

PERFORMANCE REVIEW

Financial performance summary

	2014	2013	Change
Financial results (R'm)			
Revenue for continuing operations	17 699	16 241	9%
Operating profit, before items of a capital nature for continuing operations:			
Actual	1 493	1 007	48%
Adjusted*	1 680	1 153	46%
Headline earnings:			
Actual	1 055	707	49%
Adjusted*	1 242	853	46%
Headline earnings for continuing operations*	1 169	846	38%
Net cash profit from operating activities	2 134	1 556	37%
Net cash generated from operations	2 154	1 429	51%
Capital and reserves	6 102	6 581	(7%)
Performance per share (cents)			
Headline earnings:			
Actual	576	390	48%
Adjusted*	678	470	44%
Headline earnings for continuing operations*	637	467	36%
Dividend**	221	132	67%
Net asset value	3 318	3 598	(8%)
Price at year-end	11 800	8 750	35%
Core ratios (%)			
Operating profit margin for continuing operations*	9.5	7.1	
Return on average net assets for continuing operations*	26	18	
Return on average shareholders' funds*	20	13	
Net debt-to-equity	9	22	

* Adjusted for the impact of the Phase I B-BBEE charge.

** The dividend for 2014 excludes the *dividend in specie* declared with the unbundling of Quantum Foods.

Non-financial performance summary

	2014	2013
Number of employees	9 724	11 058
B-BBEE level	4	4
CSI spend	R31 million	R34 million
Energy consumption (MWh)	692 919	668 513
Water withdrawal (m ³)	3.1 million	4.7 million
Scope 1 and 2 emissions (tCO ₂ e)	380 539	453 495

Group five-year financial review

	2014	2013	2012*	2011*	2010*
	R'm	Restated R'm	R'm	R'm	R'm
Consolidated statement of comprehensive income					
Revenue	21 290.0	19 811.1	18 609.8	16 853.1	15 731.3
Profit before items of a capital nature and income tax	1 541.2	930.9	922.0	1 050.8	629.9
Before adjustments	1 728.5	1 076.8	1 047.1	1 095.8	1 332.1
Competition Commission penalties	–	–	–	–	(654.2)
Broad-based employee share incentive scheme share-based payment charge	(187.3)	(145.9)	35.6	(45.0)	(48.0)
Once-off share-based payment charge on B-BBEE equity transaction	–	–	(160.7)	–	–
Items of a capital nature	(123.0)	(220.2)	(5.4)	(0.8)	(10.3)
Income tax expense	(451.9)	(210.6)	(311.9)	(319.9)	(383.9)
Profit for the year	966.3	500.1	604.7	730.1	235.7
Attributable to:					
Owners of the parent	965.2	498.6	603.6	728.8	234.5
Non-controlling interest	1.1	1.5	1.1	1.3	1.2
	966.3	500.1	604.7	730.1	235.7
Operating profit before items of a capital nature	1 583.6	1 008.0	1 036.8	1 191.3	753.0
Headline earnings for the year	1 055.1	706.7	606.2	726.2	236.4
Consolidated statement of financial position					
Property, plant and equipment, intangible assets and biological assets	6 005.8	5 996.6	5 393.7	4 941.6	4 271.3
Deferred income tax	6.8	77.2	2.7	2.6	2.7
Loans to joint ventures and investment in associates	408.4	350.9	56.9	29.9	35.2
Non-current trade receivables and available-for-sale financial assets	93.4	79.7	73.2	63.6	56.0
Current assets	6 395.8	5 230.0	5 079.6	4 825.3	4 512.1
Total assets	12 910.2	11 734.4	10 606.1	9 863.0	8 877.3
Capital and reserves attributable to owners of the parent	6 102.4	6 581.3	6 184.9	5 488.3	4 751.4
Non-controlling interest	10.4	9.3	8.2	7.5	6.5
Total equity	6 112.8	6 590.6	6 193.1	5 495.8	4 757.9
Non-current borrowings	1 513.5	1 457.3	497.7	849.0	946.2
Provisions, non-current derivative financial instruments and share-based payment liability	362.3	381.0	227.4	259.3	216.9
Non-current liability – accrual for Competition Commission penalties	–	–	–	202.1	391.8
Deferred income tax	644.1	671.9	652.4	580.6	519.1
Current liabilities, excluding accrual for Competition Commission penalties	4 277.5	2 633.6	2 820.0	2 260.7	1 978.7
Current liability – accrual for Competition Commission penalties	–	–	215.5	215.5	66.7
Total equity and liabilities	12 910.2	11 734.4	10 606.1	9 863.0	8 877.3
Consolidated statement of cash flows					
Net cash profit from operating activities	2 133.9	1 556.3	1 514.9	1 563.3	1 609.9
Before Competition Commission penalties paid	2 133.9	1 556.3	1 514.9	1 563.3	1 805.6
Competition Commission penalties paid	–	–	–	–	(195.7)
Working capital changes	27.5	66.8	(266.2)	(446.8)	95.1
Accrual for Competition Commission penalties paid	–	(216.7)	(216.7)	(66.7)	–
Cash effect from hedging activities	(7.8)	22.7	(32.2)	14.2	18.7
Income tax paid	(386.4)	(233.1)	(257.7)	(261.5)	(353.0)
Net cash flow from operating activities	1 767.2	1 196.0	742.1	802.5	1 370.7
Net cash flow from investment activities	(392.7)	(1 287.2)	(753.0)	(933.4)	(805.3)
Net cash surplus/(deficit)	1 374.5	(91.2)	(10.9)	(130.9)	565.4
Net cash flow from financing activities	(422.0)	(200.2)	44.6	(232.3)	(448.6)
Net cash and short-term borrowings from business combinations and disposal of subsidiaries	–	–	(11.3)	–	–
Net increase/(decrease) in cash, cash equivalents and bank overdrafts	952.5	(291.4)	22.4	(363.2)	116.8

Note:

* Not restated for the impact of IFRS 11 – Joint Arrangements and IAS 19 (revised) – Employee Benefits.

PERFORMANCE REVIEW (CONTINUED)

Group five-year financial review (continued)

	2014	2013	2012*	2011*	2010*
	R'm	Restated R'm	R'm	R'm	R'm
Profitability (%)					
Revenue growth	7.5	6.5	10.4	7.1	(3.4)
Operating profit margin (Note 1)	7.4	5.1	5.6	7.1	4.8
Operating profit margin (Note 2)	8.3	5.8	6.2	7.3	9.3
Effective tax rate	31.9	29.6	34.0	30.5	62.0
Return on average net assets (Note 1)	19.4	12.9	14.3	19.3	13.3
Return on average net assets (Note 2)	21.7	14.8	16.1	20.0	24.8
Return on average shareholders' funds (Note 1)	16.6	11.1	10.4	14.2	5.0
Return on average shareholders' funds (Note 2)	19.6	13.4	12.5	15.1	18.7
Liquidity and solvency					
Net debt-to-equity ratio (%)	9.2	21.8	16.1	13.8	8.5
Current ratio (times)	1.5	2.0	1.7	1.9	2.2
Acid test ratio (times)	0.8	0.9	0.8	0.9	1.2
Cash profit interest cover (times)	18.8	15.1	12.9	11.0	12.9
Net interest cover (times)	13.9	9.7	8.8	8.4	6.0
Dividend cover (times)	2.5	2.9	2.9	4.7	–
Performance per share (cents)					
Earnings	526.5	275.0	335.6	408.4	132.5
Headline earnings (Note 1)	575.6	389.8	337.1	407.0	133.5
Headline earnings (Note 2)	677.8	470.3	406.6	432.3	530.2
Dividend	221.0	132.0	114.0	80.0	–
Net asset value	3 318.1	3 598.1	3 415.3	3 059.7	2 667.9
Productivity					
Revenue to net asset cover (times)	3.5	3.0	3.0	3.1	3.3
Revenue per employee (R'000)	2 066.2	1 703.4	1 494.0	1 349.5	1 255.5
Net assets per employee (R'000)	592.2	565.9	496.5	439.5	379.2
Number of permanent employees	10 304	11 630	12 456	12 488	12 530

Notes:

- Calculated after the accrual for the Competition Commission penalties (only 2010), the once-off share-based payment charge on the Phase II B-BBEE equity transaction (only 2012) and the annual share-based payment charge on the Phase I B-BBEE equity transaction.
- Calculated before the accrual for the Competition Commission penalties (only 2010), the once-off share-based payment charge on the Phase II B-BBEE equity transaction (only 2012) and the annual share-based payment charge on the Phase I B-BBEE equity transaction.

* Not restated for the impact of IFRS 11 – Joint Arrangements and IAS 19 (revised) – Employee Benefits.

	2014	2013	2012*	2011*	2010*
	R'm	Restated R'm	R'm	R'm	R'm
Segments					
Revenue					
Essential Foods (formerly Sasko)	10 927.5	10 314.4	9 940.4	9 054.6	8 314.1
Quantum Foods	3 591.4	3 575.6	3 097.6	2 714.6	2 453.2
Bokomo Foods	3 728.3	3 148.4	3 071.6	2 760.3	2 683.2
Ceres Beverages	3 340.8	3 021.2	2 798.2	2 577.4	2 483.7
	21 588.0	20 059.6	18 907.8	17 106.9	15 934.2
Less: Internal revenue	(298.0)	(248.5)	(298.0)	(253.8)	(202.9)
	21 290.0	19 811.1	18 609.8	16 853.1	15 731.3
Operating profit before items of a capital nature					
Essential Foods (formerly Sasko)	1 074.9	784.3	941.6	879.2	350.9
Before accrual for Competition Commission penalties	1 074.9	784.3	941.6	879.2	1 005.1
Accrual for Competition Commission penalties	–	–	–	–	(654.2)
Quantum Foods	21.6	(18.9)	(42.3)	116.0	143.7
Bokomo Foods	406.7	279.0	263.8	223.2	238.1
Ceres Beverages	328.7	263.8	88.3	136.5	169.9
Other	(115.7)	(154.3)	(89.5)	(118.6)	(101.6)
Adjusted operating profit before items of a capital nature	1 716.2	1 153.9	1 161.9	1 236.3	801.0
Once-off share-based payment charge on B-BBEE equity transaction	–	–	(160.7)	–	–
Reversal of depreciation charge in Quantum Foods legal entities (asset held for sale)	54.7	–	–	–	–
Share-based payment charge on Phase I B-BBEE transaction	(187.3)	(145.9)	35.6	(45.0)	(48.0)
Operating profit before items of a capital nature	1 583.6	1 008.0	1 036.8	1 191.3	753.0
Depreciation and amortisation					
Essential Foods (formerly Sasko)	155.4	137.7	137.3	121.9	124.9
Quantum Foods	–	56.1	44.5	34.9	24.3
Bokomo Foods	76.5	70.5	70.2	61.6	61.6
Ceres Beverages	64.7	62.9	53.6	47.1	60.7
Other	29.4	45.6	39.0	36.0	26.9
	326.0	372.8	344.6	301.5	298.4

Note:

* Not restated for the impact of IFRS 11 – Joint Arrangements and IAS 19 (revised) – Employee Benefits.

PERFORMANCE REVIEW (CONTINUED)

Share price statistics

GROUP	2014	2013 Restated	2012*	2011*	2010*
Share trading statistics					
Price per share (cents):					
At year-end	11 800	8 750	5 300	5 900	4 760
High	12 849	8 860	6 500	6 350	4 995
Low	7 802	5 250	5 150	4 765	3 202
Net number of issued shares ('000):					
Total number of issued shares	231 692	231 007	230 314	201 237	201 192
Number of treasury shares – share incentive trust	(1 110)	(1 422)	(2 545)	(3 881)	(5 112)
Number of treasury shares – subsidiary	(17 982)	(17 982)	(17 982)	(17 982)	(17 982)
Number of treasury shares – participants to B-BBEE equity transaction	(18 092)	(18 092)	(18 092)	–	–
Number of treasury shares – BEE Trust	(10 600)	(10 600)	(10 600)	–	–
	183 908	182 911	181 095	179 374	178 098
Market capitalisation (R'000)	27 339 642	20 213 099	12 206 642	11 872 983	9 576 738
Dividend yield (%)	1.9	1.5	2.2	1.4	–
Headline earnings yield (%) (Note 1)	4.9	4.5	6.4	6.9	2.8
Headline earnings yield (%) (Note 2)	5.7	5.4	7.7	7.3	11.1
Earnings yield (%)	4.5	3.1	6.3	6.9	2.8
Price earnings ratio (times) (Note 1)	20.5	22.4	15.7	14.5	35.7
Price earnings ratio (times) (Note 2)	17.4	18.6	13.0	13.6	9.0

Notes:

- Calculated after the accrual for the Competition Commission penalties (only 2010), the once-off share-based payment charge on the Phase II B-BBEE equity transaction (only 2012) and the annual share-based payment charge on the Phase I B-BBEE equity transaction.
 - Calculated before the accrual for the Competition Commission penalties (only 2010), the once-off share-based payment charge on the Phase II B-BBEE equity transaction (only 2012) and the annual share-based payment charge on the Phase I B-BBEE equity transaction.
- * Not restated for the impact of IFRS 11 – Joint Arrangements and IAS 19 (revised) – Employee Benefits.

Definitions

Operating profit margin

Operating profit, before items of a capital nature, as a percentage of revenue.

Effective tax rate

Income tax expense included in profit or loss as a percentage of profit before income tax.

Return on average net assets

Operating profit, before items of a capital nature, as a percentage of total assets, excluding any investment in and loans to joint ventures, investments in associates, available-for-sale financial assets, non-current trade and other receivables, cash and cash equivalents, current income tax assets and deferred income tax assets, reduced by trade and other payables, provisions for other liabilities and charges, derivative financial instruments, accruals for Competition Commission penalties and share-based payment liabilities. The average is based on the carrying values as at the beginning and end of the year.

Return on average shareholders' funds

Headline earnings as a percentage of average capital and reserves attributable to owners of the parent, as determined at the beginning and end of the year.

Net debt-to-equity ratio

Borrowings, net of cash and cash equivalents, as a percentage of capital and reserves attributable to owners of the parent.

Current ratio

Ratio of current assets to current liabilities.

Acid test ratio

Ratio of current assets less inventories and current biological assets to current liabilities.

Cash profit interest cover

Net cash profit from operating activities plus dividends received, divided by net interest.

Net interest cover

Operating profit, before items of a capital nature, plus dividends received, divided by net interest.

Dividend cover

Headline earnings for the year adjusted for the IFRS 2 share-based payment charge on the Phase I B-BBEE transaction, and in 2012 the once-off IFRS 2 share-based payment charge on the Phase II B-BBEE equity transaction, divided by total dividends declared (including dividends on class A ordinary shares).

Net asset value per share

Capital and reserves attributable to owners of the parent divided by the total number of issued ordinary shares, excluding treasury shares held by a subsidiary, treasury shares held by the share incentive trust, treasury shares held by the participants to the B-BBEE equity transaction and treasury shares held by the Pioneer Foods Broad-Based BEE Trust.

Revenue to net asset cover

Revenue divided by net assets.

Revenue per employee

Revenue divided by permanent employees at year-end.

Net assets per employee

Capital and reserves attributable to owners of the parent divided by permanent employees at year-end.

Market capitalisation

Market price per ordinary share at year-end multiplied by the total number of issued ordinary shares.

Dividend yield

Dividend per ordinary share divided by the market price per ordinary share at year-end.

Headline earnings yield

Headline earnings per ordinary share divided by the market price per ordinary share at year-end.

Earnings yield

Earnings per ordinary share divided by the market price per ordinary share at year-end.

Price earnings ratio

Market price per ordinary share at year-end in relation to headline earnings per ordinary share.

Ordinary share/shares

For the purposes of all the above definitions ordinary share/shares exclude(s) class A ordinary shares.

Impact of Phase I B-BBEE transaction

Annual cash-settled IFRS 2 share-based payment charge on class A ordinary shares issued to employees in terms of a broad-based employee share scheme.

Impact of Phase II B-BBEE transaction

Once-off non-cash flow IFRS 2 share-based payment charge on ordinary shares in terms of a B-BBEE equity transaction.