

# Tiger Brands



**Audited group results and dividend declaration**  
for the year ended 30 September 2011



# Tiger Brands

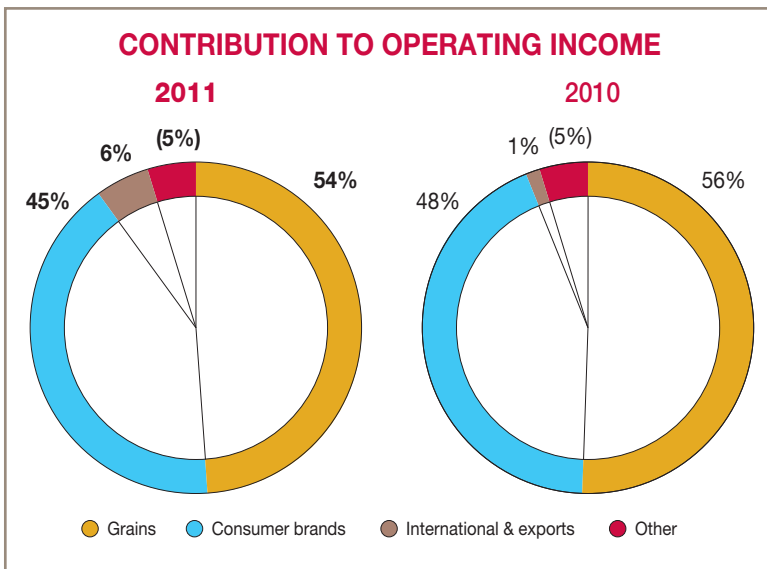


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- ↑ Turnover: **+5,8%**
- ↑ EPS: **+17,5%**
- ↑ Normalised HEPS: **+5,7%**
- ↑ Total dividend: **+6,0%**
- ↑ Cash generated from operations **R3,6 billion**
- ↑ **R2,1 billion** spent on acquisitions



The condensed results for the year ended 30 September 2011 have been prepared in accordance with International Financial Reporting Standards, IAS 34 – Interim Financial Reporting – and the Listings Requirements of the JSE Limited.

Ernst & Young Inc., Tiger Brands Limited's independent auditors, have audited the consolidated annual financial statements of Tiger Brands Limited from which the condensed consolidated financial results have been derived.

The auditors have expressed an unmodified audit opinion on the consolidated annual financial statements. The condensed consolidated financial results comprise the condensed consolidated statement of financial position at 30 September 2011, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the year then ended, and selected explanatory notes.

The audit report of the consolidated annual financial statements is available for inspection at Tiger Brands Limited's registered office.

## **OVERVIEW**

The year under review has been characterised by difficult macroeconomic conditions in South Africa, flowing from the economic crisis in developed markets and the slow pace of domestic economic recovery. South African consumers remain under financial pressure, with rising unemployment and declining disposable incomes due to the heavy debt burden of many households and the rising cost of food, electricity and transport.

Against this background, although growth and market performance have slowed over the past 12 months, the Group's portfolio of strong brands has nevertheless retained market leadership in their respective categories. Budget constraints have led to consumers becoming more price conscious and relative price positioning has therefore become critical in the face of increased competition. Notwithstanding some weakening in volume shares, we have through the strength of our brands, successfully protected our number one and two market positions.

## **FINANCIAL RESULTS**

Group turnover increased by 5,8% to R20,4 billion (2010: R19,3 billion), despite a 2,3% decline in volumes. The Group experienced good operational leverage, increasing the average operating margin by 30 basis points to 15,9%. Operating income increased by 7,6% to R3,2 billion. Excluding the impact of acquisitions, operating income grew by 4% to R3,1 billion and the operating margin improved by 10 basis points to 15,7%.

Income from Associates increased by 5,4% to R265,4 million and comprises the Group's share of earnings from Empresas Carozzi (Carozzi), Oceana

Group Limited (Oceana) and UAC Foods (acquired in May 2011). These companies collectively contributed a sizeable 10,3% to the Group's after tax profit in 2011.

Profit before tax increased by 19,1% to R3,6 billion (2010: R3,0 billion). This included a R91,4 million once-off abnormal credit related to the take-on gain arising from the recognition of National Foods Holdings Limited (National Foods) as an associate Company, as well as the employer share of pension fund surpluses amounting to R44,3 million. The Group has held its 25,7% shareholding in National Foods, a Zimbabwean milling and consumer goods business, for many years but has not previously recognised its share of earnings from the Company due to the hyperinflationary economic climate in Zimbabwe. Subsequent to the financial year-end, the Group has increased its shareholding in National Foods by 11,7% to 37,4% and, with effect from 1 October 2011, will equity account its share of earnings from the Company.

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

Net profit for the year attributable to ordinary shareholders increased by 18% to R2,6 billion (2010: R2,2 billion). On an adjusted basis, excluding the impact of the prior year's IFRS 2 charge of R152,7 million after tax relating to the BEE Phase II transaction, net profit increased by 10,2%.

Earnings per share increased by 17,5% to 1 629 cents (2010: 1 386 cents) and headline earnings per share increased by 13,0% to 1 575 cents (2010: 1 393 cents). On a normalised basis, excluding the prior year IFRS 2 BEE charge, headline earnings per share increased by 5,7%.

The Group continues to be highly cash generative and generated R3,6 billion cash from operations during the year (2010: R3,4 billion). This was used to fund higher tax and dividend payments, resulting in a net cash inflow from operating activities of R1,4 billion, which approximated the amount generated in the previous year. The Group spent R2,1 billion on acquisitions and acquired additional interest bearing debt of R244,7 million as part of its acquisition programme. In line with its capital maintenance and expansion strategy, the Group invested R817,8 million on capital assets, compared to R634,2 million in the prior year.

## **OPERATING RESULTS GRAINS**

Cost inflation re-emerged as the world prices of wheat and maize increased significantly during the year due to tighter global supply. However, the impact was limited to an extent by the benefit of the strong

Rand as well as the Group's favourable procurement positions during the year.

The Grains division achieved a commendable performance for the year in the face of fierce competitive activity. Wheat and baking volumes contracted as a result of sustained deep price discounting of bread and other wheat based products by competitors. The Company, however, successfully widened its distribution base into previously underserved markets, thereby preserving scale and protecting margins in the milling and baking business. At the end of the financial year, Albany maintained its leading market share position. The maize business also experienced a volume decline due to significant price inflation in the period, which resulted in some consumer shift from maize to other carbohydrates. Notwithstanding the volume decline, which mirrored the overall performance of the category, the Ace brand maintained its strong number two position in the market.

The rice and breakfast cereals businesses performed well, benefiting from strong demand and price deflation in the cost of rice and sorghum. The Jungle brand benefited from a change in mix towards higher value products. Tastic retained its clear number one market share position, reflecting the brand's strength in a competitive market.

During September 2011, the Durban bakery upgrade was completed, at a total cost of R108 million. A coastal bakery in KwaZulu-Natal was closed as part of an ongoing consolidation plan, with manufacturing volumes being transferred to the new Pietermaritzburg bakery. The construction of the new Hennenman wheat mill is progressing well and remains on track for completion in December 2012.

## CONSUMER BRANDS

Competition intensified across the consumer goods sector and retailers continued to increase their support for economy and dealer-owned brands. In addition, given the Rand's strength and the relatively high cost of local agricultural products and escalating input costs, retailers have been able to import selected goods at favourable prices, further adding to the competitive pressure. Against this background, the division's volumes and market shares have come under pressure. However, we have worked hard to restore our competitiveness by implementing a number of initiatives to improve operational efficiencies and reduce costs, including the integration of the home care, personal care and baby care businesses under a single management team and the consolidation of the management of the snacks, treats and beverages businesses.

**Groceries** Turnover grew by 8%, driven by a 6% increase in sales volumes and a 2% increase in pricing. Growth was strongest in the vegetables and spreads categories, which experienced double-digit sales growth, with the core Koo and Black Cat brands performing well. The condiments division also

performed strongly, with the All Gold tomato sauce and Crosse & Blackwell mayonnaise brands delivering good revenue growth, mainly driven by strong volumes. The pasta business delivered moderate volume growth in a highly competitive market. This resulted in inflationary cost pressures being absorbed, which negatively impacted margins.

The Koo brand was named South Africa's number one brand in the Sunday Times Top Brands awards. In the tinned foods category, Koo, Lucky Star (owned by Oceana) and All Gold took the top three positions.

**Snacks & Treats** This discretionary spend category has been hard hit by the depressed macroeconomic environment. In addition, the snacks and treats business was unable to operate at full production levels due to industrial action during September. This impacted negatively on both factory recoveries and sales volumes and a loss was sustained for the month. The strike has since been resolved and normal production resumed in mid-October. Measures have been taken to restore volumes and margins in this category.

**Beverages** The beverages business was negatively impacted by the unusually cold winter which resulted in volumes declining across the sector. The Energade brand strengthened its number one position in the sports category and Oros grew its market share. The market saw strong growth in the dairy fruit blend category, where the Hall's and Super 7 brands came under pressure from intense pricing competition.

**Value-added meat products ("VAMP")** This business lost market share during the year due to intense competition from new and existing participants in the polony market, which constitutes approximately 55% of the total processed meat market in volume terms. The overall operating margin declined from 10,6% in 2010 to 8,5% in 2011 primarily as a result of cost push pressures in the price of pork and mechanically deboned meat (MDM), which are key raw material ingredients.

**Home care, personal care and baby care ("HPCB")** During 2011, the home care, personal care and baby care businesses were merged under a single management team. Over 150 product lines were discontinued in an effort to focus on core brands and enhance efficiencies. This remains work in progress and our strategy in the personal care business is to focus on profitable market segments. The Status brand, a male deodorant product range, was acquired with effect from 1 November 2011. This will result in Tiger Brands becoming a significant participant in this market segment.

The baby care business continues to perform well. Category extensions and the introduction of new products, including Pedia Kids, a range of children's pharmaceutical products positioned in the higher value growth segment of the over-the-counter market, contributed to the good performance.

In the home care category, the business experienced heightened competition, particularly from the multinationals. This has put pressure on margins as a result of the inability to fully recover cost increases. The business successfully maintained its leading market position in the key pest category.

### **EXPORTS AND INTERNATIONAL**

The year under review was characterised by an excellent performance from the export division, as well as further satisfactory progress from Haco Tiger Brands and Chococam. Underpinning this performance was the combination of robust volume growth, continued investment in the core brands and a sharp focus on cost containment.

**Kenya: Haco Tiger Brands (51% held by Tiger Brands)** This home care and personal care business was acquired with effect from 1 June 2008 and has continued to record excellent growth. Volumes increased 21% in the year under review with margins being held at approximately 10%. This has been achieved despite in-country inflationary pressures and the associated pressure on consumer spending.

**Cameroon: Chococam (74,7% held by Tiger Brands)** This confectionery business was acquired in August 2008. It has shown good progress, with volumes increasing by 5% in 2011. Significant increases in the cost of key raw materials such as cocoa and sugar resulted in margin pressures in the first half of the financial year. A border dispute adversely impacted export volumes in the first quarter of the financial year as Gabon's borders, a key export market for Chococam, were closed for three months. A focus on operational efficiencies and some price recovery in the market, saw margins restored in the second half of the financial year.

**Langeberg and Ashton Foods (67% held by Tiger Brands)** Langeberg and Ashton Foods is one of the largest global producers of canned fruit and approximately 80% of its products are exported. This business was adversely affected during the year by the Rand's strength. Despite rising international consumption, European and South American agricultural subsidies, together with prevailing duty structures, impacted the Company's ability to compete effectively.

### **ACQUISITIONS**

During the year, the Group significantly advanced its ambition of meaningfully extending its footprint into the rest of Africa, through the following four acquisitions which were concluded at a total cost of R2,1 billion:

**Davita Trading (100% held by Tiger Brands)** The acquisition of this South African based export

Company was effective from 31 May 2011. The business exports powdered juices and seasonings to 28 countries in Africa and the Middle East and has leading market shares in many of its key geographies. Revenue synergies are being pursued through select Group brands, as well as through the Company's extensive Africa distribution footprint, which is complementary to Tiger Brands' own export platform.

**Ethiopia: East Africa Tiger Brands Industries (51% held by Tiger Brands)** The acquisition of a 51% stake in the branded consumer interests of the East Africa Group of Companies of Ethiopia became effective in May 2011. Ethiopia is the second most populated country in Africa with more than 80 million people. It is also experiencing high GDP growth levels of around 11% per annum. The Company has the leading market share in laundry soap and detergents and is the second largest participant in the pasta and personal care market sectors. The Company is performing in line with expectations.

**Nigeria: Deli Foods (100% held by Tiger Brands)** Tiger Brands acquired this biscuit, cracker and wafer business in April 2011. The business has shown excellent volume and sales momentum, although there has been some pressure on margins due to increasing sugar and wheat prices.

**Nigeria: UAC Foods (49% associate held by Tiger Brands)** In May 2011, Tiger Brands acquired a 49% equity stake in UAC Foods, whose business comprises the food and dairy operations of UAC Plc, a diversified Nigerian listed company. The joint venture holds a number of Nigeria's heritage brands such as Gala (sausage rolls), Supreme (icecream) and Swan (bottled spring water). The 2011 year has been characterised by increased input costs and the resultant operational challenges.

### **DIRECTORATE AND EXECUTIVE COMMITTEE**

During the year, we welcomed Olufunke (Funke) Ighodaro to the Board, as Chief Financial Officer and Executive Director, and Phil Roux to the Executive Committee as Business Executive: Consumer Brands.

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

## FINAL ORDINARY DIVIDEND

The Board has decided to declare a final ordinary dividend of 510 cents per share for the year ended 30 September 2011. This dividend, together with the interim dividend of 281 cents per share (2010: 270 cents), brings the total dividend for the year to 791 cents per share (2010: 746 cents per share). The total payment of 791 cents per share represents an increase of 6,0% on the total payment of 746 cents per share declared in respect of the previous year.

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

## OUTLOOK

Trading conditions are expected to remain difficult during 2012, with unemployment and limited disposable incomes continuing to negatively affect consumer spending. Food price inflation is likely to persist, driven by increases in global soft commodity prices, packaging, transport and energy costs, as well as rising wage demands. The volatility of foreign currency exchange rates is expected to add to these challenges. We are confident, however, that the inherent strength and continued relevance of the Group's well balanced portfolio of brands, will provide acceptable growth in the 2012 financial year.

In line with our strategy, we will continue to selectively seek value enhancing opportunities to expand our geographic footprint.

## INTEGRATED REPORT

The integrated report for the year ended 30 September 2011 will be posted during December 2011 to certificated shareholders and those shareholders with dematerialised shares who have requested a copy of the report through their Central Securities Depository Participants (CSDP's).

Salient features of the integrated report will be available on the Company's website ([www.tigerbrands.com](http://www.tigerbrands.com)) shortly after the integrated report is posted.

## PREPARATION OF RESULTS

The preparation of these results has been supervised by O Ighodaro, Chief Financial Officer of Tiger Brands Limited.

For and on behalf of the Board

**Lex van Vught**  
Chairman

**Peter Matlare**  
Chief Executive Officer

22 November 2011

## DECLARATION OF FINAL DIVIDEND NO 134

The Board has approved a final ordinary dividend of 510 cents per share for the year ended 30 September 2011. Shareholders are advised of the following dates in respect of the final dividend:

Last day the shares trade cum the final dividend Friday, 6 January 2012

Shares trade ex the final dividend Monday, 9 January 2012

Record date to determine those shareholders entitled to receive the final dividend Friday, 13 January 2012

Payment in respect of the final dividend Monday, 16 January 2012

Share certificates may not be dematerialised or re-materialised between Monday, 9 January 2012 and Friday, 13 January 2012, both days inclusive.

By order of the Board

**IWM Isdale**  
Secretary

Sandton 22 November 2011

## TIGER BRANDS LIMITED

(Registration number 1944/017881/06)

(Incorporated in the Republic of South Africa)

**Share code:** TBS **ISIN:** ZAE000071080

**Non-executive:** L C van Vught (Chairman), B L Sibiyi (Deputy Chairman), S L Botha, R M W Dunne (British), M P Nyama, M Makanjee, K D K Mokhele, R D Nisbet, A C Parker

**Executive:** P B Matlare (Chief Executive Officer), O Ighodaro (Chief Financial Officer) (Nigerian), C F H Vaux

**Company secretary:** I W M Isdale

**Registered office:** 3010 William Nicol Drive, Bryanston, Sandton, 2021

**Postal address:** PO Box 78056, Sandton, 2146, South Africa

**Share registrars:** Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg, 2001

**Postal address:** PO Box 61051, Marshalltown, 2107, South Africa. Telephone: (011) 370 5000

[www.tigerbrands.com](http://www.tigerbrands.com)

## Condensed consolidated income statement

For the year ended 30 September

|   | Notes | Audited<br>2011<br>Rm | Audited<br>2010<br>Rm | Change<br>% |
|---|-------|-----------------------|-----------------------|-------------|
| Revenue   | 1     | 20 479                | 19 378                | 6           |
| Turnover  | 1     | 20 430                | 19 316                | 6           |
| Operating income before abnormal items            | 2     | 3 245                 | 3 015                 | 8           |
| Abnormal items                                    | 3     | 127                   | (188)                 |             |
| <b>Operating income after abnormal items</b>      |       | <b>3 372</b>          | 2 827                 | 19          |
| Finance costs*                                    |       | (84)                  | (126)                 | 34          |
| Interest received                                 |       | 20                    | 43                    | (55)        |
| Investment income                                 |       | 19                    | 19                    | —           |
| Income from associates                            | 4     | 265                   | 252                   | 5           |
| <b>Profit before taxation</b>                     |       | <b>3 592</b>          | 3 015                 | 19          |
| Taxation  |       | (1 014)               | (840)                 | (21)        |
| <b>PROFIT FOR THE YEAR</b>                        |       | <b>2 578</b>          | 2 175                 | 19          |
| <b>Attributable to:</b>                           |       |                       |                       |             |
| Owners of the parent                              |       | 2 584                 | 2 192                 | 18          |
| Non-controlling interests                         |       | (6)                   | (17)                  |             |
|   |       | <b>2 578</b>          | 2 175                 | 19          |
| Basic earnings per ordinary share (cents)         |       | 1 629                 | 1 386                 | 18          |
| Diluted basic earnings per ordinary share (cents) |       | 1 598                 | 1 364                 | 17          |

\*Excludes interest capitalised to property, plant and equipment amounting to R20 million (2010: R6 million).

## Consolidated statement of comprehensive income

For the year ended 30 September

|   | Audited<br>2011<br>Rm | Audited<br>2010<br>Rm |
|---|-----------------------|-----------------------|
| <b>Profit for the year</b>                                      | 2 578                 | 2 175                 |
| Net (loss)/gain on hedge of net investment in foreign operation | (19)                  | 30                    |
| Foreign currency translation adjustments                        | 95                    | (37)                  |
| Net gain/(loss) on cash flow hedges                             | 45                    | (20)                  |
| Net (loss)/gain on available for sale financial assets          | (20)                  | 91                    |
| Tax effect  | 16                    | (18)                  |
| <b>Total comprehensive income for the year net of tax</b>       | <b>2 695</b>          | 2 221                 |
| <b>Attributable to:</b>   |                       |                       |
| Owners of the parent  | 2 701                 | 2 238                 |
| Non-controlling interests                                       | (6)                   | (17)                  |
|   | <b>2 695</b>          | 2 221                 |

## Condensed consolidated statement of financial position

As at 30 September

|   | Audited<br>2011<br>Rm | Audited<br>2010<br>Rm |
|---|-----------------------|-----------------------|
| <b>ASSETS</b>                             |                       |                       |
| <b>Non-current assets</b>                 | <b>9 503</b>          | 6 289                 |
| Property, plant and equipment             | 3 317                 | 2 586                 |
| Goodwill                                  | 2 362                 | 1 156                 |
| Intangible assets                         | 1 464                 | 830                   |
| Investments                               | 2 360                 | 1 717                 |
| <b>Current assets</b>                     | <b>6 693</b>          | 6 695                 |
| Inventories                               | 3 037                 | 2 899                 |
| Trade and other receivables               | 3 150                 | 2 875                 |
| Cash and cash equivalents                 | 506                   | 921                   |
| <b>TOTAL ASSETS</b>                       | <b>16 196</b>         | 12 984                |
| <b>EQUITY AND LIABILITIES</b>             |                       |                       |
| <b>Capital and reserves</b>               | <b>9 860</b>          | 8 316                 |
| Non-controlling interests                 | 386                   | 285                   |
| <b>TOTAL EQUITY</b>                       | <b>10 246</b>         | 8 601                 |
| <b>Non-current liabilities</b>            | <b>1 214</b>          | 878                   |
| Deferred taxation liability               | 300                   | 123                   |
| Provision for post-retirement medical aid | 377                   | 351                   |
| Long-term borrowings                      | 537                   | 404                   |
| <b>Current liabilities</b>                | <b>4 736</b>          | 3 505                 |
| Trade and other payables                  | 2 559                 | 2 579                 |
| Provisions                                | 435                   | 388                   |
| Taxation payable                          | 102                   | 62                    |
| Short-term borrowings*                    | 1 640                 | 476                   |
| <b>TOTAL EQUITY AND LIABILITIES</b>       | <b>16 196</b>         | 12 984                |

\*A subsidiary breached a maintenance covenant on its short-term borrowing facility. The balance, included in short-term borrowings, amounted to R447 million. The subsidiary applied for the breach to be condoned, with the request being granted subsequent to 30 September 2011.

## Condensed consolidated cash flow statement

For the year ended 30 September

|   | Audited<br>2011<br>Rm | Audited<br>2010<br>Rm |
|---|-----------------------|-----------------------|
| Cash operating profit                                       | 3 777                 | 3 493                 |
| Working capital changes                                     | (173)                 | (113)                 |
| Cash generated from operations                              | 3 604                 | 3 380                 |
| Net financing costs   | (64)                  | (82)                  |
| Dividends received  | 171                   | 149                   |
| Taxation paid   | (1 046)               | (821)                 |
| Cash available from operations                              | 2 665                 | 2 626                 |
| Capital distributions and dividends paid                    | (1 230)               | (1 180)               |
| Net cash inflow from operating activities                   | 1 435                 | 1 446                 |
| Net cash outflow from investing activities                  | (2 915)               | (1 100)               |
| Net cash (outflow)/inflow from financing activities         | (96)                  | 1                     |
| Net (decrease)/increase in cash and cash equivalents        | (1 576)               | 347                   |
| Effects of exchange rate changes                            | 56                    | (11)                  |
| Cash and cash equivalents at the beginning of the year      | 508                   | 172                   |
| Cash and cash equivalents at the end of the year            | (1 012)               | 508                   |
| Cash resources  | 506                   | 921                   |
| Short-term borrowings regarded as cash and cash equivalents | (1 518)               | (413)                 |
|   | (1 012)               | 508                   |

## Other salient features

For the year ended 30 September

|   | Audited<br>2011 | Audited<br>2010 |
|---|-----------------|-----------------|
| Net worth per ordinary share (cents)  | 6 209           | 5 247           |
| Net debt/(cash) to equity (%)   | 16,3            | (0,5)           |
| Interest cover – net (times)  | 50,9            | 36,8            |
| Current ratio (:1)  | 1,4             | 1,9             |
| Capital expenditure (R million)   | 818             | 634             |
| – replacement   | 387             | 363             |
| – expansion   | 431             | 271             |
| Capital commitments (R million)   | 421             | 817             |
| – contracted  | 299             | 547             |
| – approved not contracted   | 122             | 270             |
| Capital commitments will be funded from normal operating cash flows and the utilisation of existing borrowing facilities. |                 |                 |
| Contingent liabilities (R million)  |                 |                 |
| – guarantees and contingent liabilities   | 44              | 15              |
| Inventories carried at net realisable value   | 71              | 134             |
| Write-down of inventories recognised as an expense  | 36              | 21              |
| Carrying and fair value of investments (R million)  | 2 360           | 1 717           |
| Listed (fair value)   | 361             | 389             |
| Unlisted (fair value)   | 206             | 161             |
| Associates (carrying value)   | 1 793           | 1 167           |

## Condensed consolidated statement of changes in equity

|  | Share capital<br>and premium<br>Rm | Non-<br>distributable<br>reserves<br>Rm |
|--|------------------------------------|---|
| <b>Balance at 30 September 2009</b>                                  | <b>71</b>                          | <b>789</b>                              |
| Profit for the year  | —                                  | —                                       |
| Other comprehensive income for the year                              | —                                  | 46                                      |
|  | 71                                 | 835                                     |
| Issue of share capital and premium                                   | 1 765                              | —                                       |
| Capital distributions out of share premium                           | (1 355)                            | —                                       |
| BEE Phase II capital contribution                                    | —                                  | —                                       |
| Transfers between reserves   | —                                  | 122                                     |
| Share-based payment reserve  | —                                  | —                                       |
| Dividends paid to empowerment entities and non-controlling interests | —                                  | —                                       |
| Sale of shares by empowerment entity                                 | —                                  | —                                       |
| <b>Balance at 30 September 2010</b>                                  | <b>481</b>                         | <b>957</b>                              |
| Profit for the year  | —                                  | —                                       |
| Other comprehensive income for the year                              | —                                  | 117                                     |
|  | 481                                | 1 074                                   |
| Issue of share capital and premium                                   | 26                                 | —                                       |
| Capital distribution out of share premium                            | (437)                              | —                                       |
| Acquisition of East Africa Tiger Brands Industries                   | —                                  | —                                       |
| Transfers between reserves   | —                                  | 115                                     |
| Share-based payment reserve  | —                                  | —                                       |
| Dividends on ordinary shares   | —                                  | —                                       |
| Total dividends  | —                                  | —                                       |
| Less: Dividends on treasury and empowerment shares                   | —                                  | —                                       |
| <b>Balance at 30 September 2011</b>                                  | <b>70</b>                          | <b>1 189</b>                            |

| Accumulated profits<br>Rm | Shares held by subsidiary and empowerment entities<br>Rm | Share-based payment reserve<br>Rm | Total attributable to owners of the parent<br>Rm | Non-controlling interests<br>Rm | Total<br>Rm |
|---------------------------|--|-----------------------------------|--|---------------------------------|-------------|
| 7 310                     | (1 320)  | 134                               | 6 984  | 301                             | 7 285       |
| 2 192                     | —  | —                                 | 2 192  | (17)                            | 2 175       |
| —                         | —  | —                                 | 46   | —                               | 46          |
| 9 502                     | (1 320)  | 134                               | 9 222  | 284                             | 9 506       |
| —                         | (1 625)  | —                                 | 140  | —                               | 140         |
| —                         | 200  | —                                 | (1 155)  | (9)                             | (1 164)     |
| —                         | —  | —                                 | —  | 13                              | 13          |
| (122)                     | —  | —                                 | —  | —                               | —           |
| —                         | —  | 118                               | 118  | —                               | 118         |
| (13)                      | —  | —                                 | (13)   | (2)                             | (15)        |
| —                         | 4  | —                                 | 4  | (1)                             | 3           |
| 9 367                     | (2 741)  | 252                               | 8 316  | 285                             | 8 601       |
| 2 584                     | —  | —                                 | 2 584  | (6)                             | 2 578       |
| —                         | —  | —                                 | 117  | —                               | 117         |
| 11 951                    | (2 741)  | 252                               | 11 017   | 279                             | 11 296      |
| —                         | —  | —                                 | 26   | —                               | 26          |
| —                         | 65   | —                                 | (372)  | —                               | (372)       |
| —                         | —  | —                                 | —  | 107                             | 107         |
| (115)                     | —  | —                                 | —  | —                               | —           |
| —                         | —  | 46                                | 46   | —                               | 46          |
| (857)                     | —  | —                                 | (857)  | —                               | (857)       |
| (1 001)                   | —  | —                                 | (1 001)  | —                               | (1 001)     |
| 144                       | —  | —                                 | 144  | —                               | 144         |
| 10 979                    | (2 676)  | 298                               | 9 860  | 386                             | 10 246      |

## Condensed segmental analysis

For the year ended 30 September

|   | Audited<br>2011<br>Rm | Audited<br>2010<br>Rm | Change<br>% |
|---|-----------------------|-----------------------|-------------|
| <b>Turnover</b>                                     |                       |                       |             |
| <b>Domestic Operations</b>                          | <b>18 049</b>         | <b>17 494</b>         | <b>3</b>    |
| <b>Grains</b>                                       | <b>8 349</b>          | <b>8 085</b>          | <b>3</b>    |
| Milling and baking                                  | 6 192                 | 5 849                 | 6           |
| Other Grains  | 2 157                 | 2 236                 | (4)         |
| <b>Consumer Brands</b>                              | <b>9 704</b>          | <b>9 417</b>          | <b>3</b>    |
| Groceries   | 3 423                 | 3 167                 | 8           |
| Snacks & Treats                                     | 1 734                 | 1 726                 | —           |
| Beverages   | 1 029                 | 1 083                 | (5)         |
| Value Added Meat Products                           | 1 419                 | 1 385                 | 2           |
| Out of Home   | 295                   | 269                   | 10          |
| HPCB  | 1 804                 | 1 787                 | 1           |
| Personal  | 589                   | 597                   | (1)         |
| Baby care   | 629                   | 591                   | 6           |
| Home care   | 586                   | 599                   | (2)         |
| <b>Domestic intergroup sales</b>                    | <b>(4)</b>            | <b>(8)</b>            | <b>50</b>   |
| <b>International and Exports</b>                    | <b>2 381</b>          | <b>1 822</b>          | <b>31</b>   |
| Exports**   | 712                   | 370                   | 92          |
| International operations                            | 822                   | 504                   | 63          |
| Deciduous Fruit                                     | 962                   | 1 086                 | (11)        |
| Other intergroup sales                              | (115)                 | (138)                 | 16          |
| <b>TOTAL TURNOVER</b>                               | <b>20 430</b>         | <b>19 316</b>         | <b>6</b>    |
| <b>Operating income before abnormal items</b>       |                       |                       |             |
| <b>Domestic Operations</b>                          | <b>3 036</b>          | <b>2 989</b>          | <b>2</b>    |
| <b>Grains</b>                                       | <b>1 746</b>          | <b>1 678</b>          | <b>4</b>    |
| Milling and baking                                  | 1 382                 | 1 364                 | 1           |
| Other Grains  | 364                   | 314                   | 16          |
| <b>Consumer Brands</b>                              | <b>1 457</b>          | <b>1 462</b>          | <b>—</b>    |
| Groceries   | 524                   | 446                   | 17          |
| Snacks & Treats                                     | 195                   | 235                   | (17)        |
| Beverages   | 94                    | 112                   | (16)        |
| Value Added Meat Products                           | 121                   | 147                   | (18)        |
| Out of Home   | 69                    | 63                    | 9           |
| HPCB  | 454                   | 459                   | (1)         |
| Personal  | 156                   | 170                   | (8)         |
| Baby care   | 184                   | 168                   | 10          |
| Home care   | 114                   | 121                   | (6)         |
| <b>Other*</b>                                       | <b>(167)</b>          | <b>(151)</b>          | <b>(11)</b> |
| <b>International and Exports</b>                    | <b>209</b>            | <b>26</b>             | <b>704</b>  |
| Exports**   | 170                   | 54                    | 215         |
| International operations                            | 82                    | 57                    | 44          |
| Deciduous Fruit                                     | (43)                  | (85)                  | 49          |
| <b>TOTAL OPERATING INCOME BEFORE ABNORMAL ITEMS</b> | <b>3 245</b>          | <b>3 015</b>          | <b>8</b>    |

\*Includes the corporate office and management expenses relating to international investments. Also included are cash settled IFRS 2 charges of R64 million (2010: R62 million) and IFRS 2 charges relating to the Phase I and II Black Economic Empowerment transactions of R50 million (2010: R56 million).

\*\*Includes Davita Trading (Pty) Limited with effect from 31 May 2011.

## Notes

|   | Audited<br>2011<br>Rm | Audited<br>2010<br>Rm |
|---|-----------------------|-----------------------|
| <b>1. Revenue</b>   |                       |                       |
| Turnover  | 20 430                | 19 316                |
| Interest received   | 20                    | 43                    |
| Dividend income   | 19                    | 19                    |
| Rental income, fee income and other   | 10                    | —                     |
|   | <b>20 479</b>         | <b>19 378</b>         |
| <b>2. Operating income and EBITDA</b>   |                       |                       |
| Operating income before abnormal items is reflected after charging:                                   |                       |                       |
| Depreciation (included in cost of sales and other operating expenses)                                 | 373                   | 310                   |
| Amortisation (included in cost of sales and other operating expenses)                                 | 11                    | 6                     |
| <b>Reconciliation of Earnings Before Interest, Taxation, Depreciation and Amortisation ("EBITDA")</b> |                       |                       |
| Operating income before abnormal items  | 3 245                 | 3 015                 |
| Add: Depreciation and amortisation  | 384                   | 316                   |
| EBITDA  | <b>3 629</b>          | <b>3 331</b>          |
| <b>3. Abnormal items</b>  |                       |                       |
| Equity accounted take-on gain – National Foods Holdings Zimbabwe                                      | 91                    | —                     |
| Recognition of pension fund surpluses   | 44                    | 1                     |
| Profit on sale of investments   | 1                     | 1                     |
| Impairment of intangible assets   | (7)                   | —                     |
| Impairment of property, plant and equipment   | (3)                   | —                     |
| Empowerment transaction costs – BEE Phase II  | —                     | (188)                 |
| Other   | 1                     | (2)                   |
| <b>Abnormal profit/(loss) before taxation</b>   | <b>127</b>            | <b>(188)</b>          |
| Taxation  | (12)                  | 36                    |
| <b>Abnormal profit/(loss) attributable to owners of the parent</b>                                    | <b>115</b>            | <b>(152)</b>          |
| <b>4. Income from associates</b>  |                       |                       |
| Normal trading  | 265                   | 260                   |
| Goodwill impairment – Oceana  | —                     | (8)                   |
|   | <b>265</b>            | <b>252</b>            |

## Notes (continued)

### 5. Business combinations 2011

#### 5.1 Deli Foods

On 4 April 2011, Tiger Brands acquired 100% of the issued share capital of Deli Foods Nigeria Limited, a Company engaged in the manufacturing and marketing of biscuits for the Nigerian market. The acquisition is in line with Tiger Brands' strategy to expand into the African continent and is seen as a first step in entering into this important market.

From date of acquisition to 30 September 2011, the Deli Foods business contributed R188 million to Group revenue and R4 million to profit after tax and interest.

Had the acquisition been effective on 1 October 2010, Deli Food's estimated contribution to Group revenue would have been R347 million and profit after tax and interest would have been R nil million.

Goodwill represents the difference between the purchase consideration and the fair value of the net assets.

The purchase consideration was financed out of operating cash flows.

#### 5.2 East Africa Tiger Brands Industries

Effective 29 April 2011, a transaction was finalised with the East African Group of Companies of Ethiopia relating to the formation of a new food and HPC Company which will operate in the Ethiopian market. The Company, known as East Africa Tiger Brands Industries, is held 51% by Tiger Brands and the balance of 49% by East African Group (Eth) Plc and its associate companies.

From date of acquisition to 30 September 2011, the East Africa Tiger Brands Industries business contributed R92 million to Group revenue and R1 million to profit after tax and interest.

Goodwill represents the difference between the purchase consideration and the fair value of the net assets acquired.

The purchase consideration was financed out of operating cash flows.

#### 5.3 Davita Trading (Pty) Limited

Effective 31 May 2011, Tiger Brands acquired the entire issued share capital of Davita Trading (Pty) Limited (Davita). 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.

From date of acquisition to 30 September 2011, the Davita Trading business contributed R222 million to Group revenue and R43 million to profit after tax and interest.

Had the acquisition been effective on 1 October 2010, Davita Trading's estimated contribution to Group revenue would have been R621 million and profit after tax and interest would have been R77 million.

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.

5.4 The purchase consideration for the abovementioned acquisitions was accounted for as follows:

|   | Acquisition value   |                                  |                         | Total<br>Rm |
|---|---------------------|----------------------------------|-------------------------|-------------|
|   | East Africa         |                                  | Davita<br>Trading<br>Rm |             |
|   | Deli<br>Foods<br>Rm | Tiger Brands<br>Industries<br>Rm |                         |             |
| Land and buildings                              | 26                  | 68                               | 22                      | 116         |
| Plant and equipment                             | 70                  | 49                               | 17                      | 136         |
| Inventories                                     | 28                  | 43                               | 44                      | 115         |
| Trade receivables*                              | 16                  | —                                | 116                     | 132         |
| Cash and cash equivalents                       | —                   | 111                              | 150                     | 261         |
| Fair value of assets acquired                   | 140                 | 271                              | 349                     | 760         |
| Long-term borrowings                            | (29)                | (29)                             | (186)                   | (244)       |
| Trade payables                                  | (24)                | (12)                             | (22)                    | (58)        |
| Taxation payable                                | —                   | —                                | (88)                    | (88)        |
| Short-term borrowings including bank overdrafts | (22)                | (13)                             | —                       | (35)        |
| Deferred taxation liability                     | (15)                | —                                | (163)                   | (178)       |
| Fair value of the liabilities acquired          | (90)                | (54)                             | (459)                   | (603)       |
| Fair value of net assets acquired               | 50                  | 217                              | (110)                   | 157         |
| Non-controlling interest                        | —                   | (107)                            | —                       | (107)       |
| Trademarks                                      | 33                  | —                                | 101                     | 134         |
| Customer lists                                  | 48                  | —                                | 474                     | 522         |
| Goodwill  | 143                 | 11                               | 1 057                   | 1 211       |
| Purchase consideration in cash                  | 274                 | 121                              | 1 522                   | 1 917       |

\*Deli Foods: gross trade receivables of R16 million less allowance for doubtful debts of R nil.

Davita Trading: gross trade receivables of R116 million less allowance for doubtful debts of R nil.

|  | Audited | Audited |
|--|---------|---------|
|  | 2011    | 2010    |
|  | Rm      | Rm      |
| <b>6. Headline earnings per share</b>                |         |         |
| Headline earnings per ordinary share (cents)         | 1 575   | 1 393   |
| Diluted headline earnings per ordinary share (cents) | 1 545   | 1 371   |

## Notes (continued)

|  | Audited<br>2011<br>Rm | Audited<br>2010<br>Rm |
|--|-----------------------|-----------------------|
| <b>7. Reconciliation between profit for the year and headline earnings</b> |                       |                       |
| Profit attributable to ordinary shareholders                               | 2 584                 | 2 192                 |
| Adjusted for:  |                       |                       |
| Equity accounted take-on gain – National Foods Holdings Zimbabwe           | (91)                  | –                     |
| (Profit)/loss on sale of property, plant and equipment                     | (2)                   | 4                     |
| Profit on sale of investments  | (1)                   | (1)                   |
| Impairment of intangible assets  | 6                     | –                     |
| Impairment of property, plant and equipment                                | 2                     | –                     |
| Associates – goodwill impairment   | –                     | 8                     |
| Headline earnings for the year   | 2 498                 | 2 203                 |
| Tax effect on headline earnings adjustments                                | 1                     | (2)                   |
| <b>8. Capital distributions and dividends per share</b>                    |                       |                       |
| Capital distributions and dividends per ordinary share (cents)             | 791                   | 746                   |
| Capital distribution declared 17 May 2010                                  | –                     | 270                   |
| Capital distribution declared 23 November 2010                             | –                     | 235                   |
| Dividend declared 23 November 2010   | –                     | 241                   |
| Dividend declared 27 May 2011  | 281                   | –                     |
| Dividend declared 22 November 2011   | 510                   | –                     |

### 9. Subsequent events

**9.1** Effective 21 October 2011, Tiger Brands acquired an additional 12% shareholding in National Foods Holdings Limited in Zimbabwe, taking the effective shareholding to 37%.

The cost of the additional shares amounted to R97 million.

**9.2** Effective 1 November 2011, Tiger Brands acquired the Status brand from Unilever PLC and Unilever South Africa (Pty) Limited. The acquisition is in line with Tiger Brands' strategy of expanding into adjacent categories with well established brands.

The purchase consideration, accounted for from 1 November 2011, comprised trademarks amounting to R205 million and inventories amounting to R9 million.

The purchase consideration was financed out of operating cash flows.

Concurrent with the acquisition of the Status brand, Tiger Brands disposed of the Mousson trademark and related inventories to Unilever South Africa (Pty) Limited for an amount of R39 million.

### 10. Changes in accounting policies

The accounting policies adopted and methods of computation are consistent with those of the previous financial year, except for the adoption of the following new and amended IFRS standards and IFRIC interpretations during the current year:

- IFRS 1 (Amendment) – Limited exemption from comparative IFRS 7 disclosures for first-time adopters
- IFRS 2 (Amendment) – Group cash-settled share-based payment arrangements
- IAS 32 (Amendment) – Classification of rights issues
- IFRIC 19 – Extinguishing financial liabilities with equity instruments
- April 2009 Improvements to IFRS (improvements effective for the current financial year)
- May 2010 Improvements to IFRS (improvements effective for the current financial year)

Where necessary, disclosures have been updated in accordance with these standards, amendments or interpretations. The adoption thereof did not have a material impact on the results, cash flows or financial position of the Group in the current year.



# Tiger Brands



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