PIONEERFOODS

SINCE 1920

ABRIDGED REPORT FOR THE SIX MONTHS ENDED 31 MARCH 2006

Registration Number 1996-017676-06

- CASH PROFIT +24%
- OPERATING PROFIT +23%
- HEADLINE EARNINGS +25%
- DIVIDEND PER SHARE +29%

GROUP INCOME STATEMENT

	Unaudited six months ended 31 March 2006 R'm	2005 R'm	Restated year ended 30 September 2005 R'm
Revenue	**4,694.1**	4,151.0	8,446.3
Operating profit before depreciation	**439.9**	370.9	901.8
Depreciation	**(96.7)**	(90.9)	(179.5)
Operating profit before exceptional items	**343.2**	280.0	722.3
Exceptional items	**1.6**	20.5	15.4
Operating profit after exceptional items	**344.8**	300.5	737.7
Investment income	**7.1**	18.1	29.4
Finance charges	**(31.6)**	(40.1)	(82.0)
Profit from associated companies	-	-	1.0
Net profit before taxation	**320.3**	278.5	686.1
Taxation	**(97.2)**	(79.8)	(177.9)
Net profit	**223.1**	198.7	508.2
Attributable to:			
Equity holders of the Group	**222.5**	195.4	504.6
Minority interest	**0.6**	3.3	3.6
	223.1	198.7	508.2
Number of issued ordinary shares (million)	**181.2**	183.2	181.2
Number of class A ordinary shares in process of issue (million)	**18.1**	-	-
Weighted average number of ordinary shares (million)	**150.8**	159.6	155.6
Earnings per ordinary share (cents)	**147.6**	122.2	324.3
Diluted earnings per ordinary share (cents)	**142.0**	119.5	315.9
Headline earnings per ordinary share (cents	**146.7**	110.4	313.5
Dividend per ordinary share (cents)	**25.2**	19.6	74.8
Dividend per class A share (cents)	**7.6**	-	-
Reconciliation between net profit and headline earnings			
Net profit attributable to equity holders of the Group	**222.5**	195.4	504.6
Exceptional items	**(1.6)**	(20.5)	(15.4)
Profit on disposal of property, plant and equipment	**(0.7)**	(3.7)	(14.5)
Profit on disposal of investments and subsidiary	**(0.9)**	(6.4)	(6.1)
Impairment of intangible assets	-	-	10.3
Goodwill reversal of amortisation	-	(10.4)	(10.4)
Goodwill reversal due to deferred taxation asset recognised subsequent to business combination	-	-	5.3
Tax effect on exceptional items	**0.2**	1.4	(0.4)
Exceptional items of associated companies	-	-	(1.0)
Headline earnings	**221.1**	176.3	487.8

GROUP BALANCE SHEET

	Unaudited 31 March 2006 R'm	2005 R'm	Restated 30 September 2005 R'm
Assets			
Property, plant, equipment and intangible assets	**2,614.3**	2,193.8	2,574.5
Investments and loans in joint ventures and associates	**19.1**	24.8	22.9
Other financial assets	**21.5**	12.7	18.5
Accounts receivable	**6.2**	2.4	2.1
Deferred tax asset	**18.9**	24.4	17.4
Non-current assets	**2,680.0**	2,258.1	2,635.4
Current assets	**2,918.2**	2,490.3	2,259.3
Inventory	**1,371.3**	1,076.3	970.5
Biological assets	**92.6**	88.9	94.6
Other financial assets	-	159.7	-
Accounts receivable	**1,153.3**	918.8	1,021.6
Cash and cash equivalents	**174.7**	246.6	172.6
	2,791.9	2,490.3	2,259.3
Assets classified as held for sale	**126.3**	-	-
Total assets	**5,598.2**	4,748.4	4,894.7
Equity and liabilities			
Capital and reserves	**2,803.2**	2,472.1	2,650.5
Minority interest	**5.1**	4.7	4.7
Total equity	**2,808.3**	2,476.8	2,655.2
Non-current liabilities	**542.5**	505.4	543.5
Long-term liabilities	**59.5**	101.3	79.6
Provisions	**81.6**	60.3	76.6
Deferred tax	**401.4**	343.8	387.3
Current liabilities	**2,247.4**	1,766.2	1,696.0
Accounts payable and shareholders for dividend	**992.3**	921.7	1,014.9
Short-term portion of long-term liabilities	**38.6**	210.8	39.0
Bank overdraft and short-term loans	**1,176.9**	633.7	642.1
	2,207.8	1,766.2	1,696.0
Liabilities directly associated with assets classified as held for sale	**39.6**	-	-
Total equity and liabilities	**5,598.2**	4,748.4	4,894.7

GROUP CASH FLOW STATEMENT

	Unaudited six months ended 31 March 2006 R'm	2005 R'm	Restated year ended 30 September 2005 R'm
Cash profit from operating activities	**461.8**	372.5	928.1
Changes in hedging reserve	**(0.7)**	10.3	14.0
Working capital changes	**(520.8)**	37.2	113.6
Cash (utilised) / generated from operations	**(59.7)**	420.0	1,055.7
Interest received	**6.5**	7.5	12.9
Interest paid	**(31.6)**	(40.1)	(82.0)
Dividends received	**0.6**	10.6	16.5
Dividends paid	**(83.9)**	(60.8)	(91.4)
Tax paid	**(140.3)**	(84.5)	(132.0)
Net cash (outflow) / inflow from operating activities	**(308.4)**	252.7	779.7
Net cash flow from investment activities	**(201.8)**	(492.4)	(797.5)
Property, plant, equipment and intangible assets			
- additions and replacements	**(205.6)**	(187.4)	(375.6)
- proceeds on disposal	**3.9**	4.8	20.5
Net of business combinations and changes to existing subsidiaries	-	(314.0)	(609.0)
Net of proceeds on disposal of and changes in investments and loans	**(0.1)**	4.2	166.6
Net cash deficit	**(510.2)**	(239.7)	(17.8)
Net cash flow from financing activities	**(13.1)**	(145.9)	(445.8)
Net cash and cash equivalents from business combinations and subsidiaries	-	-	(4.4)
Net decrease in cash and cash equivalents	**(523.3)**	(385.6)	(468.0)

GROUP STATEMENT OF CHANGES IN EQUITY

	Unaudited six months ended 31 March 2006 R'm	2005 R'm	Restated year ended 30 September 2005 R'm
Share capital, -premium and treasury shares	**511.6**	610.6	504.2
Opening balance	**504.2**	731.3	731.3
Shares bought back	-	-	(25.7)
Movement in treasury shares	**7.4**	(120.7)	(201.4)
Non-distributable reserves	**28.7**	16.2	22.1
Opening balance - as previously reported	**9.8**	(2.9)	(2.9)
Effect of change in accounting policy	**12.3**	4.8	4.8
Restated	**22.1**	1.9	1.9
Transfers to distributable reserves	**(0.1)**	(0.7)	(0.5)
Share options granted to directors and employees	**7.7**	4.1	8.2
Conversion of foreign currency	**(2.5)**	2.2	(3.0)
Valuation reserve on market value of shares	**2.0**	1.5	5.7
Hedging reserve	**(0.5)**	7.2	9.8
Distributable reserves	**2,262.9**	1,845.3	2,124.2
Opening balance - as previously reported	**1,641.2**	1,297.3	1,297.3
Effect of change in accounting policy	**483.0**	443.2	443.2
Restated	**2,124.2**	1,740.5	1,740.5
Derecognition of negative goodwill	-	24.2	24.2
Net profit	**222.5**	195.4	504.6
Dividend	**(83.9)**	(60.8)	(90.9)
Transfers from non-distributable reserves	**0.1**	0.7	0.5
Acquisition equity adjustment	-	(54.7)	(54.7)
Minority interest	**5.1**	4.7	4.7
Opening balance	**4.7**	37.4	37.4
Business combinations	-	(59.0)	(59.0)
Adjustments to prior year business combination	-	23.0	23.0
Dividend	**(0.2)**	-	(0.3)
Net profit	**0.6**	3.3	3.6
Total equity	**2,808.3**	2,476.8	2,655.2

GROUP SEGMENTAL ANALYSIS

	Unaudited six months ended 31 March 2006 R'm	2005 R'm	Restated year ended 30 September 2005 R'm
Segment revenue			
Staple foods	**3,272.8**	3,106.7	6,252.7
Branded product	**1,414.3**	1,032.3	2,179.6
Unallocated	**108.0**	97.7	197.7
	4,795.1	4,236.7	8,630.0
Less: Internal revenue	**(101.0)**	(85.7)	(183.7)
	4,694.1	4,151.0	8,446.3
Segment results			
Staple foods	**251.1**	183.4	555.3
Branded products	**106.5**	89.0	199.1
Unallocated	**(14.4)**	7.6	(32.1)
	343.2	280.0	722.3

COMMENTARY

The Group's performance for the first six months of the year was very satisfactory. Revenue benefited from acquisitions made during the second half of 2005 and increased by 13% to R4,7 billion. Exclusion of these acquisitions would have limited the increase in revenue to 6%. Operating profit increased by 23% to R343 million, a continuation of the excellent performance in the second half of the 2005 financial year. A combination of improved sales volumes and marginally increased operating profit margins contributed to this improved performance. Headline earnings increased by 25% to R221 million. The larger increase in headline earnings per share of 33% is due to the reduced weighted average number of shares in issue, after a substantial share buy-back in April 2005.

Net interest bearing debt increased materially to R1,1 billion. This is mainly the result of an increase in working capital of R521 million, due to the increased maize cost, as well as earlier than normal wheat procurement to support operational efficiencies. The debt to equity ratio decreased to 39%, which is still acceptable and is expected to improve towards the financial year-end. Cash profit from operating activities increased by 24% to R462 million, supporting confidence in the Group's ability to service these debt levels.

The Sasko division performed well for the period under review. Volume growth in wheaten flour and especially maize meal products, along with sustained operating profit margins, led to a solid performance. The bread business again performed well with sustained volume growth in the higher margin bread products. The national launch of rice under the *Spekko* brand contributed mainly to the excellent volume growth in the rice business. Pasta products also achieved good volume growth for the reporting period. The Agri division maintained the excellent profitability levels achieved in the second half of the previous year. Demand for both eggs and chicken remained buoyant while sales volumes of the feed business showed a marginal growth during the period under review. The broader poultry industry's supply capacity for both chicken and eggs remained restricted by outbreaks of Newcastle disease and this contributed to increased market prices. The egg business continued to benefit from the additional volumes and efficiencies achieved with the acquisition of Golden Lay.

The Bokomo Foods division obtained good volume growth despite production capacity constraints affecting a number of products. The recovery of increased costs, however, was a challenge and caused a lower than expected performance. The creation of additional production capacity for *Weet-Bix, Corn Flakes* and *ProNutro* is progressing well. The S.A.D division achieved satisfactory results, given the substantial decrease in export volumes due to a significantly smaller raisin crop in 2005. The Ceres Beverage Company performed well, with good growth of both local and export volumes during the past six months. Export margins, however, remained under pressure due to the strong rand. Satisfactory sales volumes were achieved from the *Pepsi* range of products. As projected, the significant investment in marketing to support future growth, limited any immediate profit contribution from this new venture.

During the period under review, a strategic decision was taken to sell the successful corrugated board business, Craft Box. Involvement in this industry does not form part of the long-term vision of Pioneer Foods as a food and beverage company. Capital unlocked from the sale of this business will be re-invested in further expansions.

BLACK ECONOMIC EMPOWERMENT

Shareholders approved a broad-based employee share scheme in January 2006. Once fully implemented, employees, of whom more than 85% are black, as defined, will have 10% of the voting rights in the Group as owners of Class A ordinary shares. These shares are currently being issued.

PERFORMANCE EXPECTATION

The excellent performance achieved in the second half of 2005 created a high comparative base for future growth. Although the performance for the first half of the year was very satisfactory, a continuation of this trend for the full year is not expected.

DIVIDEND

An interim dividend of R47 million (2005: R36 million) is declared. A total of R45,6 million, or 25,2 cents per share (2005: 19,6 cents per share) will be paid to ordinary shareholders. This represents an increase of 29% in dividend per share. A total of R1,4 million, or 7,6 cents per share (2005: nil) will be paid to Class A ordinary shareholders. These dividends are payable on 19 July 2006 to all shareholders registered on 15 June 2006.
By order of the board.

H E Blanckenberg
Chairman

W A Hanekom
Managing Director

Paarl, 24 May 2006
Website: http://www.pioneerfoods.co.za

IFRS ADJUSTMENTS

Basis of presentation

From 2006 onwards the Group has chosen to prepare its financial statements in accordance with International Financial Reporting Standards ("IFRS"). The Group's first published IFRS results are its interim results for this reporting period.

The Group has restated information previously published under SA GAAP to the equivalent basis under IFRS. This restatement follows the guidelines set out in IFRS 1 - *First-time Adoption of International Financial Reporting Standards.*

Financial information has been prepared in accordance with IFRS statements that are expected to be effective at 30 September 2006.
The financial effect of the IFRS changes as described hereafter is summarized in the schedules below.

IFRS transitional arrangements and adjustments

The date of transition to IFRS for the Group is 1 October 2004. The Group's opening balance sheet at 1 October 2004 has been restated to reflect existing IFRS statements expected to be applicable at 30 September 2006. At the date of transition, IFRS 1 allows a number of exemptions to the principle of full retrospective adjustment. The IFRS transitional arrangements, adjustments and reclassifications with a material impact on the Group's reported performance and financial position, are explained below:
Business combinations - The Group has elected not to retrospectively apply the requirements of IFRS 3 - *Business combinations* for business combinations that occurred prior to the date of transition and consequently no adjustment has been made for business combinations prior to 31 March 2004.

Share-based payments - The Group has applied the share-based payment exemption and therefore IFRS 2 - *Share-based payments* was only applied to share options scheme awards granted after 7 November 2002 that had not vested by 1 January 2005. In accordance with the requirements of IFRS 2, the Group now recognises an expense in the income statement, with a corresponding credit to equity. The options are measured at fair value at grant date. The fair value is expensed over the vesting period.

Cumulative translation differences - The Group has elected not to apply the requirements of IAS 21 - *Effects of Changes in Foreign Exchange Rates* retrospectively for cumulative translation differences of all foreign operations. The Group therefore set the previously accumulated cumulative translation differences to zero at 1 October 2004 and applied IAS 21 effective from this date. A corresponding entry was made to retained earnings.

Property, plant and equipment - The Group has re-assessed the useful lives and residual values of all its property, plant and equipment in accordance with IAS 16 - *Property, plant and equipment.* In instances where items of property, plant and equipment were fully depreciated and are still in use, the applicable assets have now been reinstated to reflect their appropriate carrying values.

Impairment of accounts receivable - The Group has re-assessed the provision for the impairment of accounts receivable in accordance with IAS 39 - *Financial Instruments: Recognition and Measurement.* In terms of IAS 39 the determination of the impairment of accounts receivable is a two-step process. Firstly, all individually significant accounts must be evaluated on an annual basis to identify separate accounts for impairment based on the occurrence of a loss event before the reporting period. Secondly, all remaining accounts, not identified as individually significant, should be evaluated for impairment on a pool basis based on historical loss experience information.

Restatement of comparatives: March 2005

For the year ended 30 September 2005 the Group changed the accounting policies mentioned below. The results for the six months ended 31 March 2005 were presented using the previous SA GAAP accounting policies. These comparative results have now been restated.

Straight-lining of operating lease payments - Due to a change in interpretation of IAS 17 - *Leases* by South African entities to align with international practices, operating lease payments are recognised on a straight-line basis over the lease term, and not as and when the cash is paid or received.

Revenue recognition - The Group has re-assessed the amount of revenue recognised in accordance with IAS 18 - *Revenue.* IAS 18 establishes that the amount of revenue arising on a transaction is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity. Settlement discounts and other possible discounts and rebates that are closely related to revenue are deducted from gross revenue.

RECONCILIATION OF PREVIOUSLY REPORTED FINANCIAL INFORMATION

RECONCILIATION OF INCOME STATEMENTS	Unaudited six months ended 31 March 2005 R'm	Restated year ended 30 September 2005 R'm
Net profit after tax		
As reported previously under SA GAAP	**175.1**	**464.8**
Adjustments for IFRS	**20.3**	**39.8**
IFRS 2 - Share-based payments	(4.1)	(8.2)
IAS 16 - Restatement of property, plant and equipment		
– Depreciation	18.8	49.1
– Maintenance capitalised	1.8	9.2
IAS 39 - Financial instruments		
– Impairment of accounts receivable	4.4	(1.0)
– Embedded derivatives adjustments	1.1	1.1
IAS 17 - Straight-line basis : operating leases	(0.8)	-
Deferred taxation on IFRS adjustments	(0.9)	(10.4)
Net profit after tax as reported under IRFS (restated)	**195.4**	**504.6**

RECONCILIATION OF RESERVES	1 October 2004		31 March 2005		30 September 2005	
	Non-distributable reserves R'm	Retained earnings R'm	Non-distributable reserves R'm	Retained earnings R'm	Non-distributable reserves R'm	Retained earnings R'm
As reported previously under SA GAAP	**(2.9)**	**1,297.3**	**7.6**	**1,387.5**	**9.8**	**1,641.2**
Adjustments for IFRS	**4.8**	**443.2**	**8.6**	**457.8**	**12.3**	**483.0**
IFRS 2 - Equity compensation	2.6	(2.6)	6.7	(6.7)	10.8	(10.8)
IAS 16 - Restatement of property, plant and equipment						
– Property, plant and equipment	-	616.0	-	636.6	-	673.3
– Inventory	-	(0.7)	-	(0.6)	-	(0.7)
IAS 21 - Translation of foreign operations						
– Translation reserve	2.2	(2.2)	1.9	(1.9)	1.5	(1.5)
– Changes to property, plant and equipment	-	(2.3)	-	(2.3)	-	(2.0)
IAS 39 - Financial instruments						
– Impairment of accounts receivable	-	7.6	-	12.0	-	6.6
– Impact on working capital (derivative instrument adjustments)	-	(1.1)	-	-	-	-
IAS 17 - Leases						
– Accounts payable (straight-line basis - operating leases)	-	-	-	(8.0)	-	-
Deferred taxation						
– Taxation effect on IFRS adjustments	-	(171.5)	-	(171.3)	-	(181.9)
As reported under IFRS	**1.9**	**1,740.5**	**16.2**	**1,845.3**	**22.1**	**2,124.2**