graduates from the Centre for Culinary Excellence are encouraged to rent the kitchens built by Tiger Brands over weekends and holidays for their own catering operations.

Preferential procurement

Tiger Brands' qualifying discretionary spend to third party suppliers amounted to R12,5 billion during the year under review. Over 70% (R9,5 billion) of this expenditure was with B-BBEE compliant suppliers which included R1,4 billion being spent with qualifying small and micro enterprises. The group has a policy in place to encourage suppliers to improve their B-BBEE performance, by either 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, as evidenced in the figures above.

CORPORATE SOCIAL INVESTMENT continued

Social impact

As a group, Tiger Brands has a lengthy track record of supporting communities in South Africa and we aim to leave our "Tiger Footprint" across the country.

Tiger Brands commits 1% of NOPAT to community development annually. The group's CSI programme has evolved over the years from an ad hoc approach, to a strategic model based on identified economic and social goals, with the overall aim of using existing expertise in the group to generate market-based solutions which create mutual value. Our focus has therefore shifted to the impact of the projects we support. Ad hoc beneficiaries and causes are still considered on a case by case basis.

In addition Tiger Brands has established the Tiger Brands Foundation, which is today run independently of Tiger Brands (see pages 104 and 105).

Our CSI continues to focus on food security, nutrition education, hygiene and sanitation in line with our core business, as well as on cause-related marketing and goodwill building within our community. In effecting this, we partner with reputable NGOs in eight provinces. We further encourage the involvement of our employees.

We have also developed the capacity to react to any humanitarian disaster in South Africa within 48 hours. In June 2012, violent winds destroyed over 100 houses and other structures in the Free State towns of Orangeville, Welkom, Kestel, Reitz and Bloemfontein. In all, 76 people were reported injured and eight dead. Tiger Brands immediately responded by donating food parcels including loaves of bread, bags of maize meal and tins of baked beans. Further, in Mandela Bay in Port Elizabeth Tiger Brands donated food parcels to the families affected by severe cold fronts. The group worked closely with authorities to distribute parcels including brown bread, tinned beans and maize meal to approximately 1 000 families.

Food security

Five of our current projects address food security. Strict criteria are applied prior to approval of these projects, and close attention is paid to the capacity to deliver and adherence to governance.

The monthly food parcels donated to our beneficiaries comprise basic foodstuffs such as maize meal, rice, samp, canned tomato and onion mix, baked beans, mixed vegetables, peanut butter, jam, dried split peas and sugar beans, and cereals such as Morvite and Jungle Oats.

St Clement Home Based Care

Located in KwaZulu-Natal, St Clement Home Based Care offers support to the people of Clermont and KwaDabeka by conducting home visits to families affected by HIV/Aids, ensuring that the infected are monitored and cared for by trained community healthcare workers.

During these home visits, families in need are identified and subsequently provided with food parcels from Tiger Brands. Food parcels are also provided for use in St Clement's Meal on Wheels initiative, and since 2007, the group has also helped fund the centre, which grows its own vegetables to supplement Tiger Brands' food parcels.

Nutrition education

Stellenbosch Community Development (SCDP)

Together SCDP and Tiger Brands feed breakfast to 1 600 pre-school and school children in Kayamandi, Stellenbosch every school day and in school holidays with the exception of December. Those who have been identified as being critically malnourished in terms of SCDP's research and measurement review are provided with a fortified and enriched porridge.

A satellite centre at Kayamandi Primary School is responsible for feeding 900 children, and includes a permaculture garden. Further, another garden has been established at Kayamandi High School.

SCDP provides resources, including qualified dieticians, to compile meaningful statistics which enable the group to measure the impact of the feeding programme in line with our strategic CSI model, and which have assisted in recording a reduction in malnutrition and related diseases.

Further, SCDP encourages self-empowerment and aims to support 100 unemployed parents of malnourished children by providing food parcels, training and exposure to economic opportunities to help them become financially self-sufficient.

African Children's Feeding Scheme (ACFS)

ACFS feeds malnourished and/or poverty stricken children, orphans, child-headed households and sufferers of HIV/Aids in Soweto (at the Malnutrition Rehabilitation Centre) and Alexandra (at six schools in the area). In total, 31 000 children receive breakfast, and an additional 95 children receive breakfast, lunch and midday snacks.

CORPORATE SOCIAL INVESTMENT continued

The children have demonstrated ongoing improvements in health and school performance, leading to higher self-esteem, with the added benefit of reduced absenteeism. In addition, ACFS also empowers the parents/guardians of the children by training them in sewing skills on sewing machines donated by Tiger Brands. During the year, a group of parents was assisted by Tiger Brands and ACFS to start a business sewing school uniforms for 130 learners, which has created ongoing jobs for 10 women.

Further, 1 200 families receive monthly food parcels. They are also encouraged to grow their own vegetable gardens to supplement Tiger Brands' food parcels. A visible measure of this initiative's success is the escalating number of home gardens, and increased attendance at food gardening workshops hosted by ACFS.

Hygiene and sanitation

Jeyes Clean-Up Campaign

During the year Tiger Brands committed R1,4 million to an ongoing clean-up campaign in Khayelitsha and Gugulethu. The aim of the campaign is to highlight the multiple uses of Jeyes Fluid, while cleaning the public areas and shared facilities in the townships with the aim of curbing diarrhoea-related illnesses.

The Department of Health, civil society and schools in the townships all collaborate with Tiger Brands in the campaign. A total of 2 095 toilets have been cleaned and a growing number of community members are being educated on hygiene awareness, including 1 216 school children from 10 schools in Khayelitsha.

Cause-related marketing

Ingram's Winter Warmer Campaign

The group's brand Ingram's, in partnership with Jacaranda FM, conducts an annual winter blanket drive. Five charities benefited from this year's Winter Warmer campaign including Hanna Charity and Empowerment Foundation, Rotary Club, Beeld Children's Fund, Salvation Army and the Red Cross, in total providing 65 000 people with blankets. In addition to the blankets, each of the five organisations received a cash donation of R27 570.

"Are You Game" Project

The "Are You Game" life skills and basketball programme was established in 2010. It was designed by the African Youth Development in association with Tiger Brands, to develop young leaders in disadvantaged communities and empower them to become responsible citizens.

Existing but dilapidated basketball courts in Alexandra and Mamelodi townships were refurbished with new "Are you Game" branded backboards and rims. The African Youth Development Fund recruited basketball coaches and administrators from each community. Tiger Brands also included the "Eat Well, Live Well" feeding scheme, which has helped encourage the nutritional aspect of the programme.

The initiative has so far established partnerships with 21 primary schools and trained 42 unemployed out-of-school volunteers. It is notable that 15 of the volunteers from the pilot programme have since secured formal employment, some within the programme. In total more than 17 000 learners have attended motivation sessions since the start of the programme, and 2 044 youth have graduated from the life skills course.

Avril Elizabeth Home

The year under review marked the 20th anniversary of the association of our Elizabeth Anne's and Purity brands with the Avril Elizabeth Home. In this campaign, 10 cents is donated to the Avril Elizabeth Home for every Elizabeth Anne's and/or Purity product sold.

Tiger Brands further continues to support the organisation through initiatives such as the "Share the Care" campaign, which supports 75 orphaned, abandoned and indigent children with intellectual and physical disabilities.

Community goodwill building

SANDF Goodwill Parcel Project

Tiger Brands has supported the SANDF Goodwill Parcel Project for the past five years. The project provides 5 000 food parcels a year over the festive period, to families of South African soldiers on foreign peacekeeping missions.

67 Minutes for Mandela Day: Employee volunteerism

As part of our ongoing group-wide encouragement of employee volunteerism,

CORPORATE SOCIAL INVESTMENT continued

employees spent 67 minutes on Mandela Day assisting at various orphanages and charities: the Jungle Oats team spent their time with Orlando Children's Home; the International team went to Joseph Gerard House of Peace Home in Alexandra supplying a range of items; the Snacks and Treats team spent their time at a primary school in Diepsloot; and the HPCB team contributed to the Salvation Army's Ethembeni Children's Home by refurbishing the dilapidated pantries which posed a safety and health risk. In addition, the team donated toys, clothes and food products to the orphanage.

Individual employees also embarked on many other initiatives and causes of interest to them on this day.

Ad hoc

Palmerton Child Care Centre Book Donations

Following on our 2010 association with Palmerton Child Care Centre in Lusikisiki, Eastern Cape we donated innovative book series intended to teach life skills in addition to entertainment. The content of these specific books is easily accessible and distinctly South African, as they are written by South Africans for South Africans.

The Tiger Brands Foundation

In May 2011 the Tiger Brands Foundation was established for broad-based community impact. The group allocated 5% of its shares and associated dividends in perpetuity to the Foundation.

The Foundation's specific focus is "in-school" breakfast feeding programmes at non-fee paying schools in vulnerable communities, in a public-private partnership ("PPP") with the Department of Education. The launch of these programmes marked the first successful PPP of in-school feeding in South Africa. The Foundation recognises the importance of effective partnerships to create a collective pool of funding and resources that will strengthen its programmes.

Feeding began in July 2011 and in February 2012 the serving of our millionth breakfast at a single primary school in Alexandra township was celebrated. To date the Foundation has served 6 076 714 breakfasts to primary school learners in 35 schools across Gauteng, KwaZulu-Natal, Mpumalanga, Limpopo and the Western Cape.

The Foundation has further built kitchens and formulated nutritious menus for sustainability of the benefits of its programmes, as well as created jobs for food handlers and volunteers who monitor the programme.

The Foundation's feeding programmes are pivotal in the development of children to break the cycle of poverty and high levels of illiteracy. They provide an incentive for school attendance, improve overall health and drive school performance achievements.

Quotes from beneficiaries of "in-school" breakfast feeding;

"They come, they have their breakfast, they are listening attentively to the educators… in the past you would find learners sleeping…" (Principal – Emfundisweni Primary School)

"After the Tiger Brands breakfast they look bright… the lessons just flow unlike before when the children would be hungry and sleepy" (Educator – Ekukhanyisweni Primary School)

"The breakfast makes me stronger and helps me to exercise and be powerful, I like powerful" (Learner – Ikage Primary School)

"Now that I eat breakfast at school, I feel strong and I don't get sick anymore" (Grade 6 Learner – Skeen Primary School)

"I mustn't worry about where to get money to give my children breakfast. I know they get a nice breakfast at the school" (Parent – Woodford Primary School)

"They love the breakfast. Even their weight, even their facial appearances you see that change… that they have eaten something special now" (Educator – Modimolle Primary School)

CORPORATE SOCIAL INVESTMENT continued

Environmental impact

Tiger Brands is committed to operating as an environmentally responsible company and our operations adhere to all environmental regulations.

Climate change and environmental related concerns have been integrated into current business processes, which relate to the manufacture of food, home, personal and baby care products as part of the group's risk management system.

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.

Tiger Brands' environmental strategy is guided by a formal policy and implemented through our environmental management system. The group has formulated specific system objectives and targets based on the identification of environmental risks associated with our manufacturing operations. This is in line with international best practice standards such as ISO 14001.

To assist with the design, roll-out and implementation of the environmental management system, Tiger Brands has commissioned a specialist environmental consultancy – Marsh Risk Consulting. They will complete a range of system performance audits of all our business units. The results of these audits will provide Tiger Brands with the data against which to monitor progress in achieving our objectives and targets.

Energy

Most of the group's South African operations are based in urban areas and use municipality supplied power from the national grid. The businesses in South Africa rely on a host of energy sources, principally coal, fuels, gas and electricity. 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.

Since the implementation of the environmental strategy, progress has been made in reducing our energy consumption. In assessing capex decisions, particular attention is given to ensuring that technology choices made are environmentally efficient.

Various cost saving measures have been implemented including light sensors, low wattage globes, geyser control systems as well as a power management tool. Since the installation of the power management tool, the excessive demands from air-conditioning, the highest consumer of electricity, have been reduced.

Water

In South Africa, water is a scarce resource and availability constitutes a risk to the group, given that water is a critical component of manufacturing operations. Water usage and effluent volume is monitored through impact assessments and on-site water meters that record monthly water consumption.

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.

Waste

The most significant waste the group produces is the organic matter, packaging materials and other non-hazardous waste resulting from day-to-day operations in its 50 manufacturing sites in South Africa. There are currently 51 contracted waste collectors servicing Tiger Brands at the various operations. Service providers are required to adhere to waste segregation and to report back to the group on waste disposal. Supplier contracts have been reviewed to ensure compliance in this regard.

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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

To the shareholders of Tiger Brands Limited

We have audited the consolidated and separate financial statements of Tiger Brands Limited set out on pages 52, 53, 114, 115 and 117 to 199, as well as the directors' emoluments details within the tables on pages 80 to 82 and 87 to 89, which comprise the statements of financial position as at 30 September 2012, the income statements, the statements of comprehensive income, the statements of changes in equity and statements of cash flows for the year then ended, the notes, comprising a summary of significant accounting policies and other explanatory information and statutory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated and separate 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 consolidated and separate 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 management, 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 consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Tiger Brands Limited as at 30 September 2012, 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 the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 30 September 2012, we have read the audit committee's report and the Company Secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Ernst & Young Inc.

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

52 Corlett Drive, Illovo, 2196

10 December 2012

DIRECTORS' APPROVAL

The annual financial statements for the year ended 30 September 2012, which appear on pages 52, 53, 80 to 82, 87 to 89, 114, 115 and 117 to 199, 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 10 December 2012 and signed on its behalf by:

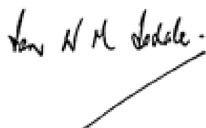
André Parker
Chairman

P Matlare
Chief Executive Officer

10 December 2012

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

10 December 2012

PREPARATION OF ANNUAL FINANCIAL STATEMENTS

The preparation of the annual financial statements for the year ended 30 September 2012, which appear on pages 52, 53, 80 to 82, 87 to 89, 114, 115 and 117 to 199, 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 166 and 167 of the annual financial statements and in the statement of changes in equity on pages 122 to 124.

During the year under review, the number of shares in issue increased by 554 033 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 Option Scheme

	2012	2011
Shares under option at the beginning of the year	1 082 530	1 412 730
Adjustments	(26 400)	–
Exercised and paid in full	(320 800)	(330 200)
Shares under option at the end of the year	735 330	1 082 530
Options available for issue	4 866 216	4 866 216

The above table excludes options granted to Spar and Adcock employees who received these options prior to those companies being unbundled and separately listed from Tiger Brands. Refer to note 18 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:

(R'millions)	2012	2011
Subsidiaries		
Total income after taxation	2 250,3	2 258,7
Associate companies		
Total income after taxation	415,7	265,4

Major shareholders

Details of the registered and beneficial shareholders of the company are outlined on pages 202 to 207.

Directors

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

Resignations

14 February 2012 LC van Vught

Appointments

1 June 2012 M J Bowman

In terms of the company's articles of association MJ Bowman, having been appointed since the last annual general meeting of the company, retires at the forthcoming annual general meeting to be held on 12 February 2013. In terms of the company's articles of association, CFH Vaux, SL Botha, and KDK Mokhele 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 25 and 27 of this report.

Directors' shareholding

No director holds 1% or more of the ordinary shares of the company. The directors of the company beneficially hold, directly and indirectly, 5 000 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.

Name of director	2012 Direct number of shares	2012 Indirect number of shares	2011 Direct number of shares	2011 Indirect number of shares
RMW Dunne	–	5 000	–	5 000
		5 000		5 000

Share repurchase

At the annual general meeting of shareholders held in February 2012, 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 2012, 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 the inside back cover.

Special resolutions

No special resolutions relating to capital structure, borrowing powers or any other material matter that affect 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 173 to 176 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 2012

With effect from 4 October 2012, Tiger Brands Limited acquired 63,35% of the total issued ordinary share capital of Dangote Flour Mills PLC from Dangote Industries Limited at a cost of approximately R1,5 billion.

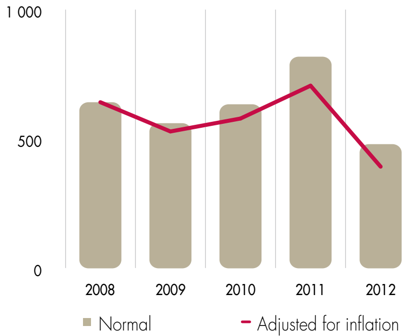
EFFECTS OF CHANGING PRICES

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.

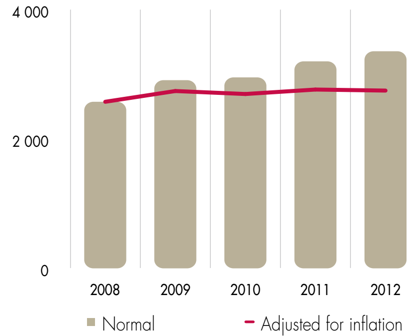
The effect of inflation is monitored by examination of cash flows inherent in operating results, budgets, plans and new projects, with emphasis concentrated towards the objective of the creation of shareholder wealth in real terms.

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):

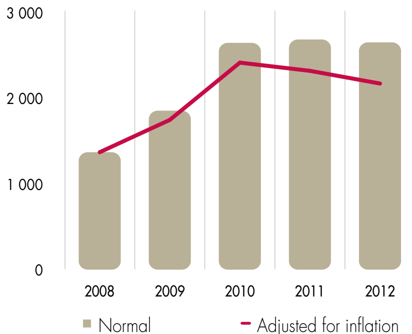
Capital expenditure (R'm)



Profit before tax and abnormal items (excludes income from associates) (R'm)



Cash available from operations (R'm)



** The figures for 2008 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 2012

COMPANY 2012	COMPANY 2011	(R'millions)	Notes	GROUP 2012	GROUP 2011
2 556,8	3 850,2	Revenue	2	22 770,9	20 479,2
		Turnover	3	22 677,0	20 430,2
		Cost of sales		(14 465,9)	(12 794,1)
		Gross profit		8 211,1	7 636,1
		Sales and distribution expenses		(2 863,1)	(2 728,4)
		Marketing expenses		(592,9)	(574,3)
(4,4)	(25,5)	Other operating expenses		(1 280,8)	(1 088,8)
(4,4)	(25,5)	Operating income/(loss) before abnormal items	4	3 474,3	3 244,6
(31,4)	(304,9)	Abnormal items	5	4,8	126,7
(35,8)	(330,4)	Operating income/(loss) after abnormal items		3 479,1	3 371,3
(23,4)	(12,3)	Finance costs	6.1	(191,0)	(83,6)
160,5	121,3	Interest received	6.2	52,8	19,5
2 396,3	3 728,9	Investment income	7	19,9	19,4
		Income from associated companies	16	415,7	265,4
2 497,6	3 507,5	Profit before taxation		3 776,5	3 592,0
(49,6)	(102,0)	Taxation	8	(1 028,7)	(1 013,7)
2 448,0	3 405,5	Profit for the year		2 747,8	2 578,3
		Attributable to:			
2 448,0	3 405,5	Owners of the parent		2 718,2	2 583,9
		Non-controlling interests		29,6	(5,6)
2 448,0	3 405,5			2 747,8	2 578,3
		Basic earnings per ordinary share (cents)		1 706,7	1 628,6
		Diluted basic earnings per ordinary share (cents)		1 671,5	1 598,0
		Headline earnings per share is disclosed in note 9.			

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 30 September 2012

COMPANY 2012	COMPANY 2011	(R'millions)	Note	GROUP 2012	GROUP 2011
2 448,0	3 405,5	Profit for the year		2 747,8	2 578,3
		Net loss on hedge of net investment in foreign operation		(5,0)	(19,2)
		Foreign currency translation adjustments		(2,3)	94,6
78,8	14,7	Net gain on cash flow hedges		59,0	45,1
0,1	(0,4)	Net (loss)/gain on available-for-sale financial assets		(1,2)	(19,8)
–	–	Tax effect	26	0,6	16,2
78,9	14,3	Other comprehensive income, net of tax		51,1	116,9
2 526,9	3 419,8	Total comprehensive income for the year, net of tax		2 798,9	2 695,2
		Attributable to:			
2 526,9	3 419,8	Owners of the parent		2 769,3	2 700,8
		Non-controlling interests		29,6	(5,6)
2 526,9	3 419,8			2 798,9	2 695,2

STATEMENTS OF FINANCIAL POSITION

at 30 September 2012

COMPANY 2012	COMPANY 2011	(R'millions)	Notes	GROUP 2012	GROUP 2011
		Assets			
		Non-current assets			
		Property, plant and equipment		3 359,2	3 316,7
		Land and buildings	11	1 148,4	1 085,2
		Plant, vehicles and equipment	11	2 201,9	2 230,2
		Capitalised leased assets	11	8,9	1,3
		Goodwill	12.1	2 361,1	2 361,8
		Intangible assets	12.2	1 651,0	1 463,9
2 974,3	2 885,7	Interest in subsidiary companies	14		
2 734,5	2 913,1	Amounts owed by subsidiaries	15		
2 674,0	2 472,8	Investments		2 654,7	2 360,4
549,6	452,5	Investments in associated companies	16	2 129,9	1 793,0
1 913,2	1 876,5	Other investments	17	517,2	556,7
211,2	143,8	Loans	18	7,6	10,7
1,0	–	Deferred taxation asset	19	43,9	–
1 052,7	79,8	Current assets		7 783,5	6 693,3
		Inventories	20	3 657,3	3 037,3
101,6	13,6	Trade and other receivables	21	3 755,1	3 149,5
559,5	–	Amounts owed by subsidiaries			
391,6	66,2	Cash and cash equivalents	22	371,1	506,5
9 436,5	8 351,4	Total assets		17 853,4	16 196,1
		Equity and liabilities			
8 684,9	7 603,4	Issued capital and reserves		11 302,8	9 859,8
94,5	69,7	Ordinary share capital and share premium	25	94,5	69,7
3 020,0	2 941,1	Non-distributable reserves		1 408,9	1 189,2
5 241,1	4 297,8	Accumulated profits		12 142,5	10 978,6
		Tiger Brands Limited shares held by subsidiary	27.1	(718,0)	(718,1)
		Tiger Brands Limited shares held by empowerment entities	27.2	(1 957,6)	(1 957,6)
329,3	294,8	Share-based payment reserve	23	332,5	298,0
		Non-controlling interests		392,7	385,7
8 684,9	7 603,4	Total equity		11 695,5	10 245,5
499,5	682,3	Non-current liabilities		935,8	1 213,6
–	0,5	Deferred taxation liability	28	294,0	299,9
		Provision for post-retirement medical aid	35	406,8	376,5
–	155,2	Long-term borrowings	31	235,0	537,2
499,5	526,6	Amounts owed to subsidiaries	38		
252,1	65,7	Current liabilities		5 222,1	4 737,0
50,8	39,3	Trade and other payables	29	3 256,6	2 559,5
–	–	Provisions	30	515,4	435,3
–	–	Taxation		132,3	102,0
155,5	2,7	Short-term borrowings	31	1 317,8	1 640,2
45,8	23,7	Amounts owed to subsidiaries	38		
9 436,5	8 351,4	Total equity and liabilities		17 853,4	16 196,1

STATEMENTS OF CASH FLOWS

for the year ended 30 September 2012

COMPANY 2012	COMPANY 2011	(R'millions)	Notes	GROUP 2012	GROUP 2011
(4,4)	(25,5)	Cash operating profit/(loss)	A	4 224,5	3 776,9
(21,8)	(6,5)	Working capital changes	B	(592,3)	(172,9)
(26,2)	(32,0)	**Cash generated from/(utilised by) operations**		3 632,2	3 604,0
160,6	122,2	Interest received and income from investments		72,7	38,9
(23,4)	(12,3)	Finance costs		(191,0)	(83,6)
2 254,8	3 595,9	Dividends received from associate companies and subsidiaries		175,9	152,3
141,4	132,1	Dividends received from empowerment entities			
(52,3)	(100,6)	Taxation paid	C	(1 057,6)	(1 046,3)
2 454,9	3 705,3	Cash available from operations		2 632,2	2 665,3
(1 504,7)	(1 410,3)	Dividends paid (including capital distributions)	D	(1 318,2)	(1 230,2)
950,2	2 295,0	**Net cash inflow from operating activities**		1 314,0	1 435,1
		Purchase of property, plant, equipment	E	(480,3)	(817,8)
		Proceeds from disposal of property, plant and equipment and intangibles		60,8	5,6
		Cash cost of businesses acquired	F	(10,5)	(1 690,5)
		Cash cost of intangibles acquired		(207,0)	–
		Proceeds received on repayment of loans		3,5	3,3
(187,0)	(2 302,5)	Investments acquired		(98,9)	(421,1)
–	–	Proceeds from disposal of investments		–	6,1
(459,4)	(71,7)	Net increase in loans to subsidiaries, associates and others		–	–
(646,4)	(2 374,2)	**Net cash outflow from investing activities**		(732,4)	(2 914,4)
303,8	(79,2)	**Net cash inflow/(outflow) before financing activities**		581,6	(1 479,3)
24,0	22,1	Proceeds from issue of share capital	G	24,0	22,1
		Cash inflow relating to an increase in treasury shares		0,1	0,3
–	(1,8)	Foreign long-term borrowings repaid		–	–
		Acquisition of minorities shareholding in L&AF		(90,1)	–
(2,4)	(366,1)	Long and short-term borrowings repaid		(230,8)	(118,6)
21,6	(345,8)	**Net cash (outflow)/inflow from financing activities**		(296,8)	(96,2)
325,4	(425,0)	**Net increase/(decrease) in cash and cash equivalents**		284,8	(1 575,5)
–	–	Effect of exchange rate changes on cash and cash equivalents		(8,0)	55,5
66,2	491,2	Cash and cash equivalents at the beginning of the year	H	(1 011,8)	508,2
391,6	66,2	**Cash and cash equivalents at the end of the year**	I	(735,0)	(1 011,8)

NOTES TO THE CASH FLOW STATEMENTS

for the year ended 30 September 2012

COMPANY 2012	COMPANY 2011	(R'millions)	GROUP 2012	GROUP 2011
		A Cash operating profit		
(4,4)	(25,5)	Operating profit/(loss) before abnormal items	3 474,3	3 244,6
		Add back:		
		Amortisation	19,5	11,2
		Loss on disposal of property, plant and equipment	(3,7)	(2,3)
		Provision for post-retirement medical aid	30,4	25,7
		Depreciation	425,6	373,2
		Share-based payment expenses	177,7	115,5
		Other non-cash items	100,7	9,0
(4,4)	(25,5)	Cash operating profit/(loss)	4 224,5	3 776,9
		B Working capital changes		
		(Increase)/decrease in inventories	(629,8)	23,9
(86,8)	(3,8)	Increase in trade and other receivables	(487,5)	(89,3)
11,5	(2,7)	Increase/(decrease) in trade and other payables	525,0	(107,5)
53,5	–	Other non-cash items	–	–
(21,8)	(6,5)	Working capital changes	(592,3)	(172,9)
		C Taxation paid		
2,8	0,1	Amounts (payable)/receivable at the beginning of the year, net	(102,0)	(62,3)
(49,6)	(102,0)	Income statement charge	(1 028,7)	(1 013,7)
(1,5)	4,1	Deferred tax	(51,8)	10,5
		Adjustment for businesses acquired	–	(87,6)
		Exchange rate difference and other non-cash items	1,9	4,8
(4,0)	(2,8)	Amounts payable/(receivable) at end of year, net	123,0	102,0
(52,3)	100,6	Total taxation paid	(1 057,6)	(1 046,3)
		D Dividends paid		
(1 504,7)	(972,7)	Per statement of changes in equity	(1 314,1)	(847,8)
–	(437,6)	Capital distribution (net of group credit in respect of treasury and empowerment shares)	–	(372,7)
		Dividends paid to outside shareholders	(4,1)	(9,7)
(1 504,7)	(1 410,3)	Total dividends paid	(1 318,2)	(1 230,2)
		E Purchase of property, plant, equipment and intangibles		
		Expansion	(177,3)	(430,6)
		Replacement	(303,0)	(387,2)
			(480,3)	(817,8)

COMPANY 2012	COMPANY 2011	(R'millions)	GROUP 2012	GROUP 2011
		F Cash cost of businesses acquired		
		Inventories	**(5,7)**	(114,9)
		Trade and other receivables	**(12,6)**	(131,9)
		Trade and other payables	**10,3**	57,1
		Taxation and deferred taxation	**–**	266,1
		Cash and cash equivalents	**–**	(226,7)
		Property, plant and equipment	**(2,5)**	(251,6)
		Long-term borrowings	**–**	244,7
		Goodwill	**–**	(656,7)
		Intangibles	**–**	(1 209,8)
		Non-controlling interest	**–**	106,5
		Total cost of businesses acquired	**(10,5)**	(1 917,2)
		Add: Cash and cash equivalents acquired	**–**	226,7
		Cash cost of businesses acquired	**(10,5)**	(1 690,5)
		G Increase in shareholder funding		
24,0	22,1	Proceeds from issue of share capital	**24,0**	22,1
24,0	22,1		**24,0**	22,1
		H Cash and cash equivalents at the beginning 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
		I Cash and cash equivalents at the end of the year		
391,6	66,2	Cash resources	**371,1**	506,5
–	–	Short-term borrowings regarded as cash and cash equivalents	**(1 106,1)**	(1 518,3)
391,6	66,2		**(735,0)**	(1 011,8)

STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 September 2012

(R'millions)	Notes	Share capital and premium	Share of net earnings of associates	Other capital reserves	Cash flow hedge reserve
				Non-distributable reserves	
GROUP					
Balance at 1 October 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 distributions out of share premium		(437,6)	–	–	–
Acquisition of East Africa Tiger Brands Industries	39	–	–	–	–
Transfers between reserves		–	113,1	1,9	–
Share-based payment		–	–	–	–
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
Profit for the year		–	–	–	–
Other comprehensive income for the year		–	–	–	59,0
		69,7	863,0	87,9	70,8
Issue of share capital and premium		24,8	–	–	–
Acquisition of minority interest		–	–	(71,6)	–
Transfers between reserves		–	239,8	0,4	–
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 2012		94,5	1 102,8	16,7	70,8
Refer to note:		25			

Available-for-sale reserve	Foreign currency translation reserve	Accumu-lated profits	Shares held by subsidiary and empower-ment entities	Share-based payment reserve	Total attributable to owners of the parent	Non-controlling interests	Total equity
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
–	–	2 718,2	–	–	2 718,2	29,6	2 747,8
(3,7)	(4,2)	–	–	–	51,1	–	51,1
212,9	5,7	13 696,8	(2 675,7)	298,0	12 629,1	415,3	13 044,4
–	–	–	–	–	24,8	–	24,8
–	–	–	–	–	(71,6)	(18,5)	(90,1)
–	–	(240,2)	–	–	–	–	–
–	–	–	–	34,5	34,5	–	34,5
–	–	(1 314,1)	–	–	(1 314,1)	(4,1)	(1 318,2)
–	–	(1 483,9)	–	–	(1 483,9)	(4,1)	(1 488,0)
–	–	169,8	–	–	169,8	–	169,8
–	–	–	0,1	–	0,1	–	0,1
212,9	5,7	12 142,5	(2 675,6)	332,5	11 302,8	392,7	11 695,5
			27	23			

STATEMENTS OF CHANGES IN EQUITY continued

for the year ended 30 September 2012

(R'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
		Non-distributable reserves						
COMPANY								
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
Profit for the year	–	–	–	–	–	2 448,0	–	2 448,0
Other comprehensive income for the year	–	–	–	78,8	0,1	–	–	78,9
	69,7	2 918,6	19,3	78,8	3,3	6 745,8	294,8	10 130,3
Issue of share capital and premium	24,8	–	–	–	–	–	–	24,8
Share-based payment reserve	–	–	–	–	–	–	34,5	34,5
Dividends on ordinary shares	–	–	–	–	–	(1 504,7)	–	(1 504,7)
Balance at 30 September 2012	94,5	2 918,6	19,3	78,8	3,3	5 241,1	329,3	8 684,9

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2012

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 2012 were authorised for issue in accordance with a resolution of the directors on 20 November 2012. 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 Companies Act of South Africa.

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 shareholders' equity.

A change in the ownership interest of a subsidiary, without 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
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

Changes in accounting policies

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 pages 137 and 138.

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. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 September 2012

value of the item (ie, translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively.)

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:

- Chocolaterie Confiserie Camerounaise (subsidiary) – Central African franc;
- Haco Tiger Brands (E.A.) Limited (subsidiary) – Kenyan shilling;
- Deli Foods Nigeria Limited – Nigerian naira;
- East Africa Tiger Brands Industries (subsidiary) – Ethiopian birr;
- Empresas Carozzi (associate) – Chilean peso;
- National Foods Holdings Limited (Zimbabwe) (associate) – United States dollar;
- UAC Foods Limited (associate) – Nigerian naira.

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. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

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 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.

Segment reporting

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).

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.

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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 below), 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 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 directly 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" 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
Derivatives	Financial instruments at fair value through profit or loss
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 income is recognised in profit or loss. 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.

Where more than an insignificant portion of held-to-maturity investments have been sold or reclassified during the current or two preceding reporting periods the group does not classify these financial assets as held to maturity.

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.

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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 that 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)
- 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 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 in a foreign operation.

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 (ie 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.

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

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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 coordinated 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 conditions 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 pre-tax 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

Group as a lessee

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 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.

Group as a lessor

Leases in which the group does not transfer substantially all the risks and benefits of ownership an as asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Revenue

Revenue comprises turnover, rental income, dividend income and interest 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.

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, 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.

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.

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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

During previous periods, secondary taxation on companies (STC) on dividends declared was accrued in the period in which the dividend was declared. The treatment of the withholding tax on dividends in the current year is described below.

Dividend withholding tax

A dividend withholding tax of 15% is withheld on behalf of the taxation authority on dividend distributions. The net amount payable to the taxation authority is included as part of trade and other payables at the time a 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 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 or Monte-Carlo simulation, 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.

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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 tangible, goodwill 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 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 11 and note 12.

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 notes 19 and 28.

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 estimation.

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.

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 standards and IFRIC interpretations during the year:

Further information on changes to accounting policies
The group has applied the following IFRS and IFRIC interpretations during the year:

- *IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* – amendment: 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.

  The amendment became effective from 1 July 2011 and impacted the group's Zimbabwean associate. The impact was assessed and is not considered to have had a material effect on the group.

- 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 are required. For financial assets that are not derecognised in their entirety, the entity is required to disclose additional information as well. In order to increase the prominence of these disclosures, all this information is required to be presented in a single note in an entity's financial statements.

  The amendment became effective for financial periods beginning on or after 1 July 2011. The amendment did not have any impact on the group as no such transfers of financial assets took place.

- 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 had no impact on the entity upon adoption.

- 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.

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for the year ended 30 September 2012

The amendment is effective for financial periods beginning on or after 1 January 2011. As there were no such prepayments, this amendment had no impact on the group despite the fact that there are defined benefit plans.

The following improvements to IFRS and IFRIC interpretations, issued in May 2010, were also adopted during the year. The improvements were all effective from 1 January 2011. A description of the more significant changes is included below. These changes had no material effect on the financial statements.

- 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 disclosures have been reduced upon adoption of the amendment. The additional disclosure requirements now stipulated have had a minor impact as the information required was 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.

  This information is now provided in the statement of changes in equity.

- 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.

  As the amendment relates to interim reports only, it has not had an impact on the group financial statements. The condensed financial statements and interim reports have been updated accordingly.

- 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 has had no impact on the group, as there are no customer loyalty programmes that have been entered into.

The following amendment has also been adopted but had no impact:

- IFRS 1 *Accounting Policy Changes in the Year of Adoption*.

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 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 2015. 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 and the group is still in process of assessing what the impact of adoption would be.

- 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 from proportionate consolidation to equity accounting when the new standard is adopted. Under IFRS 11 the structure of a joint arrangement is not the only factor considered when classifying the joint arrangement as either a joint operation or joint venture.

  The new standard is effective for financial periods beginning on or after 1 January 2013. The assessment of the group's joint ventures in this regard is yet to be finalised.

- 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 and the detailed disclosures will only be assessed upon adoption based on the implications of IFRS 10 and IFRS 11.

- 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 new standard is effective for financial periods beginning on or after 1 January 2013. The impacts of this standard on Tiger Brands are yet to be assessed in detail.

- 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. Items currently recognised in OCI (hedge accounting, foreign currency translation and available-for-sale investments) are all reclassified to profit or loss in future periods.

- 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.

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for the year ended 30 September 2012

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 relate 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 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.
  - "Remeasurements" will be recorded in other comprehensive income. These are all other movements in the statement of financial position 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 27 *Separate Financial Statements.* The scope of IAS 27, as revised, is limited to the accounting for investments in subsidiaries, joint ventures and associates in the separate financial statements of the investor. The amendment was issued in response to the issue of IFRS 10.

  The amendment is effective for financial periods beginning on or after 1 January 2013. There will be no impact of this amendment, as such investments will remain to be measured at cost.

- IAS 28 *Investments in associates and joint ventures (consequential revision due to the issue of IFRS 10 and 11).* The revised standard caters for joint ventures (now accounted for by applying the equity accounting method) in addition to prescribing the accounting for investments in associates.

  The amendment is effective for financial periods beginning on or after 1 January 2013. The impact of this amendment is yet to be assessed.

- IFRS 7 *Disclosures – offsetting financial assets and financial liabilities*. The amendment amends the required disclosures to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

  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 32 *Offsetting Financial Assets and Financial Liabilities.* The amendment clarifies the meaning of the entity currently having a legally enforceable right to set off financial assets and financial liabilities as well as the application of IAS 32 offsetting criteria to settlement systems (such as clearing houses).

  The amendment is effective for financial periods beginning on or after 1 January 2014. The impact of this amendment is yet to be assessed.

- IFRS 9, IFRS 7 *Mandatory Effective Date and Transition Disclosures*. Amendments to IFRS 7 depend on when IFRS 9 is adopted and affect the extent of comparative information required to be disclosed.

  The amendment is effective for financial periods beginning on or after 1 January 2015. The impact of this amendment is yet to be assessed.

Numerous annual improvements to IFRS (2009 to 2011 cycle) have amendments effective for financial periods beginning on or after 1 January 2013 which will be applied retrospectively.

- IAS 1 *Clarification of the Requirements for Comparative Information*. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. In addition, the opening statement of financial position (known as the third balance sheet) must be presented in the following circumstances: when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. The opening statement would be at the beginning of the preceding period. Unlike the voluntary comparative information, the related notes are not required to accompany the third balance sheet. This amendment will impact comparatives provided in future if there is a retrospective adjustment.

- IAS 16 *Classification of servicing equipment*. The amendment clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory. This amendment will have no impact on the group, as the requirements of this amendment are already applied.

- IAS 32 *Tax effect of distributions to holders of equity instruments*. The amendment clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 *Income Taxes*. This amendment will have no impact on the group, as the requirements of this amendment are already applied.

- IAS 34 *Interim financial reporting and segment information for total assets and liabilities*. The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 *Operating Segments*. Total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision-maker and there has been a material change in the total amount disclosed in the entity's previous annual financial statements for that reportable segment. This amendment will impact the group's interim report and/or condensed financial statements only.

The following amendments and interpretations have also been issued, but will not have an impact upon adoption:

- IFRS 1 *Below-market Government Loans* (effective 1 January 2013)
- IFRS 1 *Borrowing Costs* (effective 1 January 2013)
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine (effective* 1 January 2013)

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for the year ended 30 September 2012

COMPANY 2012	COMPANY 2011		(R'millions)	GROUP 2012	GROUP 2011
		2.	Revenue		
			Turnover	22 677,0	20 430,2
160,5	121,3		Interest received	52,8	19,5
2 396,3	3 728,9		Dividend income	19,9	19,4
–	–		Rental income, fee income and other	21,2	10,1
2 556,8	3 850,2			22 770,9	20 479,2
		3.	Turnover		
		3.1	Turnover comprises:		
			Turnover denominated in foreign currencies	3 512,7	2 456,2
			Turnover denominated in functional currency	19 164,3	17 974,0
				22 677,0	20 430,2
			Turnover is net of value added tax, normal discounts, rebates and promotional allowances. Refer to the segmental analysis on page 52 for details of the segmental split.		
		3.2	Turnover by major customer*		
			Customer 1	3 694,0	3 560,2
			Customer 2	2 864,9	2 773,8
			Customer 3	2 291,1	2 181,0
			Customer 4	1 972,0	1 682,0
			Customer 5	218,2	176,6
			All other customers	11 636,8	10 056,6
				22 677,0	20 430,2
			Customers 1 to 5 relate mainly to domestic operations.		

* *The information is presented in terms of current year data and where necessary, comparative figures have been restated to enhance comparability.*

COMPANY 2012	COMPANY 2011	(R'millions)		GROUP 2012	GROUP 2011
		4.	**Operating income/(loss) before abnormal items**		
		4.1	**Operating income has been determined after charging/(crediting):**		
			External auditors' remuneration		
			▹ Audit fees	23,4	22,5
			▹ Other fees and expenses	3,6	1,8
			Internal auditors' remuneration	8,4	8,3
			Depreciation		
			▹ On buildings	38,0	31,8
			▹ On plant, equipment and vehicles	384,8	341,1
			▹ On capitalised leased assets	2,8	0,3
			Amortisation		
			▹ On trademarks	14,1	8,2
			▹ On licence agreements, supplier relationships and other intangibles	0,6	0,6
			▹ On customer lists	4,8	2,4
1,6	1,3		Fees paid for administrative, managerial and technical services	113,3	104,6
			Operating lease charges		
			▹ On land and buildings	50,4	44,1
			▹ On plant, equipment and vehicles	78,0	68,1
			Net profit on disposal of plant, equipment and vehicles	(3,7)	(2,3)
			Research, development and related expenditure	14,8	16,7
			Share-based payment expenses		
			▹ Cash-settled	142,1	65,3
			▹ Equity-settled, including BEE-related IFRS 2 expenses	35,6	50,2
			Staff costs	2 200,3	1 924,6
			Employer's contribution to retirement funding	164,4	163,0
			Employer's contribution to medical aid	81,9	80,8
(4,5)	19,3		Foreign exchange profit	(16,6)	(30,5)

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 September 2012

COMPANY 2012	COMPANY 2011		(R'millions)	GROUP 2012	GROUP 2011
		4.	Operating income/(loss) before abnormal items (continued)		
		4.2	**Directors' emoluments**		
			Executive directors		
			▹ Salaries and bonuses	11,7	16,6
			▹ Retirement, medical and other benefits	17,8	21,9
			Non-executive directors		
5,0	5,0		▹ fees	5,0	5,0
5,0	5,0		Total directors' emoluments	34,5	43,5
			Less: Paid by subsidiaries	(29,5)	(38,5)
5,0	5,0		Emoluments paid by company	5,0	5,0
			Refer to page 87 of the remuneration 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		
(25,3)	–		Acquisition costs	(25,3)	–
			Net profit/(loss) on disposal of property, plant and equipment and intangibles	36,2	(0,2)
			Impairment of property, plant and equipment	(0,9)	(2,6)
			Equity accounted take-on gain – National Foods Holdings Zimbabwe	–	91,4
			Recognition of pension fund surpluses	–	44,3
			Profit/(loss) on sale of investments	(5,2)	0,7
			Impairment of intangible assets	–	(7,1)
(6,1)	(38,7)		Exchange rate translation of Mauritian loan	–	–
–	(264,2)		Impairment of investment in subsidiary	–	–
–	(2,0)		Other	–	0,2
(31,4)	(304,9)		Abnormal profit before taxation	4,8	126,7
1,7	10,8		Income tax expense	(5,5)	(11,9)
(29,7)	(294,1)		Attributable to shareholders in Tiger Brands Limited	(0,7)	114,8
			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.		

COMPANY 2012	COMPANY 2011		(R'millions)	GROUP 2012	GROUP 2011
		6.	**Interest**		
(23,4)	(12,3)	6.1	**Finance costs**	(191,0)	(83,6)
(12,3)	(11,5)		▷ Long-term borrowings	(54,3)	(37,5)
(10,8)	(0,7)		▷ Bank and other short-term borrowings	(120,6)	(34,3)
–	–		▷ Other – financial liabilities	(10,5)	(11,0)
(0,3)	(0,1)		▷ Other – non-financial liabilities	(5,6)	(0,8)
160,5	121,3	6.2	**Interest received**	52,8	19,5
20,6	19,7		▷ From subsidiary companies		
139,9	101,6		▷ From cash and cash equivalents	43,7	19,0
–	–		▷ From other sources – non-financial assets	9,1	0,5
137,1	109,0		**Net (finance costs)/interest received**	(138,2)	(64,1)
		7.	**Investment income**		
2 254,8	3 595,9		From subsidiary companies		
			From investment of employer-controlled reserve invested by pension fund on behalf of Tiger Brands Limited	8,8	9,5
141,4	132,1		From BEE empowerment entities		
			From other investments		
–	0,9		▷ Listed	11,1	9,9
0,1	–		▷ Unlisted	–	–
2 396,3	3 728,9			19,9	19,4
		8.	**Taxation**		
42,6	27,4	8.1	**South African current taxation**	952,8	916,5
5,3	69,7		Secondary tax on companies	70,1	72,3
4,7	0,8		Foreign taxes	49,2	21,1
52,6	97,9			1 072,1	1 009,9
0,2	14,9		Deferred taxation	(48,5)	1,1
0,2	0,7		▷ Temporary differences	(57,5)	(6,9)
–	14,2		▷ Secondary tax on companies	9,0	8,0
52,8	112,8			1 023,6	1 011,0
			Adjustments in respect of previous years		
(1,5)	–		▷ Current taxation	(1,3)	6,2
–	–		▷ Foreign taxation	5,1	–
–	–		▷ Deferred taxation	(4,2)	(14,2)
51,3	112,8		Taxation on abnormal items	1 023,2	1 003,0
–	–		▷ Current	4,6	(12,9)
(1,7)	(10,8)		▷ Deferred	0,9	23,6
49,6	102,0			1 028,7	1 013,7

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for the year ended 30 September 2012

COMPANY 2012	COMPANY 2011		(%)	GROUP 2012	GROUP 2011
		8.	Taxation (continued)		
		8.2	**The reconciliation of the effective rate of taxation with the statutory taxation rate is as follows:**		
2,0	2,9		Taxation for the year as a percentage of income before taxation	27,2	28,2
26,8	29,8		Dividend income	0,1	0,1
(0,5)	(2,3)		Expenses and provisions not allowed for taxation	(1,2)	(1,1)
(0,2)	(2,4)		Secondary tax on companies	(2,1)	(2,2)
–	–		Tax effect of capital profits	(0,1)	(0,2)
			Income from associates	3,1	2,8
(0,1)	–		Effect of differing rates of foreign taxes, prior year adjustments and other sundries	1,0	0,4
28,0	28,0		Rate of South African company taxation	28,0	28,0
			(R'millions)		
			Tax effect of losses available to reduce future taxable income	63,5	62,7
		8.3	**Reconciliation of movement on deferred taxation**		
			Movement recognised in the income statement for the year		
0,2	14,9		Current year (utilisation)/charge	(48,5)	1,1
–	–		Adjustments in respect of previous years	(4,2)	(14,2)
(1,7)	(10,8)		Deferred tax on abnormal items	0,9	23,6
(1,5)	4,1			(51,8)	10,5
			Movement per deferred tax accounts		
(1,7)	14,0		(Increase)/decrease in deferred taxation asset	(17,3)	(22,0)
0,2	(9,9)		(Decrease)/increase in deferred taxation liability	(34,5)	32,5
(1,5)	4,1			(51,8)	10,5

		GROUP 2012	GROUP 2011	
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**	180 315 247	179 873 247	
	Weighted number of ordinary shares – issued	318 800	153 570	
	Weighted number of shares held for BEE deal	(21 370 813)	(21 371 686)	
	Weighted average number of shares in issue	159 263 234	158 655 131	
9.2	**Weighted average number of shares in issue**	159 263 234	158 655 131	
	Share options dilution	3 350 420	3 038 522	
	Adjusted number of ordinary shares for diluted earnings per share and diluted headline earnings per share purposes	162 613 654	161 693 653	
9.3	**Headline earnings (R'millions)**	2 690,0	2 498,3	
	Income attributable to shareholders of the parent (Rm)	2 718,2	2 583,9	

		Gross	Tax	Net
9.4	**Reconciliation between profit for the year and headline earnings (R'millions)**			
	2012			
	Earnings/profit attributable to shareholders of the parent			2 718,2
	Adjusted for:			
	Profit on sale of intangible asset	(35,0)	4,9	(30,1)
	Profit on sale of property, plant and equipment	(4,9)	0,7	(4,2)
	Impairment of property, plant and equipment	0,9	(0,3)	0,6
	Headline earnings adjustments – Associates			
	– Impairment of intangible assets	5,9	–	5,9
	– Profit on sale of property, plant and equipment	(0,4)	–	(0,4)
	Headline earnings for the year	(33,5)	5,3	2 690,0
	2011			
	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

		2012	2011
9.5	**Headline earnings per share**		
	Headline earnings per ordinary share (cents)	1 689,0	1 574,6
	Diluted headline earnings per ordinary share (cents)	1 654,2	1 545,0

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 September 2012

COMPANY 2012	COMPANY 2011		(R'millions)	GROUP 2012	GROUP 2011
		10.	Dividends and capital reductions		
1 504,7	1 410,3	10.1	Dividends and capital distributions on ordinary shares	1 314,1	1 220,5
			Dividend paid to empowerment trusts	32,2	19,4
–	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
953,0	–		Dividend No 134 of 510 cents per share – paid	812,3	–
551,7	–		Dividend No 135 of 295 cents per share – paid	469,6	–
850,0	791,0	10.2	Dividends and capital distributions per ordinary share (cents)	850,0	791,0
–	281,0		Dividend No 133 – paid	–	281,0
–	510,0		Dividend No 134 – paid	–	510,0
295,0	–		Dividend No 135 – paid	295,0	–
555,0	–		Dividend No 136 – declared 20 November 2012	555,0	–
		11.	Property, plant and equipment		
		11.1	Freehold land and buildings	1 046,5	980,5
			Cost	1 316,7	1 219,4
			Accumulated depreciation	(270,2)	(238,9)
		11.2	Leasehold land and buildings	101,9	104,7
			Cost	120,1	117,3
			Accumulated depreciation	(18,2)	(12,6)
			Total land and buildings	1 148,4	1 085,2
		11.3	Land and buildings and plant and machinery with a book value of R175,9 million (2011: R95,8 million), are mortgaged/pledged as security for long-term loans of R59,0 million (2011: R56,4 million) included in note 31.1 and capitalised finance leases of R8,4 million (2011: R0,2 million) as per note 31.3.		
		11.4	Plant, vehicles, vessels and equipment	2 201,9	2 230,2
			Cost	4 797,3	4 651,4
			Accumulated depreciation	(2 595,4)	(2 421,2)
		11.5	Capitalised leased assets	8,9	1,3
			Cost	13,1	2,7
			Accumulated depreciation	(4,2)	(1,4)

(R'millions)	GROUP Freehold land and buildings	Leasehold land and buildings	Plant, vehicles and equipment	Capitalised leased assets	Total
11. Property, plant and equipment (continued)					
11.6 Movement of the group property, plant and equipment					
2012					
Net balance at the beginning of the year	980,5	104,7	2 230,2	1,3	3 316,7
Business combinations	–	–	2,5	–	2,5
Additions	98,9	1,2	369,8	10,4	480,3
	1 079,4	105,9	2 602,5	11,7	3 799,5
Disposals	(0,6)	–	(20,2)	–	(20,8)
Impairment	–	–	(0,9)	–	(0,9)
Depreciation	(33,5)	(4,5)	(384,8)	(2,8)	(425,6)
Exchange rate translation difference	1,2	0,5	5,3	–	7,0
Net balance at the end of the year	1 046,5	101,9	2 201,9	8,9	3 359,2
2011					
Net balance at the beginning of the 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 the end of the year	980,5	104,7	2 230,2	1,3	3 316,7

Borrowing costs amounting to R36,5 million (2011: R20,5 million) were capitalised during the year.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 September 2012

	(R'millions)	GROUP 2012	GROUP 2011
12.	Goodwill and intangible assets		
12.1	**Goodwill**	2 361,1	2 361,8
	Cost	2 477,2	2 477,9
	Accumulated impairment	(116,1)	(116,1)
	Movement of group goodwill		
	Net balance at the beginning of the year	2 361,8	1 156,1
	Business combinations	–	1 209,8
		2 361,8	2 365,9
	Exchange rate translation difference	(0,7)	(4,1)
	Net balance at the end of the year	2 361,1	2 361,8
	The carrying value of goodwill is allocated to cash-generating units as follows:		
	Exports and International	1 237,4	1 238,1
	Beverages	580,5	580,5
	Groceries	72,3	72,3
	Value Added Meat Products	6,0	6,0
	HPCB	464,9	464,9
		2 361,1	2 361,8
12.2	**Intangible assets**		
12.2.1	*Trademarks and other*	1 114,5	922,0
	Cost	1 162,7	956,1
	Accumulated amortisation	(48,2)	(34,1)
12.2.2	*Licence agreements and supplier relationships*	21,4	22,0
	Cost	25,0	25,0
	Accumulated amortisation	(3,6)	(3,0)
12.2.3	*Customer lists*	515,1	519,9
	Cost	522,3	522,3
	Accumulated amortisation	(7,2)	(2,4)
	Total intangible assets	1 651,0	1 463,9

(R'millions)	Trade-marks	Licence agreements and supplier relationships	Customer lists	Total
	GROUP			
12. Goodwill and intangible assets (continued)				
12.3 Movement of group intangible assets				
2012				
Net balance at the beginning of the year	922,0	22,0	519,9	1 463,9
Additions	207,0	–	–	207,0
Amortisation	(14,1)	(0,6)	(4,8)	(19,5)
Exchange rate translation difference	(0,4)	–	–	(0,4)
Net balance at the end of the year	1 114,5	21,4	515,1	1 651,0
2011				
Net balance at the beginning of the year	807,1	22,6	–	829,7
Business combinations	134,4	–	522,3	656,7
	941,5	22,6	522,3	1 486,4
Disposals	(0,2)	–	–	(0,2)
Amortisation	(8,2)	(0,6)	(2,4)	(11,2)
Impairment	(7,0)	–	–	(7,0)
Exchange rate translation difference	(4,1)	–	–	(4,1)
Net balance at the end of the year	922,0	22,0	519,9	1 463,9

Trademarks comprise well-established, growing brands. Except for trademarks with a cost of R349,0 million (2011: R347,0 million) which are amortised, the brand portfolio is considered to have indefinite useful lives and are therefore not amortised. Refer to the accounting policies for further details on amortisation.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 September 2012

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% (2011: 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% (2011: 28%) and a required rate of return.

13.2 Discount rates

Pre-tax discount rates applied range from 11,0% to 14,6% (2011: 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 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

No impairments were recorded in the current year. In 2011, included in abnormal items is an amount of R7,1 million relating to the impairments of trademarks, primarily in respect of certain trademarks within the HPCB 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.

COMPANY 2012	COMPANY 2011		(R'millions)	GROUP 2012	GROUP 2011
		14.	Interest in subsidiary companies		
			(Annexure A)		
2 974,3	2 885,7		Shares at cost less amounts written off		
2 734,5	2 913,1	15.	Amounts owed by subsidiaries		
			(Annexure A)		
			Refer to the related parties note 38 for additional information.		
		16.	Investments in associated companies		
			(Annexure B)		
128,5	31,4		Listed, at cost	633,1	536,0
421,1	421,1		Unlisted, at cost less amounts written off	763,0	763,0
			Share of accumulated profits and reserves since acquisition	733,8	494,0
549,6	452,5			2 129,9	1 793,0
2 710,2	1 674,0		Fair value of listed investments	2 710,2	1 788,0
			The trading results of the associate companies whose results are equity-accounted in the consolidated financial statements are as follows:		
			Turnover (100%)	16 017,4	10 590,0
			Revenue (100%)	16 064,7	10 619,6
			Profit for the year (100%)	1 220,9	791,0
			Profit attributable to ordinary shareholders of Tiger Brands	415,7	265,4
			Oceana		
			▷ Normal trading	219,8	149,1
			▷ Abnormal items	(21,4)	–
			Oceana (after abnormal items)	198,4	149,1
			Empresas Carozzi	152,5	106,6
			UAC Foods	35,1	9,7
			National Foods Holdings Limited	29,7	–
			Less: Dividends received	(175,9)	(152,3)
			Share of associated companies' income	239,8	113,1
			Share of movement in associates' reserves		
			The aggregate statements of financial position of associates are summarised as follows (100%):		
			Property, and plant and equipment	6 468,0	4 402,7
			Goodwill and intangible assets	1 883,3	1 708,5
			Investments	159,7	244,4
			Deferred taxation	23,2	86,2
			Net current assets	2 140,7	1 778,1
			Total assets	10 674,9	8 219,9
			Long-term liabilities	(2 960,6)	(1 938,0)
			Deferred taxation	(557,6)	(561,7)
			Total shareholders' funds	7 156,7	5 720,2

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 September 2012

COMPANY 2012	COMPANY 2011	(R'millions)	GROUP 2012	GROUP 2011
		16. Investments in associated companies (continued)		
		The results of Oceana for the 12 months ended 30 September 2012 have been used in preparation of these financial statements. These results represent the latest available financial information which have been subject to an audit by the associate company auditors.		
		The results of Empresas Carozzi for the 12 months ended 31 August 2012 have been used in preparation of these financial statements. The management accounts represent the latest available financial information which have been subject to a review by the associate company auditors. There have been no material differences noted in the associate's results during September 2012. Empresas Carozzi operates in various food categories as outlined on page 10.		
		The results of UAC Foods for the 12 months ended 30 September 2012 have been used in preparation of these financial statements. The management accounts represent the latest available financial information which have been subject to a review by the associate company auditors. UAC Foods operates primarily in the branded savoury, snacks, dairy and beverages categories in Nigeria.		
		The results of National Foods Holdings for the 12 months ended 30 September 2012 have been used in the preparation of these financial statements. The management accounts represent the latest financial information. The associate company has been subject to an audit for the year ended 30 June 2012 and the three months to 30 September 2012 have been subject to a review by the associate company auditors.		
		17. Other investments		
		(Annexure C)		
		Listed, at fair value	359,7	361,0
5,5	4,1	Unlisted, at fair value	7,1	4,1
		Employer controlled reserve invested by pension fund on behalf of Tiger Brands Limited		
		▷ defined contribution	109,1	152,2
		▷ defined benefit (refer note 34)	41,3	39,4
1 610,4	1 610,4	BEE Phase II empowerment entities preference shares		
297,3	262,0	Notional investment in subsidiary companies in terms of IFRS 2		
1 913,2	1 876,5		517,2	556,7
		Fair value of listed investments	359,7	361,0

COMPANY 2012	COMPANY 2011		(R'millions)	GROUP 2012	GROUP 2011
		18.	**Loans**		
		18.1	**Loans to empowerment entities**	0,1	0,2
174,1	118,2		▹ Tiger Brands Foundation		
34,7	23,5		▹ Thusani II		
2,4	2,1		Other	7,5	10,5
211,2	143,8			7,6	10,7

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 93,5% (up until 1 April 2012: 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 2012 and 2011.

The only remaining loan relates to the purchase of shares in Adcock Ingram Holdings Limited. The market value of Adcock Ingram Holdings Limited shares pledged as security for the loan granted amounted to R0,9 million at 30 September 2012 (2011: R1,4 million).

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 September 2012

COMPANY 2012	COMPANY 2011		(R'millions)	GROUP 2012	GROUP 2011
		19.	**Deferred taxation asset**		
		19.1	**Movement of deferred taxation asset**		
0,2	14,2		Balance at the beginning of the year	348,4	317,0
			Net reallocation between deferred taxation asset and deferred taxation liability	3,4	–
0,2	14,2		Adjusted balance at the beginning of the year	351,8	317,0
			Adjustment in respect of acquisition of businesses	–	7,7
			Adjustment in respect of currency losses taken directly to non distributable reserve	1,7	0,2
			Exchange rate translation reserve	0,4	1,5
1,7	(14,0)		Income statement movement	17,3	22,0
1,7	(14,0)		Current year temporary differences	17,3	22,0
1,9	0,2		Balance at the end of the year (refer note 28.1)	371,2	348,4
		19.2	**Analysis of deferred asset**		
			Secondary tax on companies	–	9,0
			Losses available for offset against future taxable income	63,5	62,7
			Provisions	280,9	250,3
1,9	0,2		Other temporary differences	26,8	26,4
1,9	0,2			371,2	348,4
			Disclosed on the statement of financial position as follows:		
(1,0)	–		Deferred tax asset	(43,9)	–
–	0,5		Deferred tax liability	294,0	299,9
(1,0)	0,5		Net deferred tax liability/(asset)	250,1	299,9
			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	1 354,3	1 082,8
			Partly processed goods	60,9	53,0
			Finished goods and merchandise	1 953,9	1 648,7
			Consumable stores and spares	239,6	236,8
			Other	48,6	16,0
				3 657,3	3 037,3
			Inventories to the value of R78,0 million (2011: R70,5 million) are carried at net realisable value. The amount of write down of inventories recognised as an expense is R43,5 million (2011: R36,2 million). This expense is included in cost of sales.		

COMPANY 2012	COMPANY 2011	(R'millions)	GROUP 2012	GROUP 2011
		21. Trade and other receivables		
		21.1 Analysis of trade and other receivables		
		Trade receivables	2 987,7	2 757,1
4,0	2,8	Tax overpaid	9,3	–
–	–	Prepayments	105,8	92,7
		Defined benefit pension surplus – refer note 34	42,6	42,9
97,6	10,8	Sundry receivables	670,6	312,0
101,6	13,6		3 816,0	3 204,7
		Impairment provision	(60,9)	(55,2)
		Trade receivables	(60,9)	(55,2)
101,6	13,6		3 755,1	3 149,5

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:

COMPANY 2012	COMPANY 2011	(R'millions)	GROUP 2012	GROUP 2011
		Reconciliation of trade receivables impairment provision		
		Balance at the beginning of the year	(55,2)	(54,6)
		Utilised during the year	4,9	0,8
		Reversed during the year	1,7	10,1
		Raised during the year	(12,3)	(11,5)
		Balance at the end of the year	(60,9)	(55,2)

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 September 2012

COMPANY 2012	COMPANY 2011		(R'millions)	GROUP 2012	GROUP 2011
		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	2 262,2	2 160,6
			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	652,7	535,3
			61 to 90 days	48,3	40,7
			91 to 180 days	23,1	20,2
			> 180 days	1,4	0,2
			Total	2 987,7	2 757,0
			As at 30 September, the ageing analysis of sundry receivables and defined benefit pension surplus was as follows:		
97,6	10,8		Not past due, or impaired	652,5	341,1
			Past due and not impaired:		
			Current to 60 days	50,6	3,7
			61 to 90 days	1,6	2,1
			91 to 180 days	–	3,3
			> 180 days	8,5	4,7
97,6	10,8		Total	713,2	354,9
		21.4	**Trade receivable analysis**		
			Industry spread of trade receivables:		
			Retail	1 381,9	1 254,1
			Wholesale/Distributors	1 152,7	1 074,5
			Export	372,3	365,9
			Other	80,8	62,5
			Total	2 987,7	2 757,0
			Geographical spread of trade receivables:		
			South Africa	2 419,1	2 246,7
			Rest of Africa	443,6	403,0
			Europe	23,7	20,1
			Rest of the world	101,3	87,2
			Total	2 987,7	2 757,0

COMPANY 2012	COMPANY 2011	(R'millions)	GROUP 2012	GROUP 2011
		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 R nil (2011: R181,1 million) as security for a loan from the Land Bank with a carrying amount of R nil (2011: R447,0 million. This is included in short-term borrowings in note 31.6).		
		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 R155,1 million (2011: R157,6 million).		
		Collateral held		
		Fair value of collateral held	8,9	10,8
		Collateral held represents hawker deposits which may be applied against accounts which are in default.		
		22. Cash and cash equivalents		
391,6	66,2	Bank balances and short-term deposits	371,1	506,5

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 2012 is R142,1 million (2011: R65,3 million). The portion of that expense arising from equity-settled share-based payment transactions is R nil (2011: R nil).

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for the year ended 30 September 2012

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.

	2012		2011	
	Number	WAEP	Number	WAEP
Outstanding at the beginning of the year	1 082 530	51,99	1 412 730	51,80
Forfeited during the year	(26 400)	–	–	–
Exercised during the year[2]	(320 800)	42,23	(330 200)	51,18
Outstanding at the end of the year[1]	735 330	56,36	1 082 530	51,99
Exercisable at the end of the year	735 330	56,36	1 082 530	51,99

[1] *Included within the number of options outstanding at the end of 2011 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. These options have all been exercised during 2012.*

[2] *The weighted average share price at the date of exercise for the options exercised is R246,88 (2011: R195,43).*
The weighted average remaining contractual life for share options outstanding as at 30 September 2012 is 1,34 years (2011: 1,88 years).
The range of exercise prices for options outstanding at the end of the year was R44,32 to R99,24 (2011: R36,53 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-Scholes 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	44,33	02/02/2013	66,11	–	2,7
29/01/2004	51,29	28/01/2014	82,65	22,2	2,5
25/01/2005	75,13	24/01/2015	95,36	20,4	2,0
01/09/2005	99,24	31/08/2015	131,80	–	2,0

The interest rate yield curve was derived from the Nedbank Treasury calculation.

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.

	2012 Number	2012 WAEP	2011 Number	2011 WAEP
Outstanding at the beginning of the year	3 164 556	155,80	3 033 163	144,75
Granted during the year	590 200	253,12	669 650	189,12
Forfeited during the year	(222 485)	179,38	(214 779)	153,54
Exercised during the year	(503 801)	129,41	(323 478)	122,71
Outstanding at the end of the year[1]	3 028 470	177,92	3 164 556	155,80
Exercisable at the end of the year	401 607	131,57	366 611	125,96

[1] *The weighted average remaining contractual life for cash-settled options outstanding as at 30 September 2012 is 3,43 years (2011: 3,69 years).*
The weighted average fair value of options granted during the year was R58,14 per option (2011: R47,14).
The range of exercise prices for options outstanding at the end of the year was R106,44 to R253,18 (2011: R106,44 to R194,08).

Cash options were valued using a modified Black-Scholes 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)
02/07/2012	252,01	01/07/2018	247,00	22,7	2,0
03/02/2012	253,18	02/02/2018	255,00	22,7	2,0
01/06/2011	186,97	31/05/2017	194,90	22,1	2,0
02/02/2011	189,09	01/02/2017	188,16	22,0	2,0
17/01/2011	194,08	17/01/2017	192,25	25,4	2,0
21/06/2010	176,39	20/06/2016	177,00	21,2	2,0
03/02/2010	172,07	02/02/2016	176,50	21,2	2,0
06/07/2009	141,63	05/07/2015	144,01	20,8	2,0
02/02/2009	141,91	01/02/2015	137,60	21,3	2,0
16/09/2008	131,35	15/09/2014	137,00	21,2	2,0
01/04/2008	106,44	31/03/2014	132,90	22,3	2,0
22/01/2008	130,59	21/01/2014	146,50	21,4	2,0
30/03/2007	136,53	29/03/2013	177,00	22,7	2,0
22/01/2007	133,39	21/01/2013	172,51	20,8	2,0

The interest rate yield curve was derived from the Nedbank Treasury calculation. The average volatility was 21,9% and the risk-free rate ranged from 4,9% to 5,9% during the year.

The carrying amount of the liability relating to the cash-settled options at 30 September 2012 is R210,8 million (2011: R137,0 million) – refer to note 30. Cash-settled options exercised during the year amounted to R60,5 million (2011: R26,6 million).

Volatilities are based on the historical volatility of the TBS share price matching the remaining life of each option.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 September 2012

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 lock-in period. In respect of options allocated on or before 31 July 2010, the lock-in period ends on 31 December 2014. In respect of allocations made after 31 July 2010, the lock-in date will be the latter of 31 December 2014 or, in respect of one-third of the allocations, three years after the allocation, the next third, four years and the last third, five years after the allocation. These vested rights are non-transferable.

After the lock-in date, 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 2012 is R16 million (2011: R22,9 million)

The following table illustrates the number of, and movements in, share participation rights during the year.

	2012 Number	2011 Number
Outstanding at the beginning of the year	2 863 720	2 960 057
Granted during the year	191 000	115 000
Forfeited during the year	(201 511)	(207 437)
Shares sold (death of employees)	–	(3 900)
Outstanding at the end of the year	2 853 209	2 863 720
Exercisable at the end of the year	–	–

The weighted average remaining contractual life for share options outstanding as at 30 September 2012 is 2,36 years (2011: 3,25 years).

The weighted average fair value of options granted during the year was R169,39 (2011: R110,67).

The notional exercise price of participation rights at 30 September 2012 was R91,53 per option (2011: R93,05).

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 payoff of the participation rights using 5 000 permutations. The payoff 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.

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 participation 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 participation 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
31/01/2012	90,30	30/09/2027	252,01	25,7	4,4
31/07/2012	90,61	30/09/2027	266,27	24,3	4,1

The risk-free interest rate was obtained from constructed ZAR swap curves on the valuation dates using key inputs being South African money-market rates and swap rates as published by Bloomberg.

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 its 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.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 September 2012

23. Share based payment plans (continued)

23.2 Black Managers participation right scheme (equity-settled) (continued)

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.

23. Share based payment plans (continued)

23.2 Black Managers participation right scheme (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 expense recognised for employee services received during the year to 30 September 2012 is R19,6 million (2011: R27,3 million).

The following table illustrates the number of, and movements in, share participation rights during the year.

	2012 Number	2011 Number
Outstanding at the beginning of the year	2 463 317	2 826 655
Granted during the year	–	–
Forfeited during the year	(320 312)	(363 338)
Shares sold (death of employees)	(873)	–
Outstanding at the end of the year	2 142 132	2 463 317
Exercisable at the end of the 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.

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for the year ended 30 September 2012

COMPANY 2012	COMPANY 2011	(R'millions)		GROUP 2012	GROUP 2011
		24.	Authorised share capital		
25,0	25,0	24.1	250 000 000 (2011: 250 000 000) ordinary shares of 10 cents each	25,0	25,0
Number of shares				Number of shares	
883 830	1 437 863	24.2	Number of outstanding options in terms of the company's share option scheme		
–	289 233		At R36,53 per share, exercisable until 28 January 2012		
217 330	364 430		At R44,33 per share, exercisable until 2 February 2013		
35 000	60 200		At R44,33 per share, exercisable until 30 March 2013		
378 500	433 500		At R51,29 per share, exercisable until 28 January 2014		
233 000	263 500		At R75,13 per share, exercisable until 24 January 2015		
10 000	10 000		At R85,10 per share, exercisable until 30 June 2015		
10 000	10 000		At R99,24 per share, exercisable until 31 August 2015		
–	7 000		At R106,67 per share, exercisable until 30 September 2015		
53 926 059	53 372 026	24.3	Unissued shares	53 926 059	53 372 026
3 994 073	4 548 106	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.	3 994 073	4 548 106

		COMPANY			
		Number of shares under option		Options exercised during 2012	
		2012	2011	Number of shares	Gain in R'000
24.5	Executive directors' options over shares in Tiger Brands Limited				
	CFH Vaux	42 000	65 400	23 400	4 946
	At R44,33 per share, exercisable until 3 February 2013	–	23 400	23 400	4 946
	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	42 000	65 400	23 400	4 946

COMPANY 2012	COMPANY 2011		(R'millions)	GROUP 2012	GROUP 2011
		25.	**Issued ordinary share capital and premium**		
		25.1	Issued share capital 191 196 038 (2011: 190 642 005)		
19,1	19,1		ordinary shares of 10 cents each	19,1	19,1
		25.2	**Share premium**		
50,6	462,4		Balance at the beginning of the year	50,6	462,4
24,8	25,8		Issues of shares	24,8	25,8
–	(437,6)		Capital distribution out of share premium – interim	–	(437,6)
75,4	50,6			75,4	50,6
94,5	69,7			94,5	69,7
			The increase in ordinary shares issued is due to share options exercised.		
		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 on hedge of net investment	1,4	4,7
			Foreign currency translation adjustments	1,7	10,8
			Net (loss)/gain on available-for-sale financial assets	(2,5)	0,7
				0,6	16,2

27. Tiger Brands Limited shares held by subsidiary and empowerment entities

27.1 Tiger Brands Limited shares held by subsidiary

10 326 758 (2011: 10 326 758) shares are held as treasury stock.

27.2 Tiger Brands Limited shares held by empowerment entities

21 370 813 (2011: 21 371 686) 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 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 classified as 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.

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COMPANY 2012	COMPANY 2011		(R'millions)	GROUP 2012	GROUP 2011
		28.	**Deferred taxation liability**		
		28.1	**Movement of deferred taxation liability**		
0,7	10,6		Balance at the beginning of the year	648,3	440,5
			Net reallocation between deferred taxation asset and deferred taxation liability	3,4	–
0,7	10,6		Adjusted balance at the beginning of the year	651,7	440,5
			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	0,4	(0,7)
			Adjustment in respect of currency (losses) taken directly to non-distributable reserve	–	(9,9)
			Adjustment in respect of increase in capital gains tax rate taken directly to non-distributable reserve	2,2	–
			Exchange rate translation reserve	1,5	(0,3)
0,2	(9,9)		Income statement movement	(34,5)	32,5
0,2	(9,9)		Current year temporary differences	(34,5)	32,5
0,9	0,7		Balance at the end of the year	621,3	648,3
(1,9)	(0,2)		*Less*: Deferred tax asset per note 19.1	(371,2)	(348,4)
(1,0)	0,5		Net deferred tax liability/(asset)	250,1	299,9
			Disclosed on the statement of financial position as follows:		
(1,0)	–		Deferred tax asset	(43,9)	–
–	0,5		Deferred tax liability	294,0	299,9
(1,0)	0,5		Net deferred tax liability/(asset)	250,1	299,9
		28.2	**Analysis of deferred taxation liability**		
			Fair value adjustments – investments	11,9	9,3
			Property, plant and equipment	337,3	312,0
			Liability in respect of intangibles raised on acquisition of businesses	177,9	182,1
			Prepayments	6,1	4,5
			Retirement fund surpluses	54,0	65,7
0,9	0,7		Revaluation of loans	0,9	0,7
			Other temporary differences	33,2	74,0
0,9	0,7			621,3	648,3
		29.	**Trade and other payables**		
			Trade payables	1 489,4	1 216,1
50,8	39,3		Accruals and other payables	1 763,6	1 340,1
			Defined benefit pension fund liability – refer note 34	3,6	3,3
50,8	39,3			3 256,6	2 559,5
			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.		

(R'millions)	GROUP Leave pay	Other	Total
30. Provisions			
2012			
Balance at the beginning of the year	269,3	166,0	435,3
Movement during the year	9,9	70,2	80,1
Balance at the end of the year	279,2	236,2	515,4
Analysed as follows:			
Provision for leave pay	279,2	–	279,2
Provision for cash-settled share-based payments (refer to note 23.1)	–	210,8	210,8
Sundry (items less than R5 million)	–	25,4	25,4
	279,2	236,2	515,4
2011			
Balance at the beginning of the year	260,5	126,8	387,3
Movement during the year	8,8	39,2	48,0
Balance at the end of the 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

Leave pay is provided on accumulated leave balances at year-end based on employees' cost to company.

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COMPANY 2012	COMPANY 2011		(R'millions)	GROUP 2012	GROUP 2011
		31.	**Borrowings**		
155,1	157,6	31.1	Secured loans	403,0	429,3
			Loan bearing interest at 4,0% per annum, repayable by 2016 (denominated in euro)	8,0	–
155,1	157,6		Loan bearing interest at 6,8% per annum, repayable by 2013 (denominated in CAF franc)	155,1	157,6
			Loan bearing interest at 22.0% (2011: 8,5%) per annum, repayable by 2016 (denominated in Kenyan shillings)	25,4	24,4
			Loan bearing interest at 8,41% (2011: 7,53%) per annum, repayable by 2016	188,9	215,3
			Loan bearing interest at 7,0% per annum, repayable by 2018 (denominated in Nigerian naira)	19,8	22,6
			Loan bearing interest at 18,0% (2011: 14,0%) per annum, repayable by 2014 (denominated in Nigerian naira)	4,4	7,9
			Loan bearing interest at 0% per annum, repayable by 2056 (denominated in Ethiopian birr)	1,4	1,5
			Analysis of secured loans by nature of security:		
155,1	157,6		Pledge of shares (Chocolaterie Confiserie Camerounaise, note 36)	155,1	157,6
			Property, plant and equipment	59,0	56,4
			Put option against Tiger Brands	188,9	215,3
155,1	157,6			403,0	429,3
			Refer also to notes 11.3 and 36 for details of security.		
		31.2	Unsecured loans	35,3	206,3
			Loan bearing interest at 16,7% (2011: 15,0%) per annum, repayable by 2016 (denominated in Kenyan shillings)	35,3	34,1
			Loan bearing interest at 10,3% per annum, repaid during 2012	–	112,4
			Loan bearing interest at 10,8% per annum, repaid during by 2012	–	59,8
		31.3	Capitalised finance leases	8,4	0,2
			Repayment during the next year	2,0	0,2
			Repayment during the next five years subsequent to year one	6,4	–
			Liabilities under capitalised finance leases bear interest at 7,5 to 8,5% per annum.		
			Capitalised finance leases relate to plant and equipment with a book value of R8,9 million (2011: R1,3 million) as per note 11.5 of these annual financial statements.		
155,1	157,6			446,7	635,8
		31.4	Instalments disclosed as:		
155,1	2,4		Short-term borrowings	211,7	98,6
–	155,2		Long-term borrowings	235,0	537,2
155,1	157,6			446,7	635,8

(R'millions)	SA rand	Euro	Nigerian naira	Ethiopian birr	Kenyan shilling	CAF franc	Group total
31. Borrowings (continued)							
31.5 Summary of borrowings by currency and year of repayment							
During 2013	34,0	2,0	7,5	–	13,1	155,1	211,7
During 2014	44,3	2,0	4,4	–	13,6	–	64,3
During 2015	45,4	2,0	3,8	–	15,9	–	67,1
During 2016	73,6	2,0	3,8	0,1	18,1	–	97,6
During 2017 and thereafter	–	–	4,7	1,3	–	–	6,0
	197,3	8,0	24,2	1,4	60,7	155,1	446,7

COMPANY 2012	COMPANY 2011			GROUP 2012	GROUP 2011
155,5	2,7	31.6	Short-term borrowings	1 317,8	1 640,2
0,4	0,3		Bank overdrafts	1 106,1	1 518,3
			Unsecured loans – interest-free loans, with no fixed repayment terms	–	23,3
155,1	2,4		Current portion of long-term loans.	211,7	98,6
		32.	**Group borrowings**		
			In terms of the company's articles of association the group's borrowings are unlimited.		
		33.	**Group commitments**		
		33.1	Approved capital expenditure, which will be financed from the group's own resources, is as follows:		
			Contracted	104,5	299,3
			Not contracted	316,3	121,4
				420,8	420,7
		33.2	Commitments of R396,8 million will be expended in 2013 and the remaining commitments will be expended from 2014 to 2016.		
			The capital commitments amounting to R420,8 million include various capital efficiency and expansion projects		

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 September 2012

33. Group commitments (continued)

33.3 Commitments in respect of operating leases

(R'millions)	Land and buildings	Motor vehicles	Property, plant and equipment	Other	Total commit-ments
2012					
During 2013	**31,1**	**36,1**	**21,9**	**0,5**	**89,6**
During 2014	**14,8**	**26,4**	**20,8**	**0,1**	**62,1**
During 2015	**13,4**	**17,7**	**18,6**	**0,1**	**49,8**
During 2016	**13,1**	**10,9**	**0,5**	**–**	**24,5**
During 2017 and thereafter	**8,0**	**6,7**	**0,2**	**–**	**14,9**
	80,4	**97,8**	**62,0**	**0,7**	**240,9**
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

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 10,0% or are linked to the prime interest rate 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 three years, contingent rental linked to tons of fruit processed and escalates based on the American consumer price index. Contingent rental paid amounts to R4,3 million (2011: R3,2 million).

33. Group commitments (continued)

33.4 Commitments in respect of finance leases

The group has finance leases for various items of plant and machinery. These leases have terms of renewal with a purchase option and are linked to the prime interest rate. Renewals are at the option of the specific entity that holds the lease. Future minimum lease payments under finance leases, together with the present value of the net minimum lease payments, are as follows:

	GROUP			
	2012		2011	
(R'millions)	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within one year	2,5	2,0	0,2	0,2
After one year but not more than five years	6,5	6,4	–	–
Total minimum lease payments	9,0	8,4	0,2	0,2
Less: Amounts representing finance charges	(0,6)	–	–	–
Total	8,4	8,4	0,2	0,2

Please refer to note 31.3 for further details

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 IAS 19 (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 21 retirement plans, three of which are defined benefit pension funds, five are defined contribution pension funds, one a defined benefit provident fund and eight are defined contribution provident funds. There are a further four 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 one exception.

The actual return on plan assets for the period 1 October 2011 to 30 September 2012 was R43,4 million (2011: R32,2 million). This compares with the expected return for the same period of R28,5 million (2011: R31,6 million).

The value of contributions expected to be paid by group companies for the year ending 30 September 2013 amounts to R174,4 million (2012 actual: R164,4 million).

As at 30 September 2012, there were no properties occupied by, or other assets used by, group companies which formed part of the fair value of plan assets (2011: R nil).

As at 30 September 2012, the percentage of the fair value of plan assets in respect of defined benefit arrangements invested in Tiger Brands Limited shares amounted to 0% (2011: 0%).

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 September 2012

	(%)	GROUP 2012	2011
34.	Pension obligations (continued)		
	Major categories of plan assets in respect of defined benefit arrangements as at 30 September:		
	Equities	34,6	36,9
	Bonds	6,8	5,5
	Cash	56,5	54,3
	Property	0,3	0,7
	International	1,5	2,1
	Other	0,3	0,5
		100,0	100,0
	(R'millions)		
	Balance at the end of the year		
	Present value of defined benefit obligations	(350,8)	(329,5)
	Fair value of plan assets in respect of defined benefit obligations	428,0	398,9
	Funded status of defined benefit plans	77,2	69,4
	Unrecognised actuarial losses	3,1	10,0
	Asset not recognised at reporting date	–	(0,4)
	Asset at reporting date	80,3	79,0

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. 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.

(R'millions)	GROUP 2012	2011
34. Pension obligations (continued)		
Movement in the net asset/(liability) recognised in the statement of financial position		
Balance at the beginning of the year	**79,0**	37,7
Contributions paid	**164,4**	163,0
Other movements (net expense in the income statement)	**(163,1)**	(121,7)
Interest cost	**(27,9)**	(23,2)
Current service cost	**(163,1)**	(163,3)
Expected return on plan assets	**28,5**	31,6
Net actuarial gains/(losses) recognised during the year	**0,2**	(0,3)
Recognised due to paragraph 58A	**(1,2)**	(58,3)
Change in asset not recognised due to paragraph 58A	**0,4**	91,8
Balance at the end of the year	**80,3**	79,0
The net asset is included in the statement of financial position as follows:		
Investments – refer note 17	**41,3**	39,4
Other receivables – refer note 21.1	**42,6**	42,9
Other payables – refer note 29	**(3,6)**	(3,3)
	80,3	79,0
Actuarial assumptions		
The principal actuarial assumptions used for accounting purposes were:	**%**	%
Discount rate	**8,25**	8,75
Expected return on plan assets		
Tiger Brands Defined Benefit Pension Fund	**8,25**	7,25
Tiger Oats Benefit Foundation	**4,25**	4,25
Nestlé Pension Fund	**9,00**	9,50
ICS Pension Fund	**6,25**	6,75
Future salary increases	**6,75**	6,75
Future pension increases		
Tiger Brands Defined Benefit Pension Fund	**4,59**	5,07
Nestlé Pension Fund	**4,60**	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 August 2012. 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 8,25% 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. An adjustment of 1% was made to reflect the effect of expenses. The expected rate of return on plan assets is determined based on the prevailing market expectations and allows for expected contributions, expected benefit payments and expected risk premiums.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 September 2012

(R'millions)	GROUP 2012	2011
34. Pension obligations (continued)		
Reconciliation of the defined benefit obligation:		
Defined benefit obligation at the beginning of the year	(329,5)	(261,3)
Current service cost	(3,0)	(3,6)
Member contributions	(1,4)	(1,4)
Interest cost	(27,9)	(23,2)
Actuarial loss	(9,0)	(67,5)
Benefits paid	19,7	27,1
Risk premiums (group life and permanent health)	0,3	0,4
Amount settled	–	–
Take-on liability due to business combination	–	–
Defined benefit obligation at the end of the year	(350,8)	(329,5)
Reconciliation of fair value of plan assets		
Assets at fair market value at the beginning of the year	398,9	389,6
Expected return on assets	28,5	31,6
Contributions	5,7	4,6
Risk premiums (group life and permanent health)	(0,3)	(0,4)
Benefits paid	(19,7)	(27,1)
Actuarial gain	14,9	0,6
Assets at fair market value at the end of the year	428,0	398,9
Asset balance at the end of the year	77,2	69,4

Trend information

(R'millions)	2012	2011	30 September 2010	2009	2008
Present value of defined benefit obligation	(350,8)	(329,5)	(261,3)	(245,6)	(388,5)
Fair value of plan assets	428,0	398,9	389,6	376,0	528,0
Funded status	77,2	69,4	128,3	130,4	139,5
Experience loss/(gain) on liabilities	1,7	51,4	13,3	2,4	295,5
Experience (gain)/loss on assets	(14,9)	(0,6)	2,9	35,5	(10,0)

(R'millions)	GROUP 2012	2011
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 2012.		
Balance at the end of the year		
Present value of obligations	(584,4)	(544,3)
Unrecognised actuarial losses	177,6	167,8
Liability at reporting date	(406,8)	(376,5)
Movement in the liability recognised in the statement of financial position:		
Balance at the beginning of the year	(376,5)	(350,7)
Contributions paid	32,8	31,1
Other expenses included in staff costs	(63,1)	(56,9)
Current service cost	(2,9)	(2,7)
Interest cost	(46,1)	(42,3)
Actuarial losses recognised	(14,1)	(11,9)
Balance at the end of the year	(406,8)	(376,5)
Current portion	(33,0)	(32,8)
The principal actuarial assumptions used for accounting purposes were:		
Discount rate (%)	8,00	8,75
Medical inflation (%)	7,00	7,25
Future salary increases (%)	7,00	7,25
Post-retirement mortality tables	PA(90) ultimate rated down 2 years plus 1% improvement pa from 2006	PA(90) ultimate rated down 2 years plus 1% improvement pa from 2006

The employer's estimate of contributions expected to be paid for the 2013 financial year is R33 million (2012: R32,8 million).

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 September 2012

35. Post-retirement medical aid obligations (continued)

35.1 Sensitivity analysis

2012	Base case	Healthcare cost inflation	
Key assumption	7,00%	(1,0%)	1,0%
Accrued liability 30 September 2012			
(R'millions)	584,4	523,3	658,4
% change		(10,5)	12,7
Current service cost plus interest cost 2012/2013			
(R'millions)	48,5	43,0	55,1
% change		(11,3)	13,8
2011			
Key assumption	7,25%	(1,0%)	1,0%
Accrued liability 30 September 2011			
(R'millions)	544,3	488,0	612,6
% change		(10,3)	12,5
Current service cost plus interest cost 2011/2012			
(R'millions)	49,1	43,6	55,8
% change		(11,1)	13,6

2012	Base case	Discount rate	
Key assumption	8,00%	(1,0%)	1,0%
Present value of obligations 30 September 2012			
(R'millions)	584,4	662,0	521,4
% change		13,3	(10,8)
2011			
Key assumption	8,75%	(1,0%)	1,0%
Present value of obligations 30 September 2011			
(R'millions)	544,3	615,6	486,5
% change		13,1	(10,6)

2012	Base case	Expected retirement age	
Key assumption	60/63/65 years	1 year younger	1 year older
Present value of obligations 30 September 2012			
(R'millions)	584,4	587,6	580,2
% change		0,5	(0,7)
2011 Key assumption	60/63/65 years	1 year younger	1 year older
Present value of obligations 30 September 2011			
(R'millions)	544,3	548,4	539,1
% change		0,7	(1,0)

35. Post-retirement medical aid obligations (continued)

35.1 Sensitivity analysis (continued)

Trend information

(R'millions)	2012	2011	30 September 2010	2009	2008
Present value of obligations	**(584,4)**	(544,3)	(499,3)	(467,8)	(363,3)
Present value of obligations in excess of plan assets	**(584,4)**	(544,3)	(499,3)	(467,8)	(363,3)
Experience adjustments	**(9,8)**	1,6	17,4	61,3	15,0
Actuarial (gains)/losses before changes in assumptions:					
In respect of present value of obligations	**(9,8)**	1,6	17,4	61,3	15,0

(R'millions)	GROUP 2012	2011
36. Guarantees and contingent liabilities		
Guarantees and contingent liabilities	**18,7**	44,0

36. Guarantees and contingent liabilities

Guarantees exist against the group for third party obligations of R18,7 million at 30 September 2012 (2011: R44,0 million).

COMPANY

Guarantees exist against the company for the obligations of certain subsidiaries amounting to R120,0 million at 30 September 2012 (2011: R817,3 million).

An intercompany loan granted by the company to one of its subsidiaries with a book value of R1 227,6 million (2011: 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 3.1.

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.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 September 2012

37. Financial instruments (continued)

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 to 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, controlling and reporting structures.

At year-end the exposure to derivative contracts relating to strategic raw materials is as follows:

	GROUP Derivative contracts expiring within 0 – 3 months	
(R'millions)	Unrealised (profit)/loss at 30 September	Hedged value
2012		
Maize and wheat		
Futures	1,5	74,6
2011		
Maize and wheat		
Futures	(1,1)	68,3

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, 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.

	GROUP Profit or (loss) after tax	
(R'millions)	2012	2011
Milling and Baking + 10%	(39,7)	(32,2)
Milling and Baking – 10%	39,7	32,2
Other Grains + 10%	(87,8)	(60,8)
Other Grains – 10%	87,8	60,8
Other + 10%*	(14,2)	(8,4)
Other – 10%*	14,2	8,4
Total + 10%	(141,7)	(101,4)
Total – 10%	141,7	101,4

** 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 2012.

The exposure and concentration of foreign currency risk is included in the table below.

(R'millions)	South African rand	US dollar	Pound sterling	Euro	Other*	Total
GROUP						
2012						
Financial assets						
Accounts receivable	3 322,4	375,2	11,8	23,9	21,8	3 755,1
Cash and cash equivalents	179,1	70,7	70,5	44,2	6,6	371,1
Financial liabilities						
Borrowings**	(1 350,1)	(12,3)	–	–	(190,4)	(1 552,8)
Accounts payable	(3 431,3)	(255,3)	(35,7)	(16,6)	(26,9)	(3 765,8)
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)

** Other includes the Australian dollar, Canadian dollar, Japanese yen, Swiss franc, New Zealand dollar, Cameroon franc and Kenyan shilling.*

*** In 2012 R155,1 million (2011: R157,6 million) is held by the company.*

Refer to note 31.

The following spot rates were used to translate financial instruments denominated in foreign currency:

	Assets	Liabilities	Average
2012			
US dollar	8,27	8,31	8,29
Pound sterling	13,34	13,42	13,38
Euro	10,66	10,71	10,69
2011			
US dollar	8,07	8,13	8,10
Pound sterling	12,56	12,65	12,60
Euro	10,84	10,92	10,88

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 September 2012

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.

GROUP 2012 Foreign currency sold	Foreign currency (in millions)	Average rate	Rand (in millions)
US dollar	3,9	8,2308	32,1
Pound sterling	0,6	14,1667	8,5
Euro	1,6	10,5000	16,8
Other currencies			10,3
Foreign currency purchased			
US dollar	36,8	8,3125	305,9
Pound sterling	2,9	13,4828	39,1
Euro	3,5	10,8266	37,9
Other currencies*			1 605,5

** In 2012 R1 591,6 million held by the company related to the naira hedge for the acquisition of Dangote Flour Mills.*

	Foreign currency (in millions)	Average rate	Rand (in millions)
Unhedged foreign currency monetary assets			
US dollar	9,2	8,2712	76,1
Pound sterling	1,1	13,6364	15,0
Euro	3,0	10,8000	32,4
Other currencies			22,2
Unhedged foreign currency monetary liabilities			
US dollar	0,8	7,7500	6,2
Other currencies			2,4
2011			
Foreign currency sold			
US dollar	22,3	8,1435	181,6
Pound sterling	–	–	–
Euro	4,9	11,000	53,9
Other currencies			5,2
Foreign currency purchased			
US dollar	40,3	8,1266	327,5
Pound sterling	2,5	12,8400	32,1
Euro	2,6	11,1154	28,9
Other currencies			5,0
COMPANY			
Foreign currency purchased			
US dollar	–	–	–
GROUP			
Unhedged foreign currency monetary assets			
US dollar	8,7	7,8621	68,4
Pound sterling	0,9	13,1111	11,8
Euro	2,6	10,8462	28,2
Other currencies			29,3
Unhedged foreign currency monetary liabilities			
US dollar	0,7	7,7143	5,4
Other currencies			3,5

37. Financial instruments (continued)

37.2 Foreign currency risk (continued)

Cash flow hedges

At 30 September 2012, 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)	Average rate	Rand (in millions)
GROUP			
2012			
Foreign currency bought			
US dollar	23,8	8,3361	198,4
Euro	2,0	10,6000	21,2
Pound sterling	2,8	13,5357	37,9
Other currencies*			1 513,5
2011			
Foreign currency bought			
US dollar	29,9	7,8194	233,8
Euro	2,2	10,3636	22,8
Pound sterling	2,4	11,5417	27,7
Other currencies			3,7

** In 2012 R1 512,8 million held by the company related to the naira hedge for the acquisition of Dangote Flour Mills.*

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 R78,2 million (2011: profit of R14,1 million) relating to the hedging instrument included in other comprehensive income.

Timing of cash flows relating to foreign currency is as follows:

(FOREIGN CURRENCY IN MILLIONS)	GROUP 1 – 6 months	GROUP 7 – 12 months
US dollar	23,8	–
Euro	1,6	0,3
Pound sterling	2,2	0,6
Australian dollar	–	–
Japanese yen	6,2	–
Nigerian naira	30 093,3	–

These are expected to affect the income statement in the following year.

During the year R7,0 million (2011: R27,2 million) was added to 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 2012

37. Financial instruments (continued)

37.2 Foreign currency risk (continued)

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 as detailed in the table above 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	
(R'millions)	**2012**	2011	**2012**	2011
GROUP				
USD + 10%	**53,1**	101,0	**(108,4)**	(100,0)
USD – 10%	**(53,1)**	(101,0)	**108,4**	100,0
EUR + 10%	**(14,4)**	(13,0)	**(0,1)**	(1,0)
EUR – 10%	**14,4**	13,0	**0,1**	1,0
Pound sterling + 10%	**(2,7)**	(2,0)	**–**	–
Pound sterling – 10%	**2,7**	2,0	**–**	–
Other + 10%	**8,7**	(2,0)	**(1,8)**	(1,9)
Other – 10%	**(8,7)**	2,0	**1,8**	1,9
Total + 10%	**44,7**	84,0	**(110,3)**	(102,9)
Total – 10%	**(44,7)**	(84,0)	**110,3**	102,9
COMPANY				
USD + 10%	**18,9**	2,6	**–**	–
USD – 10%	**(18,9)**	(2,6)	**–**	–
Other + 10%	**10,6**	1,3	**–**	–
Other – 10%	**(10,6)**	(1,3)	**–**	–
Total + 10%	**29,5**	3,9	**–**	–
Total – 10%	**(29,5)**	(3,9)	**–**	–

** On maturity 4 October 2012, the impact on the cash flow hedge reserve was an increase of R46,4 million.*

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.

(R'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 2012 and 30 September 2011 is reflected in note 31.				
2012				
Local currency denominated loans				
Loan repayable by 2015 (secured)	188,9		188,9	8,4
Other loans and capitalised finance leases (secured and unsecured)		8,4	8,4	8,0
	188,9	8,4	197,3	
Foreign currency denominated loans				
Loan repayable by 2013 (secured)*		155,1	155,1	6,8
Loan repayable by 2014 (secured)		4,4	4,4	18,0
Loan repayable by 2016 (secured)		8,0	8,0	4,0
Loan repayable by 2016 (secured)		25,4	25,4	22,0
Loan repayable by 2016 (secured)		35,3	35,3	16,7
Loan repayable by 2018 (secured)		19,8	19,8	7,0
Loan repayable by 2056 (secured)		1,4	1,4	–
		249,4	249,4	
Total	188,9	257,8	446,7	
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	Various
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	635,8	

** Company loans*

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 September 2012

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			GROUP	
2012	2011	(R'millions)	2012	2011
		Profit or (loss) after tax		
		ZAR borrowings		
(1,7)	2,8	+ 1%	(16,4)	20,7
1,7	(2,8)	– 1%	16,4	(20,7)
		Foreign borrowings		
(1,8)	(1,7)	+ 1%	(2,2)	(2,1)
1,8	1,7	– 1%	2,2	2,1
		Total		
(3,5)	1,1	+ 1%	(18,6)	18,6
3,5	(1,1)	– 1%	18,6	(18,6)

37.4 Liquidity risk management

Liquidity risk arises from the seasonal fluctuations in short-term borrowing positions. A material and sustained shortfall in cash flows 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.

(R'millions)	Carrying amount	Finance charge	0 – 6 months	7 – 12 months	1 – 5 years	> 5 years
GROUP						
2012						
Trade and other payables	1 976,9	–	1 976,9	–	–	–
Borrowings (long and short term)	453,4	(81,7)	62,1	202,2	269,4	1,4
Guarantees not on the statement of financial position	–	–	18,7	–	–	–
Total	2 430,3	(81,7)	2 057,7	202,2	269,4	1,4
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
COMPANY						
2012						
Borrowings (long and short term)	155,1	(23,0)	15,1	163,0	–	–
Intergroup loan accounts	545,3	–	–	–	545,3	–
Guarantees not on the statement of financial position	–	–	120,0	–	–	–
Total	700,4	(23,0)	135,1	163,0	545,3	–
2011						
Borrowings (long and short term)	157,6	(23,4)	–	15,3	165,7	–
Intergroup 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	–

* *Excludes bank overdrafts of R1 106,0 million (2011: R1 518,3 million) and cash of R371,1 million (2011: R506,5 million). These are repayable on demand and subject to annual review.*

Refer to notes 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 2012

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. Concentrations of credit risk are disclosed in note 21.4.

Credit risk exposure at 30 September 2012 in respect of guarantees amounted to R18,7 million (2011: R44,0 million) Refer to note 36.

COMPANY

Credit risk exposure at 30 September 2012 relating to guarantees amounted to R120,0 million (2011: R817,3 million). Refer to note 36.

37.6 Capital management

The primary objective of the company and group's capital management is to ensure that they maintain a strong credit rating and healthy capital ratios in order to support their 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 2012 and 30 September 2011.

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.

(R'millions)	2012	2011
GROUP		
Cash and cash equivalents	(371,1)	(506,5)
Long-term borrowings	235,0	537,2
Short-term borrowings	1 317,8	1 640,2
Net debt	1 181,7	1 670,9
Total equity	11 695,5	10 245,5
Total capital	12 877,2	11 916,4
Net (cash)/debt to equity (%)	10,1	16,3
COMPANY		
Cash and cash equivalents	(391,6)	(66,2)
Long-term borrowings	–	155,2
Short-term borrowings	155,5	2,7
Net cash/(debt)	(236,1)	91,7
Total equity	8 684,9	7 603,4
Total capital	8 448,8	7 695,1
Net debt/(cash) to equity (%)	(2,7)	1,2

37. Financial instruments (continued)

37.7 Categorisation of financial assets and liabilities

2012	Loans and receivables Amortised cost	Financial assets available for sale Fair value	Other liabilities Amortised cost	Financial liabilities at fair value through profit or loss	Non-financial items	Total book value
Assets	–	–	–	–	13 202,4	13 202,4
Other investments	150,4	366,8	–	–	–	517,2
Loans	7,6	–	–	–	–	7,6
Trade and other receivables	2 929,0	–	–	79,2	746,9	3 755,1
Cash and cash equivalents	371,1	–	–	–	–	371,1
Total	3 458,1	366,8	–	79,2	13 949,3	17 853,4
Shareholders' equity and liabilities	–	–	–	–	13 044,0	13 044,0
Long-term borrowings	–	–	235,0	–	–	235,0
Trade and other payables	–	–	1 976,9	6,2	1 273,5	3 256,6
Short-term borrowings	–	–	1 317,8	–	–	1 317,8
Total	–	–	3 529,7	6,2	14 317,5	17 853,4
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	365,1	–	8,7	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

Refer to the accounting policies for further details on the above classifications.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 September 2012

37. Financial instruments (continued)

37.7 Categorisation of financial assets and liabilities (continued)

(R'millions)	Loans and receivables Amortised cost	Financial assets available for sale Fair value	Other liabilities Amortised cost	Financial liabilities at fair value through profit or loss	Non-financial items	Total book value
COMPANY						
2012						
Assets	559,5	–	–	–	3 524,9	4 084,4
Other investments	1 907,7	5,5	–	–	–	1 913,2
Loans	2 945,7	–	–	–	–	2 945,7
Trade and other receivables	18,8	–	–	78,8	4,0	101,6
Cash and cash equivalents	391,6	–	–	–	–	391,6
Total	5 823,3	5,5	–	78,8	3 528,9	9 436,5
Shareholders' equity and liabilities	–	–	545,3	–	8 684,9	9 230,2
Trade and other payables	–	–	–	–	50,8	50,8
Short-term borrowings	–	–	155,5	–	–	155,5
Total	–	–	700,8	–	8 735,7	9 436,5
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

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 falls 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 intercompany 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 R209,4 million (2011: R222,3 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:

	2012				2011			
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
GROUP								
Assets measured at fair value								
Available-for-sale financial assets								
Other investments	**359,7**	**7,1**	**–**	**366,8**	361,0	4,1	–	365,1
Foreign exchange contracts – hedged	**–**	**79,2**	**–**	**79,2**	–	8,7	–	8,7
Liabilities measured at fair value								
Foreign exchange contracts – hedged	**–**	**6,2**	**–**	**6,2**	7,0	–	–	7,0
COMPANY								
Assets measured at fair value								
Available-for-sale financial assets								
Other investments	**–**	**5,5**	**–**	**5,5**	–	4,1	–	4,1
Foreign exchange contracts – hedged	**–**	**78,8**	**–**	**78,8**	–	–	–	–
Liabilities measured at fair value								
Foreign exchange contracts – hedged	**–**	**–**	**–**	**–**	–	–	–	–

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for the year ended 30 September 2012

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 on directors' personal financial interests. 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 2012, the group has not recorded any impairment of receivables relating to amounts owed by related parties (2011: R nil). 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:

(R'millions)	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Fees received from related parties
GROUP				
2012				
Related party – Associates				
Oceana Group Limited	–	–	–	–
UAC of Nigeria	–	–	10,9	10,7
National Foods Holdings Limited	–	–	–	–
2011				
Related party – Associates				
Oceana Group Limited	–	–	–	–
UAC of Nigeria	–	–	0,7	–
National Foods Holdings Limited	–	–	0,2	1,4

	2012	2011
Other related parties		
Key management personnel*		
Short-term employee benefits	86,7	78,2
Post-employment and medical benefits	11,2	12,2
Share-based payments	66,3	30,1
Total compensation paid to key management personnel	164,2	120,5

** Key management personnel comprises the top tier of the organisation and the managing executives of the individual businesses.*

38. Related-party disclosures (continued)

(R'millions)	Amounts owed by related parties[1]	Amounts owed to related parties[1]	Dividends received
2012			
COMPANY			
Related party – intergroup			
Subsidiaries			
Durban Confectionery Works (Pty) Limited	283,0	–	–
Tiger Consumer Brands Limited	–	45,8	1 894,8
Tiger Brands (Mauritius) Limited	–	281,6	–
Enterprise Foods (Pty) Limited	0,4	–	–
Langeberg Holdings Limited	702,4	–	–
Langeberg Foods Africa (Pty) Limited	–	201,6	–
Langeberg & Ashton Foods (Pty) Limited	559,5		
The Duntulum Trust	18,9	–	–
Gloriande NV	0,2	–	215,8
Tiger Food Brands Intellectual Property Holding Company (Pty) Limited	310,1	–	–
Investment and dormant companies	1 393,1	16,3	–
Chocolaterie Confiserie Camerounaise	–	–	16,9
Deli Foods Nigeria Limited	26,4	–	–
UAC Foods	–	–	22,1
Empowerment entities			
Tiger Brands Foundation	174,1	–	117,8
Thusani II	34,7	–	23,6
Associates			
Oceana Group Limited	–	–	101,9
National Foods Holdings Limited	–	–	3,3
Other			
Tiger Brands Employee Share Trust	2,3	–	–
Business Partners Limited	–	–	0,1

[1] *Interest free with no fixed repayment terms. Not repayable before 30 September 2013 except for the amount owing by Langeberg & Ashton Foods (Pty) Limited, and the amount owing to Tiger Consumer Brands Limited.*

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 September 2012

38. Related-party disclosures (continued)

(R'millions)	Amounts owed by related parties[1]	Amounts owed to related parties[1]	Dividends received
COMPANY			
2011			
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	–	110,1
Thusani II	23,5	–	22,0
Associates			
Oceana Group Limited	–	–	94,8
National Foods Holdings Limited	–	–	–
Other			
Tiger Brands Employee Share Trust	–	14,5	–

Note

1. Interest-free with no fixed repayment terms. Not repayable before 30 September 2012 except for the amount owing to Tiger Consumer Brands Limited.

39. Business combinations

2012

39.1 Simply Cereal

On 1 January 2012, Tiger Brands acquired 100% of the net assets of the Simply Cereal business, a company engaged in the manufacturing and marketing of cereal products.

The purchase consideration was accounted for as follows:

(R'millions)	Acquisition value
Inventories	5,7
Trade and other receivables*	12,6
Trade and other payables	(10,3)
Property, plant and equipment	2,5
Fair value of net assets acquired	10,5
Purchase consideration in cash	10,5

**Gross trade receivables of R12,6 million less allowance for doubtful debts of R nil.*

The purchase consideration was financed out of operating cash flows.

39. Business combinations (continued)

2011

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:

(R'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 R15,8 million less allowance for doubtful debts of R nil.*

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.

The purchase consideration was financed out of operating cash flows.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 September 2012

39. Business combinations (continued)

2011

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 held 51% 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:

(R'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 proportionate 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.

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.

39. Business combinations (continued)

The purchase consideration was accounted for as follows:

(R'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.

40. Subsequent events

The following material events occurred during the period subsequent to 30 September 2012, but prior to these financial statements being authorised for issue:

40.1 With effect from 4 October 2012, Tiger Brands acquired a 63,35% shareholding in Dangote Flour Mills Plc (DFM). The purchase price of R1,5 billion was financed from available resources. As set out in more detail in the Company's SENS announcement on 23 September 2012, the sale and purchase agreement provides for an additional payment in the event that DFM achieves certain profit hurdles for its financial year ending 31 December 2012. Based on the current trading performance of DFM, it is not expected that any additional payment will be made by Tiger Brands.

Neither the effective date financial statements nor the purchase price allocation exercise, as required by IFRS 3, had been finalised as the date of these audited results. Accordingly not all of the disclosures required by IFRS 3 have been provided.

ANNEXURE A

Interest in subsidiary companies

(R'millions)	Issued ordinary capital 2012	Issued ordinary capital 2011	Effective percentage holding 2012 %	Effective percentage holding 2011 %	Company's interest: Shares at cost 2012	Shares at cost 2011	Indebtedness 2012	Indebtedness 2011
Designer Group	0,1	0,1	100,0	100,0	132,1	132,1	–	–
Durban Confectionery Works (Pty) Limited	0,4	0,4	100,0	100,0	63,4	63,4	283,0	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	—	—	100,0	66,7	90,2	—	559,5	–
Tiger Food Brands Intellectual Property Holding Company (Pty) Limited	1,0	1,0	100,0	100,0	17,3	17,3	310,1	289,4
Tiger Consumer Brands Limited	0,1	0,1	100,0	100,0	0,1	0,1	(45,8)	(23,7)
Tiger Brands Mauritius Limited[2]	35,7	35,7	100,0	100,0	337,9	337,9	(281,6)	(308,7)
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	2,1	100,0	100,0	251,6	253,2	26,4	25,7
East Africa Tiger Brands Industries[2]	212,2	212,2	51,0	51,0	121,4	121,4	–	–
Davita Trading (Pty) Limited	—	—	100,0	100,0	1 521,6	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	—	—	(33,3)	(33,3)
					2 974,3	2 885,7	2 748,7	2 362,8
Note								
[1] Non-current amounts owed to the company							*2 734,5*	*2 913,1*
Current amounts owed to the company							*559,5*	*–*
Non-current amounts owed by the company							*(499,5)*	*(526,6)*
Current amounts owed by the company							*(45,8)*	*(23,7)*
							2 748,7	*2 362,8*

[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 subsidiary companies

	Date of financial statements	Effective percentage holding 2012	2011	Nature of business	Listed/Unlisted
Empresas Carozzi (Chile)	31/12/2011	24,4	24,4	Food processing	Unlisted
Oceana Group Limited	30/09/2012	44,7	44,7	Fishing	Listed
National Foods Holdings Limited	30/06/2012	37,4	25,7	Food processing	Listed
UAC Foods	30/06/2012	49,0	49,0	Food processing	Unlisted

ANNEXURE C

Other investments

	Effective percentage holding		GROUP Number of shares		COMPANY Number of shares	
	2012 %	2011 %	2012	2011	2012	2011
LISTED INVESTMENTS						
Adcock Ingram Holdings Limited	3,3	3,4	5 842 035	5 842 035	–	–
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.

SHAREHOLDER INFORMATION

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ANALYSIS OF ORDINARY SHAREHOLDERS

as at 30 September 2012

Registered shareholder spread

Shareholder spread	Number of holders	% of total shareholders	Number of shares	% of issued capital
1 — 1 000 shares	18 682	80,2	5 780 576	3,0
1 001 — 10 000 shares	4 002	17,2	11 328 545	5,9
10 001 — 100 000 shares	494	2,1	14 427 203	7,6
100 001 — 1 000 000 shares	101	0,4	30 919 414	16,2
1 000 001 shares and above	32	0,1	128 740 300	67,3
Total	23 311	100,0	191 196 038	100,0

Public and non-public shareholdings

Shareholder type	Number of holders	% of total shareholders	Number of shares	% of issued capital
Non-public shareholders	11	0,1	32 656 090	17,1
▹ Empowerment holdings	6	0,1	21 370 813	11,2
▹ Own holding	1	0,0	10 326 758	5,4
▹ Share trusts/share incentive scheme	3	0,0	953 519	0,5
▹ Directors and associates	1	0,0	5 000	0,0
Public shareholders	23 300	99,9	158 539 948	82,9
Total	23 311	100,0	191 196 038	100,0

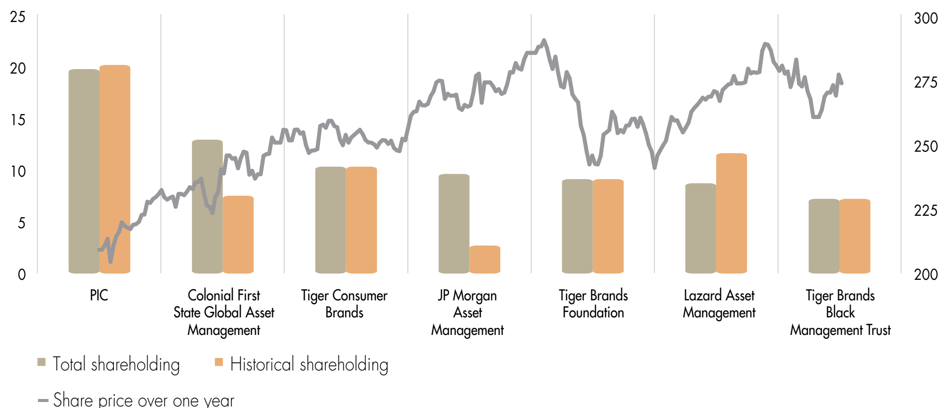
Substantial investment management and beneficial interests – above 3%

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 2012:

Investment management shareholdings

Investment manager	Total shareholding	%
PIC	19 671 811	10,3
Colonial First State Global Asset Management	12 865 635	6,7
Tiger Consumer Brands	10 326 758	5,4
JP Morgan Asset Management	9 582 828	5,0
Tiger Brands Foundation	9 068 067	4,7
Lazard Asset Management	8 719 359	4,6
Tiger Brands Black Management Trust	7 161 211	3,8
Total	77 395 669	40,5

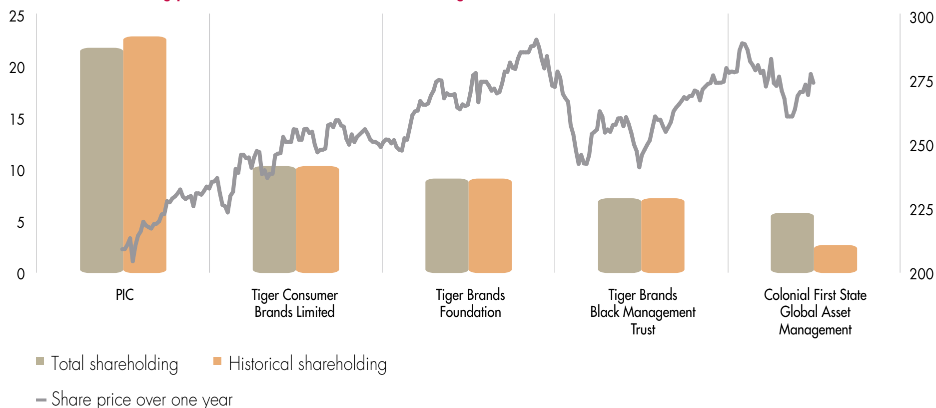
Investment management shareholding positions above 3% with 12-month change



Beneficial shareholdings

	Total shareholding	%
Government Employees Pension Fund (PIC)	21 670 851	11,3
Tiger Consumer Brands Limited	10 326 758	5,4
Tiger Brands Foundation	9 068 067	4,7
Tiger Brands Black Management Trust	7 161 211	3,8
Colonial First State Global Asset Management	5 763 584	3,0
Total	53 990 471	28,2

Beneficial shareholding positions above 3% with 12-month change



ANALYSIS OF ORDINARY SHAREHOLDERS continued

as at 30 September 2012

Previously disclosed holdings

Investment managers now holding below 3%

Investment manager	Total shareholding	%	Previous %
Investec Asset Management	5 087 382	2,7	3,2
Coronation Fund Managers	4 691 609	2,4	3,8
STANLIB Asset Management	3 733 094	2,0	3,1
Allan Gray Investment Council	1 374 799	0,7	4,4
Total	14 886 884	7,8	14,5

Beneficial owners now holding below 3%

Beneficial owner	Total shareholding	%	Previous %
Lazard Emerging Markets Fund	5 015 244	2,6	3,6
Total	5 015 244	2,6	3,6

Directors' holdings at 30 September 2012

Directors	Numbers of shares	%
Dunne, RMW	5 000	0,0
Dunne Family Trust	5 000	0,0
Total	5 000	0,0

No changes to directors' holdings occurred between 30 September 2012 and the date of the notice of the annual general meeting to be held in 2013.

Geographic split of shareholders

Geographic split of investment managers and company-related holdings

Region	Total shareholding	% of issued capital
South Africa	95 448 160	49,9
United States of America and Canada	41 715 910	21,8
United Kingdom	26 805 874	14,0
Rest of Europe	5 636 499	3,0
Rest of world[1]	21 589 595	11,3
Total	191 196 038	100,0

[1] *Represents all shareholdings except those in the above regions*

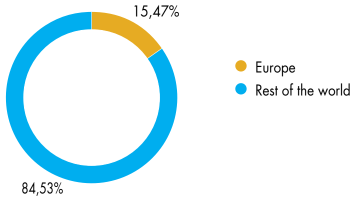
Geographic split of beneficial shareholders

Region	Total shareholding	% of issued capital
South Africa	106 230 437	55,6
United States of America and Canada	40 768 375	21,3
United Kingdom	15 887 308	8,3
Rest of Europe	13 684 110	7,2
Rest of world[1]	14 625 808	7,6
Total	191 196 038	100,0

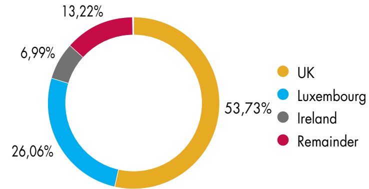
[1] *Represents all shareholdings except those in the above regions*

Geographic split of beneficial shareholders

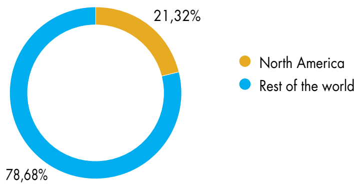
Total European holding



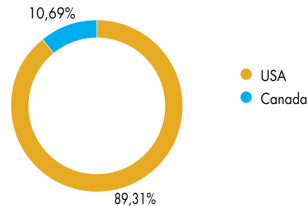
Split of beneficial shares



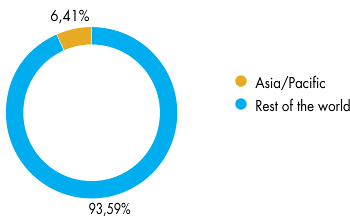
Total North American holding



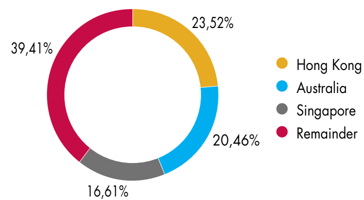
Split of beneficial shares



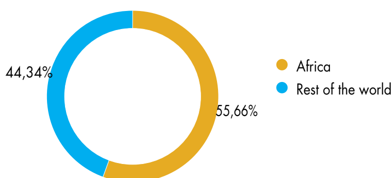
Total Asia/Pacific holding



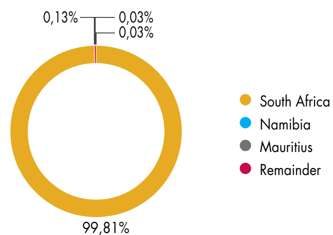
Split of beneficial shares



Total African holding



Split of beneficial shares



ANALYSIS OF ORDINARY SHAREHOLDERS continued

as at 30 September 2012

Shareholder categories

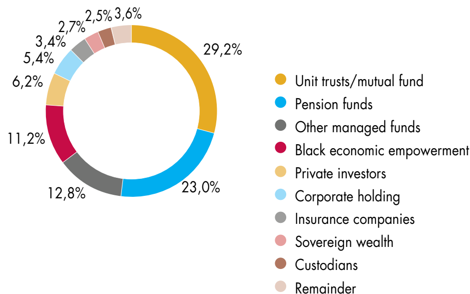
An analysis of beneficial shareholdings, supported by the section 56 enquiry process, confirmed the following beneficial shareholder types:

Beneficial shareholder categories

Category	Total shareholding	% of issued capital
Unit trusts/mutual fund	55 826 961	29,2
Pension funds	43 891 218	23,0
Other managed funds	24 481 292	12,8
Black economic empowerment	21 370 813	11,2
Private investors	11 774 205	6,2
Corporate holding	10 326 758	5,4
Insurance companies	6 466 867	3,4
Sovereign wealth	5 241 436	2,7
Custodians	4 772 735	2,5
American Depository Receipts	1 651 692	0,9
Exchange-traded fund	1 407 722	0,7
Employees	953 519	0,5
Charity	424 065	0,2
Investment trust	188 036	0,1
University	112 371	0,1
Local authority	79 782	0,0
Foreign government	53 500	0,0
Remainder	2 173 066	1,1
Total	191 196 038	100,0

Beneficial shareholders split by category[1]

Shareholder categories

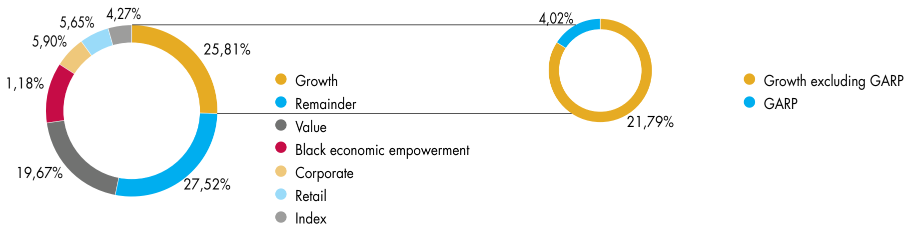


[1] *Includes categories above 2% only*

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*

DECLARATION OF FINAL DIVIDEND NO 136

The board has approved and declared a final dividend of 555,0 cents per ordinary share (gross) in respect of the year ended 30 September 2012.

The dividend will be subject to Dividends Tax that was introduced with effect from 1 April 2012.
In accordance with paragraphs 11.17(a)(i) to (x) and 11.17(c) of the JSE Listings Requirements, the following additional information is disclosed:

- The dividend has been declared out of income reserves;
- The local Dividend Tax rate is 15%;
- There are no Secondary Tax on Companies (STC) credits utilised;
- The gross local dividend amount is 555,0 cents per ordinary share for shareholders exempt from the Dividends Tax;
- The net local dividend amount is 471,75 cents per ordinary share for shareholders liable to pay the Dividends Tax;
- Tiger Brands has 191 196 038 ordinary shares in issue (which includes 10 326 758 treasury shares); and
- Tiger Brands Limited's income tax reference number is 9325/110/71/7.

Shareholders are advised of the following dates in respect of the final dividend:

Last day to trade *cum* the final dividend	Friday, 4 January 2013
Shares commence trading *ex* the final dividend	Monday, 7 January 2013
Record date to determine those shareholders entitled to the final dividend	Friday, 11 January 2013
Payment in respect of the final dividend	Monday, 14 January 2013

Share certificates may not be dematerialised or rematerialised between Monday, 7 January 2013 and Friday, 11 January 2013, both days inclusive.

By order of the board

I W M Isdale
Company Secretary

Sandton
20 November 2012

SHAREHOLDERS' DIARY

Financial year-end	30 September 2013	
Annual general meeting	12 February 2013	
Report and accounts		
Announcement of interim report and interim dividend for half-year ending 31 March	30 May 2013	
Announcement of annual results and final dividend for the year ended 30 September	20 November 2013	
Annual report published	December 2013	
Dividends	**Declaration**	**Payment**
Ordinary shares		
Interim dividend	May 2013	July 2013
Final dividend	November 2013	January 2014

DEFINITIONS

Abnormal items	Items of income and expenditure not directly attributable to normal operations or of a size or nature such that additional disclosure is considered appropriate
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 year
Cash flow to net liabilities	Cash generated from operations after interest and taxation as a percentage of total liabilities, less cash resources
Current ratio	Ratio of current assets to current liabilities
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)
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)
Effective taxation rate	Taxation charge in the statement of comprehensive income as a percentage of profit before taxation
HEPS	Headline earnings divided by the weighted average number of ordinary shares in issue during the year (net of treasury and empowerment shares)
Net debt	Cash and cash equivalents less long and short-term borrowings
Net funding	Capital and reserves, non-controlling interests and net debt
Net interest cover	Operating profit plus dividend income divided by net interest paid
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
NPAT	Net profit after taxation
Operating margin	Operating profit as a percentage of turnover
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)
Return on average net assets employed	Operating profit as a percentage of the average of net assets, excluding cash resources, short and long-term borrowings, taxation, shareholders for dividends and the carrying value of investments, at the beginning and end of the year
Return on equity	Profit attributable to ordinary shareholders excluding abnormal items divided by issued capital and reserves
Total equity	Includes ordinary share capital and share premium, less treasury shares and shares held by empowerment entities, plus reserves and non-controlling interests
Total liabilities	Long-term borrowings and current liabilities
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 year, divided by turnover (R'000)

APPENDICES

King III checklist	212
Administration	IBC

KING III CHECKLIST

Principle number	Description	Compliance
Chapter 1: Ethical leadership and corporate citizenship		
1.1	The board should provide effective leadership based on an ethical foundation.	In accordance with the Board Charter the board is the guardian of the values and ethics of the group.
1.2	The board should ensure that the company is and is seen to be a responsible corporate citizen.	The social, ethics and transformation committee which reports to the board and shareholder reflects and effects Tiger Brands' commitment to responsible corporate citizenship. In addition to compliance with King III the group has also adopted the principles of the Global Reporting Initiative (GRI) which guide it in its corporate responsibility.
1.3	The board should ensure that the company's ethics are managed effectively.	Tiger Brands has a Code of Ethics, to which all members of the board, management and employees of the group are required to adhere. The code promotes and enforces ethical business practices. Commitment to ethical management is reflected in the group status as a founder member of the Ethics Institute of South Africa. Enforcement of the group's Code of Ethics complements risk management activities.
Chapter 2: Boards and directors		
2.1	The board should act as the focal point for and custodian of corporate governance.	In accordance with the Board Charter the board is committed to the highest standards of corporate governance.
2.2	The board should appreciate that strategy, risk, performance and sustainability are inseparable.	The board, in accordance with the Board Charter, is responsible for aligning the strategic objectives, vision and mission with performance and sustainability considerations. The group's formalised risk management process takes into account the full range of risks including strategic and operational risk encompassing performance and sustainability.
2.3	The board should provide effective leadership based on an ethical foundation.	See 1.1 above
2.4	The board should ensure that the company is and is seen to be a responsible corporate citizen.	See 1.2 above
2.5	The board should ensure that the company's ethics are managed effectively.	See 1.3 above
2.6	The board should ensure that the company has an effective and independent audit committee.	See Chapter 3 below
2.7	The board should be responsible for the governance of risk.	See Chapter 4 below
2.8	The board should be responsible for information technology (IT) governance.	See Chapter 5 below
2.9	The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	See Chapter 6 below
2.10	The board should ensure that there is an effective risk-based internal audit.	See Chapter 7 below
2.11	The board should appreciate that stakeholders` perceptions affect the company's reputation.	See Chapter 8 below
2.12	The board should ensure the integrity of the company's integrated report.	See Chapter 9 below

Principle number	Description	Compliance
2.13	The board should report on the effectiveness of the company's system of internal controls.	See Chapter 7 and 9 below
2.14	The board and its directors should act in the best interests of the company.	The board acknowledges its role as a trustee on behalf of the shareholders and is required to act at all times in the company's best interests.
2.15	The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Act.	Business rescue has not been required.
2.16	The board should elect a chairman of the board who is an independent non-executive director. The chief executive officer of the company should not also fulfil the role of chairman of the board.	The Chairman of Tiger Brands, Mr AC Parker, is an independent non-executive director.
2.17	The board should appoint the chief executive officer and establish a framework for the delegation of authority.	The board has appointed Mr PB Matlare as CEO and a delegation of authority document is reviewed and approved by the audit committee.
2.18	The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent.	The board has a majority of independent non-executive directors. There are nine independent non-executive directors and three executive directors.
2.19	Directors should be appointed through a formal process.	A formal appointment process is in place driven by the nomination committee.
2.20	The induction of and ongoing training and development of directors should be conducted through formal processes.	New appointees to the board are appropriately familiarised with the company through an induction programme and ongoing training is provided and membership of the Institute of Directors is offered to all directors.
2.21	The board should be assisted by a competent, suitably qualified and experienced company secretary.	Ian Isdale BA, LLB, EDP is the Company Secretary and the board deems him to be suitably qualified and experienced.
2.22	The evaluation of the board, its committees and the individual directors should be performed every year.	The Chairman of the company performs an internal board assessment. In 2012, the company engaged the services of Deloitte to conduct a formal independent assessment of the board and its committees. An internal evaluation is conducted annually, when an external valuation does not take place.
2.23	The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities.	The board has delegated certain functions without abdicating its own responsibilities to the following committees: ▷ Audit committee ▷ Risk and sustainability committee ▷ Remuneration and nomination committee ▷ Social, ethics and transformation committee ▷ Investment committee
2.24	A governance framework should be agreed between the group and its subsidiary boards.	A governance framework is in place, in that governance practices for Tiger Brands cover the subsidiaries.
2.25	Companies should remunerate directors and executives fairly and responsibly.	The group's remuneration and nomination committee determines the remuneration policy on executive and senior remuneration in line with the group's remuneration philosophy and strategy. 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. A detailed remuneration report is contained in the integrated report on pages 72 to 89.

KING III CHECKLIST continued

for the year ended 30 September 2012

Principle number	Description	Compliance
2.26	Companies should disclose the remuneration of each individual director and certain senior executives.	The remuneration of directors and prescribed officers is disclosed in the integrated report on pages 87 and 88.
2.27	Shareholders should approve the company's remuneration policy.	Shareholders consider and endorse, by way of a non-binding advisory vote, the company's remuneration policy at the annual general meeting.
Chapter 3: Audit committee		
3.1	The board should ensure that the company has an effective and independent audit committee.	The group has an audit committee comprising three independent non-executive directors.
3.2	Audit committee members should be suitably skilled and experienced independent non-executive directors.	Members of the audit committee are all suitably skilled and experienced independent non-executive directors.
3.3	The audit committee should be chaired by an independent non-executive director.	The audit committee is chaired by Richard Dunne, an independent non-executive director.
3.4	The audit committee should oversee integrated reporting.	The audit committee oversees integrated reporting.
3.5	The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities.	The audit committee oversees the assurance activities to ensure that they are constructed in a co-ordinated manner.
3.6	The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function.	The audit committee considered the expertise, resources and experience of the chief financial officer and the finance function and concluded these were appropriate.
3.7	The audit committee should be responsible for overseeing of internal audit.	The audit committee reviews and approves the internal audit plan submitted by the outsourced revenue providers KPMG Inc.
3.8	The audit committee should be an integral component of the risk management process.	The audit committee reviewed the group's risk approach and found it to be sound and considered and reviewed the findings and recommendations of the risk committee.
3.9	The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process.	The audit committee recommended to the board and to shareholders the appointment of Ernst & Young Inc. as the external auditors. The audit committee oversees the audit process.
3.10	The audit committee should report to the board and shareholders on how it has discharged its duties.	The audit committee formally reports to the board after each meeting and the report of the Chairman of the audit committee is on page 66 of this integrated report.
Chapter 4: The governance of risk		
4.1	The board should be responsible for the governance of risk.	The risk and sustainability committee is responsible for overseeing the group's risk management programme and reporting thereon to the audit committee and the board, which retains ultimate responsibility for the control and mitigation of risk.
4.2	The board should determine the levels of risk tolerance.	The risk and sustainability committee assesses the levels of risk tolerance and limits of risk appetite for the group.
4.3	The risk committee or audit committee should assist the board in carrying out its risk responsibilities.	See 4.1
4.4	The board should delegate to management the responsibility to design, implement and monitor the risk management plan.	The board has delegated the day-to-day responsibility for risk management to management.

Principle number	Description	Compliance
4.5	The board should ensure that risk assessments are performed on a continual basis.	The risk and sustainability committee actively monitors the group's key risks as part of its standard agenda.
4.6	The board should ensure that the frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks.	All risks are identified and steps to mitigate these are outlined, including reasonably unpredictable risks
4.7	The board should ensure that management considers and implements appropriate risk responses.	The risk and sustainability committee ensures that the executive committee has in place appropriate responses to perceived risks.
4.8	The board should ensure continual risk monitoring by the management.	Responsibility for identified risks is assigned to an appropriate member of the group's senior management team, who is required to report to the executive committee on the steps being taken to manage or mitigate such risks.
4.9	The board should receive assurance regarding the effectiveness of the risk management process.	The risk and sustainability committee is provided with the assurance of the effectiveness of the risk management process from both the internal audit service providers KPMG Inc as well as from Alexander Forbes/Marsh.
4.10	The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders.	The group's integrated report provides a detailed outline of the risk management process to its stakeholders.
Chapter 5: The governance of information technology		
5.1	The board should be responsible for information technology (IT) governance.	The board understands the importance, relevance and inherent risks in IT and has delegated the management thereof to management. The risk and sustainability and audit committees assist in ensuring appropriate compliance structures are in place.
5.2	IT should be aligned with the performance and sustainability objectives of the company.	
5.3	The board should delegate to management the responsibility for the implementation of an IT governance framework.	The chief financial officer has taken direct responsibility for the introduction of a standardised and consistent platform across the group which is necessary to align the IT infrastructure with the strategy of the group as well as the performance and sustainability objectives of the group. As this is a long-term project, regular updates on the progress of this initiative are presented to both the audit and risk committees and bi-annual updates are presented to the board. These updates include the business case for the proposed IT spend, as well as the status of the implementation of the overall project.
5.4	The board should monitor and evaluate significant IT investments and expenditure.	
5.5	IT should form an integral part of the company's risk management.	
5.6	The board should ensure that information assets are managed effectively.	
5.7	A risk committee and audit committee should assist the board in carrying out its IT responsibilities.	
Chapter 6: Compliance with laws, codes, rules and standards		
6.1	The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	The risk committee together with the company's legal counsel review the adequacy and effectiveness of the group's procedures to ensure compliance with legal and regulatory responsibilities. A group Compliance Executive assists in this role.
6.2	The board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business.	The directors and the board understand the appropriate applicable laws, rules, codes of standards required by the company and its business.

KING III CHECKLIST continued

for the year ended 30 September 2012

Principle number	Description	Compliance
6.3	Compliance risk should form an integral part of the company's risk management process.	Compliance is an identified significant risk and addressed as part of the risk management process.
6.4	The board should delegate to management the implementation of an effective compliance framework and processes.	This has been done and a group Compliance Executive has been appointed.
Chapter 7: Internal risk		
7.1	The board should ensure that there is an effective risk-based internal audit.	A risk-based internal audit is in place.
7.2	Internal audit should follow a risk-based approach to its plan.	A risk-based approach is followed by internal audit.
7.3	Internal audit should provide a written assessment of the effectiveness of the company's system of internal control and risk management.	A written assessment of the effectiveness of the company's system of internal control and risk management is provided.
7.4	The audit committee should be responsible for overseeing internal audit.	The audit committee is responsible for overseeing the internal audit. (See 3.7 above.)
7.5	Internal audit should be strategically positioned to achieve its objectives.	Internal audit is independent, with no material breakdowns, enabling it to achieve its objectives.
Chapter 8: Governing stakeholder relations		
8.1	The board should appreciate that stakeholders' perceptions affect a company's reputation.	Tiger Brands recognises that developing and nurturing positive relationships with its significant stakeholders are key drivers of success that inform business strategy and enable the group to better understand and address the impact of its activities on society.
8.2	The board should delegate to management to proactively deal with stakeholder relationships.	Management is responsible for maintaining stakeholder relationships.
8.3	The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company.	The appropriate balance is assessed on a continuous basis.
8.4	Companies should ensure the equitable treatment of shareholders.	The board ensures the equitable treatment of shareholders.
8.5	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence.	The company has a comprehensive stakeholder engagement process in place and communicates with stakeholders in a variety of ways, detailed on pages 16 and 17.
8.6	The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible.	The board ensures that disputes are resolved effectively as is possible.
Chapter 9: Integrated reporting and disclosure		
9.1	The board should ensure the integrity of the company's integrated report.	The board is responsible for the integrity of the integrated report.
9.2	Sustainability reporting and disclosure should be integrated with the company's financial reporting.	The company's vision and mission statements, strategic objectives and value system are integrated into all policies, procedures, decision-making and operations, with sustainability as the ultimate objective.
9.3	Sustainability reporting and disclosure should be independently assured.	At present the company does not obtain independent assurance. This will be considered in future.

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