



**TIGER BRANDS**



Integrated Annual Report **2014**

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# Group profile

**Tiger Brands is the largest manufacturer of branded food products in sub-Saharan Africa. It participates in a broad range of categories spanning food, home and personal care products. In South Africa, it holds leading market shares across most of the categories in which it operates and, over the years, has grown through the development of its leading brands, as well as through acquisitions.**



In recent years, the group has expanded its footprint into the rest of the African continent, primarily through acquisitions, as well as through the export of its South African brands into new markets.

Tiger Brands prides itself on being a world-class manufacturer and marketer. The continuous renovation and innovation of its brands and the successful extension of these brands into adjacent categories and new markets underpin its success. The group's brand strategy is supported by extensive investment in marketing, as well as consumer and shopper research,

which is used to obtain comprehensive consumer insights into the relevant categories and markets in which Tiger Brands operates.

The group holds meaningful minority shareholding interests in:

- ▶ JSE-listed fishing company Oceana Group Limited;
- ▶ Chilean-based FMCG company Empresas Carozzi;
- ▶ Nigerian-based FMCG company UAC Foods Limited; and
- ▶ Zimbabwean-listed FMCG company National Foods Holdings Limited.

## Scope of this report

In line with the requirements of King III, this Integrated Annual Report provides a consolidated view of the group's financial, social, economic and environmental performance for the year ended 30 September 2014, and follows the prior year Integrated Annual Report published in December 2013.

There was no change to the boundary or any measurement techniques. Restatements during the year are outlined within note 42 on page 238.

There were no significant changes in size, structure or ownership of the group during the year.

This Integrated Annual Report 2014 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 2014.

## Basis of preparation

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the South African Companies Act. In reporting on the non-financial aspects of its performance, the group has been guided by the King III report and the Listings Requirements of the JSE Limited. Tiger Brands has also considered and applied many of the recommendations contained in the *International Integrated Reporting Framework* issued in December 2013.

In addition, the Integrated Annual Report 2014 has been informed by various standards and codes that govern specific areas, including the Department of Trade and Industry's Broad-Based Black Economic Empowerment (B-BBEE) Codes of Good Practice.

The company has applied the key principles in the King III report. An explanation is provided where any material non-adherence has occurred.

The report is further based on principles and guidance from the GRI and the relevant Sector Supplement (collectively the GRI G3.1 Guidelines) and is compiled based on a self-declared Application Level C.

## Supplementary information

This report represents one of two elements of Tiger Brands' communication strategy with stakeholders for the 2014 financial year. In addition the sustainability report, which forms part of this Integrated Annual Report, contains additional non-financial disclosures referencing GRI and the requirements of the JSE SRI Index.

## Forward looking statements

This Integrated Annual Report contains forward looking statements that, unless otherwise indicated, reflect the company's expectations as at 30 September 2014. Actual results may differ materially from the company's expectations if known and unknown risks or uncertainties affect the business, or if estimates or assumptions prove to be inaccurate. The company cannot guarantee that any forward looking statement will materialise and, accordingly, readers are cautioned not to place undue reliance on these forward looking statements. The company disclaims any intention and assumes no obligation to update or revise any forward looking statement even if new information becomes available as a result of future events or for any other reason, save as required to do so by legislation and/or regulation.

## Responsibility statement and review

The audit committee and the board acknowledge their responsibility to ensure the integrity of this Integrated Annual Report. The report has been reviewed by the audit committee and the board. The annual financial statements included in this Integrated Annual Report have been audited by the external auditors.

For further information, please contact the group Company Secretary, Ian Isdale:  
T: +27 (0)11 840 4350  
E: [companysecretary@tigerbrands.com](mailto:companysecretary@tigerbrands.com)





## Assurance

The combined assurance model of the group in its current format is set out below:

Business process	Nature of assurance	Assurance provider	Integrated Annual Report disclosure
Annual financial statements	Audit	Ernst & Young Inc.	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 Annual Report.
Risk management and internal controls	Audit	KPMG Services (Pty) Limited	Please refer to risk management and the audit committee report on pages 68 and 74, respectively.
Environmental risk assessments	Audit	Marsh (Pty) Limited	Please refer to pages 70 and 112.
Social responsibility and sustainability	SRI Index CDP	JSE Limited National Business Initiative (NBI)	Tiger Brands is part of the SRI Index. Tiger Brands is part of the Carbon Disclosure Programme (CDP).
B-BBEE	BEE scorecard	EmpowerLogic (Pty) Limited	Please refer to Transformation on page 117.

## Send us your feedback

Your feedback has resulted in the improvements seen in this year's report.

Please direct any questions or comments to: Ian Isdale, Company Secretary at [companysecretary@tigerbrands.com](mailto:companysecretary@tigerbrands.com) or +27 (0)11 840 4350.

## Corporate information

Tiger Brands' Integrated Annual Report 2014 is available in hard copy from the Company Secretary on request, and is also posted on the group's website: <http://www.tigerbrands.com>.

The company's contact details are disclosed on page 249.

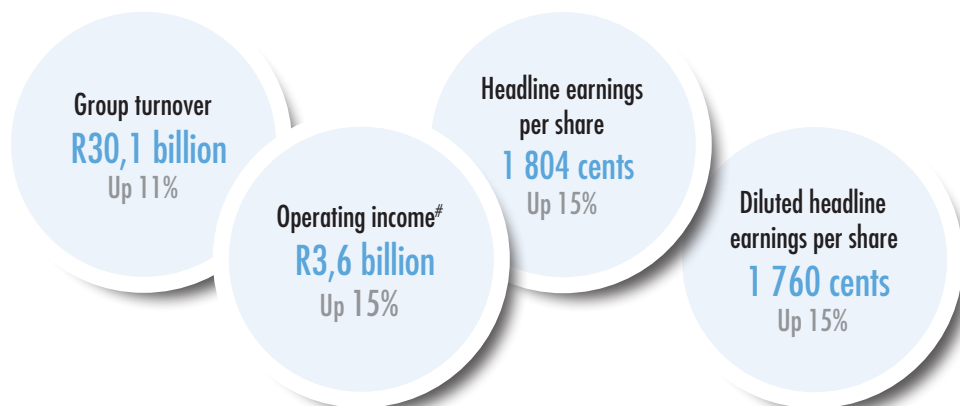
## Key data

Tiger Brands Limited  
 (Registration number: 1944/017881/06)  
 (Incorporated in the Republic of South Africa)  
 Share code: TBS  
 JSE Main Board sector: Food Processors  
 ISIN: ZAE000071080  
 Listing date: 1944  
 Number of shares in issue: 191 948 268

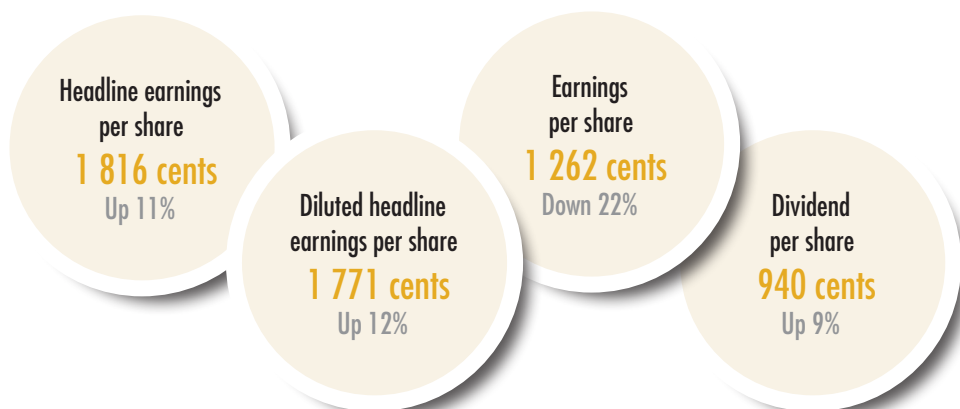


## Key financial indicators

### CONTINUING OPERATIONS

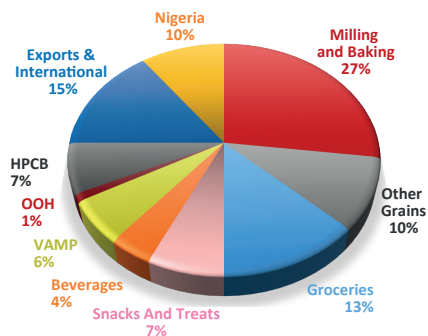


### TOTAL OPERATIONS

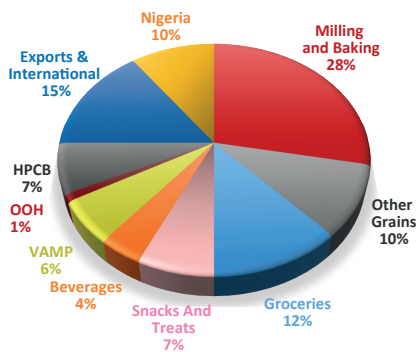


<sup>#</sup>Before abnormal items

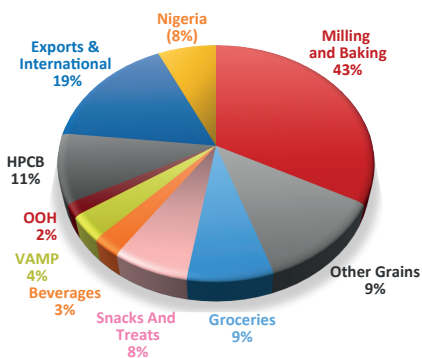
## SEGMENTAL CONTRIBUTION



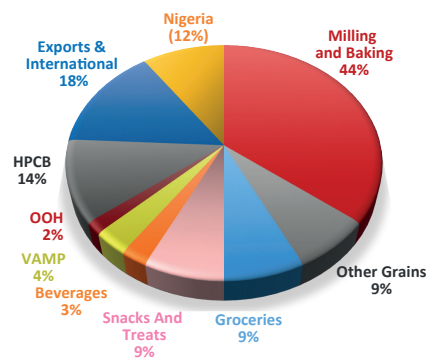
**2014 Turnover: R30.1 billion**



**2013 Turnover: R27.0 billion**



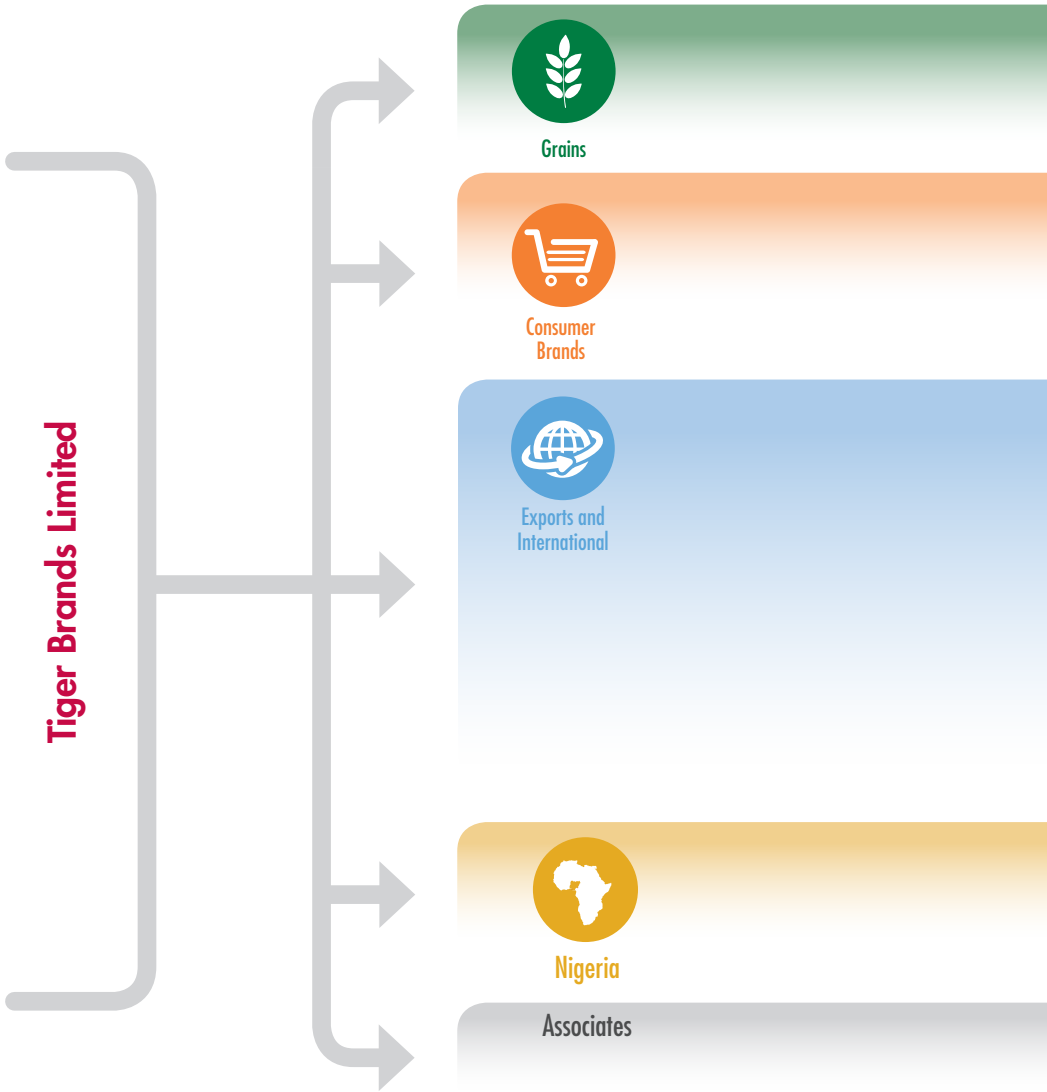
**2014 Operating income: R3.7 billion**



**2013 Operating income: R3.2 billion**

*\*Before IFRS 2, abnormal items and other operating charges*

# Our organisational structure



**Grains division (100%)**

- Maize milling
- Wheat milling
- Bakeries
- Sorghum beverages and breakfast
- Rice
- Oats and Pulses
- Pasta

**Consumer Brands division (100%)**

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

**Exports and International division (excluding Nigeria) (100%)**

Tiger Brands International (Exports division)  
 Langeberg & Ashton Foods (South Africa)  
 Davita Trading (South Africa)

**Haco Tiger Brands (Kenya) (51%)****East African Tiger Brands Industries (Ethiopia) (51%)****Chocolaterie Coniserie Camerounaise (Cameroon) (74,7%)****Nigeria**

Deli Foods (Nigeria) (100%)  
 Dangote Flour Mills (Nigeria) (65,7%)

**Associates**

Oceana Group (South Africa) (41,9%)  
 Empresas Carozzi (Chile) (24,4%)  
 National Foods Holdings (Zimbabwe) (37,4%)  
 UAC Foods (Nigeria) (49,0%)



# Our footprint



## South Africa

- Corporate office in Johannesburg
- 50 manufacturing sites



South Africa

## Our footprint

### On-shore manufacturing:

Cameroon  
Ethiopia  
Kenya  
Nigeria  
South Africa  
Zimbabwe

### Export territories:

Angola  
Botswana  
Burkina Faso  
Chad  
Chile  
DRC

Equatorial Guinea  
Ghana  
Guinea  
Ivory Coast  
Liberia  
Madagascar

Mali  
Mozambique  
Namibia  
Malawi  
Sierra Leone  
Tanzania

Uganda  
Zambia  
Zimbabwe



Nigeria

## West Africa

### Nigeria

- Dangote Flour Mills
- UAC Foods
- Deli Foods



Cameroon

## Central Africa

### Cameroon

- Chococam



Kenya



Ethiopia

## East Africa

### Kenya

- Haco Tiger Brands

### Ethiopia

- East African Tiger Brands Industries



Zimbabwe

## Southern Africa

### Zimbabwe

- National Foods Holdings Limited



# Business operations



## Grains

**37%**  
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, Crunchalots  
**Rice** – Tastic, Aunt Caroline, Surprise, Cresta  
**Pasta** – Fatti's & Moni's



## Consumer Brands

**38%**  
of group turnover

### Brands

**Groceries** – KOO, All Gold, Crosse & Blackwell, Black Cat, Mrs Ball's, Hugo's, Colmans  
**Snacks, Treats and Beverages** – MMMallows, Beacon, Maynards, Allsorts, Jelly Tots, Jungle Energy Bar, Wilsons, Toff-O-Luxe, XXX, Fizzpop, Damascus, Smoothies, Oros, Energade, Hall's, Rose's, Moni's, Game  
**VAMP (Value Added Meat Products)** – Enterprise, Renown, Mielie-Kip, Bokkie, canned meats  
**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, Bio Classic



## Exports and International

**15%**  
of group turnover

### Brands

**Chococam (Cameroon)** – Arina, Big Gum, Kola, Mambo, Matinal, Tartina, Tutoux, Chococroc  
**Haco Tiger Brands (Kenya)** – Ace, BIC, Jeyes, Miadi, Motions, TCB, Bloo, SoSoft  
**East African Tiger Brands Industries (Ethiopia)** – Peacock, Crown, Solar, Micky, Miracle, Florida  
**Davita Trading (South Africa)** – Jolly Jus, Benny, Davita  
**Tiger Brands Exports** – This division exports the group's branded products into the rest of Africa  
**Langeberg & Ashton Foods** – Gold Reef, Silverleaf



## Nigeria

**10%**  
of group turnover

### Brands

**Deli Foods** – Deli, Igloo, Orange Star  
**Dangote Flour Mills** – Dangote Flour, Dangote Pasta, Dangote Noodles

### Grains

% contribution to turnover



- Maize – 10%
- Mill bake – 55%
- King Food – 9%
- Rice – 18%
- Jungle – 5%
- Pasta – 3%

	2014	2013	% change
Turnover (Rm)	10 948,6	10 052,7	9%
Operating income before abnormal items (Rm)	1 918,9	1 689,7	14%
Operating margin (%)	17,5%	16,8%	

### Consumer Brands

% contribution to turnover

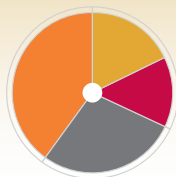


- Groceries – 35%
- Snacks & Treats – 18%
- Beverages – 10%
- VAMP – 17%
- Out of Home – 4%
- HPCB – 16%

	2014	2013	% change
Turnover (Rm)	11 424,6	10 198,9	12%
Operating income before abnormal items (Rm)	1 375,8	1 345,9	2%
Operating margin (%)	12,0%	13,2%	

### Exports and International

% contribution to turnover



- East Africa – 18%
- Cameroon – 14%
- Deciduous Fruit – 28%
- Exports – 40%

	2014	2013	% change
Turnover (Rm)	4 578,7	3 944,0	16%
Operating income before abnormal items (Rm)	691,1	574,8	20%
Operating margin (%)	15,1%	14,6%	

### Nigeria

% contribution to turnover



- Dangote Flour – 60%
- Dangote Pasta – 11%
- Dangote Noodles – 12%
- Deli Foods – 17%

	2014	2013	% change
Turnover (Rm)	3 120,1	2 808,8	11%
Operating loss before abnormal items (Rm)	(281,9)	(384,0)	27%
Operating margin (%)	(9,0%)	(13,7%)	



Read more about business operations on [www.tigerbrands.com](http://www.tigerbrands.com).

# Our history



**1920**

- Jacob Frankel establishes business in Newtown, Johannesburg
- Tiger Brands logo registered

**1925**

Jungle Oats launched



**1982**

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



**Barloworld**  
Leading brands

**1993**

CG Smith unbundled from Barlow Rand

**1999**

Acquires stake in Empresas Carozzi of Chile

**2000**

- Tiger Oats renamed Tiger Brands
- Adcock Ingram becomes a wholly owned subsidiary of Tiger Brands and delists from the JSE

**1920 – 1944**

**1944**

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

JSE

**1982 – 1998**

**1998**

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

**1999 – 2004**

**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

**2008**

- Unbundles and separately lists Adcock Ingram
- Extends African footprint by acquisition of controlling stake in Haco Industries of Kenya and Chococam of Cameroon

HACO TIGER BRANDS



Adding Value to Life

CHOCOCAM

**2011**

Further African expansion by acquisition of interests in the East African Group of Ethiopia, Deli Foods of Nigeria and Davita, a South African exporter of powdered seasoning and beverages

**2006 – 2007****2007**

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

**2008 – 2009****2009**

Further expands branded portfolio by acquisition of Crosse & Blackwell

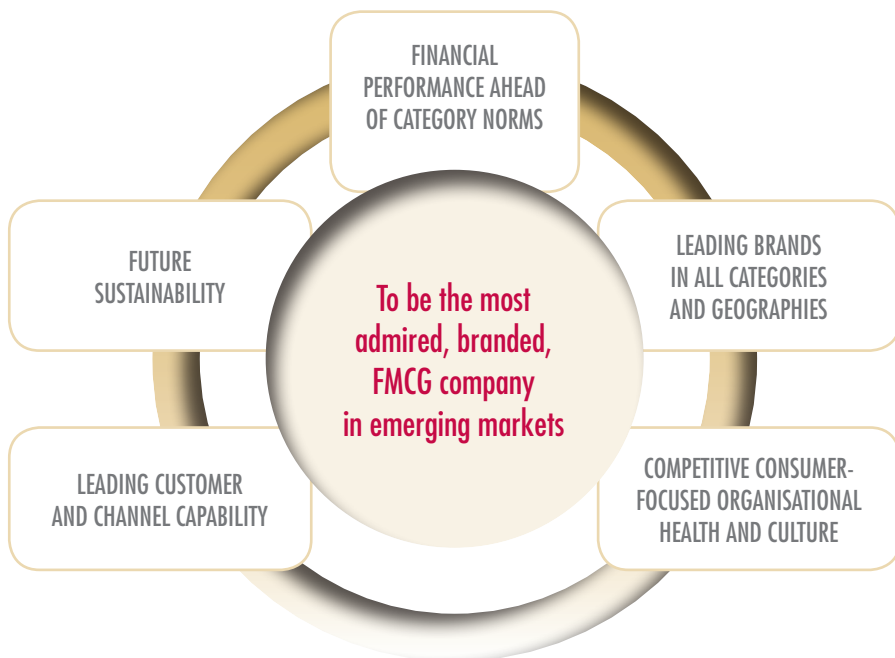
**2011 – 2013****2013**

Acquires controlling interest in Dangote Flour Mills in Nigeria and the Mrs Ball's trademark



## Our vision

### CORPORATE STRATEGY TOWARDS 2019



## Our mission

1. To deliver local volume growth that is 1% greater than category growth
2. To drive scale in international territories
3. To deliver earnings growth in real terms which is 2% greater than the South African GDP

# Our values

1. OUR CONSUMERS ARE OUR BUSINESS



2. WE ACT WITH INTEGRITY  
IN EVERYTHING WE DO



3. WE HAVE A PASSION  
FOR EXCELLENCE



4. WE VALUE OUR PEOPLE AND  
TREAT THEM WITH DIGNITY



5. WE CONTINUE TO REINVEST IN OUR SOCIETY



**Values  
in action**

# Corporate strategy

## Overview

Tiger Brands' strategy is to drive profitable growth in its core South African business whilst sustaining the market-leading positions of its brands. As the South African business represents 75% of group turnover (excluding exports) and 89% of group operating income (before IFRS 2 and other operating charges), its performance remains a key area of focus, which supports the acceleration of the group's expansionary efforts into the rest of Africa.

This international expansion is an important growth vector, which is underpinned by the strategy to "fix, optimise and grow" the African operations acquired over the last few years. The growth strategy is further supported by the exports of the group's South African brands, which continue to show pleasing growth. The turnaround of the Nigerian DFM business remains a priority, and a strategic growth opportunity in the longer term.

## Domestic business

Weak economic growth and the slowdown in consumer expenditure has continued, with above inflationary increases in food prices, fuel, energy costs and high unemployment contributing to low consumer confidence.

Market volume trends show slow recovery in the categories in which Tiger Brands participates and consumers continue to adjust their consumption patterns, favouring lower priced products where possible and foregoing purchases of discretionary items. This has forced manufacturers to compete more intensely on pricing and enhance their value proposition to consumers.

Rising cost inflation and volatile soft commodity prices have added further pressure, fuelled by the weak rand.

Given the economic constraints facing the domestic business, top-line growth will need to be created through:

- a recovery of lost market penetration and increased consumption;
- regaining market share in existing categories through brand building and innovation; and
- expansion into new categories that align with the group's core business and are capable of delivering profitable growth.

## Exports and International businesses

Economic growth in the rest of Africa is expected to remain robust, although the competitive landscape has intensified as local and multinational manufacturers pursue growth.

With rapid urbanisation and improved living standards, consumers are seeking aspirational brands and new variety. This is fuelling growth in FMCG markets, as purchasing patterns change from bulk, unbranded product to branded, packaged goods. However, the reality of low disposable income per capita places limitations on consumer expenditure, and value for money remains key to achieving brand success.

While consumers are embracing the increasing modern trade expansion in Africa, the route to market in sub-Saharan Africa remains largely informal and the reliance on wholesalers and distributors to reach the final point of purchase is critical to achieving market success.



Constrained infrastructure and logistical problems continue to place restrictions on business expansion, while socio-political instability and increasing political/regulatory controls in certain countries represent significant business challenges. Notwithstanding these challenges, Tiger Brands believes that the expansion in the rest of Africa represents a significant growth opportunity for the group in the medium to longer term.

International growth will be supported by:

- continuing to “fix, optimise and grow” the businesses that have already been established while sustaining the growth trajectory of the group’s Exports and International businesses;
- seeking new opportunities for expansion through green/brownfields initiatives and appropriate acquisitions;
- returning the Dangote Flour Mills business in Nigeria to profitable growth by:
  - making the necessary capital and brand investments to fuel growth; and
  - evaluating the new category opportunities that will deliver top-line growth and sustained profitability in the longer term.

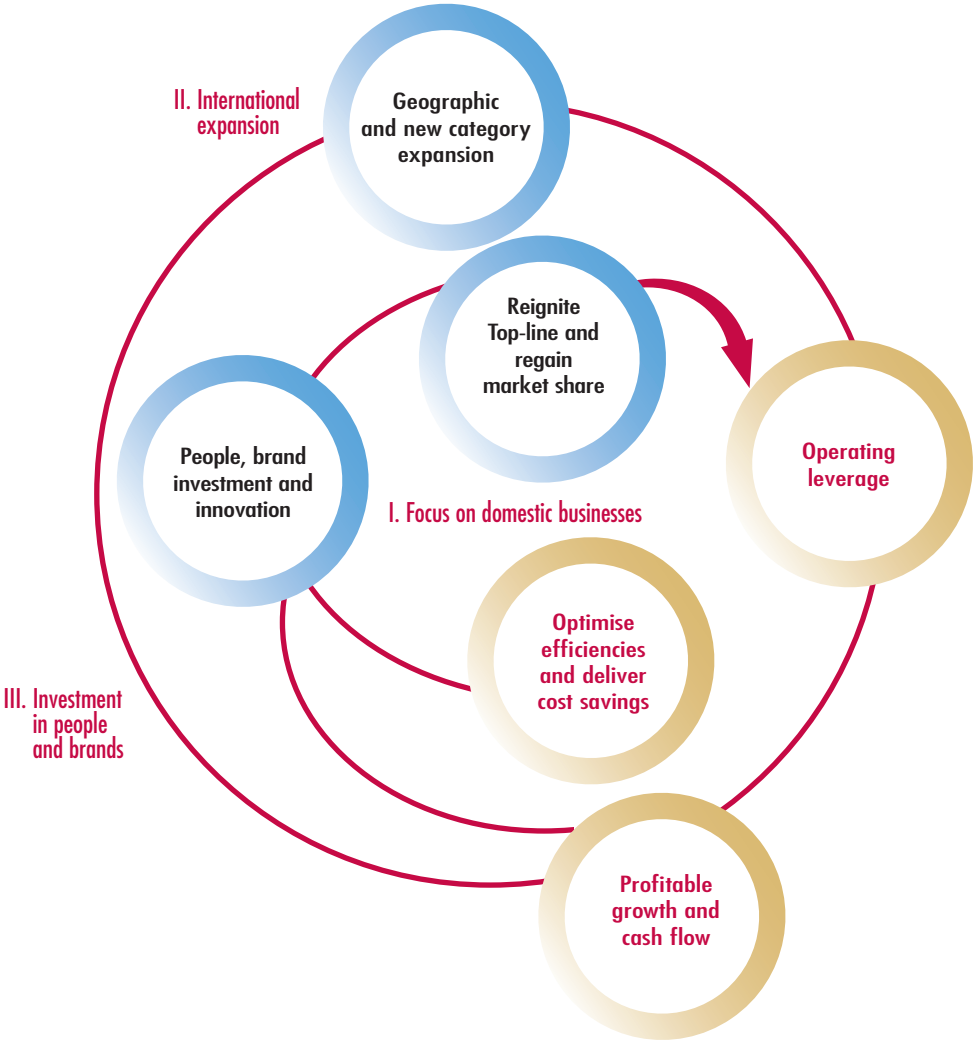
## The business model

The delivery of the growth and profitability objectives, and the achievement of the strategic thrusts encapsulated in the corporate strategy will require the continued implementation of the defined business model, depicted in the diagram on the following page.

Operating efficiency and cost savings, together with disciplined management of price, volume and margin in the group’s businesses will be required to sustain profitability and provide the fuel for investment in top-line growth.

Investment in brands, innovation and people will be required to drive the top-line growth and the international expansion envisaged in the strategy. This in turn will enable operating leverage through an accelerating top-line and appropriate margins to deliver the growth in profit and return on investment targets set in the group’s corporate strategy.

# Corporate strategy continued



# Leadership

## Ethical leadership

The board strives to ensure that the group 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. (See "Social, ethics and transformation committee report", page 78 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.

The full Code is available on the company website.

Further, to give effect to the tenets of the Code, an independent confidential ethics hotline is in place and all reports received are investigated by the group's commercial audit unit, 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.

No material fines or prosecutions were imposed against the group during the year.

## Leadership continued

### Directorate



1. André Parker



2. Bheki Sibiya



3. Santie Botha



4. Mark Bowman



5. Richard Dunne



6. Maya Makanjee



7. Khotso Mokhele



8. Rob Nisbet



9. Makhup Nyama



10. Peter Matlare



11. Funke Ighodaro



12. Clive Vaux

## INDEPENDENT NON-EXECUTIVE DIRECTORS

### 1. André Parker (63)

**Chairman**  
*MCom*

André was appointed to the board in 2007. He is a director of Distell Limited, Empresas Carozzi of Chile and Standard Bank Group Limited. He was appointed as Chairman of Tiger Brands in February 2012.

### 2. Bheki Sibiyi (57)

**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 Cape Africa and PPC Limited, and Executive Chairman of Smartvest Investments.

### 3. Santie Botha (50)

*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 Telkom Limited and Liberty Holdings Group Limited, and Chairman of Famous Brands Limited and Curro Holdings Limited.

### 4. Mark Bowman (48)

*BCom, MBA*

Mark was appointed to the Tiger Brands board in June 2012. He is currently an executive director of SABMiller Plc and 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.

### 5. Richard Dunne (66)

*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.

### 6. Maya Makanjee (52)

*BA Fine Arts, BCom, MBL (cum laude)*

Maya was appointed to the Tiger Brands board in August 2010. She is Chief Officer: Corporate Affairs of the Vodacom Group and was formerly the CEO of FinMark Trust. Maya is also the Chairman of the Vodacom Foundation and the World Wide Fund for Nature (WWF).

## INDEPENDENT NON-EXECUTIVE DIRECTORS

### 7. Khotso Mokhele (59)

*BSc Agriculture, MSc Food Science, PhD Microbiology*

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

### 8. Rob Nisbet (59)

*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.

### 9. Makhup Nyama (57)

*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.

## EXECUTIVE DIRECTORS

### 10. Peter Matlare (55)

**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 Barclays Africa.

### 11. Funke Ighodaro (51)

**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 (63)

**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 Foods Limited and group Financial Director of Reunert Limited.

## Leadership continued



**A. Peter Matlare**



**B. Funke Ighodaro**



**C. Clive Vaux**



**D. Neil Brimacombe**



**E. Noel Doyle**



**F. Ian Isdale**



**G. Grattan Kirk**



**H. Tswelo Kodisang**



**I. Brenda Koornneef**



**J. Thabi Segoale**



**K. Patrick Sithole**

## EXECUTIVE MANAGEMENT COMMITTEE

### A. Peter Matlare (55)

See page 21.

### B. Funke Ighodaro (51)

See page 21.

### C. Clive Vaux (63)

See page 21.

### D. Neil Brimacombe (50)

**Business Executive: Exports and International (excluding Nigeria) and HPCB**

*BCom (Hons), MBL*

Neil has 14 years' service with the group. He is a non-executive director of Empresas Carozzi of Chile.

### E. Noel Doyle (48)

**Business Executive: Grains and Nigeria**

*FCA, CA(SA)*

Noel rejoined the Tiger Brands Group in July 2012. He is a non-executive director of Oceana Group Limited.

### F. Ian Isdale (64)

**Group Company Secretary and legal adviser**  
*BA, LLB, EDP*

Ian has over 30 years' service with the group. He is non-executive director of Country Bird Holdings Limited.

### G. Grattan Kirk (50)

**Business Executive: Consumer Brands – Foods**  
*FCA, CA(SA)*

Grattan joined the group in July 2013. He was previously the Chief Executive Officer of JD Group Limited. He has 17 years' experience in retail and spent 13 years at Deloitte & Touche.

### H. Tswelo Kodisang (41)

**Group Executive: Human Resources**

*BCom, Postgraduate Diploma in Labour Law, HR Management*

Tswelo joined the group in May 2014. He was previously global HR Vice President at Unilever in London and has 20 years' experience in FMCG.

### I. Brenda Koornneef (62)

**Group Executive: Marketing**

*BCom*

Brenda has 12 years' service with the group.

### J. Thabi Segooale (42)

**Group Executive: Corporate Strategy and Mergers & Acquisitions**

*MSc*

Thabi has six years' service with the group. Thabi was previously head of the Grains division and CEO of Dangote Flour Mills.

### K. Patrick Sithole (47)

**Group Supply Chain Executive**

*BSc Chem Eng*

Patrick joined Tiger Brands in August 2012. Prior to joining Tiger Brands, Patrick was Supply Chain Vice President for Unilever South Africa and has 25 years' experience in FMCG.

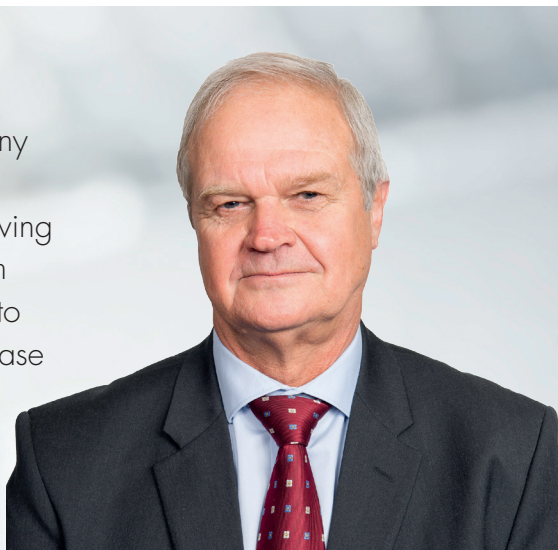


# Reports to stakeholders

## Chairman's letter to stakeholders

Despite tough trading conditions, the company achieved a pleasing performance by improving headline earnings from continuing operations to 1 804 cents, an increase of 15% over the previous year.

André Parker Chairman



### Dear stakeholders

It gives me much pleasure to update you on the performance of your company for the year ended 30 September 2014, and to inform you of progress made in implementing Tiger Brands' strategy over the period under review.

In addition, the objective of this Integrated Annual Report is to provide all our stakeholders with a clear understanding of Tiger Brands' focus on ensuring that it is a responsible company when it comes to environmental issues, whilst also assisting those less fortunate members of society.

Lastly, the report also contains the necessary information that will enable the reader to have comfort in the group's efforts in addressing inherent business risks, thereby ensuring long-term sustainability.

### Environment

The international economic environment remained unsettled, and while signs of recovery were evident in selected regions, the South African economy, where Tiger Brands makes the bulk of its profits, substantially underperformed the rest of the continent, thereby placing severe pressure on personal

disposable income, the lifeblood of our industry. As a result, particular focus has been placed on the price positioning of the group's products, at the appropriate level that meets both the expectations of our consumers in terms of affordability, while taking into account the impact of raw material cost increases on the cost of production.

In the rest of Africa where Tiger Brands operates, environmental factors were more favourable. Ethiopia and Kenya, in particular, continued on their strong economic growth trend, with the latter in particular settling down well following the implementation of a new constitution and recent elections. The Nigerian economy also remains robust, although the highly competitive environment represents considerable challenges to our business there. Further details in respect of the performance of our Nigerian operations are dealt with hereunder.

### Strategy implementation

Although Tiger Brands remains on the lookout for potential value-adding acquisitions in sub-Saharan Africa, the year under review did not deliver any targets that met our criteria. This has enabled management to focus on addressing key strategic and operational issues in our existing portfolio of businesses.

In my letter to stakeholders last year, I notified you of our intention to acquire Rafiki Milling and Magic Oven Bakeries, a flour milling and bread baking business in Kenya. However, this transaction did not proceed due to the performance of these companies not meeting the expected thresholds in the period between the conclusion of agreements and approvals received by the regulatory authorities.

Significant focus was given during the year to the performance of Dangote Flour Mills (DFM) of Nigeria which was acquired on 4 October 2012. As I reported last year, the performance for that period was disappointing. Steps were taken during the year under review to significantly strengthen our management team in Nigeria with seasoned executives who have significant experience of operating in Nigeria. Although DFM has not yet been able to return to profitability, good progress has been made in reducing losses, and we remain confident that this investment will prove to be beneficial to Tiger Brands in the medium term. Given the current underperformance of the DFM business, it was considered prudent to impair the goodwill and intangible assets related to Tiger Brands' investment, as well as certain surplus fixed assets of the company.

# Reports to stakeholders *continued*

## Chairman's letter to stakeholders *continued*

We remain positive with regard to the prospects of both Nigeria and DFM, and are cautiously optimistic that all our Nigerian businesses are now well positioned to take advantage of the substantial growth potential offered by this large and vibrant market.

### Results

Despite the tough trading conditions in South Africa alluded to earlier, the company achieved a pleasing performance by improving headline earnings from continuing operations to 1 804 cents per share for the year ended 30 September 2014, an increase of 15% over the previous year.

This pleasing performance has been achieved by focusing on top-line growth and market share retention in our core South African businesses. A combination of successful management of the price-value relationship of our branded product offerings, assisted by increased marketing support and related brand building initiatives contributed to these pleasing results. A keen focus on improved operating efficiencies and cost reductions further assisted the financial performance.

In South Africa, the Grains division performed strongly, while the recovery in the performance of the Groceries business was particularly pleasing following last year's disappointment.

A strategic decision was taken to relocate the stand-alone Crosse & Blackwell Mayonnaise manufacturing plant in Cape Town to the Groceries facility in Gauteng, thereby sharing utilities, as well as being closer to its major markets and the source of its raw materials. The new plant was successfully commissioned towards the end of the 2014 financial year.

Our established businesses in the rest of Africa all performed well. As reported earlier, recently acquired DFM in Nigeria continued to make losses, albeit at a reduced rate. Our businesses in the developing economies of Kenya, Cameroon, Ethiopia and Nigeria offer profit growth potential in excess of South Africa, and we are committed to developing these businesses towards reaching their full potential.

A particularly strong performance was achieved by the Exports division which is reflective of the increasing acceptance of our branded products throughout Africa. The further growth and development of our Davita business significantly enhanced the profitability of our export offerings.

### Corporate social investment

It is true that South Africa possesses a large number of marginalised citizens who are in need of social and economic upliftment, and also that one can never do enough. However,

Tiger Brands is willing and able to play its part in joining government, NGOs and other businesses in contributing to this process. We are active in a number of corporate social investment projects that are outlined later in this report.

We are particularly proud of the role played by the Tiger Brands Foundation which has evolved an integrated model of working effectively with government in providing free breakfast to learners at beneficiary schools throughout the country. This year we celebrated the 20 millionth meal served to needy learners who otherwise would have had to start their daily studies on an empty stomach.

## Outlook

The outlook for our South African operations is closely linked to the economic outlook for the country, and therefore remains muted. On the balance of the continent economic prospects are brighter, although challenges of a different nature need to be addressed, especially in Nigeria.

In short, we do not expect much assistance from the macro-environment, and understand that it is up to us, your board and the management team, to achieve the results that you expect from us.

## Appreciation

The board and I are particularly appreciative of our strategic partners in our ventures in Nigeria, Chile, Kenya, Cameroon, Ethiopia and Zimbabwe. Without them, we would have no business to speak of in these countries. On a similar note, I wish to thank our loyal consumers and business partners for their continued support that makes Tiger Brands the largest branded food company in Africa. We realise that this display of confidence places an onus on us to meet your needs.

Finally, and on behalf of the board, I wish to thank Peter Matlare and his excellent team of managers for their endeavour in producing this set of results. It is comforting to know that we have a great management team who give it their all.



**André Parker**  
Chairman

# Reports to stakeholders continued

## Chief Executive Officer's report

The group continues to make steady progress in executing against its long-term strategic objectives.

Peter Matlare Chief Executive Officer



### Overview

Tiger Brands has achieved pleasing results in a difficult trading environment, overcoming a disappointing first-half performance to grow operating income by 15% for the full year. Headline earnings per share from continuing operations increased by 15% to 1 804 cents. However, earnings per share from continuing operations declined by 21% to 1 243 cents, largely due to the impairments recognised in respect of the group's investment in Dangote Flour Mills (DFM).

Group turnover increased by 11% to R30,1 billion, underpinned by 4% volume growth and 5% pricing inflation. Operating income before abnormal items increased by 15% to R3,6 billion, with the overall group

operating margin improving from 11,4% to 11,8%.

The domestic businesses grew operating income by 7% to R3,3 billion. Whilst this performance was negatively affected by a 9% decline in the operating income of the Home, Personal Care and Baby ("HPCB") business, operating income from the domestic food businesses increased by 12% to R2,9 billion.

The Exports and International businesses, excluding Nigeria, continued to reflect pleasing growth, increasing turnover by 16% to R4,6 billion and operating income by 20% to R691 million.

Significant progress has been made in addressing the challenges in DFM and, as a result, the net reported loss before interest and tax for the Nigerian businesses improved by 27% to R282 million (2013: R384 million). Following a review of the utilisation levels of its assets and, based on current market realities, DFM impaired certain of its manufacturing assets. The related impairment, amounting to R105 million, was in addition to the R849 million impairment of goodwill and other intangibles recognised at a group level at the half year. Tiger Brands remains committed to the Nigerian market and will continue to fix and optimise the DFM business, whilst investing into adjacent categories that are expected to deliver long-term profitable growth.

### Domestic operations

The group continues to make steady progress in executing against its long-term strategic objectives. Over the last few years, the group has directed its focus to regaining market share in its core domestic businesses through investment in its brands and increased levels of innovation. This remains a key objective even though total market volumes have been impacted by the ongoing financial pressure being experienced by consumers.

The group has retained its leading brand positions in all of the key categories in which it participates, through a strong focus on price

and volume management, supported by increased marketing and brand-building activities. Good progress has been made in regaining volume shares in what remains a highly competitive domestic trading environment. In 2014, domestic volume growth of 4% was achieved.

Improved operational efficiencies and various cost saving initiatives have supported the increased investment in marketing and brand building, and have also mitigated the effect of above-inflationary increases in raw material, labour and other input costs that were experienced in 2014. Input cost pressures were exacerbated by the weaker Rand, contributing to a decline in the overall domestic operating margin from 14,9% to 14,5%. Margins were also affected by consumer down-trading, which has resulted in manufacturers competing more intensely on pricing.

Given the ongoing challenges in the domestic economy, the group continues to focus on regaining market share through brand-building activities, innovation and expansion into new and adjacent categories. The group is also focused on improving its innovation capability and in 2014, innovation contributed 3,3% (2013: 3,0%) of group turnover. Tiger Brands will continue to optimise its brand portfolio and strengthen its participation in the growing "value" segment.

# Reports to stakeholders continued

## Chief Executive Officer's report continued

Operating costs are being critically managed in order to protect margins and fund the increased investment in our brands, as well as to support the organisational capacity required to deliver on the group's strategic objectives. The projects initiated in prior years to reduce costs have continued apace and a new cycle of cost-saving initiatives will be pursued in the new financial year.

Increased focus is being given to the company's HPCB business, which underperformed in the year under review, recording a 9% year-on-year decline in operating income. This decline was largely driven by intense competition, particularly in the home care and personal care categories. Whilst volumes grew in certain segments, operating margins were negatively affected by increased value offerings and aggressive competitor activity. The group continues to invest in its innovation capability and will increase the level of marketing support for its core brands in order to drive long-term sustainable growth in these categories.

### International operations

International expansion into the balance of the African continent remains core to Tiger Brands' growth strategy and, as such, the group will continue to invest in its international businesses.

The existing businesses in Nigeria remain a key focus area, with the priority being to fix and grow these businesses.

Although the short-term challenges relating to DFM persist, there are encouraging signs of improvement as remedial actions to improve product quality, reduce the fixed cost base and drive top-line growth start to bear fruit. These initiatives are expected to have a meaningful impact on the future financial performance of DFM and include changes implemented to strengthen the management team and to facilitate better alignment with the domestic Grains business. The business case for DFM's entry into adjacent and related categories is expected to be finalised early in the 2015 financial year.

Prospects for growth in the rest of Africa remain promising. Consumers are seeking aspirational brands and increased variety, but the reality of low disposable income levels place limitations on consumer spending. In this environment, product format, pack size and price points remain key to achieving success. Tiger Brands continues to believe that expansion into the balance of the continent will be a significant growth vector in the medium to long term.



## People

The future growth and expansion plans for Tiger Brands are challenging and will require the right people resources in terms of calibre, capability and capacity in order to deliver against these requirements. In this regard, we continue to strengthen our management teams. I am most grateful to my colleagues on the board and the executive for their support and fortitude in seeing the company through what has been a difficult year. I would also like to extend my sincere appreciation to all of our employees who have helped us to achieve a solid overall performance for the year.

## Outlook

The group expects to sustain the positive momentum that was achieved during the year under review, despite a continued difficult trading environment in both the domestic and international businesses.



**Peter Matlare**

*Chief Executive Officer*

## Reports to stakeholders *continued*

### Chief Financial Officer's report

The group once again demonstrated its strong cash-generating capability, improving operating cash flows by 6% to R4,2 billion.

Funke Ighodaro Chief Financial Officer



#### Consolidated income statement

The group achieved a solid result overall for the financial year ended 30 September 2014. Group turnover increased by 11% to R30,1 billion (2013: R27,0 billion), underpinned by 4% volume growth and pricing inflation of 5%. The depreciation of the rand added an additional 2% growth to turnover. Due to internal efficiencies, reduced losses at DFM and continued solid growth in the Exports and International businesses, operating income increased by 15% to R3,6 billion (2013: R3,1 billion). This result was after accounting for an IFRS 2 share option charge of R105 million (2013: R134 million).

Profit before tax amounted to R2,7 billion (2013: R3,2 billion) after net financing

costs of R403 million, associate income of R597 million and abnormal charges of R1,1 billion, reflecting a 17% decline on the prior year. The abnormal charges largely related to the impairments recognised in relation to the group's investment in DFM. These include the R849 million impairment of the entire goodwill and intangible assets related to DFM and a R105 million specific impairment of certain of its underlying assets. The group also recognised further impairments of R68 million relating to the Deli Foods acquisition goodwill, as well as certain non-core domestic trademarks. In addition, certain domestic assets were derecognised, having been deemed surplus to requirements following a review of the group's manufacturing architecture.

Net financing costs of R403 million increased by 6% relative to the prior year due to higher domestic borrowing rates. In addition, the average level of debt in DFM increased due to its ongoing losses. The refinancing of DFM's debt structure is still under consideration.

Income from investments declined to R2 million from R17 million in 2013, due to dividends not being received in respect of shares held in Adcock Ingram Holdings by certain of the group's empowerment entities.

Income from associates increased by 16% to R597 million (2013: R515 million), reflecting strong growth in particular from Oceana Fishing (share of earnings up by 13% to R282 million) and National Foods Holdings (up 88% to R72 million). The growth in earnings from Empresas Carozzi and UAC Foods was more muted, up 7% to R199 million and 6% to R44 million, respectively.

The group's income tax expense of R832 million (2013: R837 million) represents a 28,1% (2013: 30,6%) effective rate of tax on total profits before abnormal items and associates income. The lower tax rate was primarily due to special investment allowances claimed in respect of qualifying capital projects completed during the year, as well as a prior year adjustment in respect of deferred tax.

As a result of the minority shareholders sharing in the losses of DFM, non-controlling interests amounted to a credit of R127 million (2013: R119 million).

Net profit after tax from continuing operations declined by 22% to R1,9 billion, mainly as a result of the abnormal items referred to above.

As previously reported, the group sold its interest in DFM's packaging subsidiary, Dangote Agrosacks, in December 2013. The profit contribution from Dangote Agrosacks for both the 2013 and 2014 financial years has been disclosed as arising from a discontinued operation.

Including the profit contribution from Dangote Agrosacks of R30 million (2013: R61 million) profits attributable to ordinary shareholders decreased by 22% to R2,0 billion and earnings per share from total operations also declined by 22% to 1 262 cents (2013: 1 613 cents).

Headline earnings per share from continuing operations increased by 15% to 1 804 cents (2013: 1 574 cents) after adjusting for the abovementioned impairments and certain other capital items. Including discontinued operations, headline earnings per share from total operations increased by 11% to 1 816 cents (2013: 1 629 cents).

Adjusting for the dilution effect of share options, diluted headline earnings per share from continuing operations increased by 15% to 1 760 cents (2013: 1 535 cents).

# Reports to stakeholders *continued*

## Chief Financial Officer's report *continued*

### Financial position

The group continues to manage its capital expenditure prudently, focusing on return on capital whilst ensuring adequate investment in the maintenance and replacement of its assets to sustain optimal operational efficiency and capability, as well as building capacity for growth.

During the year, the net book value of the group's investment in property, plant and equipment increased to R5,9 billion (2013: R5,5 billion). Capital expenditure of R983 million exceeded the total depreciation charge of R679 million. The major capital expenditure items related to:

- capacity expansion and innovation in Snacks & Treats (gums and jellies), Davita (capacity expansion in seasonings and facility upgrades), Milling (product quality improvements), VAMP (introduction of post-pack pasteurisation technology) and Deli Foods (new biscuit capacity);
- capital expenditure to drive operational efficiencies in Groceries (including the mayonnaise plant relocation), as well as IT expenditure relating to the upgrade of the group's ERP platform; and
- replacement of plant, equipment and warehouse buildings following a serious fire at Langeberg & Ashton Foods.

As indicated above, the group impaired property, plant and equipment with a combined net book value of R145 million relating to DFM and certain domestic assets, which was considered to be surplus to requirements.

The carrying value of goodwill and other intangibles declined by R898 million to

R4,5 billion mainly as a result of the impairment of the group's investments in DFM and Deli Foods and certain non-core domestic trademarks.

Investments of R3,4 billion mainly comprise the carrying value of the group's investments in associate companies, namely Oceana Fishing, Empresas Carozzi, UAC Foods and National Foods Holdings. It also includes listed shares in Adcock Ingram Holdings which were originally allocated to certain of the group's empowerment entities as part of the unbundling of Adcock Ingram.

The group continues to maintain a strong balance sheet, with ordinary shareholder funds of R13,2 billion (2013: R12,8 billion) after accounting for attributable profits of R2,0 billion in 2014 and dividend payments to shareholders of R1,4 billion (net of the dividends retained in respect of treasury and empowerment shares).

The group's return on average net assets remained consistent at 24,6% for the year ended 30 September 2014.

The group's net debt position improved from R4,5 billion in 2013 to R3,5 billion as at 30 September 2014. The net debt to EBITDA ratio improved to 0,8 times (2013: 1,2 times).

### Cash flow

The group once again demonstrated its strong cash-generating capability, improving operating cash flows by 6% to R4,2 billion. Working capital continues to be well managed, with the increase in debtors largely attributable to higher sales achieved in the month of

September 2014. Working capital per R1 of turnover improved from 23,2 cents in 2013 to 22,1 cents.

Cash generated from operations was applied to fund the group's tax obligations of R967 million, dividends of R1,5 billion and capital expenditure of R983 million. In addition, the group repaid borrowings of R1,1 billion. As indicated above, during the year, DFM sold its interest in Dangote Agrosacks for a consideration of R497 million. Tiger Brands also acquired an additional 2,3% interest in DFM for R74 million as part of the mandatory offer to DFM minorities following the initial acquisition of the group's interest in DFM in October 2012.

Free cash flow of R2,1 billion (cash available from operations after accounting for capital expenditure) marginally exceeded the group's attributable profits after tax of R2,0 billion.

## Obligations

Details of the group's contractual commitments as at 30 September 2014 are set out in note 33 of the annual financial statements.

## Market capitalisation and final dividend distribution

The company's total market capitalisation (including treasury and empowerment shares) as at 30 September 2014 was R60,5 billion, being R3,3 billion higher than the comparable figure at 30 September 2013.

A final dividend of 611 cents per share has been declared for the year ended 30 September 2014. This dividend, together with the interim dividend of 329 cents per share, brings the total dividend for the year to 940 cents (2013: 865 cents).

The above dividend of 940 cents per share translates to a dividend cover ratio of 1,93 times (2013: 1,88 times) based on total headline earnings per share, including discontinued operations. Notwithstanding the current dividend cover ratio of 1,93 times, the group will continue to target a dividend cover of 2,0 times for the foreseeable future.

## Financial risk management

The group is exposed to a range of financial risks through its business activities, including risks relating to the market in which it operates, currency risk, interest rates, 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

# Divisional review

## Grains



(R'million)	2014	2013	% change
Turnover (Rm)	10 948,6	10 052,7	9%
Operating income before abnormal items (Rm)	1 918,9	1 689,7	14%
Operating margin (%)	17,5%	16,8%	

## Salient features

- ▶ Good volume growth across most categories
- ▶ Strong volume and profit performance in Wheat Milling
- ▶ Bakeries remains a solid performer
- ▶ Successful integration of Pasta business
- ▶ Marketing investment increased by 25%

## The year under review

Operating income for the Grains division increased by 14% to R1,9 billion and the operating margin improved to 17,5% compared to 16,8% in the prior year.

The results for the year reflect a creditable performance in the competitive markets and challenging macro-economic environment in which the Grains business operates and demonstrates a second year of volume growth after some years of declining volumes.

The operating performance was primarily driven by volume growth combined with internal efficiencies and pricing restraint across most categories. In line with strategy, marketing investment was increased by 25% for the year under review to further enhance the sustainability of the businesses' performance.

## Milling and Baking

The Bakeries business remains an important contributor to operating income in this division. Whilst subject to ongoing pressure on raw materials, labour and distribution costs, the strategy of moderating price increases and focusing on internal efficiencies and ongoing innovation paid dividends. A reasonable level of volume growth for the period translated into satisfactory growth in operating income.

The Wheat Milling business was able to show a significant improvement in operating income as the volume growth and market share recovery, which had commenced in the previous year, accelerated during 2014. In addition, the environment allowed for some recovery in margins following the significant decline in the previous year.

After five successive years of volume decline and despite immense challenges in managing through an extremely volatile pre-harvest period, the Maize Milling business was able to report a satisfactory growth in income and a modest recovery in volume. The product



**Noel Doyle**

Business Executive: Grains and Nigeria

enhancements after the successful completion of a capital project at Randfontein mill were well received by consumers.

The Sorghum and Maize Breakfast and Beverage business recorded the lowest level of operating income growth within the segment. Very strong volume growth in both Ace Instant and Morevite Breakfast offerings were offset by volume declines in Sorghum Beverages and Mabela, both of which were significantly impacted by strikes in the platinum belt.

#### **Other Grains**

The Rice business recorded a marginal improvement in operating income for the year, having achieved volume growth in the second half following a first half decline. The competitive environment has continued to intensify and the benefits of reduced Thai rice pricing over the past year have had to be passed on to customers in order to sustain volume levels.

The Pasta business recorded a very pleasing increase in operating income for the year. The correction of pricing into the second half

of the year did see a significant slowdown in volume growth but corrected the decline in operating income reflected at the half year. Profitability is now at satisfactory and sustainable levels.

The Oats business produced a pleasing level of operating income growth, driven by a strong volume performance.

#### **Outlook**

The second half results whilst pleasing at an operating income level reflected a slowdown in volume growth when compared with the first half. All indications are that levels of consumer confidence and demand remain muted, whilst market share gains achieved are coming under pressure as competitors respond. However, despite ongoing cost pressures, particularly on imported commodities, labour and administered costs, we remain cautiously optimistic that further positive momentum in both volume and operating income can be sustained albeit at levels considerably lower than those reported for the current year.

## Divisional review continued

### Consumer Brands – food businesses



Trading conditions for the year remained challenging, with increased input costs impacting all of the businesses in the division. Overall performance for the division was, however, respectable, with turnover up 14% to R9,5 billion and operating income increasing by 8% to R977 million.

Groceries achieved its strategic goal of regaining market share in target categories and made progress in enhancing its manufacturing architecture. Within the sugar confectionery segment, Snacks & Treats successfully retained its leading brand positions in a highly competitive market. Initial delays in the commissioning of the Beverages facility at Roodekop were overcome, which resulted in a much-improved second-half performance. Valued Added Meats (Enterprise), continued to gain market share in a subdued market, while Out of Home acquired additional customers with its customised offering.

(R' million)	2014	2013	% change
Turnover (Rm)	9 464,4	8 321,9	14%
Operating income before abnormal items (Rm)	977,3	906,6	8%
Operating margin (%)	10,3%	10,9%	

### Salient features

- Market share gains in Groceries
- Improved operating performance across all businesses
- Cost-efficiency and optimisation projects delivering to expectation

### Groceries

This division includes well-known brands such as KOO, All Gold, Mrs Ball's, Black Cat and Crosse & Blackwell, which hold either the number one or number two brand position in their respective categories. With effect from 1 October 2013, the Pasta category was transferred to the Grains division, while the Canned Meats business was transferred to the Value Added Meats division.

Turnover increased by 23% to R4,0 billion (2013: R3,2 billion) on a like-for-like basis,





**Gratton Kirk**

Business Executive: Consumer Brands – Foods

while operating income increased by 9% to R320 million (2013: R295 million). Overall sales volumes grew by 16% including the annualisation effect of the prior year acquisition of Mrs Ball's.

The performance of the business was a tale of two halves. The first half saw significant increases in raw material costs which were not recovered in pricing. While this negatively affected operating margins in the first half, the business managed to regain market share across all major categories and volumes recovered to drive turnover growth. Following pricing adjustments in the second half, the financial performance improved significantly against the prior year.

As part of the ongoing focus on our manufacturing architecture, R230 million was invested in consolidating the Mayonnaise facility into Boksburg. This should result in manufacturing and supply chain efficiencies which will materialise fully in the 2015 financial year.

The tomato paste factory, which was consolidated in the prior year, is delivering in line with expectations. In order to maintain and gain further market share, new product ranges and variants are being introduced across all major categories.

## Divisional review *continued*

### Consumer Brands – food businesses *continued*

#### Snacks & Treats

This business is focused on sugar confectionery, chocolates, gums, jellies and hard boiled sweets. It operates in a very price-sensitive category which demands continuous innovation. Turnover increased by 7% to R2,1 billion (2013: R1,9 billion) and operating income by 1% to R309 million (2013: R305 million) with operating margins negatively affected by significant raw material cost increases, particularly in cocoa and hazel nut costs. Volumes remained flat year on year.

A new R160 million gums and jellies plant was commissioned in Durban in July 2014, resulting in increased capacity and enhanced capability which will enable further innovation in this sub-segment of the sugar category.

#### Beverages

The business posted an overall pleasing performance with a particularly good improvement in the second half. Turnover increased by 9% to R1,1 billion (2013: R1,0 billion), while operating income grew by 19% to R127 million (2013: R106 million). In the 2013 financial year, three beverage factories were consolidated into a single facility to optimise operational efficiencies. Delays in commissioning the facility resulted in constraints

in meeting demand, which impacted the first-half financial performance. These issues were subsequently resolved, with the second half reflecting the benefits of the factory consolidation.

We maintain our continued focus on innovation in this highly competitive category, particularly in respect of new variants in our power brands such as Oros, Energade, Rose's and Hall's.

#### Value Added Meats

This business is focused on the Value Added Meats category and recorded a respectable financial performance for the year. Turnover increased by 9% to R1,9 billion (2013: R1,7 billion) and operating income by 9% to R131 million (2013: R120 million). The Enterprise brand gained market share despite constrained demand. The strategic focus was on operational efficiencies, improved on-shelf availability, greater route to market capabilities, as well as innovation. We are seeking to extend the depth and breadth of the product range and expand into locations outside our traditional market such as forecourts and smaller retailers. The business introduced a number of innovations to products during the year such as the resealable Vienna packets.

## Out of Home

The Out of Home business posted very pleasing results for the year, growing turnover by 9% to R437 million (2013: R403 million) and operating income by 12% to R90 million (2013: R80 million). The increases were attributable to new customer gains and the extension of the depth and range of its product offering. This business sells all of Tiger Brands' products to caterers and restaurants and is unique in its ability to customise solutions.

## Outlook

Factors such as slow economic growth, continued pressure on consumer spending and a muted performance from retailers are expected to result in continued challenging trading conditions. With no significant improvement anticipated in the next 12 months, we will continue to focus on maintaining market share, driving cost savings and efficiencies where possible and prioritising marketing efforts. In a highly competitive market, it is imperative that the company continues to focus on innovation across all categories and the further strengthening of its core brands.



## Divisional review continued

### Home, Personal Care and Baby (HPCB)



The period under review proved to be challenging for the HPCB business. It delivered modest revenue growth and compressed operating profit on the back of market contraction in several categories in which the business competes. The HPCB categories continue to witness significant levels of brand investment, high innovation rates and aggressive pricing.

Home Care category growth was driven by the Pest segment. However, aggressive competitor pricing led to high levels of discounting in the Pest and Fabric Care segments. This, coupled with input cost inflation which was not fully recovered in pricing, resulted in margin compression.

(R'million)	2014	2013	% change
Turnover (Rm)	1 960,2	1 877,0	4%
Operating income before abnormal items (Rm)	398,5	439,3	(9%)
Operating margin (%)	20,3%	23,4%	

The Personal Care performance was driven by reasonable revenue growth in Body Care. However, margins also contracted due to input cost inflation not fully recovered in pricing, with volume declines experienced in the highly competitive Hair Care and Fragrance segments.

### Salient features

- Challenging trading environment
- Significantly increased level of marketing investment
- Input cost inflation which was not fully recovered in pricing, resulted in margin compression

Within Baby Care, both the Nutrition and Well-being segments delivered satisfactory revenue growth. The Baby Care category has slowed as a result of market contraction in jarred baby foods and consumers down-trading to lower priced alternatives. Both Baby Cereals and Porridges have seen good volume growth.

## Exports and International (excluding Nigeria)



**Neil Brimacombe**

Business Executive: Exports and International  
(excluding Nigeria) and HPCB

### **Tiger Brands International: Exports**

The Exports division continued its excellent performance in the 2014 financial year, with strong growth achieved in revenue and operating profit. Central to this performance was the excellent growth achieved in Mozambique, Zambia and Zimbabwe.

Demand for Tiger Brands' products remains robust within the southern African region, driven by improving gross domestic product and higher consumption within the region. However, the attractiveness of these markets has resulted in an influx of new low-cost entrants, placing pressure on the export margins.

The division remains an important channel for Tiger Brands' products outside South Africa, and will continue to expand its offerings in existing and new markets

supported by focused brand support across its key categories.

### **Davita Trading (Pty) Limited (wholly owned by Tiger Brands)**

Davita Trading delivered pleasing results for the year under review. The business exports to 33 countries across the African continent, with the Southern and West African regions being the largest contributors to business performance.

Gross margins are expected to remain under pressure as price points are continually challenged by low-cost competitors and exchange rate fluctuations. Investment in brands to drive awareness and visibility continues to deliver positive results, while the ongoing innovation and new product offerings gained further traction during the year.

## Divisional review *continued*

### Export and International (excluding Nigeria) *continued*

Two major capital expenditure projects were approved to upgrade the Davita facilities and increase production capacity. Both projects are currently in progress and are anticipated to be complete in the early part of the 2015 calendar year.

Prospects for the business remain positive but are continually subject to the macro-economic and competitive dynamics of each country.

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

Chococam delivered excellent performance across all its key categories in both domestic and export markets. This was achieved through focused investment in its core brands, selling wider and deeper, coupled with improved service levels in its local markets.

The company continues to pursue its regional exports strategy with success. Key export markets include Gabon, Chad, Congo Brazzaville and Equatorial Guinea with plans to enter two new markets in the region in progress.

Continued brand support and a strong innovation pipeline have resulted in market share gains across its key categories, further strengthening the company's market leadership positions.

The company continues to invest in capacity enhancements, facility upgrades and continuous improvement projects to support its growth.

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

The period under review proved to be challenging for the EATBI business in Ethiopia, particularly in the second half of the 2014 financial year. Business performance was impacted by various macro-economic-related factors that had a significant impact on the trading environment within which the company operates.

Ongoing foreign currency shortages, the cost of customs clearing inefficiencies, customer liquidity issues, logistics challenges and frequent power outages placed strain on the company's ability to execute its 2014 operating plan. The ongoing liquidity challenges within the market remain a concern as traders move towards minimal stockholdings.

The company continues to invest in its core brands and new category entries. During the year, the company launched its entry into the powdered soft drinks category under the Oros brand and various new initiatives are planned for early 2015. Investment in plant and

equipment continued, with two new sachet machines commissioned during the year, while the process of fixing and optimising the company's existing facilities is ongoing.

Despite the challenges of the past year, Ethiopia remains an important investment destination for Tiger Brands.

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

Haco Tiger Brands continues to deliver strong growth across its core categories in both local and export markets. The growth was achieved through focused investment in core brands, improved penetration in local and export markets, as well as the execution of its key innovation projects.

In Kenya, a stable price environment, favourable category mix and continuous improvement benefits were the main drivers of business performance. Strong growth was achieved in all East African export territories.

The company's innovation strategy remains a cornerstone of its performance and during the year under review, various new innovations were introduced in the Kenyan market. Investment in capacity expansion and operational efficiencies continued in line with the company's growth trajectory.

#### Langeberg & Ashton Foods (L&AF)

L&AF delivered an excellent performance for the year, with strong growth achieved in both revenues and operating profit. This was achieved despite a slow start to the year which commenced with a fire that destroyed its cold rooms, protracted strike action and a lower peach crop due to inclement weather conditions.

Growth was driven mainly by sales to the Far East and Africa including South Africa, while growth to Europe, the largest regional contributor to the business, delivered a subdued performance. The company's focus on operational efficiencies is relentless as it seeks to improve its competitiveness in the global canned fruit and fruit puree markets. This has delivered positive results in the form of improved yields and a slightly higher margin.

The prospects for the business remain positive but are subject to the import regulations and competitive dynamics of each country in which it operates.

## Divisional review continued

### Nigeria



(R'million)	2014	2013	% change
Turnover (Rm)	3 120,1	2 808,8	11%
Operating loss before abnormal items (Rm)	(281,9)	(384,0)	27%
Operating margin (%)	(9,0%)	(13,7%)	

### Salient features

➤ Positive volume momentum

➤ Key efficiency benchmarks achieved

➤ Losses reducing progressively quarter by quarter

➤ Procurement initiatives to contribute positively in FY2015

### Nigeria: Dangote Flour Mills (65,7% held by Tiger Brands)

#### Current year performance

The performance of this business has been disappointing, ultimately reflected in the impairment of both goodwill and other intangibles at a group level of R849 million and of assets in the underlying subsidiary of another R105 million.

The operating loss of R276 million reflects the impact of an extremely difficult and competitive trading environment which saw significant volume declines in the first quarter and ongoing margin pressures.

Remedial actions taken in the course of the year have included:

- a more market responsive and brand appropriate pricing strategy;
- a significant improvement in flour extractions to an acceptable benchmark;
- remodelling pasta formulation to meet relevant consumer benchmarks which has resulted in significant volume recovery in this category;
- the introduction of a soft wheat product offering;
- the mothballing of surplus flour milling capacity;
- the appointment of new management including a new CEO and CFO with extensive Nigerian FMCG experience;
- capital expenditure to expand silo capacity and improve the reliability of raw material discharge; and
- more efficient procurement of wheat.

The actions taken have resulted in a progressive improvement in the trading loss over the last three quarters from NGN1,4 billion (R89 million) in the first quarter to





**Noel Doyle**

Business Executive: Grains and Nigeria

NGN700 million (R41 million) in the fourth quarter driven by both volume growth and margin improvement from internal efficiencies. The business was EBITDA positive in the fourth quarter before once-off items.

### Outlook

Having substantially stabilised the operation, the focus for 2015 will be on reducing our raw material procurement costs and leveraging a more competitive and consumer-relevant offering into significant volume growth. In addition, focus will be on expanding the brand and product portfolio into a more premium offering, supported by an enhanced level of brand investment. This will require the remodelling of the current route to market to ensure greater distribution and more efficiency across the current product basket. Further reductions in trading losses are expected over the next year and it is anticipated that the business will be EBITDA positive for the 2015 financial year from a trading perspective.

Whilst there has been significant progress in assessing the possible entry into new categories, and the outlook in this regard is promising, it is unlikely that any such initiative will have a significant impact on the results in the short term.

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

Deli Foods recorded a similar operating income performance when compared with the prior year, with a slight reduction in volumes.

The Ebola threat in Nigeria has led to a delay in the implementation of key capital projects intended to improve efficiencies and capacity.

The market remains challenging with a fragmented competitive set and significant price-point constraints.

## Divisional review *continued*

### Associates

#### **UAC Foods (49,0% held by Tiger Brands)**

The year has seen a very competitive trading environment for the UAC business, particularly in the snacks category, characterised by a number of new entrants, new value offerings and increased demands from large distributors.

Pleasing progress continues to be made in optimising our facilities and FY2014 also saw the new investments in Gala capacity being fully executed. The market penetration initiatives have delivered pleasing volume growth, particularly in the eastern region, where we have historically been under-represented.

The year under review has seen a pleasing flow of exciting snacking innovation and this initiative will continue to be supported into 2015.

Good progress has been made in restoring the profitability of both the Beverages and Dairy categories on a sustainable basis.

The prospects for the business remain positive and will be further supported by opportunities for increased market penetration and consumer-led innovation.

#### **Oceana (41,9% held by Tiger Brands)**

Oceana is a leading fishing company listed on the JSE. Its headline earnings for the year ended 30 September 2014 increased by 16% compared to the previous year.

Headline earnings growth was driven by an 18% increase in operating profit compared to the previous year. Excellent growth in the operating profit contribution from Canned Fish and Fishmeal was offset by a decline in the

operating income from Horse Mackerel.

Although a relatively small contributor, a very good performance was recorded in the Fries business. Commercial Cold Storage reported strong growth for the year.

Canned Fish volumes grew domestically by a creditable 3% in a challenging domestic market. This level of volume growth coupled with firmer pricing in the second half of the year resulted in good growth in operating profit. The Fishmeal business, which reported a significant operating loss of R51 million in the previous year due to record low catches, recorded an operating profit of R33 million in the year under review. The improvement was driven by higher catches and firmer international pricing, as well as the positive impact on revenue of the depreciation of the rand.

Operating income from Horse Mackerel fell from R363 million in the prior year to R281 million in the year under review due to lower catches as a consequence of reduced quota in Namibia. Hake profitability improved due to stable market pricing, the favourable impact of rand depreciation and operational efficiencies.

French Fries returned to profitability as a consequence of higher volumes driven by improved quality of available raw material and firmer market pricing.

The Commercial Cold Storage business reported another year of good growth with operating income growing by 29%. Improved occupancy levels, the expansion of capacity in Namibia and operational efficiencies were the key contributors to the year-on-year improvements.

### **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 again posted pleasing growth in earnings for the year.

This performance was achieved in a challenging macro-economic environment exacerbated by increased competition from imports as a consequence of rand depreciation and the introduction of increased competitive capacity in the stock feeds market.

Profit growth was driven by the performance of the Maize business on the back of very strong volume growth and an effective procurement and logistics strategy to ensure maize availability throughout the year under review. Flour milling profitability declined for the year as margins were reduced in order to compete against South African entrants. Stockfeeds profitability was flat when compared with the prior year despite good volume growth as margin pressures from increased levels of industry capacity put pressure on pricing. There was good progress both in terms of top-line and profit contribution from the FMCG business with new category entries in cooking oils and successful range extensions in other categories.

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

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

The year under review was satisfactory at a consolidated level with pleasing performances recorded in the International, Agro-industrial and Peru divisions, being offset by a disappointing performance in the company's Chile division. The Chilean performance was negatively impacted in the first half by the foreign acquisition of a large local food player and the associated need to aggressively defend market shares through competitive price points. Market pricing stabilised in the second half.

Government changes in 2014 indicate a more neutral outlook on the economy in the short to medium term, with a greater accent on social spending and the associated tax regime changes bringing a level of uncertainty.

A key feature of Carozzi's success has been its relative brand strength, occupying number one or number two positions in the majority of the categories in which it competes. Its depth of market penetration, high innovation rate and a competitive go-to-market capability, all contribute to set this impressive business up to capture and exploit further growth opportunities.

# Key statistics

## Definitions

### Financial 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
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

<b>Net funding</b>	Capital and reserves, non-controlling interests and net debt
<b>Net interest cover</b>	Operating profit plus dividend income divided by net interest paid
<b>Net worth per ordinary share</b>	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
<b>NPAT</b>	Net profit after taxation
<b>Operating margin</b>	Operating profit as a percentage of turnover
<b>Price:earnings ratio</b>	Year-end market price per share as a multiple of headline earnings per share
<b>Return on average net assets employed</b>	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
<b>Return on equity</b>	Profit attributable to ordinary shareholders excluding abnormal items divided by issued capital and reserves
<b>Total equity</b>	Includes ordinary share capital and share premium, less treasury shares and shares held by empowerment entities, plus reserves and non-controlling interests
<b>Total liabilities</b>	Long-term liabilities and current liabilities
<b>Working capital per R1 000 revenue</b>	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

# Key statistics continued

## Five-year review

for the year ended 30 September 2014

(R'million)	2014	Restated* 2013	2012	2011	2010
<b>Consolidated income statements</b>					
Revenue	30 126	27 065	22 771	20 479	19 378
Profit before taxation, income from associates and abnormal items	3 155	2 721	3 356	3 200	2 951
Income from associates	597	515	416	265	252
Abnormal items	(1 056)	(2)	5	127	(188)
Profit before taxation	2 696	3 234	3 777	3 592	3 015
Taxation	(832)	(837)	(1 029)	(1 014)	(840)
Profit for the year from continuing operations	1 864	2 397	2 748	2 578	2 175
Attributable to:					
Owners of the parent	1 991	2 516	2 718	2 584	2 192
Non-controlling interests	(127)	(119)	30	(6)	(17)
<b>Consolidated statements of financial position</b>					
Property, plant and equipment	5 868	5 499	3 359	3 317	2 586
Goodwill and intangible assets	4 527	5 424	4 012	3 826	1 986
Investments	3 422	3 413	2 655	2 360	1 717
Current assets	10 728	9 486	7 783	6 693	6 695
Assets classified as held-for-sale	–	1 281	–	–	–
Total assets	24 545	25 103	17 809	16 196	12 984
Issued capital and reserves before share-based payment reserve	12 753	12 423	10 970	9 562	8 064
Share-based payment reserve	425	364	332	298	252
Non-controlling interests	770	1 028	393	385	285
Net deferred taxation liability	(28)	225	250	300	123
Provision for post-retirement medical aid	626	581	407	377	351
Long-term borrowings	627	1 453	235	537	404
Current liabilities	9 372	8 330	5 222	4 737	3 505
Liabilities classified as held-for-sale	–	699	–	–	–
Total equity and liabilities	24 545	25 103	17 809	16 196	12 984
<b>Consolidated cash flow statements</b>					
Cash operating profit after interest and taxation	3 168	2 915	3 048	2 686	2 608
Working capital changes	(348)	(337)	(592)	(173)	(113)
Dividends received	287	301	176	152	131
Cash available from operations	3 107	2 879	2 632	2 665	2 626
Dividends and capital distributions paid <sup>1</sup>	(1 467)	(1 426)	(1 318)	(1 230)	(1 180)
Net cash flow from operating activities	1 640	1 453	1 314	1 435	1 446
Net cash flow from investing activities	(415)	(3 282)	(732)	(2 914)	(1 100)
Net cash flow before financing activities	1 225	(1 829)	582	(1 479)	346
Net cash flow from financing activities	(1 109)	426	(297)	(96)	1
Net increase/(decrease) in cash and cash equivalents	116	(1 403)	285	(1 575)	347

<sup>1</sup> Includes capital distribution of R372,7 million in 2011 and R1 155,4 million in 2010.

\* The amounts have been restated due to the adoption of IAS 19R.

## Segment report

for the year ended 30 September 2014

(R'million)	Turnover <sup>1</sup>		Operating income <sup>2</sup>		Depreciation and amortisation	
	2014	Restated* 2013	2014	Restated* 2013	2014	2013
<b>DOMESTIC OPERATIONS</b>	22 373,2	20 250,7	3 146,8	2 892,0	399,7	364,7
<b>Grains</b>	10 948,6	10 052,7	1 918,9	1 689,7	147,9	141,3
Milling and Baking <sup>3</sup>	8 043,0	7 243,3	1 596,5	1 399,9	126,9	119,6
Other Grains <sup>4**</sup>	2 905,6	2 809,4	322,4	289,8	21,0	21,7
<b>Consumer Brands</b>	11 424,6	10 198,9	1 375,8	1 345,9	201,7	187,5
Groceries <sup>**</sup>	3 968,7	3 238,6	320,4	295,1	98,9	94,8
Snacks & Treats	2 054,5	1 924,0	309,4	305,0	39,1	37,5
Beverages	1 107,9	1 020,3	126,6	106,4	17,8	14,8
Value Added Meat Products <sup>**</sup>	1 896,2	1 736,3	130,8	119,7	30,0	29,2
Out of Home	437,1	402,7	90,1	80,4	-	-
<b>HPCB</b>	1 960,2	1 877,0	398,5	439,3	15,9	11,2
Personal Care	564,2	582,7	112,8	140,9	3,9	4,7
Babycare	747,2	717,0	210,2	206,8	7,2	0,9
Homecare	648,8	577,3	75,5	91,6	4,8	5,6
Domestic intergroup sales	-	(0,9)	-	-	-	-
Other <sup>5</sup>	-	-	(147,9)	(143,6)	50,1	35,9
<b>EXPORTS AND INTERNATIONAL</b>	4 578,7	3 944,0	691,1	574,8	70,2	53,6
Exports	1 846,5	1 521,7	423,6	366,4	10,6	10,3
International operations	1 462,7	1 239,6	207,1	166,3	45,1	29,1
Deciduous Fruit	1 440,1	1 324,5	60,4	42,1	14,5	14,2
Other intergroup sales	(170,6)	(141,8)	-	-	-	-
<b>NIGERIA</b>	3 120,1	2 808,8	(281,9)	(384,0)	247,3	269,2
<b>TOTAL FROM CONTINUING OPERATIONS</b>	30 072,0	27 003,5	3 556,0	3 082,8	717,2	687,5
<b>DISCONTINUED OPERATION</b>	186,9	1 087,8	30,8	196,9	-	66,7
<b>TOTAL GROUP</b>	30 258,9	28 091,3	3 586,8	3 279,7	717,2	754,2

\* The amounts have been restated due to the adoption of IAS 19R.

\*\* Segmental reporting has been revised during the current year, with Pasta and Canned Meats being removed from the Groceries division and realigned to Other Grains and Value Added Meat Products respectively. The comparative disclosures have been restated accordingly.

<sup>1</sup> Refer to note 3 of the financial statements for further information on geographical split.

<sup>2</sup> Operating income is stated after amortisation of intangible assets.

<sup>3</sup> Comprises maize milling, wheat milling and baking, sorghum beverages and malt-based breakfast cereals.

<sup>4</sup> Comprises rice, pasta and oat-based breakfast cereals.

<sup>5</sup> Includes the corporate office and management expenses relating to international investments. Also included are IFRS 2 charges of R105,4 million (2013: R134,2 million). Refer to note 23 for further details.

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

Key statistics *continued*Segment report *continued*

for the year ended 30 September 2014

	Total assets		Accounts payable, provisions and accruals and taxation		Capital expenditure	
(R'million)	2014	Restated* 2013	2014	Restated* 2013	2014	2013
<b>DOMESTIC OPERATIONS</b>	15 715,2	14 862,3	3 693,3	3 230,7	636,4	546,5
<b>Grains</b>	4 981,1	4 499,8	1 117,4	999,4	108,3	121,7
Milling and Baking <sup>1</sup>	3 845,4	3 503,7	847,2	705,2	108,3	116,7
Other Grains <sup>2</sup>	1 135,7	996,1	270,2	294,2	–	5,0
<b>Consumer Brands</b>	9 553,1	8 468,4	1 960,5	1 674,9	454,7	384,7
Groceries	4 156,1	3 574,2	769,6	614,9	276,7	227,2
Snacks & Treats	1 086,7	860,0	382,6	347,5	148,4	55,5
Beverages	1 668,5	1 582,8	218,0	158,2	–	64,0
Value Added Meat Products	1 151,9	1 023,9	237,2	237,8	20,8	30,4
Out of Home	–	–	–	0,4	–	–
HPCB	1 489,9	1 427,5	353,1	316,1	8,8	7,6
Other <sup>3</sup>	1 181,0	1 894,1	615,4	556,4	73,4	40,1
<b>EXPORTS AND INTERNATIONAL</b>	5 162,6	4 614,0	705,1	620,8	206,0	89,1
Exports	2 659,9	2 327,7	171,4	120,6	0,3	4,4
International operations	1 572,6	1 302,4	325,3	332,4	109,7	61,7
Deciduous Fruit	930,1	983,9	208,4	167,8	96,0	23,0
<b>NIGERIA</b>	3 667,3	4 345,8	951,4	828,1	140,5	48,5
Classified as held-for-sale/discontinued operation	–	1 280,7	–	491,3	–	43,5
<b>TOTAL</b>	24 545,1	25 102,8	5 349,8	5 170,9	982,9	727,6

\* The amounts have been restated due to the adoption of IAS 19R.

\*\* Segmental reporting has been revised during the current year, with Pasta and Canned Meats being removed from the Groceries division and realigned to Other Grains and Value Added Meat Products respectively. The comparative disclosures have been restated accordingly.

	Total assets	
(R'million)	2014	Restated* 2013
<b>Split of non-current assets</b>		
South Africa	5 962,0	5 322,0
Outside South Africa	4 432,3	5 601,3
<b>TOTAL</b>	10 394,3	10 923,3

<sup>1</sup> Comprises maize milling, wheat milling and baking, sorghum beverages and malt-based breakfast cereals.<sup>2</sup> Comprises rice, pasta and oat-based breakfast cereals.<sup>3</sup> Includes the corporate office.

(R'million)	2014	2013
<b>Reconciliation of total assets</b>		
Total assets per statements of financial position	24 852,0	25 241,0
Deferred taxation asset	(306,9)	(138,2)
	24 545,1	25 102,8



## 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'million)	2014	%	2013	%
Turnover	30 072,0	100,0	27 003,5	100,0
Less: Net cost of products and services	22 068,0	73,4	19 985,1	74,0
Value added	8 004,0	26,6	7 018,4	26,0
Add: Income from investments and associates	624,7	2,1	552,7	2,0
<b>Wealth created</b>	<b>8 628,7</b>	<b>28,7</b>	<b>7 571,1</b>	<b>28,0</b>
Applied to:				
Employees				
Salaries, wages and other benefits	3 307,2	38,3	2 860,2	37,8
Providers of capital	1 896,2	22,0	1 825,5	24,1
Interest on borrowings	429,0	5,0	399,4	5,3
Dividends and capital distributions to non-controlling interests and preference shareholders	20,7	0,2	9,9	0,1
Dividends to ordinary shareholders	1 446,5	16,8	1 416,2	18,7
Government				
Taxation (refer note 1)	1 472,8	17,1	1 346,1	17,8
Retained in the group	1 952,5	22,6	1 539,3	20,3
	<b>8 628,7</b>	<b>100,0</b>	<b>7 571,1</b>	<b>100,0</b>
<b>Note 1</b>				
Income taxation (excluding deferred tax)	1 053,1		942,7	
Skills development levy	22,8		15,7	
Rates and taxes paid to local authorities	23,8		29,1	
Customs duties, import surcharges and excise taxes	373,1		358,6	
Gross contribution to government	<b>1 472,8</b>		<b>1 346,1</b>	

The payments to government exclude taxation deducted from employees' remuneration of R365,4 million (2013: R325,8 million), net VAT of R413,1million (2013: R422,1 million), excise duty on revenue and UIF payments.

(R'million)	2014	%	2013	%	2012	%	2011	%	2010	%
<b>Trend of value added</b>										
Employees	3 307,2	38	2 860,2	38	2 530,1	36	2 241,1	36	2 151,9	37
Providers of capital	1 896,2	22	1 825,5	24	1 509,2	21	1 313,8	21	1 305,3	22
Government	1 472,8	17	1 346,1	18	1 189,1	17	1 082,6	17	881,6	15
Retained in the group	1 952,5	23	1 539,3	20	1 822,7	26	1 603,4	26	1 492,4	26
	<b>8 628,7</b>	<b>100</b>	<b>7 571,1</b>	<b>100</b>	<b>7 051,1</b>	<b>100</b>	<b>6 240,9</b>	<b>100</b>	<b>5 831,2</b>	<b>100</b>

Key statistics *continued*

## Summary of ratios and statistics

	2014	Restated <sup>1</sup> 2013	2012	2011	2010
<b>ORDINARY SHARE PERFORMANCE</b>					
Number of ordinary shares upon which headline earnings per share is based (000) <sup>2</sup>	160 127	159 755	159 263	158 655	158 193
Headline earnings per ordinary share (cents)	1 816	1 629	1 689	1 575	1 393
Dividends per ordinary share (cents) <sup>1</sup>	940	865	850	791	746
Dividend cover (times) <sup>1</sup>	1,9	1,9	2,0	2,0	1,9
Net worth per ordinary share (cents)	8 221	7 998	7 086	6 209	5 247
<b>PROFITABILITY AND ASSET MANAGEMENT</b>					
Asset turnover (times)	2,1	2,2	2,6	2,8	2,9
Working capital per R1 000 turnover (R)	22,1	23,2	22,5	20,1	20,7
Operating margin (%)	11,8	11,4	15,3	15,9	15,6
Effective taxation rate (%) – as defined	30,9	25,9	27,0	28,2	27,9
Return on equity (%)	22,7	19,7	24,1	25,0	28,2
Return on average net assets (%)	24,6	24,6	33,8	38,2	45,2
<b>FINANCING</b>					
Current ratio	1,1	1,1	1,5	1,4	1,9
Net interest cover (times)	9	8	25	51	37
Net debt/(cash) to net funding (%)	20	24	9	14	(1)
Total liabilities to total shareholders' funds (%)	72	71	47	51	45
Cash flow to net liabilities (%)	36	32	60	56	87
<b>EMPLOYEE STATISTICS</b>					
Number of employees at year end <sup>3</sup>	16 365	16 752	14 609	14 164	11 348
– permanent	12 923	12 760	10 878	10 755	9 022
– seasonal	3 442	3 992	3 731	3 409	2 326
Revenue per employee (R000)	1 841	1 616	1 559	1 712	1 708
Value added per employee (R000)	489	419	449	419	486
Operating profit per employee (R000)	217	184	238	229	266

	2014	Restated* 2013	2012	2011	2010
<b>ECONOMIC INDICATORS</b>					
Consumer Price Index (September on September)	5,9%	6,0%	5,5%	5,7%	3,2%
Key closing exchange rates at 30 September vs ZAR					
– USD	11,32	10,05	8,29	8,10	6,98
– GBP	18,35	16,23	13,38	12,60	11,01
– EUR	14,28	13,60	10,69	10,88	9,52
<b>STOCK EXCHANGE STATISTICS</b>					
Market price per share (cents)					
– year end	31 543	29 911	27 312	21 000	18 960
– highest	32 200	33 499	29 321	21 050	19 199
– lowest	24 444	26 700	20 252	17 297	14 501
Number of transactions	508 975	553 725	418 955	373 418	349 411
Number of shares traded (000)	139 926	140 315	150 973	157 833	183 599
Value of shares traded (Rm)	39 468	41 357	38 662	29 955	31 661
Number of shares traded as a percentage of total issued shares	72,9	73,3	79,0	82,8	96,5
Dividend yield at year end (%)	3,0	2,9	3,1	3,8	3,9
Earnings yield at year end (%)	5,9	5,5	6,2	7,5	7,4
Price earnings ratio at year end	17	18	16	13	14
Market capitalisation at year end (Rm)	60 546	57 294	52 219	40 035	36 062
Market capitalisation to shareholders' equity at year end (times)	4,6	4,5	4,6	4,1	4,3

\* The amounts have been restated due to the adoption of IAS 19R.

<sup>1</sup> Based on the sum of the interim dividend paid in the current year and the final dividend declared post-year end. Also includes capital distributions paid out of share premium in January 2010, July 2010 and January 2011.

<sup>2</sup> Net of treasury and empowerment shares.

<sup>3</sup> Includes employees of international operations.

# Corporate governance

## **Approach to corporate governance and ethical leadership**

Tiger Brands is committed to the highest standards of corporate governance and ethical and moral business behaviour. This commitment is woven through every aspect of the group's management structures at all of its operations. In all matters that are considered by the board, the board is cognisant of the fact that the directors and management are custodians of the company and its assets and manage them on behalf of shareholders, who are the true owners of the company.

Ethical practices are entrenched throughout the organisation as the only acceptable behaviour. The board sets the tone and standards in this


regard, which in turn filters down to executive management and all employees. Tiger Brands adopts a zero-tolerance approach to infringements of governance and ethical standards at all levels of the company.

The group's approach is strictly adhered to in each country in which it operates. Governance processes, such as audit, risk and remuneration committees and ethics lines are in place at each subsidiary across Africa. In addition, management operates in terms of a delegation of authority matrix that is formally approved by the board.

Good governance is a fundamental prerequisite for any considered new investment of the group within South Africa, across Africa or elsewhere.

## Governance structure

### Board

<b>Members</b>	AC Parker (Chairman), BL Sibiya (Deputy Chairman), SL Botha, MJ Bowman, RMW Dunne, M Makanjee, KDK Mokhele, RD Nisbet, MP Nyama, PB Matlare (Chief Executive Officer), O Ighodaro (Chief Financial Officer) and CFH Vaux
<b>Responsibility</b>	<p>The board takes overall responsibility for directing the company to achieve its strategic objectives, vision and mission. It is accountable for the development and execution of the group's strategy, operating performance and financial results.</p> <p>In terms of the board charter, responsibilities include:</p> <ul style="list-style-type: none"> <li>➤ approving the strategic direction of the group and the budgets necessary for its implementation;</li> <li>➤ being the guardian of the values and ethics of the group;</li> <li>➤ appointing the Chief Executive Officer;</li> <li>➤ retaining full and effective control over the operations of the group;</li> <li>➤ monitoring the management and implementation of the corporate vision; and</li> <li>➤ delegating responsibility to the executive committee or board sub-committees.</li> </ul> <p>A copy of the board charter is available on the company's website. </p>
<b>Number of meetings per year</b>	There are a minimum of six meetings held each year. There are four quarterly review meetings, one meeting to consider the five-year strategic plan and one meeting to approve the budget for the following year.

# Corporate governance continued

Committees		
	Audit committee	Remuneration and nomination committees
Members	RMW Dunne (Chairman) KDK Mokhele RD Nisbet	SL Botha (Chairman – remuneration committee) AC Parker (Chairman – nomination committee) RMW Dunne MP Nyama
Responsibility	<p>This committee is a statutory committee established in terms of the provisions of the Companies Act No 71 of 2008.</p> <p>The committee is responsible for reviewing the interim financial statements and Integrated Annual Report, the internal control framework and procedures, confirming and reviewing the internal audit, reviewing the effectiveness of the system of internal controls, reviewing risk management, and recommending the appointment of the external auditors.</p> <p>See audit committee report on page 74.</p>	<p>The remuneration committee is responsible for determining Tiger Brands' general policy on executive and senior management remuneration. The committee is further responsible for succession planning for key management positions.</p> <p>The nomination committee is responsible for making recommendations for nominations to the board and will give consideration to the composition of the board.</p> <p>See remuneration report on page 80.</p>
Number of independent directors	3/3	4/4
Number of meetings per year	3	4
Terms of reference in place and reviewed annually*	Yes	Yes
Self-evaluation completed	Yes	Yes

\* See full terms of reference on our website [www.tigerbrands.com](http://www.tigerbrands.com). 

## Committees

Risk and sustainability committee	Social, ethics and transformation committee	Investment committee
RMW Dunne (Chairman) KDK Mokhele Members of executive management	BL Sibiya (Chairman) M Makanjee AC Parker PB Matlare Members of executive management	AC Parker (Chairman) KDK Mokhele RMW Dunne RD Nisbet
<p>The committee has an independent oversight role and reports to the audit committee and the board on risk and sustainability issues. It reviews the annual risk and environmental assessments conducted by Marsh (Pty) Limited, management and the internal auditors.</p> <p>See risk management on page 68.</p>	<p>This committee is a statutory committee established in terms of the provisions of the Companies Act No 71 of 2008.</p> <p>The committee assists the board in ensuring that Tiger Brands is and remains a good and responsible corporate citizen. This includes monitoring the company's activities with regard to any relevant legislation, legal requirements and prevailing codes of best practice with regard to social, ethics and transformation matters.</p> <p>See page 78.</p>	<p>The committee is responsible for considering acquisitions and other material financial issues prior to submission to the board and meets on an <i>ad hoc</i> basis.</p>
2/10	3/4	4/4
3	4	2 meetings in the year under review
Yes	Yes	Mandated by the board and meets on an <i>ad hoc</i> basis
Yes	Yes	No

## Corporate governance continued

### Application of King III

In conformity with the primary South African corporate governance framework, the King Report on Governance for South Africa 2009 (King III), the group is satisfied that it has applied the key principles in all material respects other than where indicated to the contrary in this Integrated Annual Report. Tiger Brands has also adopted the principles of the 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.

Details of the application of King III are set out on page 242. The GRI Index is available on the website. 

### The board

The board meets at least six times a year and monitors the performance of executive management. It addresses a range of key operational and strategic issues and ensures that debate on matters of policy, strategy and performance is critical, informed and constructive. In addition to the four quarterly board meetings, separate sessions are held annually to discuss strategy and budget plans. Non-executive directors are encouraged to meet both officially and unofficially with senior executive management on a regular basis. Twice a year, non-executive directors meet, without executive management being present, to informally discuss matters relating to the company.

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



Attendance at board and committee meetings is set out below:

	Board meeting					Audit committee meeting	Remuneration and nomination committee meeting	Risk and sustainability committee meeting	Social, ethics and transformation committee meeting	Investment committee meeting											
Director	Board meeting					Audit committee meeting	Remuneration and nomination committee meeting	Risk and sustainability committee meeting	Social, ethics and transformation committee meeting	Investment committee meeting											
Date	19/11/13	11/2/14	*31/3/14	20/5/14	5/8/14	**17/9/14	12/11/13	14/5/14	10/9/14	13/11/13	5/2/14	13/5/14	4/11/13	14/5/14	10/9/14	14/11/13	10/2/14	19/5/14	4/8/14	4/11/13	27/3/14
Independent non-executive																					
AC Parker (Chairman)	●	●	●	●	●	●				●	●	●				●	●	●	●	●	●
BL Sibiya (Deputy Chairman)	●	●	●	●	●	●										●	●	●	●		
RMW Dunne	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●					●	●
SL Botha	●	●	●	●	●					●	●	●									
MJ Bowman	●	●	●	●	●																
KDK Mokhele	●	●	●	●	●	●	●	●	●	●			●	●	●					●	●
MP Nyama	●	●	●	●	●	●				●	●	●									
RD Nisbet	●	●	●	●	●	●	●	●	●											●	●
M Mankjee	●	●	●	●	●	●										●	●	●	●		
Executive																					
PB Matlare (Chief Executive Officer)	●	●	●	●	●	●	●	●	●	●	●	●				●	●	●	●	●	●
O Ighodaro (Chief Financial Officer)	●	●	●	●	●	●	●	●	●				●	●	●					●	●
CFH Vaux	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●					●	●

\* Extraordinary

\*\* Budget

● Absent

● Attended

## Corporate governance continued

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

The roles of the Chairman and the Chief Executive Officer are strictly separate. All non-executive directors are considered independent and are appointed in terms of their business acumen and skill.

### **Board and committee evaluation**

During 2014, the board contracted with a third party to conduct an independent evaluation of the board's performance and of the statutory and other sub-committees of the board.

The scope of the board effectiveness assessment included an overall effectiveness assessment of the board itself collectively, a review of individual directors' performance and contribution, a review of the Chairman's leadership and contribution and a review of the Company Secretary's role and contribution. The assessment was conducted by questionnaires and interviews.

This is explained in more detail in the remuneration report on pages 80 to 105.

## Board processes

### Appointment of directors

The appointment process is conducted in a transparent and formal manner and is the responsibility of the nomination committee.

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

### Rotation of directors

No executive directors have fixed-term contracts and in terms of the memorandum of incorporation, all directors 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, save for 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.

### Dealing in company shares and conflicts of interest

A formal policy outlining the procedures for dealing in Tiger Brands' shares is in place. It aims to protect directors and executives against possible and unintentional contravention of the insider trading laws and stock exchange regulations.

No investment or divestment 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 in any other closed period as may be outlined in terms of the JSE Listings Requirements.

Any investment in or divestment from a group company by a director or a member of the senior executive management committee must be referred to the Chairman 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 equity-settled share incentive schemes are subject to the rules of the scheme/s and the provisions of the JSE Listings Requirements.

## Corporate governance *continued*

### Board committees

The board has delegated specific responsibilities to sub-committees of the board. In addition, the statutory committees established in terms of the Companies Act No 71 of 2008, as amended (the Companies Act) also report to the board. The board committees assist the directors in discharging their duties and responsibilities in terms of the Companies Act No 71 of 2008, as amended, and the appropriate governance authorities.

### Audit committee

The report of the audit committee is set out on page 74.

### Remuneration and nomination committees

The company's Chief Executive Officer, Mr PB Matlare, attends committee meetings by invitation and assists the committee in its deliberations save when issues relating to his own compensation are discussed. As with Mr Matlare, no directors are involved in determining their own remuneration. The committee takes advice from the company's human resources and finance functions, as well as independent consultants.

The committees perform two distinct functions, one relating to remuneration and the other to

the nomination of non-executive directors to the board. When nomination issues are considered, the committee is chaired by the group Chairman, AC Parker.

A comprehensive remuneration report is set out on pages 80 to 105 of this Integrated Annual Report 2014.

### Risk and sustainability committee

Although the committee has an independent oversight role, it does not assume the function of group management. This remains the responsibility of the executive directors, officers and other members of senior management.

The duties of committee members who are also directors of the company are in addition to the responsibilities held by them as members of the board. The other members of the committee comprise the group's senior management, including representatives of the sustainability, compliance, financial, legal/secretarial, operational management and supply chain functions of the group. The group compliance officer also attends meetings of the committee and has direct access to the committee chairman.

Further, the internal and external auditors, as well as Marsh (Pty) Limited, which undertakes the risk and environmental reviews, attend all meetings of this committee. Specialists are invited when appropriate to provide advice on matters of risk and sustainability.

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

#### **Social, ethics and transformation committee**

The committee operates in line with the requirements of the Companies Act No 71 of 2008, as amended, and King III.

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

The report of the social, ethics and transformation committee is set out on page 78.

# Risk management

Effective risk management is fundamental to the business activities of the group. Tiger Brands has a comprehensive risk management programme, which has been implemented across all of its operations. By identifying and proactively addressing risks and opportunities, the group is able to sustain value for its stakeholders while protecting its business operations, the wellbeing of its employees and its reputation.

A formal risk policy is in place, which outlines Tiger Brands' risk management objectives and the process for identifying, evaluating and managing risks on an ongoing basis.

## Risk control framework

The risk management process involves identifying and documenting key risks, which are assessed in terms of likelihood and impact. The controls and business processes in place to manage the risks are evaluated and action plans are developed to address any residual risk exposure, where necessary.

Responsibility and accountability for risk management permeates all levels of the organisation and Tiger Brands has established a culture of risk management which is embedded through processes, resources and structures. These range from internal audit, risk control and environmental audits, systems, insurance, IT security, compliance processes, quality management and a range of other line management interventions. Risk management is further strengthened by enforcing the group's

Code of Conduct and encouraging employees to use the confidential ethics hotline to report concerns.

The board obtains assurance that the controls over identified risks are operating effectively through a multi-tiered combined assurance framework, comprising:

1. The board, risk and sustainability committee, executive directors and management;
2. The company's Commercial Audit Unit, internal auditors KPMG Services (Pty) Limited and other assurance providers;
3. External auditors Ernst & Young Inc., and other assurance providers such as Marsh (Pty) Limited Risk Consulting; and
4. Environmental risk assurance by Marsh (Pty) Limited Africa.

## 1. The board, executive directors and management

### The board

- Retains ultimate responsibility for the oversight of the group's risk management processes
- Sets the level of risk tolerance and limits of risk appetite for the group
- Instils a prudent approach to risk
- Ensures that the group's strategic objectives, management of reputational risk, management priorities and stakeholder expectations inform decisions
- Monitors the effectiveness of the risk management process

### The risk and sustainability committee

- Actively monitors the group's key risks as part of its standard agenda
- Oversees the group's risk management programme
- Reports to the audit committee and the board
- Regularly focuses on the process of determining the group's lost-time injury frequency rate (LTIFR) occurrences and the degree of seriousness of such injuries, in addition to reviewing on an annual basis the setting of LTIFR targets across the group

### Group executives and operational management

- Are responsible for day-to-day risk management
- Regularly review the strategic and operational risks at a divisional level, prioritising high-risk areas. Responsibility for each of the identified risks is assigned to an appropriate member of the senior management team, who is required to report to the executive committee on the steps taken to manage or mitigate the risks in question
- Drive specific risk control initiatives, addressing health and safety management, security, fire defence, food safety, environmental management and quality management

### 2. Commercial Audit Unit, internal auditors KPMG and other assurance providers

- Conduct compliance and risk-based audits focused on the control environment, as well as key risks identified through the company's risk management process
- Address potential fraud or criminal activity and respond to issues arising from the confidential ethics hotline
- Follow-up work in respect of incidents of defalcation or other issues requiring investigation

The company has a zero-tolerance approach to non-compliance with legislation in all jurisdictions in which it operates.

### 3. External auditors, external assurance providers, other professional service providers and regulatory/legislative audits

- The preparation of the annual financial statements remains the responsibility of the directors. The audit committee, on behalf of the board, regularly meets with the external auditors and formally evaluates their independence on an annual basis
- The independent external auditors, Ernst & Young Inc., report on whether the annual financial statements fairly present the state of affairs of the company and the group, in compliance with IFRS and the Companies Act

## Risk management continued

### 4. Environment risk assurance

Marsh (Pty) Limited conducts compliance audits and reports on the group's environmental, health and safety risk management programme.

### Significant risks

Tiger Brands has identified the following key risks as being the most significant risks facing the group. These do not comprise all of 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 currently deemed immaterial) may arise (or worsen in severity), which could affect the long-term sustainability of the group's business and/or operations.

#### Domestic trading environment

The trading environment in South Africa remains challenging, with manufacturers facing intense competition and weak consumer demand due to the ongoing financial constraints on disposable incomes. These factors are exacerbated by above inflationary input cost pressures, which are fuelled by the weak rand and cannot be fully recovered in pricing or increased volumes. Further pressures persist as consumers have become more value conscious, increasing their trial of cheaper products.

Tiger Brands' response has been to maintain its price competitiveness on shelf by driving operational efficiencies and cost savings. The level of marketing support and focus on new

product innovation has also increased in order to drive top-line growth.

#### Innovation

Critical to Tiger Brands' success is its ability to anticipate consumer preferences and offer relevant, high-quality products in a competitive and ever-changing consumer environment. Failure to drive innovation could negatively impact the brands' relevance to consumers and consequently erode the equity value of the company's brands and result in the loss of market share. Tiger Brands continually monitors and analyses market trends and conducts research on consumer habits and attitudes. The group keeps its core brands pertinent and contemporary by investing extensively in innovation through product performance enhancements, variant and range extensions and new category entities. The group is intensifying its efforts on brand building through increased marketing support, new product development and innovation, as well as through the appropriate investment in R&D resources.

#### Customers

The increasing consolidation of the retail trade and emergence of buying groups has intensified the competitive pressures on manufacturers. Retailers are competing against branded manufacturers through their focused private label offerings whilst driving selling prices down through extended promotional activity.



In driving increased penetration through the retailers' new store openings, further cost pressure is exerted on manufacturers without significant additional volume growth in the total market.

The group has put in place equitable trading terms with customers to drive volume performance and is increasing its focus on brand building to stimulate increased demand from consumers. Tiger Brands' customer and supply chain structures are also being strengthened to ensure better alignment and focus.

#### Human resources

The group continues to implement consistent HR policies and people strategies across its businesses. Clearly defined roles, responsibilities and reporting lines ensure that the organisational structure is optimal for delivering against the group's strategic objectives. The group has in place talent management and succession planning structures, which anticipate the requirements for functional skills ahead of demand and sets a rolling "cover target" for key positions in order to ensure the group's sustainability. Tiger Brands' internal talent plans continually seek innovative ways of finding and retaining skilled people. Individual development plans and an effective performance management system contribute to employee retention, supported by competitive incentives which are aligned to the group's performance against its strategic goals.

#### Geographic expansion into Nigeria

The expansion into Nigeria represents a significant growth opportunity for the group, notwithstanding the current operational challenges being faced. Failure to successfully implement the changes required to fix, optimise and grow the Nigerian businesses, could significantly affect the group's future growth prospects. Adequate resources have been deployed to implement Tiger Brands' operating standards, stabilise the business and drive profitable growth through increased market penetration and entry into new product categories. Significant investment is being made, through increased marketing support and new product development, to build existing and new brands, and also in optimising the group's route to market capabilities in Nigeria.

#### Changes in consumer preferences

Consumers have become more value conscious in their purchasing decisions, switching to cheaper alternative brands where possible. Tiger Brands continues to focus on cost containment initiatives across its value chain and on the management of the pricing of its products relative to competitor brands. In addition, it strives to enhance the perceived benefits of its products through improved functional attributes, convenient pack formats and value-added offerings.

## Risk management continued

### IT systems

The group continually assesses the IT risks that could have a material impact on its operations and has comprehensive disaster recovery plans in place to mitigate these risks. The group is currently in the process of completing the consolidation of its various ERP systems onto a single Oracle platform and has centralised certain functions, including procurement and finance. Change risk is being managed through detailed planning to ensure a smooth and effective transition and integrity of the group's information management systems.

### Legislative issues

Tiger Brands is fully compliant with the regulatory framework within which it operates. Areas relevant to the group, where interaction at appropriate governmental level is required, include fair trade, product safety and tariff enforcement. To ensure that employees have adequate skills to interpret legislative requirements and remain abreast of new legislation, regular compliance training is conducted. This applies to all territories in which the group operates.

### Product safety

The quality and safety of the group's products is of paramount importance for its brands and reputation. Embedded quality control and assurance processes, as well as health and safety procedures, are in place across all of the group's manufacturing facilities, with restricted access controls at production facilities. Following the recent product recall of a batch of "Simply Delicious" products that were distributed into the market, the group has taken steps to further reinforce these controls. Effective crisis management plans are in place and are regularly tested. The majority of the group's manufacturing facilities are HACCP compliant or in the process of seeking HACCP or ISO 22000 accreditation.

### Resources and procurement

Tiger Brands is exposed to soft commodity price risk when acquiring strategic raw materials such as wheat, maize, rice, oats, sorghum, tomatoes, white beans and sunflower oil. Price variations are triggered by supply conditions, weather, economic conditions and other factors. The group monitors and reviews the impact of climatic conditions on agricultural produce and the implications for its supply chain. It also reviews procurement exposures on an ongoing basis.

### Foreign currency risk

Exposures to foreign currency fluctuations arise as Tiger Brands operates in various countries and undertakes transactions denominated in foreign currencies. The group enters into various types of foreign exchange contracts as part of the management of its exposures in this regard. These exposures are monitored on an ongoing basis and transactions involving foreign currency are governed through a clear foreign exchange policy where open positions are limited.

### Labour unrest

South Africa's labour environment has become increasingly challenging, with widespread labour action taking place in certain sectors of the economy during the last year. Industrial action could result in the disruption of production and distribution of products and consequent failure to meet customer service delivery expectations. Tiger Brands prioritises strong relationships with its labour force and unions and promotes open communication with union representatives.

### Other risks which require significant management attention

- ▶ Reputation and increased consumer activism through social media
- ▶ Merger and acquisition risks
- ▶ Electricity and water supply
- ▶ Catastrophic loss of manufacturing facility
- ▶ Political/country risk

# Audit committee report

This report is provided by the audit committee appointed in respect of the 2014 financial year in compliance with the Companies Act No 71 of 2008, as amended. 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 for the 2014 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.

## Structure of the committee

The committee comprises three independent non-executive directors and the Chairman of the committee is not the Chairman of the board of the company. The following directors served on the committee during the period under review and to the date of this report:

- Richard Dunne (Chairman)
- Rob Nisbet
- Khotso Mokhele

Biographical details of the committee members appear under leadership on page 21. Fees paid to the committee members are outlined in note 4.2 of the group annual financial statements.

## The year under review

### External audit

The committee, among other matters:

- nominated to shareholders for appointment, Ernst & Young Inc. as the external auditor, and W Kinnear as the designated auditor,

for the financial year ended 30 September 2014, and ensured that the appointment complied with all applicable legal and regulatory requirements. 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. Fees paid to the auditor are detailed in note 4.1 of the group annual financial statements;
- reviewed the audit, evaluated the effectiveness of the external 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;
- considered the reports of the external auditor on the group's systems of internal control including financial controls;
- determined the nature and extent of all non-audit services provided by the external auditor and pre-approved all non-audit services to be undertaken, ensuring compliance with the group's non-audit services policy;
- obtained assurances from the external auditor that adequate accounting records were being maintained;
- considered whether any reportable irregularities were identified and reported by the external auditor in terms of the Auditing Profession Act No 26 of 2005, and determined that there were none; and
- nominated the external auditor and the designated independent auditor for each of the group companies.

### 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 benefits 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.
- The criteria specified for independence by the independent regulatory Board for Auditors and international regulatory bodies.
- 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 were determined to be a going concern;
- considered the accounting treatment of 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;
- met separately with management and external audit to review and discuss the annual financial statements; and
- received and considered reports from the internal auditor.

### Financial statements

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;

### Internal controls and internal audit

In respect of internal controls 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;

# Audit committee report continued

- considered the reports of the internal auditor, KPMG Services (Pty) Limited, 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, 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; and
- 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 these may have an impact on the financial statements, the committee:

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

In respect of the 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.

### **Chief Financial Officer's expertise and experience**

The committee also considered the expertise, resources and experience of the Chief Financial Officer, Ms Funke Ighodaro, and concluded that these were appropriate. Her biographical details appear under leadership on page 21.

### **Company Secretary**

In addition, in terms of section 3.84 of the JSE Listings Requirements, it has been determined that the Company Secretary, IWM 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 the immediate past president of the Corporate Lawyers Association of South Africa. Mr Isdale has been Company Secretary and legal adviser to Tiger Brands since May 1994. He is not a director of the company. The committee and the board are satisfied that he 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 have reached this conclusion as a consequence of their long-standing working relationship with the Company Secretary. This was confirmed in the evaluation of his performance 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 on pages 104 to 105.

### **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 2014, 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 Annual Report 2014.

Having achieved its objectives, the audit committee has recommended the annual financial statements and Integrated Annual Report for the year ended 30 September 2014 for approval to the board. The board has subsequently approved the annual financial statements and the Integrated Annual Report 2014, which will be open for discussion at the upcoming annual general meeting.

#### **Richard Dunne**

*Chairman of the audit committee*  
18 November 2014

## Social, ethics and transformation committee report

The social, ethics and transformation committee operates within defined terms of reference as set out in its charter and the authority granted to it by the board. Broadly, the committee is tasked with overseeing the good corporate citizenship of the group on behalf of the board.

The committee is chaired by Bheki Sibiya and further comprises Chief Executive Officer Peter Matlare, independent non-executive group Chairman André Parker, independent non-executive Maya Makanjee and members of executive management. The committee meets at least three times a year. Details of meeting attendance are set out on page 63.

The committee's role is to regularly monitor the group's activities, with regard to any relevant legislation, other legal requirements or prevailing codes of best practice, in respect of the following:

- Social and economic development, including the group's standing in terms of:
  - the 10 principles set out in the United Nations Global Compact Principles;
  - the anti-bribery and corruption legislation and best practice from around the world including OECD, US Foreign Corrupt Practices Act and UK Bribery Act;
  - the Employment Equity Act; and
  - the Broad-Based Black Economic Empowerment Act.

- Good corporate citizenship, including the group's:
  - promotion of equality, prevention of unfair discrimination, and reduction of corruption;
  - contribution to the development of the communities in which our activities are predominantly conducted or within which our products or services are predominantly marketed; and
  - record of sponsorship, donations and charitable giving.
- Consumer relations
- Environment, health and public safety, including the impact of the group's activities and its services
- Stakeholder relationships, including the group's advertising, public relations and compliance with consumer protection laws
- Labour and employment, including the group's:
  - standing in terms of the International Labour Organisation Protocol on decent work and working conditions
  - employment relationships, and our contribution towards the educational development of our employees.

The committee draws these matters to the attention of the board and reports on them to the shareholders at the annual general meeting.



To this end, a reporting framework is in place which covers aspects contemplated in the United Nations 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 risk control systems.

Management reports to the committee on matters relevant to its deliberations to enable the members to fulfil their responsibilities.

Mechanisms to encourage ethical behaviour such as the Code of Ethics, and tip-off line, were confirmed as adequate by the committee in the year.

No human rights incidents were reported. In South Africa, aspects such as prohibition of child labour, forced compulsory labour and discriminatory practices are monitored by the Department of Labour in addition to the committee.

The committee also confirmed that all consumer complaints are monitored by executive management, as well as the risk and sustainability committee, in line with the Consumer Protection Act. A four-year consumer complaints review undertaken by the committee indicated a progressive decline in the number of complaints.

The group labour report was considered by the committee. Female representation is at 31% in junior management, 36% in middle management, 27% in senior management and 25% in executive management. Board representation is at 25%. The trend has remained consistent over a three-year period. Income differentials are also annually tracked by the Department of Labour.

Corporate social investment and the Tiger Brands Foundation are reported separately on pages 119 to 122.

In respect of broad-based black economic empowerment (B-BBEE) performance, the company retained a Level 3 contributor rating for the year. The focus areas for the year under review were employment equity, skills development and enterprise development. The group is currently reviewing its plans and strategies in order to align to the newly promulgated and revised B-BBEE codes.

#### **Bheki Sibiya**

*Chairman of the social, ethics and transformation committee*

18 November 2014

# 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 and members of the executive committee).

The remuneration policy, approved by the shareholders by way of a non-binding advisory

vote, at the AGM held on 11 February 2014, is set out below. The remuneration policy is regularly reviewed by the remuneration committee to ensure that it reflects best practice and remains competitive and relevant to Tiger Brands' employee value proposition.

## Remuneration policy

### Objective

The Tiger Brands remuneration policy aims to ensure that the group attracts and retains key and critical talent 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 support the vision to be the most admired, branded FMCG company in selected emerging markets by attracting and retaining the right talent.
- ▶ Remuneration should have a direct correlation with the growth plans and financial performance of the businesses and the group.
- ▶ Remuneration should be reviewed and benchmarked annually through professional in-country service providers to ensure the group remains competitive in the diverse markets in which it operates, never applying percentiles rigidly but taking into account industry type, skills scarcity, performance and legislative structures and requirements.
- ▶ Remuneration must support the group's strategy, and be consistent with the organisation's culture of fairness and equity.
- ▶ Remuneration should motivate, drive deeper engagement and allow for differentiation in rewarding high performers.
- ▶ Individual contribution based on the role and responsibilities should have a direct bearing on the levels of remuneration.
- ▶ Variable remuneration (short and long-term incentives) practices should be tested periodically through external service providers to ensure these practices support the group's objective of reward for achievement of short-term and long-term growth, as well as the retention of talent. The remuneration committee actively participates in the entire process.

### Remuneration mix, recognition and reward

The Tiger Brands group remuneration and reward system comprises the following elements:

#### Definitions of terms used in this policy

- Total remuneration package (excluding bargaining unit employees): comprises base pay and benefits and is differentiated based on performance and the size and complexity of the business.
- Short-term incentives (for employees in middle management and above): annual short-term cash incentive that is based on the attainment of financial and strategic objectives. Primarily this scheme is intended to improve financial performance and focus the attention of participants on key strategic objectives.
- Long-term incentive (for employees in senior management and above): the medium to long-term investment by the group, through its various share incentive schemes, in its key talent to ensure sustained long-term growth and health of the group.
- The group also invests in the development of employees to ensure sustainable growth and excellent performance.

#### Total remuneration package (guaranteed)

In determining the appropriate level of total remuneration package, the following is taken into consideration:

- A role profile is determined based on competencies, outputs and behaviours required for the job.
- The role profile fit within the organisational structure is determined and the appropriate job grade assigned.
- Comparisons are made annually with external and internal benchmarks to ensure equity, fairness and defensibility.
- Appropriate market percentiles are applied based on skills, experience, affordability and market competitiveness.
- For existing employees, market percentiles are based on performance ratings, time in the role, whether development is still required to fulfil the role requirements, and value-add to the business and organisation as a whole.
- Scarce skills are determined annually and where scarcity is due to demand outstripping supply, a plan is put in place to derisk the business or organisation. Where scarcity is as a consequence of a unique combination of skills and experience an individual holds, deliberate efforts are made to build a talent pool around the scarce individual to derisk the business or organisation. Total remuneration package applied to this category of people is targeted at the top end of the market range or alternatively a non-pensionable temporary adjustment is considered until such time as the market stabilises or the risk is mitigated.
- The composition of the total remuneration package includes both compulsory (eg retirement benefits and discretionary (eg medical aid) benefits. As the group has implemented a total remuneration package approach, employees are afforded a choice to join the Tiger Brands Medical Scheme should they value the quality of benefits offered.

# Remuneration report *continued*

- Total remuneration packages are reviewed annually in October of each year. Interim reviews to total remuneration packages may be undertaken to retain talent, adjust to market, and upon promotion of employees.

## Short-term incentive

The group's short-term incentive scheme is designed to drive improvement of the group results on an annual basis. The scheme is governed by the scheme rules which are reviewed and approved by the group's remuneration committee annually.

- Eligibility for participation is based on the attainment of annual targets, both financial and strategic objectives.
- Only qualifying employees who are rated full performer, strong performer or exceptional performer during the year under review participate in the short-term incentive scheme.
- Need development performers and under-performers do not participate in the short-term incentive scheme.
- Employees who have been found guilty of gross misconduct will not be allowed to participate in the incentive scheme.
- No adjustments are made for extraneous factors; the short-term incentive is based on reported earnings.

## Long-term incentive

The long-term incentive scheme is designed to retain employees in the medium to long term, to focus their attention on longer-term strategic imperatives and to ensure sustained future growth of the organisation. This scheme is governed by rules which are reviewed and updated by the remuneration committee as necessary for alignment with best practice.

- The group's executives and senior managers are eligible for participation in the group's long-term incentive scheme.
- Eligibility criteria, the quantum of allocations and grants, as well as the conditions governing each allocation and grant, are determined by the remuneration committee.
- Allocations are made annually.
- The board determines appropriate measures in dealing with allocations and grants made to employees who have subsequently been found guilty of gross misconduct.

## Recognition and rewards

The group has in place mechanisms for recognising and rewarding its employees for excellence in various categories including high performance, living the values, continuous improvement, etc.

- The group encourages participation in motivational programmes by individual businesses.
- The businesses are encouraged to align their programmes to Tiger Stripes, the group's values-based recognition programme.
- Businesses should invest in the development of employees to ensure sustained performance and growth.
- All people development initiatives should align to the business goals and be based on the personal development plans.

### Governance

In all areas of remuneration, the remuneration committee takes an active role in reviewing the remuneration philosophy, policy, strategy and practices for alignment to best practice and strategic imperatives of the group. The desired outcome of the policy is to facilitate the attraction and retention of the right talent for the group.

### Variation

The above policy may be varied at the discretion of the executive committee (for guaranteed remuneration) or the remuneration committee (for the incentive schemes) at any time. This may include the addition or deletion of benefits, as the case may be. The policy will apply to all employees regardless of the policy that applied at the time of the appointment of such employees.

The policy is to be read in conjunction with the company's letter of appointment, disciplinary code, Code of Ethics, applicable employment legislation, as well as the company's short-term and long-term incentive scheme rules.

## 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 is also taken into consideration. For consistently high performers, it is the group's intention to set guaranteed (non-variable) pay at above-median levels of remuneration as reflected by an appropriate external executive remuneration survey.

Details of remuneration payable to executive directors, prescribed officers and members of the executive committee in respect of the 2013

and 2014 financial years, are set out in note 4.2 of the notes to the annual financial statements.

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 2013 Share Plan (and historically the Tiger Brands (1985) Share Option Scheme and the Tiger Brands Phantom Cash-settled Option Scheme). One executive director and four members of the Tiger Brands executive committee are also participants in either one or both of the company's black manager empowerment schemes.

# Remuneration report *continued*

## 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 2014, 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 HEPS. Measures and targets are set and reviewed annually by the remuneration committee.

In 2014, the strategic element of the bonus consisted of a number of components, focusing on the following areas (weightings denoted in brackets):

- ▶ Significant improvement in Tiger Brands Nigeria – measured through the achievement of specific financial targets that have been set (5% weighting).
- ▶ Meaningful increase in the group's innovation rate – a minimum increase of one percentage point in the group's innovation rate, measured as a percentage of total group turnover (5% weighting).
- ▶ Demonstrable progress in regaining Tiger Brands' market shares – measured through

the achievement of a specified total volume growth target for the categories in which Tiger Brands participates (5% weighting).

- ▶ Achievement of net savings of R200 million in respect of specific group cost-saving initiatives – in the areas of financial shared services, information technology, procurement and manufacturing (5% weighting).

Performance against individual targets and objectives is also taken into account in the final bonus determination. For an on-target performance, participants are able to earn an annual incentive equal to 50% of total remuneration package. 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 a performance above the top target. 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 2014 are set out in the table of directors' emoluments included under note 4.2 of the notes to the annual financial statements. 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 under note 4.2 of the notes to the annual financial statements.

During September 2014, the remuneration committee appointed PricewaterhouseCoopers to conduct a holistic review of the company's short-term incentive scheme. The objective of the review was to ensure that the company's short-term incentive scheme was in line with best practice and that the construction of the scheme had the correct balance between personal performance and business performance.

Following the review, it has been decided that, in line with local and global best practice, the structure of the short-term incentive plan for executive directors and senior managers will now be calculated on a multiplier basis, with:

Short-term incentive = total remuneration package (TRP) x on-target % x business multiplier x personal multiplier

The business multiplier will range from 0% for unacceptable business performance, to 100% for meeting suitably challenging performance targets to a maximum of 150% for meeting stretch targets. The personal multiplier, which will also range from 0% to 150%, will reflect the performance of each individual based on their own performance against a set of measures and targets aligned with their portfolio and responsibilities. The business multiplier will have a weighting of 70% based on HEPS performance, and 30% based on strategic measures. The strategic measures for 2015 will focus on the further recovery of Tiger Brands' market shares, product innovation, new cost reduction initiatives, performance

management, leadership development and the continued reduction in the losses at Tiger Brands Nigeria in line with the planned turnaround strategy.

The on-target levels will be unchanged for 2015 at 50% of TRP, with a maximum incentive of 112,5% of TRP in the case of meeting stretch business and personal performance levels.

### Phantom Cash-settled Option Scheme

The Tiger Brands Phantom Cash-settled Option Scheme was adopted on 23 February 2006 to replace the Tiger Brands (1985) Share Option Scheme. The remaining outstanding options in the latter scheme have to be exercised by no later than 24 January 2015. In terms of the Phantom Cash-settled Option Scheme, cash options have been granted to executive directors and senior managers on an annual basis from 2006 to the last allocation in February 2013. This final allocation in February 2013 was made as part of the transition to the newly approved Tiger Brands 2013 Share Plan.

The rules of the Phantom Cash-settled 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 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 from 2006 to 2009 have already fully vested.

# Remuneration report *continued*

Subject to meeting certain minimum performance conditions in respect of 50% of the options granted, all options granted from 2009 to 2013 are exercisable in equal one-third tranches on each of the third, fourth and fifth anniversary dates of the date of the original grant. The performance vesting condition in respect of 50% of the options granted requires 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 2009 and 2010. It is to be noted that all the cash-settled options granted in 2009 have fully vested as at 30 September 2014.

For phantom cash options issued from 2011 onwards, and in line with the principles of King III, annual retesting of the performance condition is not permitted. These options are subject to a sliding vesting scale (based on varying levels of real growth in HEPS) which is 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 in 2009 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 price was 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 smooths 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.

## **Tiger Brands Limited 2013 Share Plan**

The Tiger Brands Limited 2013 Share Plan, which was implemented in February 2013, is in line with global best practice and emerging South African practice, as it gives recognition to the required attributes of shareholder alignment, retention of key talent and long-term sustained performance.

The purpose of the 2013 Share Plan is to attract, retain, motivate and reward those 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 2013 Share Plan, 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; and
- grants of full-value restricted shares.

The correlation between share price and company financial performance is often beset by exogenous factors that can sometimes override executive performance. The 2013 Share Plan focuses executive attention and reward on performance by combining a growth-oriented element (share appreciation right) 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' 2006 Cash-settled Phantom Share Option Scheme. Under the latter scheme, annual allocations were made using a set multiple of guaranteed package to define a face value. The number of phantom share options was then derived by dividing the face value amount by the prevailing share (strike) price. The same methodology has been retained for allocations of share appreciation rights under the 2013 Share Plan, but with a reduced set multiple in order to accommodate the parallel offer of the two other elements, both forms of full-value shares.

When a participant exercises a phantom share option or share appreciation right, the value that accrues to him/her 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 the share accrues to a participant on vesting. As such, full-value shares are less reliant on share price growth, and less sensitive to the volatility of share prices, the timing of offers and the external factors that can drive share prices.

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. The restricted share element of the plan will also offer the opportunity for executives to electively waive a portion (25%, 33% or 50%) 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

# Remuneration report *continued*

reward is defined as the present value of the future reward outcome of an allocation, given the targeted future performance of the company and of its share price.

The combined, weighted implementation of the above elements of the 2013 Share Plan 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 rights 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 2006 Phantom Cash Option Scheme) or in shares, which shares may be issued and allotted, or acquired and transferred to participants. It is the company's intention that these be settled in shares.

These share appreciation rights will be subject to performance vesting criteria in terms of which the number of share appreciation rights

vesting in relation to the full number allocated will be proportionately reduced if company financial performance targets are not met. The performance criteria in the following table have previously been adopted in respect of the 2006 Phantom Cash 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%

The allocation of share appreciation rights will be at a reduced level in comparison to allocations previously made under the Phantom Cash Option Scheme, with the balance of the allocation comprising a weighted combination of the other two elements that are described in more detail below.

In February 2014, a special discretionary retention allocation of top-up share appreciation rights was made to qualifying 2013 Share Plan

participants who either did not earn a short-term incentive bonus in 2013 or whose short-term incentive bonus was based on a performance below the on-target threshold. The purpose of this special allocation was to ensure the retention of key strategic employees of the group. This special retention allocation of share appreciation rights is subject to the same performance conditions and vesting periods to which the normal annual allocations of share appreciation rights are subject. A total number of 108 844 options, at a strike price of R254,45 per share, were allocated in terms hereof.

#### 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. In respect of the awards made in February 2013 and February 2014, it was agreed 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 2013 and 2014 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. 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 the following:

## 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%, and
    - E Upper and E Lower – 50%/50%.

## 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/her at risk, the bonus deferral sub-element of the 2013 Share Plan may be referred to as a "co-investment plan". All restricted shares will vest after three years and are not subject to any further performance conditions. 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.

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

In the event that an individual's employment is terminated, vesting of any outstanding (unvested) share options under the Phantom Cash-settled 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 that follows. The new rules are applicable to phantom cash options awarded from 1 January 2011 onwards.

Termination event	Old rule (options awarded before 1 January 2011)	New rule (options awarded from 1 January 2011)
Resignation	Options not exercised on or before the last date of employment will lapse	No change
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
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
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 the 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 re-testing)

# Remuneration report continued

Termination event	Old rule (options awarded before 1 January 2011)	New rule (options awarded from 1 January 2011)
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 re-testing)
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
Dismissals	Options not exercised on or before the last date of employment will lapse	No change

## Vesting of share appreciation rights and full-value shares in the event of termination of employment – The Tiger Brands 2013 Share Plan

In the event that an individual's employment is terminated, vesting of any outstanding (unvested) share options or full-value shares under the 2013 Share Plan is dependent upon the reasons for termination. The

termination rules are in line with the recommendations contained in King III. The following is a summary of the principles to be applied in respect of units awarded under the 2013 Share Plan.

Termination of employment is based on the definition of no fault termination versus that of fault termination.

The definition of a no-fault termination is the termination of employment of a participant by the company or applicable employer company by reason of:

- death;
- injury, disability or ill health;
- dismissal based on operational requirements as contemplated in the Labour Relations Act No 66 of 1995;
- retirement on or after the normal retirement date;
- voluntary early retirement in terms of the rules of the retirement plan of which the participant is a member;
- the company by which the participant is employed ceasing to be a member of the Tiger Brands group;
- mutual agreement between the company and the participant; or
- the undertaking in which the participant is employed being transferred to a transferee which is not a member of Tiger Brands.

Under the above circumstances, if employment is terminated on a no-fault basis, then, depending on the nature of the unit (ie whether it is a share appreciation right, performance

share or restricted share) and the reasons for termination, a participant may either retain all units or only a pro rata portion of the units. Accelerated vesting and settlement of the retained units may apply in certain circumstances.

The definition of a fault termination is the termination of employment of a participant by reason of dismissal for misconduct or poor performance or a resignation by the participant.

If employment is terminated on a fault basis, the units will be cancelled.

## **Tiger Brands (1985) Share Option Scheme**

### **Executive directors**

Details of equity-settled options issued in terms of the Tiger Brands (1985) Share Option Scheme held by executive directors as at September 2014, together with options exercised during the year, are set out in note 24 of the notes to the annual financial statements. The movement in these options is summarised in the following table:

	Balance at the beginning of the year (Number)	Share options granted	Share options exercised	Balance at the end of the year (Number)	Fair market value of outstanding options (R000)
<b>Executive director</b>					
CFH Vaux	23 000	–	23 000	–	–

# Remuneration report *continued*

In addition to the previous table, an executive director previously held options over shares in the Spar Group Limited and Adcock Ingram Holdings Limited. All remaining options over shares in the Spar Group and Adcock Ingram Holdings Limited were exercised by the executive director prior to 30 September 2014. 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.

## Phantom Cash-settled Option Scheme

### Executive directors

Details of phantom cash-settled options held by executive directors under the Tiger Brands Phantom Cash-settled Option Scheme as at 30 September 2014 are set out below:

Name	Date of grant	Holding at 1 October 2013	Granted 2014	Exercised 2014	Forfeited 2014	Holding at 30 September 2014	Number of options subject to retention	Number of options subject to performance targets	Grant price (Rand)	Number of options vested at 30 September 2014	Fair market value of vested options at 30 September 2014 (R000)
<b>Executive directors</b>											
O. Igohodaro	Feb 2013	3 400	-	-	-	3 400	1 701	1 699	299,83	-	-
	Feb 2012	18 900	-	-	-	18 900	9 450	9 450	253,18	-	-
	Jun 2011	21 850	-	-	3 641	18 209	10 926	7 283	186,97	3 642	481
<b>Total</b>		<b>44 150</b>	<b>-</b>	<b>-</b>	<b>3 641</b>	<b>40 509</b>	<b>22 077</b>	<b>18 432</b>		<b>3 642</b>	<b>481</b>
PB Matlare	Feb 2013	4 400	-	-	-	4 400	2 200	2 200	299,83	-	-
	Feb 2012	32 800	-	-	-	32 800	16 401	16 399	253,18	-	-
	Feb 2011	35 300	-	-	5 883	29 417	17 651	11 766	189,09	5 884	763
	Feb 2010	73 200	-	12 200	-	61 000	24 400	36 600	172,07	12 200	1 762
	Feb 2009	13 468	-	13 468	-	-	-	-	141,91	-	-
<b>Total</b>		<b>159 168</b>	<b>-</b>	<b>25 668</b>	<b>5 883</b>	<b>127 617</b>	<b>60 652</b>	<b>66 965</b>	<b>-</b>	<b>18 084</b>	<b>2 525</b>
CFH Vaux	Feb 2013	3 700	-	-	-	3 700	1 851	1 849	299,83	-	-
	Feb 2012	20 600	-	-	-	20 600	10 300	10 300	253,18	-	-
	Feb 2011	22 100	-	-	3 683	18 417	11 050	7 367	189,09	3 683	478
	Feb 2010	45 400	-	-	-	45 400	22 701	22 699	172,07	15 134	2 186
	Feb 2009	25 400	-	25 400	-	-	-	-	141,91	-	-
	Apr 2008	29 363	-	29 363	-	-	-	-	106,44	-	-
	Jan 2008	23 920	-	23 920	-	-	-	-	130,59	-	-
<b>Total</b>		<b>170 483</b>	<b>-</b>	<b>78 683</b>	<b>3 683</b>	<b>88 117</b>	<b>45 902</b>	<b>42 215</b>	<b>-</b>	<b>18 817</b>	<b>2 664</b>



### Prescribed officers

Details of phantom cash-settled options held by prescribed officers under the Tiger Brands Phantom Cash Option Scheme as at 30 September 2014 are set out below:

Name	Date of grant	Holding at 1 October 2013	Granted 2014	Exercised 2014	Forfeited 2014	Holding at 30 September 2014	Number of options subject to retention	Number of options subject to performance targets	Grant price (Rand)	Number of options vested at 30 September 2014	Fair market value of vested options at 30 September 2014 (R000)
<b>Prescribed officers</b>											
NG Brimacombe	Various	100 789	-	29 373	3 550	67 866	26 367	41 499	Various	-	-
NP Doyle	Various	60 000	-	-	-	60 000	30 000	30 000	Various	-	-
AG Kirk	None	-	-	-	-	-	-	-	-	-	-
<b>Total</b>		<b>160 789</b>	<b>-</b>	<b>29 373</b>	<b>3 550</b>	<b>127 866</b>	<b>56 367</b>	<b>71 499</b>	<b>Various</b>	<b>-</b>	<b>-</b>

### Executive committee members (excluding executive directors and prescribed officers)

Aggregated details of phantom cash options held by members of the executive committee, other than the executive directors and prescribed officers above, as at 30 September 2014 are set out below:

Name	Date of grant	Holding at 1 October 2013	Granted 2014	Exercised 2014	Forfeited 2014	Holding at 30 September 2014	Number of options subject to retention	Number of options subject to performance targets	Grant price (Rand)	Number of options vested at 30 September 2014	Fair market value of vested options at 30 September 2014 (R000)
<b>Total</b>	<b>Various</b>	<b>307 638</b>	<b>-</b>	<b>52 571</b>	<b>22 883</b>	<b>232 184</b>	<b>131 310</b>	<b>100 874</b>	<b>Various</b>	<b>66 023</b>	<b>9 641</b>

# Remuneration report *continued*

## Tiger Brands Limited 2013 Share Plan

### Executive directors

Details of share appreciation rights allocated to executive directors under the Tiger Brands Limited 2013 Share Plan as at 30 September 2014 are set out below:

Name	Date of grant	Holding at 1 October 2013	Granted 2014	Exercised 2014	Forfeited 2014	Holding at 30 September 2014	Number of options subject to performance targets	Grant price (Rand)	Number of options vested at 30 September 2014
O Ighodaro Note 1	Feb 2014	–	13 290	–	–	13 290	13 290	254,45	–
	Feb 2014	–	5 390	–	–	5 390	5 390	254,45	–
	Sep 2013	21 200	–	–	–	21 200	21 200	298,67	–
	Feb 2013	9 500	–	–	–	9 500	9 500	299,83	–
<b>Total</b>		<b>30 700</b>	<b>18 680</b>	<b>–</b>	<b>–</b>	<b>49 380</b>	<b>49 380</b>		<b>–</b>
PB Matlare	Feb 2014	–	20 540	–	–	20 540	20 540	254,45	–
	Feb 2013	16 300	–	–	–	16 300	16 300	299,83	–
<b>Total</b>		<b>16 300</b>	<b>20 540</b>	<b>–</b>	<b>–</b>	<b>36 840</b>	<b>36 840</b>		<b>–</b>
CFH Vaux Note 1	Feb 2014	–	12 880	–	–	12 880	12 880	254,45	–
	Feb 2014	–	5 220	–	–	5 220	5 220	254,45	–
	Feb 2013	10 300	–	–	–	10 300	10 300	299,83	–
<b>Total</b>		<b>10 300</b>	<b>18 100</b>	<b>–</b>	<b>–</b>	<b>28 400</b>	<b>28 400</b>		<b>–</b>

**Note 1** – a special retention allocation of share appreciation rights was made on 28 February 2014. These are subject to normal performance and vesting conditions.

Details of performance shares awarded to executive directors under the Tiger Brands Limited 2013 Share Plan as at 30 September 2014:

Name	Date of grant	Holding at 1 October 2013	Granted 2014	Settled 2014	Forfeited 2014	Holding at 30 September 2014	10-day VWAP share price on grant date	Number of performance shares vested at 30 September 2014
O Ighodaro	Feb 2014	–	2 860	–	–	2 860	254,45	–
	Feb 2013	2 000	–	–	–	2 000	299,83	–
<b>Total</b>		<b>2 000</b>	<b>2 860</b>	<b>–</b>	<b>–</b>	<b>4 860</b>	<b>–</b>	<b>–</b>
PB Matlare	Feb 2014	–	5 140	–	–	5 140	254,45	–
	Feb 2013	4 100	–	–	–	4 100	299,83	–
<b>Total</b>		<b>4 100</b>	<b>5 140</b>	<b>–</b>	<b>–</b>	<b>9 240</b>	<b>–</b>	<b>–</b>
CFH Vaux	Feb 2014	–	2 780	–	–	2 780	254,45	–
	Feb 2013	2 200	–	–	–	2 200	299,83	–
<b>Total</b>		<b>2 200</b>	<b>2 780</b>	<b>–</b>	<b>–</b>	<b>4 980</b>	<b>–</b>	<b>–</b>

### Prescribed officers

Details of share appreciation rights allocated to prescribed officers under the Tiger Brands Limited 2013 Share Plan as at 30 September 2014 are set out below:

Name	Date of grant	Holding at 1 October 2013	Granted 2014 Note 1	Exercised 2014	Forfeited 2014	Holding at 30 September 2014	Number of options subject to performance targets	Grant price (Rand)	Number of options vested at 30 September 2014
NG Brimacombe Note 1	Feb 2014	–	5 120	–	–	5 120	5 120	254,45	–
NG Brimacombe	Feb 2014	–	12 640	–	–	12 640	12 640	254,45	–
NG Brimacombe	Sep 2013	20 100	–	–	–	20 100	20 100	298,67	–
NG Brimacombe	Feb 2013	10 000	–	–	–	10 000	10 000	299,83	–
NP Doyle Note 1	Feb 2014	–	5 250	–	–	5 250	5 250	254,45	–
NP Doyle	Feb 2014	–	12 950	–	–	12 950	12 950	254,45	–
AG Kirk	Feb 2014	–	11 800	–	–	11 800	11 800	254,45	–

**Note 1** – a special retention allocation of share appreciation rights was made on 28 February 2014. These are subject to normal performance and vesting conditions.

**Note 2** – N Segoale, previously reported under prescribed officers, is now reported under executive committee members on page 167.

Details of performance shares awarded to prescribed officers under the Tiger Brands Limited 2013 Share Plan as at 30 September 2014 are set out below:

Name	Date of grant	Holding at 1 October 2013	Granted 2014	Settled 2014	Forfeited 2014	Holding at 30 September 2014	10-day VWAP share price on grant date	Number of performance shares vested at 30 September 2014
NG Brimacombe	Feb 2014	–	2 720	–	–	2 720	254,45	–
NG Brimacombe	Feb 2013	2 200	–	–	–	2 200	299,83	–
NP Doyle	Feb 2014	–	2 790	–	–	2 790	254,45	–
AG Kirk	Feb 2014	–	2 540	–	–	2 540	254,45	–

**Note 1** – N Segoale, previously reported under prescribed officers, is now reported under executive committee members on page 167.

# Remuneration report *continued*

## Executive committee members (excluding executive directors and prescribed officers)

Aggregated details of share appreciation rights allocated to members of the executive committee, other than the executive directors and prescribed officers above, as at 30 September 2014, are set out below:

	Date of grant	Holding at 1 October 2013	Granted 2014 Note 1	Exercised 2014	Forfeited 2014	Holding at 30 September 2014	Number of options subject to performance targets	Grant price (Rand)	Number of options vested at 30 September 2014
Total for 2014	Feb 2014	–	76 620	–	10 204	66 416	66 416	254,45	–
Total for 2013	Feb 2013	33 800	–	–	3 764	30 036	30 036	299,83	–

**Note 1** – a special retention allocation of 15 730 share appreciation rights in total was made on 28 February 2014 to four members of the executive committee. In addition, one member of the executive committee received a sign-on allocation of 10 000 share appreciation rights. Both the retention allocation and sign-on allocation are subject to normal performance and vesting conditions.

Aggregated details of performance shares awarded to members of the executive committee, other than the executive directors and prescribed officers above, as at 30 September 2014, are set out below:

	Date of grant	Holding at 1 October 2013	Granted 2014	Exercised 2014	Forfeited 2014	Holding at 30 September 2014	10-day VWAP share price on grant date	Number of performance shares vested at 30 September 2014	Fair market value of vested shares at 30 September 2014 (R000)
Total for 2014	Feb 2014	–	9 690	–	1 197	8 493	254,45	193	93
Total for 2013	Feb 2013	6 500	–	–	1 100	5 400	299,83	–	–

## 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.

In terms of the Phase 1 transaction, PB Matlare, the Chief Executive Officer of the company, 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.

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 PB Matlare at an initial combined notional price of R122,39 for a Tiger Brands and an Adcock share.

In addition to the above allocations, certain members of the executive committee have also received various allocations from the BMT I. These represent, in aggregate, the rights to 46 526 Tiger Brands shares (and 46 526 Adcock Ingram shares), allocated at an initial combined notional price ranging between R108,42 and R122,39 for a Tiger Brands and an Adcock Ingram share.

The Tiger Brands Black Managers Trust II (BMT II) was established as part of Tiger Brands' BEE Phase II empowerment transaction that was implemented on 20 October 2009. In terms of

this scheme, PB Matlare 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. The lock-in period of the BMT II scheme expires on 31 December 2017. In terms of this scheme and as a retention mechanism, PB Matlare also received an allocation of rights to 58 900 Tiger shares on 1 January 2014, at a notional price of R173,76 per Tiger Brands share.

In addition to the above, certain members of the executive committee have also received various allocations from the BMT II. These represent, in aggregate, the rights to 146 692 Tiger Brands shares, allocated at a notional price ranging between R147,59 and R173,76 per Tiger Brands share.

### Share dilution limits

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 2014, the aggregate number of all outstanding options under the two schemes represented 0,97% (2013: 1,48%) of the company's total issued share capital.

# Remuneration report *continued*

The maximum aggregate number of shares which may be acquired by participants under the 2013 Share Plan and any other share plan is not to exceed 5 500 000 (five million five hundred thousand) shares; and for any one participant in terms of the 2013 Share Plan and any other share plan is not to exceed 550 000 (five hundred and fifty thousand) shares. In the determination of these limits, shares which have been acquired through the JSE and transferred to participants shall not be taken into account. As at 30 September 2014, the actual number of shares which may be acquired by participants under the 2013 Share Plan and under the Tiger Brands (1985) Share Option Scheme amounts to, in aggregate, 1 486 082 shares (2013: 1 048 900 shares).

## 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% (2013: 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 three prescribed officers are also members of the above-mentioned umbrella retirement scheme.

In addition, four other members of the executive committee participate in the above-mentioned umbrella retirement scheme. The remaining member of the executive committee belongs to the Tiger Brands Management Provident Fund, which is a defined contribution plan. The company contributed on average 16,1% (2013: 15,9%) 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 2014 on behalf of executive directors, prescribed officers and other members of the executive committee are set out under note 4.2 of the notes to the annual financial statements.

## 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 under note 4.2 of the notes to the annual financial statements.

### 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 and instruments issued under the Tiger Brands Limited 2013 Share Plan are set out on pages 90 to 93. 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 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 currently equates to seven months' remuneration. The multiple is limited to the number of months that remain from the termination date to the date on which the employee reaches his normal retirement age. Mr IWM Isdale's normal retirement date is the end of April 2015. 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.

# Remuneration report *continued*

## Succession planning

Development of a formal succession plan for senior and executive management takes place annually. The plan is discussed and approved by the executive committee and submitted to the remuneration and nomination committee for discussion and final approval. The objective is to ensure that immediate succession is in place and also to develop a talent pool with potential for development and future placement. This includes managers at lower levels. The succession planning process includes all of the company's international businesses.

## 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. In terms of the policy, the Chairman of Tiger Brands, as Chairman of the nomination committee, as well as the Chairman of the remuneration committee are required to authorise any such appointment based on a recommendation from the Chief Executive Officer. 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 three 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 memorandum of incorporation of the company. The board and each of its committees have 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 2014 were approved by shareholders on 11 February 2014.

Fees payable to non-executive directors are approved by the shareholders in terms of the company's memorandum of incorporation. In terms of the company's memorandum of incorporation, 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 committee, a final recommendation is then made to the board for its consideration prior to being put to the shareholders for approval.

Consideration is given to the increasing levels of responsibility being placed upon directors, as well as to market benchmarks for similar sized companies and projected inflation over the relevant period.

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

#### Levels of fees for non-executive directors

For the period 1 March to 28 February (Rand)	2015	2014
<b>Base fee</b>	<b>323 064</b>	304 777
<b>Committee chair</b>		
Audit committee	245 528	231 630
Remuneration committee	183 094	171 940
Risk and sustainability committee	168 000	148 233
Social, ethics and transformation committee	139 564	131 664
<b>Committee membership</b>		
Audit committee	126 055	118 920
Remuneration committee inclusive of the nomination committee	91 128	85 970
Risk and sustainability committee	77 850	73 443
Social, ethics and transformation committee	69 781	65 831
<b>Chairman's remuneration</b>	<b>1 500 305</b>	1 415 382
<b>Deputy Chairman's remuneration</b>	<b>775 352</b>	731 464

# Remuneration report continued

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 currently paid an amount of R17 000 per meeting in respect of special meetings of the board and an amount of R3 400 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 2014 are set out in the table of directors' emoluments reflected under note 4.2 of the notes to the annual financial statements.

The board, based on the recommendation of the remuneration committee, has determined that shareholders be requested to approve that the various fees payable to non-executive directors, be increased with effect from 1 March 2015. 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 9 February 2015.

The specific resolutions to be voted on by shareholders in respect of directors' remuneration increases are special resolutions number 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 undertaken during 2013 and forms the basis of the proposed increases, effective from 1 March 2015. The current fees have accordingly been adjusted by an inflation-related increase of 6,5% for the year commencing 1 March 2015, subject to shareholder approval.

## Board evaluation process

In compliance with various regulatory frameworks (including the JSE Listings Requirements, the Companies Act and King III), the Tiger Brands board and its committees have recently participated in an evaluation exercise through the engagement of an external independent service provider. A well thought-out and comprehensive evaluation process provides the board of directors with the opportunity to enhance performance and to

better meet the needs of the company and its stakeholders through:

- improved board performance by identifying areas which require attention and training;
- confirmation that matters are being discussed and approved in the most appropriate governance forums; and
- assessing whether the board, its members and sub-committees are operating optimally.

The board evaluation is intended to contribute towards ensuring that the board of directors is strong, balanced and independent.

The current evaluation process concluded that the board was a high-performing board, although some areas were identified where improvements to the board's effectiveness could be made, which included the following:

- ongoing training in areas relevant to the board, in particular, distinguishing between the roles played by management and the board
- enhanced understanding of the company's operations through more regular site visits
- expanding the board by including a director or directors with relevant experience in the key areas of strategic focus outside of South Africa.

## Our approach

This sustainability report was prepared based on GRI principles and guidance and is compiled based on a self-declared Application Level C. The report is further based on the requirements of the JSE SRI Index, local socio-economic and environmental issues, as well as the governance requirements of the JSE Listings Requirements and King III.

The full GRI Index is available on the website [www.tigerbrands.com](http://www.tigerbrands.com).



### Managing our business sustainably

As one of the largest manufacturers and distributors of FMCG products in Africa, the group acknowledges its responsibility to actively contribute to the communities and regions in which it operates by facilitating sustainable economic growth and social development.

We are proudly led in this endeavour by our vision to be the most admired, branded, FMCG company in emerging markets. This vision extends beyond simply the supply of products. Sustainability at Tiger Brands is

framed by a strict adherence to the principles of good governance and environmental management.

In managing our business sustainably, we are driven by our core values, which we aim to translate into sound, sustainable practices through our business strategies.

The social, ethics and transformation committee is responsible for assisting the board in monitoring the implementation of plans to drive good corporate citizenship and to protect our social licence to operate.

	People	Consumers	Performance	The world we live in	Integrity
OUR VALUES	We value our people and treat them with dignity	Our consumers are our business	We have a passion for excellence	We continually reinvest in our society	We act with integrity at all times in everything we do
How we live our values	➤ Treat all with care, concern and respect	➤ Produce quality products	➤ Value flawless execution	➤ Respond to the needs of society whenever we can	➤ What we say on the outside is what is on the inside
	➤ Develop, empower and enable our people	➤ Understand and satisfy our consumers' needs	➤ Zero tolerance for mediocrity	➤ Committed CSI	➤ Endeavour never to compromise the safety of our consumers
	➤ Promote workplace diversity	➤ Invest in the safety of our products	➤ Act with a sense of urgency	➤ Business practices guided by our desire to sustain our environment	➤ Endeavour never to do anything that we would become ashamed of were the facts to become public
	➤ Work hard and play hard together	➤ Attend to every consumer request or complaint	➤ Deliver on time every time		
	➤ Help our people thrive		➤ Encourage innovative thinking		
			➤ Recognise and reward excellence		

Tiger Brands fully supports the principles of the United Nations Global Compact Network (UNGCN) and welcomes its recognition of the positive contribution that business can make to a more sustainable globe.

# Stakeholder engagement

We recognise that managing the group's business sustainably means proactively engaging with key stakeholders on an ongoing basis to identify and address matters of mutual interest.

The following table sets out the key stakeholders identified across the group and includes a brief explanation of the relevant interactions:

Tiger Brands' commitment	Nature of engagement
<b>Employees</b>	
An employer of choice that offers opportunities for growth and fulfilment.	<ul style="list-style-type: none"> <li>➤ Bi-annual staff presentations by executive management to communicate the group's strategy and performance</li> </ul>
Tiger Brands complies with employment practices and is committed to the protection of human rights.	<ul style="list-style-type: none"> <li>➤ Regular intranet communication to inform employees of significant events or developments</li> <li>➤ Various forums at manufacturing units at which employment equity, skills development and management issues are addressed</li> <li>➤ Workplace culture programmes at manufacturing units to facilitate improved employee relationships</li> <li>➤ Tiger Stripes recognition awards</li> <li>➤ <i>Tiger Tales</i> quarterly magazine</li> <li>➤ Annual employee climate survey</li> </ul>
<b>Consumers</b>	
Trustworthy, high-quality, leading brands that add value to consumers' lives.	<ul style="list-style-type: none"> <li>➤ Research surveys to capture consumer insights and gain category understanding</li> </ul>
The group complies with the Consumer Protection Act and other relevant legislation and regulations relating to consumers. We monitor trends in nutrition and conform to international standards.	<ul style="list-style-type: none"> <li>➤ Regular communication with consumers through mobile and website interfaces for each core brand</li> <li>➤ In-house consumer services centre which addresses all consumer complaints and queries</li> <li>➤ Membership of the Consumer Goods Council of South Africa</li> <li>➤ Guideline daily amount (GDA) table informs consumers of the nutritional content in Tiger Brands' food products</li> </ul>

Tiger Brands' commitment	Nature of engagement
<b>Customers (retailers/wholesalers)</b>	
<p>A high-performance, leading company that builds valuable future growth.</p>	<ul style="list-style-type: none"> <li>➤ Regular communication on matters concerning partnerships for category strategy, value chain efficiencies, transactional and promotional activities</li> <li>➤ Focus on cost efficiencies throughout the value chain to effectively compete on value</li> <li>➤ Customer structures aligned to ensure category expansion and profitable growth</li> </ul>
<b>Community</b>	
<p>A successful company that is part of and adds to the wellbeing of the community.</p>	<ul style="list-style-type: none"> <li>➤ Preferential procurement policy (see page 118)</li> <li>➤ Enterprise development projects (see page 118)</li> <li>➤ CSI policy and projects (see page 119)</li> <li>➤ Tiger Brands Foundation (see page 121)</li> </ul>
<p>A successful, stable and ethical company that contributes to the economic growth of the communities in which we operate.</p>	<ul style="list-style-type: none"> <li>➤ Taxes paid timeously</li> <li>➤ Industry participation through Business Leadership South Africa, Business Against Crime, National Business Initiative, CGCSA and other relevant industry chambers</li> <li>➤ Adherence to the B-BBEE codes (see page 117)</li> </ul>

# Our people

Tiger Brands has prioritised five key thrusts to build organisational competencies and leadership capacity for longer-term growth:

1. Talent management and development.
2. Leadership development.
3. High-performance and engaging culture.
4. Skills development.
5. Organisation development and effectiveness.

The group employs 9 252 permanent staff and 2 453 temporary staff in South Africa. These figures exclude seasonal and casual workers who, for the year under review, numbered 4 383. The group's total salary bill in South Africa for the 2014 financial year was approximately R3,3 billion compared to R2,9 billion in 2013.

Outside South Africa, the group employs a further 3 673 permanent staff and 1 506 temporary staff, bringing the total group employee count to 16 884 (excluding seasonal and casual workers).

## Key indicators

	2014	2013	2012
Employee headcount*	16 884	15 048	12 739
Female employees	3 555	3 386	3 070
Employee turnover rate	9,6%	10,2%	10,6%
Learnership participants	285	159	158
Total training spend (Rm)	7,7	10,1	10,9

\*Includes international operations but excludes seasonal and casual workers.

## 1. Talent management and development

Talent management is a strategic business priority and the group's ability to attract and retain key talent is measured through its recruitment success rate and employee retention rate.

	2014	2013	2012
Overall staff turnover rate	9,6%	10,2%	10,6%
Retention rate of key talent (target 80%)	86%	87%	85%

The group aims to ensure an effective talent pipeline with the development of high-potential individuals. Performance agreements define key outputs and success measures, as well as potential inhibitors to performance and are concluded annually by each employee. These individual performance agreements form the basis for performance management. Senior employees of Tiger Brands also have a personal development plan to determine current development needs and to build future capability for career advancement. Formal performance reviews are conducted twice a year.

All employees receive annual leave in line with or exceeding the statutory requirements laid out in the Basic Conditions of Employment Act (South Africa) and similar legislation in other regions in which we operate. Long service is also recognised



with leave allocations increasing proportionately, where appropriate.

The maternity and paternity leave policy and remuneration are in line with statutory requirements, as we believe in supporting employees in their family responsibilities. Tiger Brands also has flexible working conditions for employees in specific roles.

## 2. Leadership development

The group provides a customised leadership development programme, against which candidates are formally assessed using psychometric testing. Where appropriate, remedial training is provided to address any skills gaps identified.

In 2014, additional graduates joined the group as part of the structured 12-month graduate programme. Approximately 50% of the graduates enrolled on the programme since 2006 have been retained by the group in permanent roles.

## 3. High-performance and engaging culture

The group aims to attract and retain key talent through attractive career opportunities, market-related remuneration and an inclusive and enabling culture with zero tolerance for discriminatory behaviour. Progress is tracked through an annual employee climate survey, which assesses employees' perceptions of the group.

Tiger Brands has in place a number of initiatives to encourage employees to live its core values. These include:

- ▶ **Tiger Stripes**, the group-wide employee programme recognising those employees who actively embody the group's value-based culture in their day-to-day activities. Altogether, 13 deserving people and three teams were nominated as Tiger Stripes finalists in 2014. The overall winner in each category receives an award at the annual gala dinner for senior employees.
- ▶ The **Chairman's Award** is presented annually for best overall business performance and the **CEO's Award** is intended to recognise individuals who best align to the year's identified strategic theme.
- ▶ The **"20 Keys"** programme, aimed at driving "world-class manufacturing practices", has been implemented at 97% of our manufacturing facilities in South Africa and at our Nigerian, Kenyan, Cameroonian and Ethiopian manufacturing units. Specifically, the programme seeks to improve relationships between management and employees in order to align business realities with operations, stimulate ownership and engender commitment. This is further reinforced in the group's Code of Conduct.

## Our people continued

### Labour relations

In ensuring a positive, safe and fair working environment for all employees, the group works closely with employee bargaining units to ensure that all employees have a voice in the matters that affect them daily.

The group's employees enjoy full freedom of association. Approximately 69% of employees belong to 33 unions at 56 sites. The site management and shop stewards meet on a monthly basis. Further, at each site, unions are represented on forums that monitor employment equity, skills development and any other issues requiring management attention.

Clear communication between staff and management helps to ensure that disputes are resolved and grievances are aired and dealt with appropriately by all parties. The primary aim of the group's disciplinary code is to serve as a guideline to all managers and employees of the company to:

- create a fair and equitable structure for dealing with misconduct; and
- encourage timely corrective action in the event of an employee's behaviour or conduct being unsatisfactory or unacceptable.

As part of our workplace culture, scheduled meetings are held daily at our production sites. These focus on pertinent issues which improve productivity and safety and provide a regular opportunity for feedback from our employees.

### Health and safety

At Tiger Brands, our long-term success depends on ensuring the safety of our workers, visitors to our operations, and the public. We believe that a safe and healthy workplace is a fundamental right of every person and also a business imperative. Our Health and Safety Policy requires that we take responsibility for maintaining a productive workplace in every part of our company by minimising the risk of accidents, injury and exposure to health hazards for all of our associates and contractors.

The group Chief Executive Officer is ultimately responsible for the safety of employees and reports to the risk and sustainability committee as well as to the audit committee on such matters. The implementation of health and safety measures at manufacturing sites is delegated to the health and safety committees, which are led by the supply chain executives and site management.

The policies, standards and requirements for managing safety, the environment and quality are defined in the operating requirements throughout the group. This includes the requirements that all manufacturing facilities implement British Standard Occupational Health and Safety Assessment Series 18001 or an equivalent internationally recognised safety management system.

The Tiger Brands environmental, health and safety risk management programme has been implemented at all of the group's business units. Rigorous operational controls are in place to manage known risks and align with international best practice. Accredited risk management company, Marsh, assesses the implementation of and adherence to the programme and provides third-party verification. Any non-conformance is identified, assessed and risk mitigation and corrective actions are implemented. In addition, compliance audits in relation to applicable laws and regulations as well as the group's occupational safety and health requirements are conducted at each manufacturing operation.

The occupational health and safety programmes are fully aligned to the principles of ISO 18000 and the South African Occupational Health and Safety Act, while the environmental risk control system is fully aligned to ISO 14000 principles and relevant environmental legislative requirements. During the year, permanent and temporary employees in the manufacturing facilities received health and safety training.

Training requirements are identified based on the gap assessments performed by Marsh, which include training needs for SHE and First Aider Representatives, to raise health and safety awareness. This programme includes training on induction and periodic refresher training for employees and contractors. In

addition ongoing on-the-job risk assessments are performed to identify safety risks.

Generally accepted food manufacturing standards are rigorously applied and food safety at all facilities is audited by independent assurance providers on an ongoing basis.

#### Lost-time injury frequency rate (LTIFR)

Key performance indicators	2014	2013	2012	2011
Fatalities	1	2	0	0
LTIFR	0,74	0,67	0,78	1,03

Regrettably, there was one fatality during the year as a result of a robbery which led to a driver being fatally shot whilst on duty. The protection of our employees remains paramount and every effort is taken to mitigate the risk to the group.

Route-to-market safety remains the single largest safety challenge and is a significant focus area for the group. The Albany operations are in regular contact with the relevant authorities and other interested industry bodies to ensure assistance in addressing violent robberies.

During the year under review a total of 37% of the manufacturing sites performed ahead of their LTIFR target by achieving zero LTIFR, while 20% achieved a rating in line with

## Our people continued

their respective targets and 43% did not meet targets. The group has implemented ongoing actions to improve LTIFR performance including:

- audits for safe operation of machines;
- enforcement of personal protective equipment requirements through rewards or sanctions;
- evaluating hazards highlighted by employee remarks, incidents, accidents and safety audits; and
- raising the awareness for a safe working environment.

### Activities to improve health and safety

Safety is a high priority amongst senior managers and executives. Some of the key initiatives to be introduced in financial year 2015 include:

- Safety audits conducted in conjunction with Quality and Environmental audits to reinforce the integration of these programmes;
- Leveraging system-wide capabilities to establish a national network for sharing route-to-market safety best-practice standards;
- Educating all employees and contractors on good safety practices and responding quickly and appropriately to serious safety incidents; and
- Entrenching behaviour-based safety culture with the launch of the safety pyramid across the group, which will track the following key metrics:
  - safety tags raised

- safe work observations
- focused safety tool-box talks
- subcontractor safety risk management
- safety shared learnings.

### Employee wellness

Our employee wellness support programme offers a 24-hour telephonic counselling service, as well as face-to-face professional counselling. Users can access psychologists, social workers, dieticians, biokineticists, and financial and legal advisers.

During the year, the group invested R7,9 million in our on-site clinic services. The clinics offer occupational health support, as well as limited primary healthcare, free of charge to all permanent and temporary employees on site. Our clinic in Ashton is also open to the community. Contracted services include an HIV/Aids management programme and an employee advisory and counselling service, which are also offered free of charge to all permanent and temporary employees.

We have a comprehensive HIV/Aids framework which includes support for HIV-positive employees. In 2014, 584 employees were voluntarily counselled and tested (2013: 496). A total of 93,9% of the employees who tested positive have enrolled on the programme. Our overall recorded prevalence rate in South Africa is 2,68% (2013: 2,54%).

We also offer all South African employees voluntary membership to our in-house medical scheme which offers cost-effective comprehensive health cover. The scheme has 4 336 principal members (2013: 4 404) and 9 804 beneficiaries.

#### 4. Skills development

In 2014, we invested approximately R7,7 million (2013: R10,1 million) in in-house training, which is led through the Tiger Brands Academy (see below), as well as learnerships. Over 769 employees benefited from in-house training at the Academy, adult basic education and training and bursaries. Training days totalled 4 620.

Tiger Brands further assisted 218 beneficiaries with support through Ikusasa Lami and engineering bursaries.

We believe the training and development of all employees is a prerequisite to creating a competitive advantage. Employees have the opportunity to continually develop themselves through workplace qualifications and shorter, function-specific programmes. Documented objectives and targets are submitted to the FoodBev Seta in the Workplace Skills Plan and Annual Training Report.

#### Tiger Brands Academy

Our in-house learning institution, Tiger Brands Academy, comprises distinct academies for marketing, supply chain, IT, leadership, finance, global and customer.

A total of 409 employees participated in programmes during the year under review (2013: 499), amounting to a total of 3 322 (2013: 3 364) training days.

The Academy also offers learnership programmes in fields relevant to the group such as manufacturing, logistics, supply chain and management. In total, 285 people participated in the programmes during 2014.

#### Workplace experience project

Young people received workplace experience in food technology, engineering, marketing, production and operations. These students become a feeder pool for the graduate programme and other entry-level appointments. 292 people have been through the programme since 2008, and wherever possible these people are employed by the business.

#### Adult Basic Education and Training (ABET)

We have a well-entrenched ABET programme to support adult literacy within

## Our people continued

the group and during the year we spent over R0,6 million in this regard. As existing employees complete the ABET programme, the need for this training is diminishing.

### External programmes

Our development programmes aimed at building a deep skills pool in South Africa include:

- ▶ Thusani Trust provides bursaries to qualifying black employees' children. In 2014, R4,5 million (2013: R2,7 million) was spent on bursaries for 186 students (2013: 149). A total of 343 students have graduated from tertiary institutions since 2007 with the Trust's support, with 18 graduating in 2014.
- ▶ Ikusasa Lami project supports high school learners from non-fee paying schools. The learners visit Tiger Brands on a quarterly basis for exposure to the business, as well as for career guidance. If the learners are interested in pursuing engineering, they are invited to apply for the Tiger Brands engineering bursary programme.

## 5. Organisation development and effectiveness

This thrust addresses organisational design to enable business performance, processes to drive production, spans control and organisational layers and enables collaboration and partnerships within the group.

# Transformation

In South Africa, Tiger Brands promotes social transformation in the interest of nation building, most notably through the continued advancement of B-BBEE initiatives. We regard compliance with B-BBEE and employment

equity legislation as a business imperative and our B-BBEE data and reporting is independently assured by EmpowerLogic. The company retained a Level 3 contributor rating for the year, as set out below.

## Tiger Brands B-BBEE scorecard

	Available points 2014*	2014	2013	Available points pre-2013	2012	2011	2010
Ownership	20	20,3	19,7	20	19,7	18,4	19,7
Management control	10	7,6	7,6	10	6,5	6,5	9,6
Employment equity	10	5,6	5,1	15	7,5	9,6	9,1
Skills development	20	12,9	11,2	15	8,1	9,1	9,5
Preferential procurement	20	19,2	18,8	20	18,8	18,8	18,8
Enterprise development	10	7,0	7,5	15	11,7	10,3	10,1
Socio-economic development	10	10,0	10,0	5	5,0	5,0	5,0
<b>Total</b>	<b>100</b>	<b>82,6</b>	<b>79,9</b>	<b>100</b>	<b>77,3</b>	<b>77,7</b>	<b>81,8</b>
<b>Level</b>		<b>3</b>	<b>3</b>		<b>3</b>	<b>3</b>	<b>3</b>

\*Tiger Brands is now measured in terms of the Agriculture Sector codes as gazetted on 28 December 2012

### Ownership

Brimstone (a black empowerment investment company)	1,0%
Tiger Brands Foundation	5,0%
Employees Black Managers Trust	4,0%
General Staff Trust	0,5%
Thusani Trust (beneficiaries are children of black employees)	1,8%
Effective black ownership (using the exclusion principle)	25,5%
Total black women	4,3%

### Management control

Tiger Brands' board includes five black directors (as defined by the B-BBEE codes) one of whom is female. Management control is driven at a group level by the board and Chief Executive Officer.

### Employment equity

In South Africa, 91% of our employees are black (African, Indian and coloured), of which 29% are women, and 1% are disabled.

# Transformation continued

## Tiger Brands' workforce profile

	African	Indian	Coloured	White	Disabled	Outside South Africa					
						Permanent	Temporary	Total	Permanent	Temporary	Total staff
2014	6 535	726	1 155	836	58	9 252	2 453	11 705	3 673	1 506	16 884
2013	6 178	739	1 192	881	68	8 990	1 500	10 490	3 770	788	15 048
2012	6 260	777	1 027	938	76	9 002	1 079	10 081	1 876	782	12 739
2011	6 172	769	1 067	996	74	9 004	990	9 994	1 751	1 149	12 894

International employees are accounted for only where Tiger Brands is the majority shareholder.

Tiger Brands remains committed to growing its black management talent pool. We realise that achieving employment equity is a long-term challenge and therefore invest in the junior and middle management levels in order to develop a pipeline of future black leaders at the senior and executive level.

### Skills development

See "Our people". See page 115.

### Preferential procurement

Tiger Brands procures agricultural commodities, ingredients, packaging, consumables and services totalling R11,5 billion from B-BBEE suppliers. Preferential procurement is embedded in our sourcing process and the development and support of B-BBEE suppliers remains a key element of our procurement strategy.

We remain focused on supporting small and medium black-owned businesses especially in our core spend. We regard this as a business imperative which in the longer term will contribute to a vibrant and competitive supply landscape in South Africa.

### Enterprise development

Tiger Brands drives enterprise development projects across its value chain with an emphasis on growing small businesses which we can support over the longer term. Whilst the financial support of R28,5 million is a cornerstone of our contribution, the sustainability of these initiatives is driven by committing the specialist support of our staff to mentor and up-skill small businesses where required.

### Corporate social investment

See "Our communities". See page 119.



# Our communities

## Corporate social investment (CSI)

The group's CSI approach is rooted in the belief that Tiger Brands can and does add value to people's lives – this approach is driven by the group's investment in its employees, their families and its surrounding communities. We believe that our socio-economic upliftment footprint is the legacy we leave, with the end goal being to help weave a positive and constructive social fabric in each of the countries in which we operate. Our key focus areas are food security, nutrition education, hygiene, sanitation and heritage.

The group committed over 1% of its net operating profit after tax to community development in 2014, and achieved the following milestones:

- 12 million daily meals served annually in communities with the help of Tiger Brands.
- 107 000 food parcels distributed every year.
- 40 000 learners reached via the Tiger Brands nutrition education programme.
- 20 million in-school breakfasts served to learners by the Tiger Brands Foundation.

## 2014 CSI spending breakdown

Project type	Geographical presence	Impact	Donation (R000)
NGOs providing social support to communities	Gauteng, Western Cape, Eastern Cape, KwaZulu-Natal and Mpumalanga	Food provision and cash donation	16 589
Cause-related marketing	Gauteng	Cash donation	2 138
Nutrition education	Gauteng, Eastern Cape and Mpumalanga	Food provision	341
School holiday food parcel distribution	Gauteng, Western Cape, Eastern Cape, KwaZulu-Natal, Mpumalanga and North West	Food provision	4 673
Humanitarian support/ad hoc donations	Across all provinces	Food provision and cash donation	280
<b>Total donations</b>			<b>24 021</b>

The group's CSI strategy is executed through established policies and procedures, which are overseen by the social, ethics and transformation committee. A regular review of

the beneficiary organisations is carried out to ensure the most effective impact on our communities.

## Our communities continued

### Highlights FY2014

- Donated **R24,0 million** to various socio-economic development initiatives.
- On **World Food Day**, KOO uniquely highlighted food insecurity by erecting the first edible billboard in Dobsonville, Soweto. More than 2 000 KOO cans formed the billboard and were distributed to the community.
- For **Mandela Day 2014**, Tiger Brands' volunteers shared their 67 minutes with communities around South Africa. Food parcels were distributed in KwaZulu-Natal and Limpopo. In Polokwane, the volunteers worked in vegetable gardens and painted resource rooms.
- In another **Mandela Day** initiative, Tiger Brands partnered with the Department of Social Development to support the Twilight Children's Centre, donating one month's supply of food and cleaning products.
- In a 21-year partnership with the Avril Elizabeth Home for the Mentally and Physically Disabled, Tiger Brands has contributed R6,8 million to date derived from a portion of the sale of every Elizabeth Anne and Purity toiletry product purchased by consumers.

### Food security

We believe that true transformation is only possible through education. In this regard, good nutrition enhances the ability to learn and creates a platform for learners to fulfil their potential at school. Tiger Brands, in collaboration with the Department of Basic Education and the Mandela Centre of Memory, has initiated a food parcel distribution programme to alleviate food insecurity in our

disadvantaged schools. (See "Tiger Brands Foundation" page 121.)

### Strategic food security partnerships

Our valuable partnerships with non-governmental and other community organisations are critical to achieving our goals and include the following:

#### Buhle Farmers Academy

Buhle Farmers Academy was established in August 2000 with the objective of providing practical skills training to farmers on crop, livestock, vegetable, poultry production and farm management. The academy's purpose is to support and empower new farmers to start up their own profitable farming activities. It enrolls up to 475 students per annum and 3 959 students have been trained since its inception in 2000.

Tiger Brands has supported farmer development through Buhle Farmers Academy since 2009 by supplying dry foodstuffs for meals for the students. Buhle Farmers has been able to return the equivalent value back into subsidising poor students who would otherwise not have been able to afford the full cost of training.

The academy also provides post-training support to assist the farmers with setting up and growing their own farms.

#### Afrika Tikkun

Afrika Tikkun was started in 1994 with a vision to alleviate poverty. It adopted a model which seeks to develop the competencies of South Africans living in townships and uses these

competencies to deliver much needed developmental services to children and youth. The model invests in the development of children from early infancy into young adulthood and into the world of work.

The support provided by Afrika Tikkun includes family support services, early childhood development, career readiness and entrepreneurial development, nutrition, food security and support services, and primary healthcare. Tiger Brands supports the organisation with food products which contribute towards the provision of 14 124 weekly meals for beneficiaries participating in various programmes.

#### **Nelson Mandela Metropolitan University (NMMU) Community Project**

In June 2008 the Nelson Mandela Metropolitan University and Tiger Brands joined hands to ensure that very needy students and various communities receive much needed nutrition.

NMMU provides meals to 166 students to ensure that they have the nutritional support to successfully complete their studies and enter the world of work. This way, with Tiger Brands' support, they endeavour to break the cycle of unemployment and poverty.

The NMMU Community Project also utilises the food products provided by Tiger Brands to support surrounding communities with food, including 60 orphans from Sinethemba Children's Home and Laphumilanga HIV/Aids home-based care centre which takes care of children who are affected by HIV/Aids. They

also provide 100 daily meals to the community through a soup kitchen operating in Malabar while Noxolo Preschool also benefits from the food products for 40 learners daily.

#### **Cotlands**

Cotlands has been a beacon of hope for thousands of vulnerable children since 1936. From historical roots as a baby sanctuary, Cotlands initiated its community-based programmes in 1999, primarily focusing on HIV and nutrition, and later adding psychosocial and educational support to the programmes.

Cotlands now offers early learning sessions for children from birth to six years old who do not have access to formal early childhood development opportunities. Tiger Brands has been supporting Cotlands since 2012 with food products for all the centres in Gauteng, KwaZulu-Natal, Eastern Cape, Western Cape and Mpumalanga which benefits more than 8 000 vulnerable children and adults.

#### **Tiger Brands Foundation**

The Tiger Brands Foundation owns an effective 5% interest in Tiger Brands Limited. It was established in 2010 for broad-based community impact.

The Foundation implemented the first in-school breakfast feeding programme in July 2011 in partnership with the Department of Basic Education – the National School Nutrition Programme (NSNP). Initially, this covered six primary schools in Alexandra. It has since rapidly expanded to 62 schools across seven provinces feeding just over 40 000 learners the essential meal of breakfast. To date, more

## Our communities continued

than 20 million breakfasts have been served to our country's most vulnerable learners.

The feeding programme is currently being funded by a "trickle dividend" equal to 15% of any dividends declared by their brands in respect of the 5% shareholding referred to above. As a result of the success of the current feeding programme, the foundation intends to expand its activities to other schools across the country. This expansion will be funded by an increase in the trickle dividend from 15% to 30%. The foundation will benefit from the increased trickle dividends as from January 2015.

Since inception, the programme has demonstrated that through an effective public-private partnership, an in-school feeding programme can make a significant difference to the lives of learners, contributing to a reduction in obesity and improvements in learner attendance, class participation and performance.

In order to fulfil its mandate, the Foundation also plays a strategic coordination and delivery role in partnership with a number of stakeholders including:

- The Department of Basic Education at a national, provincial and local level
- Academic and research institutions (such as University of Johannesburg – Centre for Social Development in Africa)
- Beneficiary schools, parents and community leaders
- Community-based agencies (food delivery partners)
- Funders/donors wishing to invest in food security and school nutrition programmes.
- Tiger Brands, the public and shareholders

The programme has also created 210 jobs for food handlers who prepare the breakfasts provided by the Foundation. Each food handler is paid a stipend by both the Foundation and the Department of Education.

In the Lady Frere district, Eastern Cape, we have implemented an in-school breakfast feeding programme for 27 schools. The programme supplements the government's NSNP, ensuring these vulnerable learners have two nutritious meals per day. In addition, a programme to support these learners over the July and December holidays was established, with food parcels distributed in December 2013.

In the Alexandra township, Gauteng, over 17 000 food parcels were distributed to the learners across 13 primary schools participating in the breakfast programme at the start of the July school holidays, marking the official kick-off to the Mandela Day commemoration.

### Human rights

Tiger Brands supports and respects the protection of internationally proclaimed human rights and endeavours to ensure that the group is not complicit in any abuses in this regard. We do not tolerate discrimination of any kind, nor any form of forced or child labour.

# Environmental impact

## 2014 environmental performance scorecard

Tiger Brands is committed to providing sustainable, profitable growth and, over the years, sustainability has been incorporated into the group's strategic scorecard. Formal health, safety and environmental policies are in place, which outline the group's commitment to addressing material issues relating to the environment. In addition, the group monitors and sets targets in line with international best practice standards such as ISO 14001. The key focus areas that have been identified for improvement are as follows:

### Water

Projects are being implemented across the group's manufacturing facilities to reduce water consumption, while ensuring the quality and integrity of our products. **Our goal is to reduce water consumption and water discharges by 5% per year for the next three years.**

### Energy

The amount of energy consumed per kilo of product is being reduced. **We will aim to achieve energy-efficiency improvements of 5% per year for the next three years.**

### Packaging

We support development initiatives for the use of materials from sustainably managed renewable resources taking into account the group's packaging and product performance requirements. **Our goal is to reduce packaging usage by 3% per year for the next three years.**

### Waste

Recycle or recover energy from by-products with an ultimate goal of zero waste landfill and full recovery of unavoidable by-products. **We intend to reduce waste for disposal by 4% per annum.**

### Carbon emissions

Emissions at our operations remain substantially below the stipulated limits in the National Environmental Management Air Quality Act (NEMAQA) 2004. **Our ultimate aim is to eliminate emissions and greenhouse gases as far as practically possible.**

In addition to these key focus areas, the group's manufacturing operations continue to conduct the legislated air emissions testing of boilers, ventilation areas, dust particles matter disposed, noise, carbon monoxide and carbon dioxide levels.

The environmental scorecard for 2014 is set out below:

	2014	2013	Improvement
Energy (MWh/ton)	0,11	0,12	(4%)
Water (kl/ton)	1,94	1,98	(2%)
Waste (ton)	0,017	0,020	(15%)
Packaging (ton)	0,70	0,86	(19%)

ISO 14001 continues to be a key certification process that is being driven across the group's manufacturing operations. Progress against ISO 14001 certification has been achieved in a number of manufacturing operations. The bulk of the outstanding sites are scheduled to be certified by January 2015.

# Environmental impact continued

The environmental awareness training is ongoing where necessary, in order to close identified gaps from the first-stage audits.

### Product life cycle assessments

Tiger Brands is undertaking research to fully assess the total water and carbon footprint of its products. Life cycle assessments have commenced to understand the environmental effects of our products from cradle (acquisition of raw materials) to grave (waste management). This will include understanding the impact, among others, of energy use, climate change and carbon footprint. While still at a preliminary stage, the results will assist in formulating strategies around product design and enable the group to engage more effectively with consumers and customers on the environmental impact of its products. It should also assist in the group's collaboration efforts with farmers on sustainable agriculture using farming techniques that protect the environment, public health, human communities and animal welfare.

### Greenhouse gas (GHG) emissions reduction

The sources of GHG emissions are diverse and include the following:

- direct GHG emissions from sources that are owned or controlled by the group (scope 1);
- indirect GHG emissions resulting from the generation of electricity, heating and cooling, or steam generated off site but purchased by the group (scope 2); and
- indirect GHG emissions (not included in scope 2) from sources not owned or directly controlled by the group but related to the group's activities (scope 3).

Tiger Brands is committed to reducing its carbon emissions by focusing on energy-efficiency improvements in its operations. In order to monitor and measure improvements and GHG reductions, the group focuses on intensity reduction, which is a reduction in the ratio of energy usage by tons of product produced. The table below shows the group's scope 1, 2 and 3 emissions for the year. The data covers the group's South African manufacturing sites, which is in line with strategy to initially focus on South African operations and extend the programme to the international operations in the rest of Africa over the next three to five years.

	2014	2013	% improvement
Direct GHG emissions (eg GHG protocol scope 1)	258 834	297 570	13
Electricity indirect GHG emissions (eg GHG protocol scope 2)	288 515	299 509	4
Other indirect GHG emissions (eg GHG protocol scope 3)	263	217	(21)
CO <sub>2</sub> e (tons)	547 611	597 296	8
Carbon intensity	0,22	0,24	10
Energy use	0,12	0,12	5

Manufacturing encompasses all the processes that are necessary to transform perishable raw materials into safe, shelf-stable, value-added food products for consumers. The group will seek to improve the environmental impacts by using efficient technologies and applying best practices. Some of the key initiatives undertaken in achieving the improvements indicated in the table on the previous page include the following:

- power factor correction implemented at numerous sites resulting in reduced peak power demand;
- hot water booster pumps utilised resulting in a reduction of demand on the boilers;
- radical water treatment – water purification for plant, indirectly increasing the boiler lifespan;
- installation of variable speed drives (VSD) at all Tweedy Mixers in the bakeries to improve efficiency and energy consumption;
- replacement of old air compressors with “on demand” efficient units;
- replacement of electrical geysers with heat pumps at all bakeries; and
- ongoing waste separation at one site has managed to increase the recycling of general waste from 56% to 75%.

### Carbon tax

Extensive engagements with external parties to establish holistic, practical and affordable solutions on how Tiger Brands can reduce its carbon emissions are continuing. In light of the imminent carbon tax, it is crucial to be

adequately prepared. Tiger Brands has identified the following considerations in this regard:

- the extent of the group’s potential liability, taking into account the proposed tax-free thresholds;
- the effect on suppliers who may be directly liable to pay the carbon tax and seeking to pass on these costs; and
- Tiger Brands will apply pressure on stakeholders to improve the fuel efficiency of their operations and reduce their GHG emissions.

### Commitments for 2015

Focus areas going forward include:

- strengthening systems and structures to support the execution, performance measurement and continuous improvement of the initiatives identified; and
- establishing partnerships and social models – managing expectations and co-designing solutions.

The desire to create a more sustainable world requires understanding, collaboration and action at many levels: by governments, companies, brands and consumers. This drive also comes from consumers themselves, who want to understand the environmental impacts of their choices. We will intensify our continued participation in industry forums to help shape sustainable consumption standards, tools and best practices.

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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 the objectivity of other information presented in the Integrated Annual 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 the 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 as set out on pages 53, 54, 131, 132 and 134 to 241, as well as the directors' share option scheme detail within the tables on pages 93 to 98 which comprise the statements of financial position as at 30 September 2014, 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 2014, 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 2014, 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 – Warren Kenneth Kinnear

Registered Auditor

Chartered Accountant (SA)

102 Rivonia Road, Sandton, 2196

18 November 2014

## Directors' approval

The annual financial statements for the year ended 30 September 2014, which appear on pages 53, 54, 93 to 98, 131, 132 and 134 to 241, which are in agreement with the books of account at that date, and the related annual financial statements, were approved by the board of directors on 18 November 2014 and signed on its behalf by:



**André Parker**  
*Chairman*

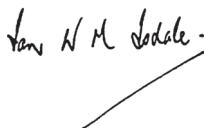


**Peter Matlare**  
*Chief Executive Officer*

18 November 2014

## 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 No 71 of 2008, and that all such returns and notices appear to be true, correct and up to date.



**Ian Isdale**  
*Company Secretary*

18 November 2014

## Preparation of annual financial statements

The preparation of the annual financial statements for the year ended 30 September 2014, which appear on pages 53, 54, 93 to 98, 131, 132 and 134 to 241, 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 199 to 200 of the annual financial statements and in the statement of changes in equity on pages 140 to 142.

During the year under review, the number of shares in issue increased by 400 800 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

	2014	2013
Shares under option at the beginning of the year	458 400	735 330
Adjustments	–	–
Exercised and paid in full	(351 800)	(276 930)
Forfeited	–	–
Shares under option at the end of the year	106 600	458 400

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

## Subsidiaries, associates and investments

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

## Dividends

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

## Attributable interest

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

(R'million)	2014	Restated* 2013
<b>Subsidiaries</b>		
Total income after taxation	1 370,4	2 011,2
<b>Associate companies</b>		
Total income after taxation	596,9	515,1

\*The amounts have been restated due to the adoption of IAS 19R.

## Major shareholders

Details of the registered and beneficial shareholders of the company are outlined on pages 250 to 252.

## Directors

There were no changes to the composition of the board during the year.

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

The names of the directors who presently hold office are set out on page 20 of this report.

No director holds 1% or more of the ordinary shares of the company. The directors of the company beneficially hold, directly and indirectly, 3 721 ordinary shares of its issued ordinary shares.

The register of interests of directors in shares of the company is available to the members on request.

Details of the directors' shareholding (direct and indirect beneficial) are reflected below.

	2014		2013	
Name of director	Direct number of shares	Indirect number of shares	Direct number of shares	Indirect number of shares
RMVW				
Dunne	–	2 500	–	5 000
SL Botha	1 221	–	1 221	–
	1 221	2 500	1 221	5 000

# Statutory information continued

## Share repurchase

At the annual general meeting of shareholders held in February 2014, 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 2014, no further shares were acquired as the directors did not deem it appropriate.

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

## American Depository Receipt facility

With effect from 9 September 1994, a sponsored American Depository Receipt (ADR) facility was established. This ADR facility is sponsored by the Bank of New York Mellon and details of the administrators are reflected under administration on page 249.

## Special resolutions

A special resolution had been passed by Tiger Consumer Brands Limited to provide financial assistance to Dangote Flour Mills Plc (DFM) in respect of a loan provided by Tiger Consumer Brands Limited, in the South African equivalent, to a maximum of NGN10 billion in terms of a loan agreement signed by the parties during May 2014.

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

## Retirements funds

Details in respect of the retirement funds of the group are set out in note 34 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 ended 30 September 2014

There were no material subsequent events that occurred during the period subsequent to 30 September 2014, but prior to these financial statements being authorised for issue.

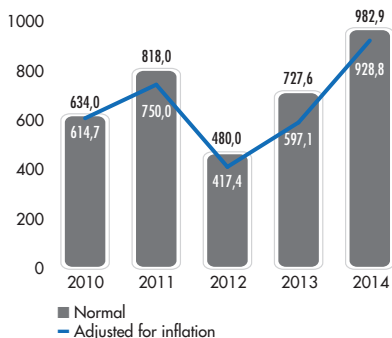
# Effects of changing prices

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.

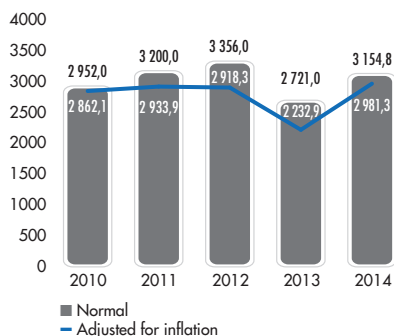
The effect of inflation is monitored by examination of cash flows inherent in operating results, budgets, plans and new projects, with emphasis concentrated towards the objective of the creation of shareholder wealth in real terms.

The following graphs show the extent to which certain key performance indicators compare when discounted by the movement in the Consumer Price Index (base December 2012).

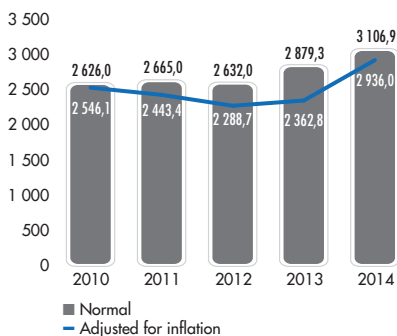
**Capital expenditure (Rm)**



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



**Cash available from operations (Rm)**



# Income statements

for the year ended 30 September 2014

COMPANY			GROUP		
2014	2013	(R'million)	Notes	2014	Restated* 2013
1 993,5	3 260,9	Revenue	2	30 126,0	27 064,7
		Turnover	3	30 072,0	27 003,5
		Cost of sales		(20 540,2)	(18 565,7)
		Gross profit		9 531,8	8 437,8
		Sales and distribution expenses		(3 495,1)	(3 143,4)
		Marketing expenses		(755,6)	(649,9)
(12,3)	(35,2)	Other operating expenses		(1 725,1)	(1 561,7)
(12,3)	(35,2)	Operating income/(loss) before abnormal items	4	3 556,0	3 082,8
(930,9)	(71,1)	Abnormal items	5	(1 055,5)	(2,4)
(943,2)	(106,3)	Operating income/(loss) after abnormal items		2 500,5	3 080,4
(16,9)	(14,6)	Finance costs	6.1	(429,0)	(399,4)
144,2	133,2	Interest received	6.2	26,3	20,6
1 849,3	3 127,7	Investment income	7	1,5	17,0
		Income from associated companies	16	596,9	515,1
1 033,4	3 140,0	Profit before taxation		2 696,2	3 233,7
(42,5)	(25,1)	Taxation	8	(832,4)	(836,6)
990,9	3 114,9	Profit for the year from continuing operations		1 863,8	2 397,1
		Discontinued operation			
		Profit for the year from discontinued operation	41	41,0	158,0
		Profit for the year		1 904,8	2 555,1
		Attributable to:			
990,9	3 114,9	Owners of the parent		2 020,2	2 576,7
		– Continuing operations		1 990,3	2 516,0
		– Discontinued operation		29,9	60,7
		Non-controlling interests		(115,4)	(21,6)
		– Continuing operations		(126,5)	(118,9)
		– Discontinued operation		11,1	97,3
990,9	3 114,9			1 904,8	2 555,1
		Basic earnings per ordinary share (cents)		1 261,6	1 612,9
		– Continuing operations		1 242,9	1 574,9
		– Discontinued operation		18,7	38,0
		Diluted basic earnings per ordinary share (cents)		1 230,7	1 572,9
		– Continuing operations		1 212,5	1 535,8
		– Discontinued operation		18,2	37,1
		Headline earnings per share is disclosed in note 9.			

\* The amounts have been restated due to the adoption of IAS 19R.



# Statements of comprehensive income

for the year ended 30 September 2014

COMPANY			Note	GROUP	
2014	2013	(R'million)		2014	Restated* 2013
990,9	3 114,9	<b>Profit for the year</b>		1 904,8	2 555,1
1,5	(77,6)	Other comprehensive income, net of tax		(28,5)	523,6
		Net loss on hedge of net investment in foreign operation**		(3,2)	(40,1)
		Foreign currency translation adjustments**		114,1	512,5
–	(78,8)	Net loss on cash flow hedges**		(5,1)	(57,3)
1,5	1,2	Net (loss)/gain on available-for-sale financial assets**		(117,4)	53,0
–	–	Actuarial (loss)/gain released in terms of IAS 19R		(40,8)	43,1
		Tax effect**	26	23,9	12,4
<b>992,4</b>	<b>3 037,3</b>	<b>Total comprehensive income for the year, net of tax</b>		<b>1 876,3</b>	<b>3 078,7</b>
<b>992,4</b>	<b>3 037,3</b>	<i>Attributable to:</i>		<b>1 944,7</b>	<b>2 974,3</b>
		Owners of the parent		(68,4)	104,4
<b>992,4</b>	<b>3 037,3</b>	Non-controlling interests		<b>1 876,3</b>	<b>3 078,7</b>

\* The amounts have been restated due to the adoption of IAS 19R.

\*\* Items that may subsequently be reclassified to profit or loss. During the current year, R94,3 million of the foreign currency translation reserve, relating to Dangote Agrosacks, was reclassified to profit or loss.

# Statements of financial position

at 30 September 2014

COMPANY		(R'million)	Notes	GROUP		
2014	2013			2014	Restated* 2013	Restated* 1 October 2012
		<b>Assets</b>				
		<b>Non-current assets</b>				
		Property, plant and equipment	11	5 867,6	5 498,7	3 359,2
		Land and buildings		1 686,1	1 552,7	1 148,4
		Plant, vehicles and equipment		4 170,5	3 931,5	2 201,9
		Capitalised leased assets		11,0	14,5	8,9
		Goodwill	12.1	2 411,2	3 173,2	2 361,1
		Intangible assets	12.2	2 115,5	2 251,4	1 651,0
3 604,4	4 454,9	Interest in subsidiary companies	14			
2 561,4	2 529,8	Amounts owed by subsidiaries	15			
3 208,2	3 091,9	Investments		3 422,5	3 413,3	2 654,7
863,2	863,2	Investments in associated companies	16	3 066,9	2 900,6	2 129,9
1 990,1	1 950,9	Other investments	17	350,0	505,5	517,2
354,9	277,8	Loans	18	5,6	7,2	7,6
10,0	6,3	Deferred taxation asset	19	306,9	138,2	43,9
855,1	763,7	Current assets		10 728,3	9 485,5	7 782,0
		Inventories	20	4 700,6	4 652,7	3 657,3
85,6	45,0	Trade and other receivables	21	4 867,4	4 199,9	3 753,6
499,5	653,9	Amounts owed by subsidiaries				
270,0	64,8	Cash and cash equivalents		1 160,3	632,9	371,1
		Assets classified as held-for-sale	22	–	1 280,7	–
10 239,1	10 846,6	<b>Total assets</b>		24 852,0	25 241,0	17 851,9
		<b>Equity and liabilities</b>				
9 548,8	10 155,3	<b>Issued capital and reserves</b>		13 177,4	12 787,1	11 173,3
139,4	117,3	Ordinary share capital and share premium	25	139,4	117,3	94,5
2 943,9	2 942,4	Non-distributable reserves		2 086,3	1 989,8	1 408,9
6 067,2	6 735,0	Accumulated profits		13 198,8	12 990,2	12 013,0
		Tiger Brands Limited shares held by subsidiary	27	(718,0)	(718,0)	(718,0)
		Tiger Brands Limited shares held by empowerment entities	27	(1 953,9)	(1 956,0)	(1 957,6)
398,3	360,6	Share-based payment reserve	23	424,8	363,8	332,5
		<b>Non-controlling interests</b>		769,8	1 028,4	392,7
9 548,8	10 155,3	<b>Total equity</b>		13 947,2	13 815,5	11 566,0
545,8	552,5	<b>Non-current liabilities</b>		1 532,9	2 397,1	1 062,3
–	–	Deferred taxation liability	28	279,1	363,5	243,7
		Provision for postretirement medical aid	35	626,4	580,9	583,6
131,8	160,6	Long-term borrowings	31	627,4	1 452,7	235,0
414,0	391,9	Amounts owed to subsidiaries	38			
144,5	138,8	<b>Current liabilities</b>		9 371,9	8 329,8	5 223,6
29,1	37,2	Trade and other payables	29	4 441,6	3 987,1	3 256,6
–	–	Provisions	30	664,6	561,0	516,9
1,8	–	Taxation		243,6	131,5	132,3
37,5	33,7	Short-term borrowings	31	4 022,1	3 650,2	1 317,8
76,1	67,9	Amounts owed to subsidiaries	38			
		Liabilities directly associated with assets classified as held-for-sale	22	–	698,6	–
10 239,1	10 846,6	<b>Total equity and liabilities</b>		24 852,0	25 241,0	17 851,9

\* The amounts have been restated due to the adoption of IAS 19R.

# Statements of cash flows

for the year ended 30 September 2014

COMPANY				GROUP	
2014	2013	(R'million)	Notes	2014	Restated* 2013
(23,4)	(8,5)	Cash operating profit/(loss)	A	4 541,2	4 311,3
(11,3)	(23,3)	Working capital changes	B	(348,0)	(337,2)
(34,7)	(31,8)	<b>Cash generated from/(utilised by) operations</b>		<b>4 193,2</b>	<b>3 974,1</b>
144,3	133,2	Interest received and income from investments		27,8	37,6
(16,9)	(14,6)	Finance costs		(434,0)	(447,0)
1 690,3	2 981,3	Dividends received from associate companies and subsidiaries		287,2	300,8
158,9	146,4	Dividends received from empowerment entities			
(44,4)	(26,4)	Taxation paid	C	(967,3)	(986,2)
1 897,5	3 188,1	Cash available from operations		3 106,9	2 879,3
(1 658,7)	(1 621,0)	Dividends paid	D	(1 467,2)	(1 426,1)
238,8	1 567,1	<b>Net cash inflow from operating activities</b>		<b>1 639,7</b>	<b>1 453,2</b>
		Purchase of property, plant, equipment and intangibles	E	(982,9)	(727,6)
		Proceeds from disposal of property, plant, equipment and intangible assets		26,0	31,1
–	(1 512,6)	Cash cost of businesses acquired	F	–	(1 545,0)
		Proceeds from disposal of subsidiary		496,4	–
		Purchase of intangible assets		–	(485,0)
		Proceeds received on insurance claims		43,2	–
(74,1)	(309,4)	Proceeds received on repayment of loans		2,5	1,1
		Investments acquired		–	(556,4)
53,0	(90,1)	Decrease/(increase) in loans to subsidiaries, associates and others		–	–
(21,1)	(1 912,1)	<b>Net cash (outflow)/inflow from investing activities</b>		<b>(414,8)</b>	<b>(3 281,8)</b>
217,7	(345,0)	<b>Net cash inflow/(outflow) before financing activities</b>		<b>1 224,9</b>	<b>(1 828,6)</b>
22,1	17,8	Proceeds from issue of share capital	G	22,1	17,8
–	–	Acquisition of minorities shareholding in DFM		(74,1)	–
(35,2)	(2,2)	Long and short-term borrowings (repaid)/raised		(1 056,5)	407,7
(13,1)	15,6	<b>Net cash (outflow)/inflow from financing activities</b>		<b>(1 108,5)</b>	<b>425,5</b>
204,6	(329,4)	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>116,4</b>	<b>(1 403,1)</b>
–	–	Cash and cash equivalents transferred to assets held-for-sale		–	(20,4)
0,6	2,6	Effect of exchange rate changes on cash and cash equivalents		51,6	64,6
64,8	391,6	Cash and cash equivalents at the beginning of the year	H	(2 093,9)	(735,0)
270,0	64,8	<b>Cash and cash equivalents at the end of the year</b>	I	<b>(1 925,9)</b>	<b>(2 093,9)</b>

\* The amounts have been restated due to the adoption of IAS 19R.

# Notes to the cash flow statements

for the year ended 30 September 2014

COMPANY			GROUP	
2014	2013	(R'million)	2014	Restated* 2013
<b>A Cash operating profit/(loss)</b>				
(12,3)	(35,2)	Operating profit/(loss) before abnormal items:	3 556,0	3 082,8
		– Continuing operations	30,8	196,9
		– Discontinued operation		
		Add back:		
		Amortisation	38,1	47,4
		Profit on disposal of property, plant and equipment	1,2	24,5
		Provision for post-retirement medical aid	53,2	15,4
		Depreciation	679,1	706,8
		Share-based payment expenses	105,4	134,2
(11,1)	26,7	Other non-cash items	77,4	103,3
(23,4)	(8,5)	Cash operating profit/(loss)	4 541,2	4 311,3
<b>B Working capital changes</b>				
(3,1)	(9,7)	Decrease/(increase) in inventories	64,0	(179,3)
(8,2)	(13,6)	(Increase)/decrease in trade and other receivables	(685,8)	183,8
		Increase/(decrease) in trade and other payables	273,8	(341,7)
(11,3)	(23,3)	Working capital changes	(348,0)	(337,2)
<b>C Taxation paid</b>				
–	4,0	Amounts (payable)/receivable at the beginning of the year, net	(108,0)	(123,0)
(42,5)	(25,1)	Income statement charge:	(832,4)	(836,6)
		– Continuing operations	(3,4)	(1,4)
(3,7)	(5,3)	– Discontinued operation	(220,7)	(106,1)
		Deferred tax	–	(31,1)
		Adjustment for businesses acquired	–	9,9
		Balances classified as held-for-sale	3,7	(5,9)
1,8	–	Exchange rate difference and other non-cash items	193,5	108,0
(44,4)	(26,4)	Amounts payable at the end of the year, net	(967,3)	(986,2)
<b>D Dividends paid</b>				
(1 658,7)	(1 621,0)	Per statement of changes in equity	(1 446,5)	(1 416,2)
		Dividends paid to outside shareholders	(20,7)	(9,9)
(1 658,7)	(1 621,0)	Total dividends paid	(1 467,2)	(1 426,1)

\* The amounts have been restated due to the adoption of IAS 19R.

COMPANY		(R'million)	Notes	GROUP	
2014	2013			2014	Restated* 2013
		<b>E Purchase of property, plant and equipment</b>			
		Expansion		(427,7)	(187,3)
		Replacement		(555,2)	(540,3)
				(982,9)	(727,6)
		<b>F Cash cost of businesses acquired</b>			
		Property, plant and equipment		–	(2 370,8)
		Goodwill		–	(646,3)
		Intangibles		–	(134,1)
		Inventories		–	(868,0)
		Trade and other receivables		–	(728,9)
		Cash and cash equivalents		–	32,4
		Long-term borrowings		–	497,2
		Short-term borrowings		–	968,2
		Trade and other payables		–	1 064,5
		Taxation and deferred taxation		–	171,2
		Non-controlling interest		–	529,6
–	(1 485,0)	Total cost of businesses acquired		–	(1 485,0)
–	(27,6)	Amounts owing from vendors		–	(27,6)
–	–	Add: Cash and cash equivalents acquired		–	(32,4)
–	(1 512,6)	Cash cost of businesses acquired		–	(1 545,0)
		<b>G Increase in shareholder funding</b>			
22,1	17,8	Proceeds from issue of share capital		22,1	17,8
22,1	17,8			22,1	17,8
		<b>H Cash and cash equivalents at the beginning of the year</b>			
64,8	391,6	Cash resources		632,9	371,1
		Short-term borrowings regarded as cash and cash equivalents	31.6	(2 726,8)	(1 106,1)
64,8	391,6			(2 093,9)	(735,0)
		<b>I Cash and cash equivalents at the end of the year</b>			
270,0	64,8	Cash resources		1 160,3	632,9
		Short-term borrowings regarded as cash and cash equivalents	31.6	(3 086,2)	(2 726,8)
270,0	64,8			(1 925,9)	(2 093,9)

\* The amounts have been restated due to the adoption of IAS 19R.

# Statements of changes in equity

for the year ended 30 September 2014

(R'million)	Share capital and premium	Non-distributable reserves		
		Share of net earnings of associates	Other capital reserves	Cash flow hedge reserve
GROUP				
Balance at 1 October 2012	94,5	1 102,8	16,7	70,8
Restatement – IAS 19R	–	–	–	–
<b>Balance at 1 October 2012 (restated)* (refer note 42)</b>	<b>94,5</b>	<b>1 102,8</b>	<b>16,7</b>	<b>70,8</b>
Profit for the year	–	–	–	–
Other comprehensive income for the year	–	–	–	(57,3)
Total comprehensive income	–	–	–	(57,3)
Issue of share capital and premium	22,8	–	–	–
Acquisition of Dangote Flour Mills Plc	–	–	–	–
Transfers between reserves	–	214,3	–	–
Share-based payment	–	–	–	–
Dividends on ordinary shares	–	–	–	–
Total dividends	–	–	–	–
Less: Dividends on empowerment shares	–	–	–	–
Sale of shares by empowerment entity	–	–	–	–
<b>Balance at 30 September 2013 (restated)*</b>	<b>117,3</b>	<b>1 317,1</b>	<b>16,7</b>	<b>13,5</b>
Profit for the year	–	–	–	–
Other comprehensive income for the year	–	–	–	(5,1)
Total comprehensive income	–	–	–	(5,1)
Issue of share capital and premium	22,1	–	–	–
Disposal of Agrosacks	–	–	–	–
Acquisition of non-controlling interest – DFM	–	–	(49,7)	–
Distribution to Oceana Empowerment Trust beneficiaries	–	(143,4)	–	–
Subsidiary – legal reserve transfer	–	–	25,8	–
Transfers between reserves	–	309,7	–	–
Share-based payment	–	–	–	–
Dividends on ordinary shares	–	–	–	–
Total dividends	–	–	–	–
Less: Dividends on empowerment shares	–	–	–	–
Sale of shares by empowerment entity	–	–	–	–
<b>Balance at 30 September 2014</b>	<b>139,4</b>	<b>1 483,4</b>	<b>(7,2)</b>	<b>8,4</b>
Refer to note:	25	16		

\* The amounts have been restated due to the adoption of IAS 19R.

	Available-for-sale reserve	Foreign currency translation reserve	Accumulated profits	Shares held by subsidiary and empowerment entities	Share-based payment reserve	Total attributable to owners of the parent	Non-controlling interests	Total equity
	212,9	5,7	12 142,5	(2 675,6)	332,5	11 302,8	392,7	11 695,5
	-	-	(129,5)	-	-	(129,5)	-	(129,5)
	212,9	5,7	12 013,0	(2 675,6)	332,5	11 173,3	392,7	11 566,0
	-	-	2 576,7	-	-	2 576,7	(21,6)	2 555,1
	50,5	373,4	31,0	-	-	397,6	126,0	523,6
	50,5	373,4	2 607,7	-	-	2 974,3	104,4	3 078,7
	-	-	-	-	-	22,8	-	22,8
	-	-	-	-	-	-	541,2	541,2
	-	-	(214,3)	-	-	-	-	-
	-	-	-	-	31,3	31,3	-	31,3
	-	-	(1 416,2)	-	-	(1 416,2)	(9,9)	(1 426,1)
	-	-	(1 597,5)	-	-	(1 597,5)	(9,9)	(1 607,4)
	-	-	181,3	-	-	181,3	-	181,3
	-	-	-	1,6	-	1,6	-	1,6
	263,4	379,1	12 990,2	(2 674,0)	363,8	12 787,1	1 028,4	13 815,5
	-	-	2 020,2	-	-	2 020,2	(115,4)	1 904,8
	(111,8)	71,0	(29,6)	-	-	(75,5)	47,0	(28,5)
	(111,8)	71,0	1 990,6	-	-	1 944,7	(68,4)	1 876,3
	-	-	-	-	-	22,1	-	22,1
	-	-	-	-	-	-	(145,1)	(145,1)
	-	-	-	-	-	(49,7)	(24,4)	(74,1)
	-	-	-	-	-	(143,4)	-	(143,4)
	-	-	(25,8)	-	-	-	-	-
	-	-	(309,7)	-	-	-	-	-
	-	-	-	-	61,0	61,0	-	61,0
	-	-	(1 446,5)	-	-	(1 446,5)	(20,7)	(1 467,2)
	-	-	(1 599,0)	-	-	(1 599,0)	(20,7)	(1 619,7)
	-	-	152,5	-	-	152,5	-	152,5
	-	-	-	2,1	-	2,1	-	2,1
	151,6	450,1	13 198,8	(2 671,9)	424,8	13 177,4	769,8	13 947,2

# Statements of changes in equity continued

for the year ended 30 September 2014

(R'million)	Share capital and premium	Non-distributable reserves				Accumulated profits	Share-based payment reserve	Total attributable to owners of the parent
		Non-distributable reserves	Other capital reserves	Cash flow hedge reserve	Available-for-sale reserve			
COMPANY								
Balance at 1 October 2012	94,5	2 918,6	19,3	78,8	3,3	5 241,1	329,3	8 684,9
Profit for the year	–	–	–	–	–	3 114,9	–	3 114,9
Other comprehensive income for the year	–	–	–	(78,8)	1,2	–	–	(77,6)
Total comprehensive income	–	–	–	(78,8)	1,2	3 114,9	–	3 037,3
Issue of share capital and premium	22,8	–	–	–	–	–	–	22,8
Share-based payment	–	–	–	–	–	–	31,3	31,3
Dividends on ordinary shares	–	–	–	–	–	(1 621,0)	–	(1 621,0)
Balance at 30 September 2013	117,3	2 918,6	19,3	–	4,5	6 735,0	360,6	10 155,3
Profit for the year	–	–	–	–	–	990,9	–	990,9
Other comprehensive income for the year	–	–	–	–	1,5	–	–	1,5
Total comprehensive income	–	–	–	–	1,5	990,9	–	992,4
Issue of share capital and premium	22,1	–	–	–	–	–	–	22,1
Share-based payment	–	–	–	–	–	–	37,7	37,7
Dividends on ordinary shares	–	–	–	–	–	(1 658,7)	–	(1 658,7)
Balance at 30 September 2014	139,4	2 918,6	19,3	–	6,0	6 067,2	398,3	9 548,8
Refer to note:	25						23	



# Notes to the financial statements

for the year ended 30 September 2014

## 1. Accounting policies

### Corporate information

The consolidated financial statements of Tiger Brands Limited (the company) and the Tiger Brands group (the group) for the year ended 30 September 2014 were authorised for issue in accordance with a resolution of the directors on 18 November 2014. 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. The consolidated financial statements are stated in millions.

### Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), IFRIC Interpretations (IFRS Interpretations Committee) and the Companies Act No 71 of 2008.

### Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiaries (as well as structured 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. An investor controls an investee, if and only if, the investor has all the following:

- Power over the investee
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect the amount of the investor's returns.

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

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

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

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

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

If the group loses control over a subsidiary, it:

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

# Notes to the financial statements continued

for the year ended 30 September 2014

## 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 160 to 164.

## 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 or 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 value of the item (ie translation differences on items which 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 Industries Kenya Limited (subsidiary) – Kenyan shilling
- Deli Foods Nigeria Limited (subsidiary) – Nigerian naira
- Dangote Flour Mills (subsidiary) – 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.

## 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 or 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 arrangement.

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 cost of disposal. 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 cost of disposal.

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).

# Notes to the financial statements continued

## for the year ended 30 September 2014

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 straightline 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	Three to five years
Plant and equipment	Five to 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 in profit or loss is recognised as a "gain on bargain purchase". 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 in profit or loss. The impairment loss is allocated first to any goodwill assigned to the unit, and then to other assets of the unit pro rata on the basis of their carrying values. Impairment losses recognised for goodwill cannot be reversed in subsequent periods.

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

#### Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of an

intangible asset acquired in a business combination is the fair value at the date of acquisition. Subsequently, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Unless internally generated costs meet the criteria for development costs eligible for capitalisation in terms of IAS 38 (refer to research and development costs accounting policy 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 lives and assessed for impairment when there is an indication that the asset may be impaired.

The amortisation period and 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 and other	One to 20 years
Customer and supplier-related intangibles	Five to 15 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 as an expense 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 as an expense 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.

### 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.

### Impairment of non-financial assets

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 cost of disposal 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

# Notes to the financial statements continued

## for the year ended 30 September 2014

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 pre-tax 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 cost of disposal, the fair value is determined in terms of IFRS 13. This is measured using the assumptions that market participants would use when pricing the asset, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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.

### 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 or 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 incomes 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 anymore.

#### **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, using the effective interest rate method, less impairment losses.

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

#### **Financial liabilities at amortised cost**

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

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

#### **Fair value**

The fair value of listed investments is the quoted market bid price at the close of business on the reporting date. For unlisted investments, the fair value is determined using appropriate valuation techniques. The group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. 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. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

# Notes to the financial statements continued

## for the year ended 30 September 2014

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 indicating that a financial asset, or group of financial 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 cyclicity.

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

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

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

### Assets carried at amortised cost

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

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

# Notes to the financial statements continued

## for the year ended 30 September 2014

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 sale in its present condition. For a sale to be highly probable, management must be committed to the sale at a price that is reasonable in relation to its current fair value and an active programme to locate a buyer and complete the plan must be initiated. This 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 cost of disposal.

A discontinued operation is a separate major line of business, separate component or geographical area of operation that has been disposed of, or classified as held-for-sale, as part of a single coordinated plan. A subsidiary acquired exclusively with a view to resale and that meets the criteria of a non-current asset held-for-sale is also defined as a discontinued operation.

In the consolidated income statement of the reporting period and of the comparable period, income and expenses from discontinued operations are reported separately 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 assets 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 for each asset. 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 straightline 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 as an 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.

# Notes to the financial statements continued

## for the year ended 30 September 2014

### 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 received

For all financial instruments measured at amortised cost, interest received or expensed 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 received 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 qualifying 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).

### 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 and tax laws that have been enacted or substantively enacted by the reporting date.

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

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

### Dividends 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.

# Notes to the financial statements continued

## for the year ended 30 September 2014

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- the date of the plan amendment or curtailment; and
- The date that the group recognises related restructuring costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The group recognises the following changes in the net defined benefit obligation under "cost of sales", "administration expenses" and "selling and distribution expenses" in consolidated statement of profit or loss (by function):

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income.

### 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 in the form of a defined benefit medical plan. 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

Under the scheme, executives and selected managers of Tiger Brands Limited and its subsidiaries are offered, on an annual basis, a weighted combination of share appreciation rights, performance shares, restricted shares linked to the annual cash bonus scheme (bonus matching) and restricted shares linked to a deferred portion of bonuses received by these employees. All these components are accounted for as equity-settled share-based payments in addition to the general employee share option plan portion and the black managers participation right scheme.

Shares awarded to employees in terms of the rules of the Tiger Brands Long-Term Incentive Plan (LTIP) are

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-Scholes 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 such as the general employee share option plan portion is measured initially at fair value at the grant date using a modified version of the Black-Scholes 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

# Notes to the financial statements continued

## for the year ended 30 September 2014

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, but disclosed.

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, but disclosed.

### Events after the reporting date

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 structured entities

The structured 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 the group is exposed to variable returns.

#### Detailed disclosures of non-controlling interests

The group does not have subsidiaries that have a material non-controlling interest in the context of the group and accordingly detailed non-controlling interest disclosure is not required in the current year in terms of IFRS 12 *Disclosure of Interests in Other Entities*. In determining whether or not any non-controlling interests are material, the group considered the share of the individual non-controlling interests in the consolidated net assets of the group. In addition, the total non-controlling interest is below 10% of the group's consolidated net assets and hence considered not to be material to the group.

#### 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.

#### **Impairment assessment of goodwill, tangible and intangible assets**

Goodwill and indefinite life intangible assets are tested for impairment annually or more frequently if there is an indicator of impairment. Tangible assets and finite life intangible assets are tested when there is an indicator of impairment. When identifying impairment indicators, management considers the impact of changes in competitors, technological obsolescence, discontinuance of products, market changes, legal changes, operating environments and other circumstances that could indicate that impairment exists. This requires management to make significant judgements concerning the existence of impairment indicators, identification of cash-generating units and estimates of projected cash flows and fair value less costs of disposal.

The group applies the impairment assessment to its cash-generating units. Management's analysis of cash-generating units involves an assessment of a group of assets' ability to independently generate cash inflows and involves analysing the extent to which different products make use of the same assets.

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. Recoverable amount is calculated using the discounted cash flow valuation method when determining value in use.

Key assumptions on which management has based its determination of recoverable amount include the weighted average cost of capital, projected revenues and gross margins. In addition, changes in economic factors, such as discount rates, could also impact this calculation. Further details are given in notes 11 and 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 notes 11 and 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).

#### **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,

# Notes to the financial statements continued

## for the year ended 30 September 2014

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 notes 34 and 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.

### Assets, liabilities and contingent liabilities acquired in a business combination

The amount of goodwill initially recognised as a result of a business combination is dependent on the allocation of the purchase price to the fair value of the identifiable assets acquired and the liabilities assumed. The determination of the fair value of the assets and liabilities is based, to a large extent, on management's judgement.

The allocation of the purchase price affects the results of the group as finite life intangible assets are amortised, whereas indefinite life intangible assets, including goodwill, are only tested for impairment on an annual basis.

Identifiable intangible assets acquired under business combination include trademarks and customer lists.

The fair value of these assets is determined by discounting estimated future net cash flows generated by the asset, where no active market for the assets exists. The use of different assumptions for the expectations of future cash flows and the discount rate would change the valuation of the intangible assets.

### Changes in accounting policies

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

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

- ▶ **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. Adoption of this standard had no impact on the separate and consolidated financial statements.
- ▶ **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"). Adoption of this standard had no impact on the consolidated financial statements.

- 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. Adoption of this standard had no impact on the consolidated financial statements.
- 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. Adoption of this new standard has resulted in additional disclosures.
- 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. Adoption of this new standard has resulted in additional disclosures.
- 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 adoption of this has not had an impact on the consolidated financial statements. The second item relates to the corridor mechanism for pension plans being removed. This means all changes in the value of defined benefit plans are recognised as they occur. Those movements are recorded in profit or loss and other comprehensive income as follows:
  - Profit or loss is 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).
- 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. Adoption of this standard had no impact on the separate financial statements.
- 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. Adoption of this standard had no impact on the separate and consolidated financial statements.
- IAS 36 *Recoverable Amount Disclosures for Non-financial Assets* – Amendments to IAS 36. The amendments clarify the disclosure requirements in respect of fair value less costs of disposal. When IAS 36 was originally changed as a consequence of IFRS 13, the IASB intended to require disclosure of information about the recoverable amount of impaired assets if that amount was based on fair value less costs to sell. However, as written, an entity was required to disclose the recoverable amount for each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit was significant in comparison to the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. This requirement has been deleted by the amendments. The group has early adopted IAS 36 *Impairment* (amended) and therefore does not disclose the recoverable amounts of the CGUs.

# Notes to the financial statements continued

## for the year ended 30 September 2014

### 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***

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the group's financial assets, but no impact on the classification and measurement of the group's financial liabilities. The impact of this standard will be assessed.

► **Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions***

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. It is not expected that this amendment

would be relevant to the group, since none of the entities within the group has defined benefit plans with contributions from employees or third parties. The full impact of this amendment will be assessed, however this is not expected to have a significant impact on the consolidated financial statements.

### Annual improvements 2010 – 2012 Cycle

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the group. They include:

► **IFRS 2 *Share-based Payment***

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition.
- A performance target must be met while the counterparty is rendering service.
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group.
- A performance condition may be a market or non-market condition.
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. This amendment will impact the accounting treatment of any future share-based payment transactions that have performance and service vesting conditions.

► **IFRS 3 *Business Combinations***

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable). This amendment will impact any future business combinations which include contingent consideration.

► **IFRS 8 *Operating Segments***

The amendments are applied retrospectively and clarifies that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (eg sales and gross margins) used to assess whether the segments are similar.
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision-maker, similar to the required disclosure for segment liabilities. This amendment is still being assessed.

► **IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets***

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. This amendment is not expected to impact the group.

► **IAS 24 *Related-Party Disclosures***

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not expected to impact the group.

**Annual improvements 2011 – 2013 Cycle**

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the group. They include:

► **IFRS 3 *Business Combinations***

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- joint arrangements, not just joint ventures, are outside the scope of IFRS 3; and

- this scope exception applies only to the accounting in the financial statements of the joint arrangement itself. This amendment is not expected to impact the group.

► **IFRS 13 *Fair Value Measurement***

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable). The impact of this amendment is yet to be assessed.

► **IAS 40 *Investment Property***

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (ie property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination. This amendment is not expected to impact the group.

► **IFRS 15 *Revenue from Contracts with Customers***

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

# Notes to the financial statements *continued*

## for the year ended 30 September 2014

► *Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests*

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the group.

► *Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part)

rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the group given that the group has not used a revenue-based method to depreciate its non-current assets.

► *Amendments to IAS 27: Equity Method in Separate Financial Statements*

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively.

For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption. This amendment is not expected to impact the group, unless the group elects to equity account investments in subsidiaries.

COMPANY			GROUP	
2014	2013	(R'million)	2014	Restated* 2013
		<b>2 Revenue</b>		
		Turnover	30 072,0	27 003,5
144,2	133,2	Interest received	26,3	20,6
1 849,3	3 127,7	Dividend income	1,5	17,0
–	–	Rental income, fee income and other	26,2	23,6
1 993,5	3 260,9		30 126,0	27 064,7
		<b>3 Turnover</b>		
		<b>3.1 Turnover</b>		
		Non-South African turnover	7 589,0	6 608,8
		South African turnover	22 483,0	20 394,7
			30 072,0	27 003,5
		Turnover is net of value added tax, normal discounts, rebates and promotional allowances. Refer to the segmental analysis on page 53 for details of the segmental split.		
		<b>3.2 Turnover by major customer</b>		
		Customer 1	4 310,6	4 037,0
		Customer 2	3 052,0	2 830,0
		Customer 3	2 524,5	2 449,9
		Customer 4	2 285,5	1 975,8
		Customer 5	335,6	251,1
		All other customers	17 563,8	15 459,7
			30 072,0	27 003,5
		Customers 1 to 5 relate mainly to domestic operations.		

\* The amounts have been restated due to the adoption of IAS 19R.

# Notes to the financial statements continued

for the year ended 30 September 2014

COMPANY		(R'million)	GROUP	
2014	2013		2014	Restated* 2013
		<b>4 Operating income/(loss) before abnormal items</b>		
		<b>4.1 Operating income/(loss) has been determined after charging/(crediting)</b>		
		External auditors' remuneration	35,6	35,2
		– Audit fees	29,9	30,7
		– Other fees and expenses	5,7	4,5
		Internal auditors' remuneration	10,9	9,9
		Depreciation	679,1	640,1
		– On buildings	58,1	52,2
		– On plant, equipment and vehicles	617,5	584,1
		– On capitalised leased assets	3,5	3,8
		Amortisation	38,1	47,4
		– On trademarks	33,2	42,0
		– On licence agreements, supplier relationships and other intangibles	0,1	0,5
		– On customer lists	4,8	4,9
		Fees paid for administrative, managerial and technical services	97,3	115,8
		Operating lease charges	165,0	162,2
		– On land and buildings	68,2	72,4
		– On plant, equipment and vehicles	96,8	89,8
		Net loss on disposal of plant, equipment and vehicles	1,2	9,0
		Research, development and related expenditure	21,7	17,1
		Share-based payment expenses	105,4	134,2
		– Cash settled	44,4	98,0
		– Equity settled, including BEE-related IFRS 2 expenses	61,0	36,2
		Staff costs	2 900,4	2 501,4
		Employer's contribution to retirement funding	201,3	181,3
		Employer's contribution to medical aid	91,7	86,7
		Foreign exchange (profit)/loss	(21,7)	(21,6)
0,3	–			
1,8	1,5			
37,7	31,3			
0,9	28,7			
		<b>4.2 Directors' emoluments</b>		
		Executive directors		
		– Salaries and bonuses	17,6	11,6
		– Retirement, medical and other benefits	29,3	19,5
		Non-executive directors		
		– Fees	5,9	5,3
5,9	5,3			
5,9	5,3	Total directors' emoluments	52,8	36,4
		Less: Paid by subsidiaries	46,9	(31,1)
5,9	5,3	Emoluments paid by company	5,9	5,3

\* The amounts have been restated due to the adoption of IAS 19R.



## 4 Operating income/(loss) before abnormal items continued

### 4.2 Directors' emoluments continued

Table of directors' emoluments for the year ended 30 September 2014:

(R000)	GROUP						Total 2014
	Fees	Cash salary	Bonus	Other benefits	Retirement fund contributions	Gains on options exercised	
<b>Executive directors</b>							
O Ighodaro	–	3 617	3 051	60	604	–	7 332
PB Matlare	–	4 564	–	316	801	3 491	9 172
CFH Vaux	–	3 417	2 965	40	693	23 365	30 480
<b>Total A</b>	–	11 598	6 016	416	2 098	26 856	46 984
<b>Non-executive directors</b>							
		EFs					
AC Parker (Chairman)	1 465	85	–	–	–	–	1 550
SL Botha	494	17	–	–	–	–	511
MJ Bowman	315	17	–	–	–	–	332
RMV Dunne	825	17	–	–	–	–	842
M Mankanjee	384	10	–	–	–	–	394
KDK Mokhele	536	17	–	–	–	–	553
RD Nisbet	460	17	–	–	–	–	477
MP Nyama	404	17	–	–	–	–	421
BL Sibiyi (Deputy Chairman)	757	17	–	–	–	–	774
<b>Total B</b>	5 640	214	–	–	–	–	5 854
<b>Total A + B</b>	5 640	11 812	6 016	416	2 098	26 856	52 838
Details of remuneration paid to prescribed officers of the company are set out below:							
<b>Prescribed officers</b>							
NG Brimacombe	–	3 276	2 901	120	674	4 535	11 506
NP Doyle – Note 1	–	3 509	2 972	593	588	–	7 662
AG Kirk – Note 2	–	2 894	1 355	278	536	–	5 063
N Segoale (1 October 2013 to 28 February 2014) – Note 3	–	1 909	–	1 061	268	2 703	5 941
<b>Total</b>	–	11 588	7 228	2 052	2 066	7 238	30 172
Aggregated details of remuneration paid to members of the executive committee, other than the executive directors and prescribed officers above, are set out below:							
<b>Total – Note 4</b>	–	17 618	10 082	982	2 764	12 995	44 441

**Note 1** – a special once-off allowance of R521 070 was paid to NP Doyle in September 2014 in recognition of the additional responsibilities he had assumed in respect of the company's Nigerian subsidiaries, namely Dangote Flour Mills and Deli Foods.

**Note 2** – the bonus value of R1 354 510 excludes an amount of R1 354 510 which has been deferred for the purchase of restricted shares in terms of the rules of the Tiger Brands Limited 2013 Share Plan.

**Note 3** – other benefits include accommodation and flights home for personal visits as part of expatriate package.

**Note 4** – the bonus value of 10 082 179 excludes an amount of R486 255 in respect of one member of the executive committee, who has deferred a portion of his bonus for the purchase of restricted shares in terms of the rules of the Tiger Brands Limited 2013 Share Plan.

EFs – fees paid to the Chairman for his attendance at meetings of the board of directors of Empresas Carazzi, an associate of Tiger Brands (R51 000). Also includes fees paid to nonexecutive directors in respect of their attendance at special board meetings of the company.

# Notes to the financial statements *continued*

for the year ended 30 September 2014

## 4 Operating income/(loss) before abnormal items *continued*

### 4.2 Directors' emoluments *continued*

Table of directors' emoluments for the year ended 30 September 2013:

	GROUP						
(R000)	Fees	Cash salary	Bonus	Other benefits (Note 4)	Retirement fund contributions	Gains on options exercised	Total 2013
<b>Executive directors</b>							
O Ighodaro	–	3 150	–	60	526	–	3 736
PB Matlare – Note 1	–	4 251	1 000	310	748	11 352	17 661
CFH Vaux	–	3 225	8	36	653	5 859	9 781
<b>Total A</b>	–	10 626	1 008	406	1 927	17 211	31 178
<b>Non-executive directors</b>							
		EFs					
AC Parker (Chairman)	1 382	17	–	–	–	–	1 399
SL Botha	465	–	–	–	–	–	465
MJ Bowman	298	–	–	–	–	–	298
RMW Dunne	765	–	–	–	–	–	765
M Mankanjee	362	–	–	–	–	–	362
KDK Mokhele	500	–	–	–	–	–	500
RD Nisbet	429	–	–	–	–	–	429
MP Nyama	382	–	–	–	–	–	382
BL Sibiyi (Deputy Chairman)	714	–	–	–	–	–	714
<b>Total B</b>	5 297	17	–	–	–	–	5 314
<b>Total A + B</b>	5 297	10 643	1 008	406	1 927	17 211	36 492

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

<b>Prescribed officers</b>							
NG Brimacombe	–	3 059	4	114	629	3 951	7 757
NP Doyle	–	2 480	–	54	415	–	2 949
AG Kirk (8 July 2013 to 30 September 2013)	–	670	–	67	124	–	861
PM Roux (1 October 2012 to 28 February 2013) – Note 2	–	1 528	–	438	261	–	2 227
N Segoale – Note 3	–	3 870	163	1 920	607	3 003	9 563
<b>Total</b>	–	11 607	167	2 593	2 036	6 954	23 357

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

<b>Total</b>	–	9 799	1	798	1 963	19 271	31 832
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**Note 1** – a special incentive bonus of R1 000 000 was paid to PB Matlare in December 2012 in recognition of his efforts in respect of progressing the Africa expansion strategy.

**Note 2** – other benefits include notice and leave pay.

**Note 3** – other benefits include accommodation and flights home for personal visits as part of expatriate package.

**Note 4** – includes a long service allowance of R218 929 paid to a member of the executive committee for 30 years' service effective August 2013.

EFs – fees paid to the Chairman for his attendance at meetings of the board of directors of Empresas Carozzi, an associate of Tiger Brands.

### 4.3 Directors' service contracts

No directors have service contracts with notice periods of more than three months.

COMPANY			GROUP	
2014	2013	(R'million)	2014	Restated* 2013
<b>5 Abnormal items</b>				
(12,3)	(15,0)	Acquisition costs	(12,3)	(15,0)
		Net profit on disposal of property, plant and equipment	14,8	11,1
(896,7)	–	Impairment of investment/intangible assets (refer note 13.4)	(916,4)	(2,9)
		Insurance claim income	43,2	–
		Impairment of property, plant and equipment (refer note 11.6)	(145,3)	–
		Write-off of other related assets	(3,1)	–
		Historical statutory liabilities	(36,4)	–
(21,9)	(56,1)	Exchange rate translation of Mauritian loan		
		Other	–	4,4
(930,9)	(71,1)	Abnormal profit before taxation	(1 055,5)	(2,4)
6,1	15,7	Income tax expense	53,9	(3,1)
(924,8)	(55,4)	Attributable to ordinary shareholders of Tiger Brands Limited	(1 001,6)	(5,5)
		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.		
<b>6 Interest</b>				
(16,9)	(14,6)	<b>6.1 Finance costs</b>	(429,0)	(399,4)
(16,4)	(14,0)	Long-term borrowings	(227,0)	(245,7)
(0,5)	(0,6)	Bank and other short-term borrowings	(190,8)	(144,2)
		Other – financial liabilities	(8,3)	(7,7)
		Other – non-financial liabilities	(2,9)	(1,8)
144,2	133,2	<b>6.2 Interest received</b>	26,3	20,6
25,4	21,3	From subsidiary companies		
118,8	111,6	From cash and cash equivalents	21,3	17,8
–	0,3	From other sources – non-financial assets	5,0	2,8
127,3	118,6	Net (finance costs)/interest received	(402,7)	(378,8)

\* The amounts have been restated due to the adoption of IAS 19R.

# Notes to the financial statements *continued*

for the year ended 30 September 2014

COMPANY			GROUP	
2014	2013	(R'million)	2014	Restated* 2013
<b>7 Investment income</b>				
1 690,3	2 981,3	From subsidiary/associate companies		
		From investment of employer-controlled reserve invested by pension fund on behalf of Tiger Brands Limited	0,9	4,7
158,9	146,4	From BEE entities		
0,1	–	From other listed investments	0,6	12,3
1 849,3	3 127,7		1,5	17,0
<b>8 Taxation</b>				
36,9	30,8	<b>8.1 South African current taxation</b>	943,2	867,1
10,0	7,8	Withholding and foreign taxes	88,2	80,0
46,9	38,6		1 031,4	947,1
2,4	2,2	Deferred taxation	(107,2)	(106,7)
2,4	2,2	– Temporary differences	(107,2)	(106,7)
49,3	40,8	Adjustments in respect of previous years	924,2	840,4
(0,7)	–	– Current taxation	17,8	0,5
–	–	– Foreign taxation	–	0,2
–	–	– Deferred taxation	(55,7)	(7,6)
48,6	40,8		886,3	833,5
Taxation on abnormal items				
–	(8,2)	– Current taxation	3,9	(5,1)
(6,1)	(7,5)	– Deferred taxation	(57,8)	8,2
42,5	25,1		832,4	836,6

\* The amounts have been restated due to the adoption of IAS 19R.

COMPANY			GROUP	
2014	2013		2014	Restated* 2013
		<b>8 Taxation</b> continued		
		<b>8.2 The reconciliation of the effective rate of taxation with the statutory taxation rate is as follows:</b>		
%	%		%	%
4,1	0,8	Taxation for the year as a percentage of income before taxation	30,8	25,9
50,1	27,9	Dividend income	–	0,1
(25,3)	(0,4)	Expenses and provisions not allowed for taxation	(10,8)	(1,5)
–	–	Assessed losses not recognised	(0,2)	(0,2)
–	–	Additional investment allowances	1,6	–
–	–	Prior year adjustments	1,4	–
(0,9)	–	Withholding taxes	(1,2)	–
–	–	Income from associates	6,2	4,5
–	(0,3)	Effect of differing rates of foreign taxes and other sundries	0,2	(0,8)
28,0	28,0	Rate of South African company taxation	28,0	28,0
		<b>(R'million)</b>		
		Tax effect of losses available to reduce future taxable income	202,5	124,6
		<b>8.3 Reconciliation of movement on deferred taxation</b>		
		<b>Movement recognised in the income statement for the year</b>		
2,4	2,2	Current year charge	(107,2)	(106,7)
–	–	Adjustments in respect of previous years	(55,7)	(7,6)
(6,1)	(7,5)	Deferred tax on abnormal items	(57,8)	8,2
(3,7)	(5,3)		(220,7)	(106,1)
		<b>Movement per deferred tax accounts</b>		
(6,1)	(7,5)	Increase in deferred taxation asset	(123,3)	(105,8)
2,4	2,2	(Decrease)/increase in deferred taxation liability	(97,4)	(0,3)
(3,7)	(5,3)		(220,7)	(106,1)

\* The amounts have been restated due to the adoption of IAS 19R.

# Notes to the financial statements continued

for the year ended 30 September 2014

		GROUP	
		2014	Restated* 2013
<b>9</b>	<b>Calculation of weighted average number of shares for headline earnings per share and basic earnings per share purposes</b>		
9.1	Opening balance of number of ordinary shares	181 220 710	180 869 280
	Weighted number of ordinary shares — issued	245 093	236 769
	Weighted number of shares held for BEE deal	(21 338 575)	(21 351 327)
	Weighted average number of shares in issue	160 127 228	159 754 722
9.2	Weighted average number of shares in issue	160 127 228	159 754 722
	Share options dilution	4 023 409	4 072 813
	Adjusted number of ordinary shares for diluted earnings per share and diluted headline earnings per share purposes	164 150 637	163 827 535
9.3	Headline earnings (R'million)	2 907,4	2 601,7
	– Continuing operations	2 889,3	2 515,0
	– Discontinued operation	18,1	86,7
	Income attributable to shareholders of the parent	2 020,2	2 576,7
	– Continuing operations	1 990,3	2 516,0
	– Discontinued operation	29,9	60,7
9.4	Reconciliation between profit for the year and headline earnings		

(R'million)	Gross	Taxation	Non-controlling interest	Net
<b>2014</b>				
<b>Continuing operations</b>				
Earnings/profit attributable to shareholders of the parent				1 990,3
<i>Adjusted for:</i>				
Profit on sale of property, plant and equipment	(13,6)	2,5	–	(11,1)
Impairment of intangible assets	916,4	(26,1)	(20,9)	869,4
Impairment of property, plant and equipment	145,3	(41,9)	(25,2)	78,2
Write-off of other related assets	3,1	(0,9)	(0,7)	1,5
Insurance claim income	(43,2)	12,1	–	(31,1)
Headline earnings adjustments – associates				
– Profit on sale of non-current assets	(9,3)	1,4	–	(7,9)
Headline earnings for the year	998,7	(52,9)	(46,8)	2 889,3

\* The amounts have been restated due to the adoption of IAS 19R.

## 9 Calculation of weighted average number of shares for headline earnings per share and basic earnings per share purposes continued

### 9.4 Reconciliation between profit for the year and headline earnings continued

(R'million)	Gross	Taxation	Non-controlling interest	Net
<b>2014</b>				
<b>Discontinued operation</b>				
Earnings/profit attributable to shareholders of the parent				29,9
<i>Adjusted for:</i>				
Gain on remeasurement to fair value on transfer of net assets to held-for-sale	(18,6)	–	6,8	(11,8)
Headline earnings for the year	(18,6)	–	6,8	18,1
<b>2013 (restated)*</b>				
<b>Continuing operations</b>				
Earnings/profit attributable to shareholders of the parent				2 516,0
<i>Adjusted for:</i>				
Profit on sale of property, plant and equipment	(2,1)	2,0	(2,9)	(3,0)
Write-off of intangible assets	2,9	–	–	2,9
Headline earnings adjustments – associates				
– Profit on sale of intangible assets	(1,2)	0,3	–	(0,9)
Headline earnings for the year	(0,4)	2,3	(2,9)	2 515,0
<b>Discontinued operation</b>				
Earnings/profit attributable to shareholders of the parent				60,7
<i>Adjusted for:</i>				
Loss on sale of property, plant and equipment	15,5	–	(5,8)	9,7
Loss on remeasurement to fair value on transfer of net assets to held-for-sale	25,8	–	(9,5)	16,3
Headline earnings for the year	41,3	–	(15,3)	86,7

\* The amounts have been restated due to the adoption of IAS 19R.

# Notes to the financial statements continued

for the year ended 30 September 2014

		GROUP	
(R'million)		2014	Restated* 2013
<b>9</b>	<b>Calculation of weighted average number of shares for headline earnings per share and basic earnings per share purposes</b>		
<b>9.5</b>	<b>Headline earnings per share</b>		
	Headline earnings per ordinary share (cents)	1 815,7	1 628,6
	– Continuing operations	1 804,4	1 574,3
	– Discontinued operation	11,3	54,3
	Diluted headline earnings per ordinary share (cents)	1 771,2	1 588,1
	– Continuing operations	1 760,2	1 535,2
	– Discontinued operation	11,0	52,9

COMPANY			GROUP	
2014	2013	(R'million)	2014	Restated* 2013
		<b>10 Dividends</b>		
1 658,7	1 621,0	<b>10.1 Dividends on ordinary shares – paid</b>	1 446,5	1 416,2
		Dividend to Empowerment Trusts	31,6	33,9
	1 039,9	Dividend No 136 of 555 cents per share		886,7
	581,1	Dividend No 137 of 310 cents per share		495,6
1 040,6		Dividend No 138 of 555 cents per share	887,5	
618,1		Dividend No 139 of 329 cents per share	527,4	
940,0	865,0	<b>10.2 Dividends per ordinary share (cents)</b>	940,0	865,0
	310,0	Dividend No 137 – paid		310,0
	555,0	Dividend No 138 – paid		555,0
329,0		Dividend No 139 – paid	329,0	
611,0		Dividend No 140 – declared 18 November 2014	611,0	

\* The amounts have been restated due to the adoption of IAS 19R.



		GROUP	
(R'million)		2014	Restated* 2013
<b>11</b>	<b>Property, plant and equipment</b>		
11.1	Freehold land and buildings	1 165,4	1 061,1
	Cost	1 521,1	1 368,8
	Accumulated depreciation	(355,7)	(307,7)
11.2	Leasehold land and buildings	520,7	491,6
	Cost	625,9	556,0
	Accumulated depreciation	(105,2)	(64,4)
	Total land and buildings	1 686,1	1 552,7
11.3	Plant, vehicles and equipment	4 170,5	3 931,5
	Cost	9 000,7	7 965,7
	Accumulated depreciation	(4 830,2)	(4 034,2)
11.4	Capitalised leased assets	11,0	14,5
	Cost	28,4	28,4
	Accumulated depreciation	(17,4)	(13,9)
11.5	Land and buildings and plant and machinery having a book value of R1 323,3 million (2013: R1 307,8 million), are mortgaged/pledged as security for long-term loans of R721,8 million (2013: R963,8 million) included in note 31.1 and capitalised finance leases of R7,0 million (2013: R11,6 million) as per note 31.3.		

\* The amounts have been restated due to the adoption of IAS 19R.

# Notes to the financial statements continued

for the year ended 30 September 2014

## GROUP

(R'million)	Freehold land and buildings	Leasehold land and buildings	Plant, vehicles and equipment	Capitalised leased assets	Total
<b>11 Property, plant and equipment</b> <i>continued</i>					
<b>11.6 Movement of the group property, plant and equipment 2014</b>					
Net balance at the beginning of the year	1 061,1	491,6	3 931,5	14,5	5 498,7
Additions	145,6	14,2	823,1	–	982,9
	1 206,7	505,8	4 754,6	14,5	6 481,6
Disposals	–	–	(5,9)	–	(5,9)
Depreciation	(43,8)	(14,3)	(617,5)	(3,5)	(679,1)
Impairment	(3,8)	(12,1)	(129,4)	–	(145,3)
Exchange rate translation difference	6,3	41,3	168,7	–	216,3
Net balance at the end of the year	1 165,4	520,7	4 170,5	11,0	5 867,6
<b>2013 (restated)*</b>					
Net balance at the beginning of the year	1 046,5	101,9	2 201,9	8,9	3 359,2
Business combination	–	385,4	1 985,4	–	2 370,8
Additions	54,2	6,4	657,6	9,4	727,6
	1 100,7	493,7	4 844,9	18,3	6 457,6
Disposals	(0,4)	–	(44,1)	–	(44,5)
Transfer to assets held-for-sale	(6,4)	(61,9)	(499,3)	–	(567,6)
Loss on remeasurement to fair value on transfer of net assets to held-for-sale	–	–	(25,8)	–	(25,8)
Depreciation	(39,2)	(14,8)	(649,0)	(3,8)	(706,8)
Exchange rate translation difference	6,4	74,6	304,8	–	385,8
Net balance at the end of the year	1 061,1	491,6	3 931,5	14,5	5 498,7

\* The amounts have been restated due to the adoption of IAS 19R.

The impairment charge of R145,3 million mainly relates to the Nigeria segment. Impairment of property, plant and equipment of R105,2 million was largely as a result of an assessment of available capacity and the resultant mothballing of certain production lines in this segment. Refer to key valuation assumptions detailed in note 13. The remaining impairment charge of R40,1 million is as a result of the various efficiency improvement initiatives which were concluded in the current year, mainly within the Consumer Brands segment. No borrowing costs (2013: R5,7 million) relating to plant were capitalised during the year.

		GROUP	
(R'million)		2014	Restated* 2013
<b>12</b>	<b>Goodwill and intangible assets</b>		
<b>12.1</b>	<b>Goodwill</b>	2 411,2	3 173,2
	Cost	3 337,1	3 289,3
	Accumulated impairment	(925,9)	(116,1)
	<b>Movement of group goodwill</b>		
	Net balance at the beginning of the year	3 173,2	2 361,1
	Business combination	–	646,3
		3 173,2	3 007,4
	Impairment of goodwill	(809,8)	–
	Exchange rate translation difference	47,8	165,8
	Net balance at the end of the year	2 411,2	3 173,2
	The carrying value of goodwill is allocated to cash-generating units as follows:		
	Exports and International	1 110,2	1 105,5
	Nigeria	177,3	944,0
	Beverages	580,5	580,5
	Groceries	72,3	72,3
	Value Added Meat Products	6,0	6,0
	Home, Personal Care and Baby (HPCB)	464,9	464,9
		2 411,2	3 173,2
<b>12.2</b>	<b>Intangible assets</b>		
<b>12.2.1</b>	<b>Trademarks and other</b>	1 573,6	1 704,6
	Cost	1 806,2	1 797,4
	Accumulated amortisation and impairment	(232,6)	(92,8)
<b>12.2.2</b>	<b>Licence agreements and supplier relationships</b>	20,8	20,9
	Cost	25,0	25,0
	Accumulated amortisation and impairment	(4,2)	(4,1)
<b>12.2.3</b>	<b>Customer lists</b>	521,1	525,9
	Cost	538,0	538,0
	Accumulated amortisation and impairment	(16,9)	(12,1)
	Total intangible assets	2 115,5	2 251,4

\* The amounts have been restated due to the adoption of IAS 19R.

# Notes to the financial statements continued

for the year ended 30 September 2014

(R'million)	GROUP			
	Trademarks and other	Licence agreements and supplier relationships	Customer lists	Total
<b>12 Goodwill and intangible assets</b> <i>continued</i>				
<b>12.3 Movement of group intangible assets 2014</b>				
Net balance at the beginning of the year	1 704,6	20,9	525,9	2 251,4
Impairment	(106,6)	–	–	(106,6)
Amortisation	(33,2)	(0,1)	(4,8)	(38,1)
Exchange rate translation difference	8,8	–	–	8,8
Net balance at the end of the year	1 573,6	20,8	521,1	2 115,5
<b>2013</b>				
Net balance at the beginning of the year	1 114,5	21,4	515,1	1 651,0
Additions	485,0	–	–	485,0
Business combination	134,1	–	–	134,1
Write-off	(2,9)	–	–	(2,9)
Amortisation	(42,0)	(0,5)	(4,9)	(47,4)
Exchange rate translation difference	15,9	–	15,7	31,6
Net balance at the end of the year	1 704,6	20,9	525,9	2 251,4
Trademarks comprise well-established, growing brands. Except for trademarks with a cost of R248,3 million (2013: R389,8 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.				

## 13 Impairment testing of non-financial assets

Annually or if there is an indication of impairment, all goodwill and indefinite life intangible assets 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 five to ten years and incorporates a terminal growth rate.

These cash flows have been based on the approved budget for the 2015 financial year 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.

#### 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 was 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 are forecast sales to which the customer relationships contribute and estimated cash flows earned from these sales, a tax rate of 28% (2013: 28%) and a required rate of return.

### 13.2 Discount rates

The group has calculated a weighted average cost of capital (WACC) which is utilised as a basis for performing the value-in-use calculation. In cases where the CGU is deemed to be of greater risk than the group as a whole, a risk premium has been included within the discount rate applied. The discount rate utilised for the purposes of the impairment testing was between 11,0% and 15,5%.

### 13.3 Growth rates

In determining the growth rate, consideration is given to the growth potential of the respective CGU. As part of this assessment, a prudent outlook is adopted that mirrors an inflationary increase in line with the consumer price index and real growth expected within the specific market. Based on these factors, the nominal price growth rates applied for the purposes of the impairment testing ranges between 1% and 6%. Volume growth assumptions are based on management's best estimates of known strategies and future plans to grow the business. The terminal growth rates applied were between 1% and 8%.

# Notes to the financial statements *continued*

for the year ended 30 September 2014

(R'million)	2014	Restated* 2013
<b>13 Impairment testing of non-financial assets</b> <i>continued</i>		
<b>13.4 Specific impairments in the current year</b>		
The impairments recognised within the DFM business arose due to overcapacity within that business. For further details relating to the impairment refer to page 29. Additional impairments were also recognised during the year as a result of the annual impairment assessments performed on goodwill and other intangible assets. The related impairments arose mainly as a result of a decline in volumes within the respective segments. Furthermore, the carrying value of the company's investment in DFM and Deli Foods has also been evaluated and an impairment of R896,7 million recognised at a company level.		
Nigeria – DFM goodwill and related intangible assets	(848,7)	–
Nigeria – DFM property, plant and equipment (refer note 11.6)	(105,2)	–
Consumer Brands – property, plant and equipment (refer note 11.6)	(40,1)	–
Nigeria – Deli Foods goodwill	(48,0)	–
HPCB – indefinite life intangible assets	(15,7)	–
HPCB – write-off of non-core domestic trademarks	(4,0)	(2,9)
<b>13.5 Changes in key assumptions</b>		
The determined value in use of each CGU is most sensitive to the discount rate. No reasonably probable change in any of the above key valuation assumptions would cause the carrying amount of CGUs to materially exceed their recoverable amounts, with the exception of the specific CGU's noted below.		
	<b>+1% increase in WACC</b>	1% decrease in WACC
<b>Total impairment impact</b>		
	<b>No impact – fully impaired</b>	No impact – fully impaired
Nigeria – DFM goodwill and related intangible assets	(109,7)	–
Nigeria – Deli Foods goodwill	(105,6)	–
HPCB – indefinite life intangible assets	(20,6)	(9,6)

\* The amounts have been restated due to the adoption of IAS 19R.

COMPANY			GROUP	
2014	2013	(R'million)	2014	Restated* 2013
		<b>14 Interest in subsidiary companies</b> (Annexure A)		
3 604,4	4 454,9	Shares at cost less amounts written off		
		<b>15 Amounts owed by subsidiaries</b> (Annexure A)		
2 561,4	2 529,8	Refer to the related parties note 38 for additional information		
		<b>16 Investments in associate companies</b> (Annexure B)		
442,1	442,1	Listed, at cost	946,7	946,7
421,1	421,1	Unlisted, at cost less amounts written off	1 005,8	1 005,8
		Share of accumulated profits and reserves since acquisition	1 114,4	948,1
863,2	863,2		3 066,9	2 900,6
4 606,3	4 838,1	Fair value of listed investments	4 606,3	4 838,1
		The trading results of the associate companies, whose results are equity accounted in the consolidated financial statements, are as follows:		
		Revenue (100%)	22 101,6	19 690,3
		Turnover (100%)	22 091,0	19 648,3
		Profit for the year (100%)	1 721,5	1 491,3
		Profit attributable to ordinary shareholders of Tiger Brands	596,9	515,1
		Oceana Group Limited		
		– Normal trading	284,7	248,2
		– Abnormal items	(2,5)	0,9
		Oceana Group Limited (after abnormal items)	282,2	249,1
		Empresas Carozzi	199,0	186,5
		National Foods Holdings Limited		
		– Normal trading	77,3	38,3
		– Abnormal items	(5,4)	–
		National Foods Holdings Limited (after abnormal items)	71,9	38,3
		UAC Foods	43,8	41,2
		Less: Dividends	(287,2)	(300,8)
		Share of associate companies' income less dividends received	309,7	214,3

\* The amounts have been restated due to the adoption of IAS 19R.

# Notes to the financial statements *continued*

for the year ended 30 September 2014

COMPANY			GROUP	
2014	2013	(R'million)	2014	Restated* 2013
		<b>16 Investments in associated companies</b> <i>continued</i> (Annexure B) <i>continued</i> Share of movement in associates' reserves The aggregate statements of financial position of associates are summarised as follows (100%):		
		Property, plant and equipment	8 863,4	8 427,8
		Goodwill and intangible assets	2 466,0	2 325,9
		Investments	239,7	126,7
		Deferred taxation	24,1	30,4
		Net current assets	4 246,6	2 202,4
		Total assets	15 839,8	13 113,2
		Long-term liabilities	(4 924,2)	(3 567,8)
		Deferred taxation	(771,1)	(928,7)
		Total shareholders' funds	10 144,5	8 616,7
		<b>17 Other investments</b> (Annexure C)		
		Listed, at fair value	292,7	411,6
		Unlisted, at fair value	10,4	8,7
		Employer-controlled reserve invested by pension fund on behalf of Tiger Brands Limited		
		– Defined contribution	2,1	42,2
		– Defined benefit (refer note 34)	44,8	43,0
1 610,4	1 610,4	BEE Phase II entities preference shares		
371,2	333,5	Notional investment in subsidiary companies in terms of IFRS 2		
1 990,1	1 950,9		350,0	505,5
		Fair value of listed investments	292,7	411,6

\* The amounts have been restated due to the adoption of IAS 19R.



COMPANY			GROUP	
2014	2013	(R'million)	2014	Restated* 2013
		<b>18 Loans</b>		
		Share trust participants	–	0,1
		Loans to empowerment entities		
		– Tiger Brands Foundation		
		– Thusani II		
		Other	5,6	7,1
293,7	229,5			
58,7	45,8			
2,5	2,5			
354,9	277,8		5,6	7,2
		<b>18.1 Loans to empowerment entities</b>		
		Loans to empowerment entities consist of accrued dividends receivable on the investment in preference shares in connection with the BEE Phase II transaction (refer to note 17). Preference dividends are calculated based on 93,5% of the prime interest rate prevailing from time to time.		
		<b>18.2 Tiger Brands Share Trust (other)</b>		
		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 2014 and 2013.		

\* The amounts have been restated due to the adoption of IAS 19R.

# Notes to the financial statements continued

for the year ended 30 September 2014

COMPANY			GROUP	
2014	2013	(R'million)	2014	Restated* 2013
	<b>19</b>	<b>Deferred taxation asset</b>		
	<b>19.1</b>	<b>Movement of deferred taxation asset</b>		
9,4	1,9	Balance at the beginning of the year	638,3	371,2
		Adjustment in respect of acquisition of businesses	–	73,9
		Post-retirement medical aid prior year adjustment taken to retained income	–	41,4
		Post-retirement medical aid taken to other comprehensive income	7,7	–
		Balance classified as held-for-sale	–	(36,7)
		Adjustment in respect of currency losses taken directly to non-distributable reserve	5,8	26,9
		Exchange rate translation reserve	28,4	19,8
6,1	7,5	Income statement movement		
		– Continuing operations	123,3	105,8
		– Discontinued operation	–	36,0
15,5	9,4	Balance at the end of the year (refer note 28.1)	803,5	638,3
	<b>19.2</b>	<b>Analysis of deferred tax asset</b>		
		Losses available for offset against future taxable income	202,5	124,6
		Provisions	482,4	447,7
15,5	9,4	Property, plant and equipment	89,9	44,0
		Other temporary differences	28,7	22,0
15,5	9,4		803,5	638,3
		Disclosed on the statement of financial position as follows:		
(10,0)	(6,3)	Deferred tax asset	(306,9)	(138,2)
–	–	Deferred tax liability	279,1	363,5
(10,0)	(6,3)	Net deferred tax (asset)/liability	(27,8)	225,3
		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.		

\* The amounts have been restated due to the adoption of IAS 19R.

COMPANY			GROUP	
2014	2013	(R'million)	2014	Restated* 2013
		<b>20 Inventories</b>		
		Raw materials	2 014,2	2 187,3
		Partially processed goods	101,5	59,4
		Finished goods and merchandise	2 244,0	2 146,4
		Consumable stores and spares	252,4	201,8
		Other	88,5	57,8
			<b>4 700,6</b>	<b>4 652,7</b>
		Inventories to the value of R49,3 million (2013: R73,3 million) are carried at net realisable value. The amount of inventories written down and recognised in cost of sales as an expense is R86,8 million (2013: R125,3 million). Inventory provision at 30 September 2014 is R91,3 million (2013: R101,2 million).		
		<b>21 Trade and other receivables</b>		
		<b>21.1 Analysis of trade and other receivables</b>		
		Trade receivables	4 194,7	3 676,6
		Tax overpaid	50,1	23,5
		Prepayments	203,7	182,7
		Defined benefit pension surplus (refer note 34)	63,0	69,3
85,6	45,0	Sundry receivables	835,4	691,4
85,6	45,0	Total gross receivables	5 346,9	4 643,5
		Impairment provision – trade receivables	(479,5)	(443,6)
85,6	45,0	Total net receivables	4 867,4	4 199,9

\* The amounts have been restated due to the adoption of IAS 19R.

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. Included within trade receivables is derivative assets of R13,4 million (2013: R18,7 million) which are carried at fair value, refer to note 37 for further details.

# Notes to the financial statements *continued*

for the year ended 30 September 2014

COMPANY			GROUP	
2014	2013	(R'million)	2014	Restated* 2013
	<b>21</b>	<b>Trade and other receivables <i>continued</i></b>		
	<b>21.2</b>	<b>Impairment provisions</b>		
		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:		
		Balance at the beginning of the year	(443,6)	(60,9)
		Utilised during the year	-	10,4
		Reversed during the year	22,4	3,6
		Raised during the year**	(58,3)	(396,7)
		Balance at the end of the year	(479,5)	(443,6)
	<b>21.3</b>	<b>Past due or impaired analysis</b>		
		As at 30 September, the ageing of trade receivables was as follows:		
		Not past due	2 835,3	2 414,7
		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		
		Current to 60 days	872,6	715,3
		61 to 90 days	46,6	31,5
		91 to 180 days	1,5	21,2
		>180 days	438,7	493,9
		Total	4 194,7	3 676,6
		As at 30 September, the ageing of sundry receivables and defined benefit pension surplus was as follows:		
		Not past due	682,4	651,8
		Past due		
		Current to 60 days	110,9	94,0
		61 to 90 days	84,8	2,4
		91 to 180 days	1,2	2,7
		>180 days	19,1	9,8
		Total	898,4	760,7
85,6	45,0			
85,6	45,0	Total	898,4	760,7

\* The amounts have been restated due to the adoption of IAS 19R.

\*\* 2013: R326,3 million as a result of the acquisition of Dangote Flour Mills Plc, refer to note 39.

COMPANY			GROUP	
2014	2013	(R'million)	2014	Restated* 2013
	<b>21</b>	<b>Trade and other receivables</b> continued		
	<b>21.4</b>	<b>Trade receivable analysis</b>		
		Industry spread of trade receivables:		
		Retail	2 203,7	1 592,0
		Wholesale/distributors	1 385,1	1 536,8
		Export	463,4	360,6
		Other	142,5	187,2
		Total	4 194,7	3 676,6
		Geographical spread of trade receivables:		
		South Africa	2 645,5	2 438,5
		Rest of Africa	1 502,2	1 178,3
		Europe	12,3	20,2
		Rest of the world	34,7	39,6
		Total	4 194,7	3 676,6
	<b>21.5</b>	<b>Collateral held</b>		
		Fair value of collateral held	13,1	11,0
		Collateral held represents hawker deposits which may be applied against accounts which are in default.		

\* The amounts have been restated due to the adoption of IAS 19R.

# Notes to the financial statements continued

for the year ended 30 September 2014

(R'million)	GROUP	
	2014	Restated* 2013
<b>22 Assets classified as held-for-sale</b>		
Salt River factory held-for-sale	–	6,5
Assets related to Dangote Agrosacks Limited held-for-sale	–	1 274,2
<b>Assets classified as held-for-sale</b>	<b>–</b>	<b>1 280,7</b>
The major classes of assets and liabilities of the Agrosacks business at the end of the reporting period are as follows:		
Property, plant and equipment	–	561,1
Deferred tax asset	–	36,7
Inventory	–	243,6
Trade and other receivables	–	412,4
Cash and cash equivalents	–	20,4
	–	1 274,2
<b>Liabilities directly associated with the assets classified as held-for-sale</b>		
Short-term borrowings	–	(199,0)
Trade payables	–	(491,3)
Deferred tax liability	–	(8,3)
	–	(698,6)
Foreign currency translation reserve related to assets classified as held-for-sale	–	(73,1)
Non-controlling interest related to assets classified as held-for-sale	–	(129,4)
<b>Net assets of Dangote Agrosacks Limited classified as held-for-sale</b>	<b>–</b>	<b>373,1</b>

\* The amounts have been restated due to the adoption of IAS 19R.

## 23

### 23.1

## Share-based payment plans

### 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.

Between January 2006 and March 2013 a cash-settled option scheme was applied by the company, which replaced the previous equity-settled share option scheme. During March 2013, a hybrid scheme was introduced where executives and managers of the company and its subsidiaries are offered a weighted combination of:

- allocations of share appreciation rights;
- conditional awards of full-value performance shares; and
- grants of full value restricted shares (bonus matching and deferral element).

The hybrid scheme is regarded as an equity-settled share option scheme.

Refer to pages 85 to 99 for additional details regarding the schemes reflected below.

The total expense recognised for employee services received during the year to 30 September 2014 is R105,4 million (2013: R134,2 million). No expense was recognised in the current or previous financial year relating to the previous equity-settled share-based scheme. Of the total expense recognised, the portion arising from the share appreciation rights, performance share and restricted share option transactions amounted to R11,5 million, R9,9 million and R1,9 million (2013: R2,4 million, R2,7 million and Rnil) respectively.

### Equity settled

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

	2014		Restated* 2013	
	Number	WAEP	Number	WAEP
Outstanding at the beginning of the year	458 400	59,54	735 330	56,36
Forfeited during the year	–	–	–	–
Exercised during the year <sup>1</sup>	(351 800)	54,81	(276 930)	51,09
Outstanding at the end of the year	106 600	75,13	458 400	59,54
Exercisable at the end of the year	106 600	75,13	458 400	59,54

\* The amounts have been restated due to the adoption of IAS 19R.

<sup>1</sup> The weighted average share price at the date of exercise for the options exercised is R272,41 (2013: R305,77).

The weighted average remaining contractual life for share options outstanding as at 30 September 2014 is 0,32 years (2013: 0,67 years).

The exercise price for options outstanding at the end of the year was R75,13 (2013: R51,29 to R99,24).

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.

# Notes to the financial statements continued

for the year ended 30 September 2014

## 23 Share-based payment plans continued

### 23.1 General employee share option plan continued

#### Equity settled continued

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)
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

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

#### Share appreciation rights

The following table illustrates the number and WAEF of, and movements in, share appreciation rights during the year:

	2014		Restated* 2013	
	Number	WAEF	Number	WAEF
Outstanding at the beginning of the year	435 700	299,83	–	–
Granted during the year	559 010	255,56	445 800	299,83
Forfeited during the year	(39 551)	273,41	(10 100)	299,83
Exercised during the year <sup>1</sup>	–	–	–	–
Outstanding at the end of the year	955 159	274,81	435 700	299,83
Exercisable at the end of the year	–	–	–	–

\* The amounts have been restated due to the adoption of IAS 19R.

<sup>1</sup> The weighted average remaining contractual life for equity-settled options outstanding as at 30 September 2014 is 5,07 years (2013: 5,61 years).

The weighted average fair value of options granted during the year was R59,21 per option (2013: R63,55 per option).

The range of exercise prices for options outstanding at the end of the year was R254,45 to R299,83 (2013: R298,67 to R299,83).

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. Subject to certain performance conditions, one-third of the equity-settled share options vest on each of the third, fourth and fifth anniversary dates from the date of the original grant date. All the equity-settled options mature six years after the grant date.



## 23

### 23.1

## Share-based payment plans *continued*

### General employee share option plan *continued*

#### Share appreciation rights *continued*

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 (%)	Expected dividend cover (times)
30/09/2013	299,83	29/09/2019	299,11	24,5	2,0
13/02/2013	299,83	12/02/2019	289,50	23,2	2,0
13/02/2014	254,45	12/02/2020	250,00	21,5	3,0
02/05/2014	272,94	01/05/2020	279,50	21,8	3,0
02/06/2014	298,27	01/06/2020	299,84	21,8	3,0

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

#### Performance shares

The following table illustrates the number of, and movements in, performance shares during the year:

	2014 Number	Restated* 2013 Number
Outstanding at the beginning of the year	51 600	–
Granted during the year	82 650	53 400
Forfeited during the year	(5 989)	(1 800)
Exercised during the year <sup>1</sup>	–	–
Outstanding at the end of the year	128 261	51 600
Exercisable at the end of the year	–	–

\* The amounts have been restated due to the adoption of IAS 19R.

<sup>1</sup> The weighted average remaining contractual life for equity-settled options outstanding as at 30 September 2014 is 2,02 years (2013: 2,37 years).

The weighted average fair value of options granted during the year was R375,21 per option (2013: R262,21 per option).

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.

# Notes to the financial statements continued

for the year ended 30 September 2014

## 23 Share-based payment plans continued

### 23.1 General employee share option plan continued

#### Share appreciation rights continued

The following inputs were used:

Date of grant	Expiry date	Market price of underlying stock at grant date (rand)	Expected volatility of the stock over remaining life of option (%)	Expected dividend cover (times)
13/02/2013	12/02/2016	289,50	20,8	2,0
28/02/2014	27/02/2017	244,44	22,4	3,0

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

#### Restricted shares

The following table illustrates the number of, and movements in, restricted shares during the year:

	2014 Number	Restated* 2013 Number
Outstanding at the beginning of the year	–	–
Granted during the year	26 950	–
Forfeited during the year	–	–
Exercised during the year <sup>1</sup>	–	–
Outstanding at the end of the year	26 950	–
Exercisable at the end of the year	–	–

\* The amounts have been restated due to the adoption of IAS 19R.

<sup>1</sup> The weighted average remaining contractual life for equity-settled options outstanding as at 30 September 2014 is 2,35 years. The weighted average fair value of options granted during the year was R229,93 per option.

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.

## 23

### 23.1

## Share-based payment plans continued

### General employee share option plan continued

#### Restricted shares continued

The following inputs were used:

Date of grant	Expiry date	Market price of underlying stock at grant date (rand)	Expected volatility of the stock over remaining life of option (%)	Expected dividend cover (times)
13/02/2013	12/02/2016	289,50	20,8	2,0
28/02/2014	27/02/2017	244,44	22,4	3,0

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

#### Cash settled

The following table illustrates the number and weighted average exercise price (WAEP) of, and movements in, cash-settled options during the year:

	2014		Restated* 2013	
	Number	WAEP	Number	WAEP
Outstanding at the beginning of the year	2 372 827	192,88	3 028 470	177,92
Granted during the year	–	–	180 300	293,61
Forfeited during the year	(70 800)	210,30	(302 907)	197,59
Exercised during the year	(537 672)	141,48	(533 036)	139,29
Outstanding at the end of the year <sup>1</sup>	1 764 355	207,85	2 372 827	192,88
Exercisable at the end of the year	530 283	168,68	465 081	138,31

\* The amounts have been restated due to the adoption of IAS 19R.

<sup>1</sup> The weighted average remaining contractual life for cash-settled options outstanding as at 30 September 2014 is 2,36 years (2013: 2,90 years).

The range of exercise prices for options outstanding at the end of the year was R130,59 to R299,83 (2012: R106,44 to R299,83).

The weighted average share price at the date of exercise was R291,39 (2013: R303,08).

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. Subject to certain performance conditions, one-third of the cash-settled share options vest on each of the third, fourth and fifth anniversary dates from the date of the original grant date. All the cash-settled options matures six years after the grant date.

# Notes to the financial statements continued

for the year ended 30 September 2014

## 23 Share-based payment plans continued

### 23.1 General employee share option plan continued

Cash settled continued

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)
13/02/2013	299,83	12/02/2019	289,50	33,7	3,0
01/10/2012	265,42	30/09/2018	272,35	33,7	3,0
02/07/2012	252,01	01/07/2018	247,00	33,7	3,0
03/02/2012	253,18	02/02/2018	255,00	34,0	3,0
01/06/2011	186,97	31/05/2017	194,90	34,0	3,0
02/02/2011	189,09	01/02/2017	188,16	33,4	3,0
21/06/2010	176,39	20/06/2016	177,00	22,5	3,0
03/02/2010	172,07	02/02/2016	176,50	21,7	3,0
06/07/2009	141,63	05/07/2015	144,01	21,7	3,0
02/02/2009	141,91	01/02/2015	137,60	21,7	3,0
16/09/2008	131,35	15/09/2014	137,00	21,7	3,0
22/01/2008	130,59	21/01/2014	146,50	21,7	3,0

The average volatility was 27,8% (2013: 26,6%) and the risk-free rate ranged from 6,4% to 7,4% (2013: 5,2% to 7,4%) during the year.

The carrying amount of the liability relating to the cash-settled options at 30 September 2014 is R182,0 million (2013: R216,6 million) – refer to note 30. Cash-settled options exercised during the year amounted to R80,5 million (2013: R85,4 million).

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

## 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. 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 employees' 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 2014 is R17,8 million (2013: R17,0 million).

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

	2014 Number	Restated* 2013 Number
Outstanding at the beginning of the year	2 811 031	2 853 209
Granted during the year	336 000	71 000
Forfeited during the year	(52 575)	(99 444)
Shares sold (death of employees)	(13 014)	(13 734)
Outstanding at the end of the year	3 081 442	2 811 031
Exercisable at the end of the year	—	—

\* The amounts have been restated due to the adoption of IAS 19R.

The weighted average remaining contractual life for share options outstanding as at 30 September 2014 is 2,47 years (2013: 1,42 years).

The weighted average fair value of options granted during the year was R205,06 (2013: R205,89).

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.

# Notes to the financial statements continued

for the year ended 30 September 2014

## 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 participation right (%)	Expected dividend yield of the stock over the remaining life of the participation right (%)
31/01/2014	85,84	30/09/2027	266,00	24,7	3,3
31/07/2014	85,87	30/09/2027	308,75	24,7	3,3

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).

### 23.3 Black Managers Trust II and Brimstone participation right schemes (equity settled)

#### Brimstone

Brimstone is required to hold their shares via Brim Tiger SPV (Pty) Limited (previously Business Venture Investments No 1323 (Pty) 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.

## 23 Share-based payment plans *continued*

### 23.3 Black Managers Trust II and Brimstone participation right schemes (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.

# Notes to the financial statements continued

for the year ended 30 September 2014

## 23 Share-based payment plans continued

### 23.3 Black Managers Trust II and Brimstone participation right schemes (equity settled) continued

Volatility is measured as the annualised standard deviation of the daily price changes in the underlying share on 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 2014 is R19,9 million (2013: R14,1 million)

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

	2014 Number	Restated* 2013 Number
Outstanding at the beginning of the year	2 109 644	2 142 132
Granted during the year	720 800	117 000
Forfeited during the year	(145 059)	(144 736)
Shares sold (death of employees)	(3 029)	(4 752)
Outstanding at the end of the year	2 682 356	2 109 644
Exercisable at the end of the year	—	—

\* The amounts have been restated due to the adoption of IAS 19R.

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.

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 participation right (%)	Expected dividend yield of the stock over the remaining life of the participation right (%)
31/07/2013	168,03	31/12/2018	317,00	23,6	2,7
01/01/2014	173,76	31/12/2018	264,80	23,6	2,7
31/01/2014	169,92	31/12/2018	266,00	23,6	2,7
31/07/2014	174,30	31/12/2018	308,75	23,6	2,7



COMPANY			GROUP		
2014	2013	(R'million)	2014	Restated*	2013
<b>24 Authorised share capital</b>					
<b>24.1</b> 250 000 000 (2013: 250 000 000) ordinary shares of 10 cents each					
25,0	25,0		25,0		25,0
25,0	25,0		25,0		25,0
<b>Number of shares</b>			<b>Number of shares</b>		
121 600	522 400	<b>24.2</b> Number of outstanding options in terms of the company's share option scheme At R51,29 per share, exercisable until 29 January 2014 At R75,13 per share, exercisable until 25 January 2015	121 600		522 400
–	334 800		–		334 800
121 600	187 600		121 600		187 600
53 926 059	53 926 059	<b>24.3</b> Unissued shares	53 926 059		53 926 059
<b>24.4</b> Number of shares under the control of the directors for purposes of the Tiger Brands (1985) Share Purchase Scheme and the Tiger Brands (1985) Share Option Scheme					
4 004 073	4 004 073		4 004 073		4 004 073

COMPANY		
<b>Number of shares under option</b>		
	2014	2013
<b>24.5</b> Executive directors' options over shares in Tiger Brands Limited		
CFH Vaux	–	23 000
At R75,13 per share, exercisable until 24 January 2015	–	23 000
Totals for Tiger Brands Limited	–	23 000
	<b>Number of shares</b>	<b>Gain in R000</b>
Options exercised during 2014	23 000	9 625
Options exercised during 2013	19 000	4 688

\* The amounts have been restated due to the adoption of IAS 19R.

# Notes to the financial statements continued

for the year ended 30 September 2014

COMPANY			GROUP	
2014	2013	(R'million)	2014	Restated* 2013
		<b>25 Issued ordinary share capital and premium</b>		
		<b>25.1 Share capital</b>		
		Issued share capital 191 948 268 (2013: 191 547 468) ordinary shares of 10 cents each		
19,2	19,2		19,2	19,2
		<b>25.2 Share premium</b>		
98,1	75,4	Balance at the beginning of the year	98,1	75,4
22,1	22,7	Issues of shares	22,1	22,7
120,2	98,1		120,2	98,1
139,4	117,3		139,4	117,3
		The increase in ordinary shares issued is due to share options exercised.		
		<b>26 Tax effect of other comprehensive income</b>		
		The tax effect of the items reflected in the statement of comprehensive income is as follows:		
		Net loss on hedge of net investment in foreign operations	1,0	11,3
		Foreign currency translation adjustments	6,1	15,7
		Net gain/(loss) on available-for-sale financial assets	5,6	(2,5)
		Actuarial gain/(loss) released in terms of IAS 19R	11,2	(12,1)
			23,9	12,4

\* The amounts have been restated due to the adoption of IAS 19R.

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

### 27.1 Tiger Brands Limited shares held by subsidiary

A total of 10 326 758 (2013: 10 326 758) shares are held as treasury stock.

### 27.2 Tiger Brands Limited shares held by empowerment entities

A total of 21 338 578 (2013: 21 351 327) shares are owned by empowerment entities.

On 19 September 2005, shareholders approved a Scheme of Arrangement (section 311 of the Companies Act 61 of 1973) in terms of which Tiger Brands would facilitate the acquisition of a 4% direct ownership interest in its issued ordinary share capital by a broad base of staff employed within the group. The court order sanctioning the scheme was registered by the Registrar of Companies on 29 September 2005, being the effective date of acquisition of the scheme shares.

The total value of the staff empowerment transaction was R723,5 million, based on the closing price of the company's shares on the JSE Limited on 13 July 2005 of R112 per share. The transaction was implemented on 17 October 2005 through a number of trusts and a special-purpose vehicle. The acquisition of 5 896 140 Tiger Brands shares by the Black Managers Trust and Thusani Empowerment Investment Holdings (Pty) Limited in terms of the scheme, at an aggregate cost of R649,5 million was shown as a deduction from equity in the group statement of financial position. This reduced to R502,2 million in 2008 as a result of the Adcock Ingram unbundling. As from 2008, such shares in Adcock Ingram are reflected as listed investments 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.

# Notes to the financial statements *continued*

for the year ended 30 September 2014

COMPANY			GROUP	
2014	2013	(R'million)	2014	Restated* 2013
		<b>28</b>		
		<b>28.1</b>		
		<b>Deferred taxation liability</b>		
		<b>Movement of deferred taxation liability</b>		
3,1	0,9	Balance at the beginning of the year	863,6	621,3
		Adjustment in respect of acquisition of businesses	-	214,0
		Fair value adjustments – investments	(5,6)	2,5
		Retirement fund prior year adjustment taken to retained income	-	3,2
		IAS 19 adjustments to retirement fund surpluses taken to other comprehensive income	(3,5)	-
		Balance classified as held-for-sale	-	(8,3)
		Adjustment in respect of increase in capital gains tax rate taken directly to non-distributable reserve	2,3	-
		Exchange rate translation reserve	16,3	31,2
2,4	2,2	Income statement movement	(97,4)	(0,3)
2,4	2,2	Current year temporary differences	(97,4)	(0,3)
5,5	3,1	Balance at the end of the year	775,7	863,6
(15,5)	(9,4)	Less: Deferred tax asset per note 19.1	(803,5)	(638,3)
(10,0)	(6,3)	Net deferred tax (asset)/liability	(27,8)	225,3
		Disclosed on the statement of financial position as follows:		
(10,0)	(6,3)	Deferred tax asset	(306,9)	(138,2)
-	-	Deferred tax liability	279,1	363,5
(10,0)	(6,3)	Net deferred tax (asset)/liability	(27,8)	225,3

\* The amounts have been restated due to the adoption of IAS 19R.

COMPANY			GROUP	
2014	2013	(R'million)	2014	Restated* 2013
		<b>28</b>		
		<b>Deferred taxation liability</b> continued		
		<b>28.2</b> Analysis of deferred taxation liability		
		Fair value adjustments – investments	8,7	14,3
		Property, plant and equipment	496,3	547,5
		Liability in respect of intangible assets raised on acquisition of businesses	168,4	211,9
		Prepayments	5,0	6,6
		Retirement fund surpluses	30,7	43,3
5,5	3,1	Revaluation of loans	1,2	0,6
		Withholding taxes	21,0	–
		Other temporary differences	44,4	39,4
5,5	3,1		775,7	863,6
		<b>29</b>		
		<b>Trade and other payables</b>		
		Trade payables	1 759,3	1 628,2
29,1	37,2	Accruals and other payables	2 678,3	2 355,1
		Defined benefit pension fund liability (refer note 34)	4,0	3,8
29,1	37,2		4 441,6	3 987,1
		Trade payables are non-interest-bearing and are normally settled on 45-day terms. Included within trade payables is derivative liabilities of R8,4 million (2013: R4,7 million) which are carried at fair value, refer to note 37 for further details.		

\* The amounts have been restated due to the adoption of IAS 19R.

# Notes to the financial statements continued

for the year ended 30 September 2014

(R'million)	GROUP		
	Leave pay	Other	Total
<b>30 Provisions</b>			
<b>2014</b>			
Balance at the beginning of the year	294,6	266,4	561,0
Movement during the year	13,3	90,3	103,6
Balance at the end of the year	307,9	356,7	664,6
Analysed as follows:			
Provision for leave pay	307,9	–	307,9
Provision for cash-settled share-based payments (refer note 23.1)	–	182,0	182,0
Other	–	174,7	174,7
	307,9	356,7	664,6
<b>2013 (restated)*</b>			
Balance at the beginning of the year	279,2	236,2	515,4
Movement during the year	15,4	30,2	45,6
Balance at the end of the year	294,6	266,4	561,0
Analysed as follows:			
Provision for leave pay	294,6	–	294,6
Provision for cash-settled share-based payments (refer note 23.1)	–	216,6	216,6
Other	–	49,8	49,8
	294,6	266,4	561,0
Leave pay is provided on accumulated leave balances at year end based on employees' cost to company. Other provisions includes employee-related benefits of R144,0 million (2013: R17,1 million).			

\* The amounts have been restated due to the adoption of IAS 19R.

COMPANY			GROUP	
2014	2013	(R'million)	2014	Restated* 2013
169,3	193,6	<b>31</b>	1 009,9	1 314,4
		<b>31.1</b>		
		<b>Borrowings</b>		
		<b>Secured loans</b>		
		Loan bearing interest at 4,0% per annum, repayable by 2016 (denominated in Euro)	5,4	7,6
169,3	193,6	Loan bearing interest at 6,8% per annum, repayable by 2018 (denominated in CFA franc)	169,3	193,6
		Loan bearing interest at 12,0% per annum, repayable by 2020 (denominated in Kenyan shilling)	39,0	29,5
		Loan bearing interest at 8,4% per annum, repayable by 2016	118,8	157,0
		Loan bearing interest at 7,0% per annum, repayable by 2018 (denominated in Nigerian naira)	16,0	18,9
		Loan bearing interest at 7,0% per annum, repayable by 2021 (denominated in Nigerian naira)	69,1	–
		Loan bearing interest at 0% per annum, repayable by 2056 (denominated in Ethiopian birr)	1,1	1,6
		Loan bearing interest at 14,8% per annum, repayable by 2016 (denominated in Nigerian naira)	178,8	247,8
		Loan bearing interest at 15,0% per annum, repayable by 2016 (denominated in Nigerian naira)	226,5	422,0
		Loan bearing interest at 15,0% per annum, repayable by 2017 (denominated in Nigerian naira)	185,9	236,4
		Analysis of secured loans by nature of security:		
169,3	193,6	Pledge of shares (Chocolaterie Confiserie Camerounaise, refer note 36)	169,3	193,6
		Property, plant and equipment	721,8	963,8
		Put option against Tiger Brands	118,8	157,0
169,3	193,6		1 009,9	1 314,4
		Refer to notes 11.5 and 36 for details of security.		
		<b>31.2</b>	<b>546,4</b>	<b>1 050,1</b>
		<b>Unsecured loans</b>		
		Loan bearing interest at 16,3% (2013: 11,1%) per annum, repayable by 2016 (denominated in Kenyan shilling)	29,1	34,5
		Loan bearing interest at 8,0% per annum, repayable by 2015 (denominated in Nigerian naira)	17,3	15,6
		Loan bearing interest at 6,0% per annum, repayable by 2015	500,0	1 000,0

\* The amounts have been restated due to the adoption of IAS 19R.

# Notes to the financial statements continued

for the year ended 30 September 2014

COMPANY			GROUP	
2014	2013	(R'million)	2014	Restated* 2013
	<b>31</b>	<b>Borrowings continued</b>		
	<b>31.3</b>	<b>Capitalised finance leases</b>	7,0	11,6
		Repayment during the next year	2,2	4,9
		Repayments later than one year and no later than five years	4,8	6,7
		Refer to note 33.4. Liabilities under capitalised finance leases bear interest at 8,5% to 9,0% per annum. Capitalised finance leases relate to plant and equipment with a book value of R11,0 million (2013: R14,5 million) as per note 11.5.		
169,3	193,6		1 563,3	2 376,1
	<b>31.4</b>	<b>Instalments disclosed as:</b>		
37,5	33,0	Short-term borrowings	935,9	923,4
131,8	160,6	Long-term borrowings	627,4	1 452,7
169,3	193,6		1 563,3	2 376,1

(R'million)	South African rand	Euro	Nigerian naira	Ethiopian birr	Kenyan shilling	CFA franc	Group total
<b>31.5</b>	<b>Summary of borrowings by currency and year of repayment</b>						
During 2015	547,3	2,7	320,9	–	27,5	37,5	935,9
During 2016	75,6	2,7	268,0	–	27,6	40,6	414,5
During 2017	2,2	–	44,4	–	6,3	43,8	96,7
During 2018	0,7	–	12,8	–	5,6	47,4	66,5
During 2019 and thereafter	–	–	47,4	1,1	1,2	–	49,7
	625,8	5,4	693,5	1,1	68,2	169,3	1 563,3

COMPANY			GROUP	
2014	2013	(R'million)	2014	Restated* 2013
37,5	33,7	<b>31.6</b> <b>Short-term borrowings</b>	4 022,1	3 650,2
–	0,7	Bank overdrafts	3 086,2	2 726,8
37,5	33,0	Current portion of long-term loans	935,9	923,4

\* The amounts have been restated due to the adoption of IAS 19R.



COMPANY			GROUP	
2014	2013	(R'million)	2014	Restated* 2013
	<b>32</b>	<b>Group borrowings</b> In terms of the company's articles of association the group's borrowings are unlimited.		
	<b>33</b> <b>33.1</b>	<b>Group commitments</b> Approved capital expenditure, which will be financed from the group's own resources, is as follows: Contracted Not contracted	<b>244,5</b> <b>733,5</b>	372,2 408,1
			<b>978,0</b>	780,3
	<b>33.2</b>	Commitments of R655,7 million will be expended in 2015 and the remaining commitments will be expended from 2016 to 2018. The capital commitments noted above include various capital efficiency and expansion projects.		

### 33.3 Commitments in respect of operating leases

(R'million)	Land and buildings	Motor vehicles	Property, plant and equipment	Other	Total commitments
<b>2014</b>					
During 2015	61,7	37,8	31,0	–	130,5
During 2016	46,3	28,4	1,8	–	76,5
During 2017	18,6	16,3	1,6	–	36,5
During 2018	5,8	10,2	1,6	–	17,6
During 2019 and thereafter	5,1	7,0	0,8	–	12,9
	<b>137,5</b>	<b>99,7</b>	<b>36,8</b>	<b>–</b>	<b>274,0</b>
<b>2013 (restated)*</b>					
During 2014	54,9	32,5	22,6	0,1	110,1
During 2015	47,0	22,3	21,1	0,1	90,5
During 2016	24,4	14,9	0,2	–	39,5
During 2017	12,1	7,4	–	–	19,5
During 2018 and thereafter	4,4	5,5	–	–	9,9
	<b>142,8</b>	<b>82,6</b>	<b>43,9</b>	<b>0,2</b>	<b>269,5</b>

\* The amounts have been restated due to the adoption of IAS 19R.

With the exception of the leases described on the following page, operating leases are generally three to six years in duration, without purchase options and in certain instances have escalation clauses of between 7% and 10% or are linked to the prime rate of interest or 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 CPI, amounts to R3,9 million (2013: R4,5 million).

# Notes to the financial statements continued

for the year ended 30 September 2014

## 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:

(R'million)	GROUP		Restated*	
	2014		2013	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within one year	2,7	2,2	5,4	4,9
After one year but not more than five years	5,3	4,8	8,0	6,7
Total minimum lease payments	8,0	7,0	13,4	11,6
Less amounts representing finance charges	(1,0)	–	(1,8)	–
Total	7,0	7,0	11,6	11,6

\* The amounts have been restated due to the adoption of IAS 19R.

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 24 of 1956, 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 these disclosures, and in order to comply with the requirements of IAS 19, 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 22 retirement plans, three of which are defined benefit pension funds, five are defined contribution pension funds, two are defined benefit provident funds 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.

### 34 Pension obligations *continued*

The actual return on plan assets for the period 1 October 2013 to 30 September 2014 was R31,6 million (2013: R39,4 million). This compares with the expected return for the same period of R39,6 million (2013: R32,9 million).

The value of contributions expected to be paid by group companies for the year ending 30 September 2015 amounts to R220,2 million (2014 actual: R201,3 million).

As at 30 September 2014, there were no properties occupied or other assets used by group companies which formed part of the fair value of plan assets (2013: Rnil).

As at 30 September 2014, the percentage of the fair value of plan assets in respect of defined benefit arrangements invested in Tiger Brands Limited shares amounted to 0% (2013: 0%).

Major categories of plan assets in respect of defined benefit arrangements as at 30 September:

	GROUP	
(%)	2014	Restated* 2013
Equities	5,6	3,9
Bonds	32,8	19,7
Cash	57,3	74,1
Property	0,7	0,3
International	3,1	1,8
Other	0,5	0,2
	100,0	100,0

	GROUP	
(R'million)	2014	Restated* 2013
<b>Balance at the end of the year</b>		
Present value of defined benefit obligations	(319,2)	(319,5)
Fair value of plan assets in respect of defined benefit obligations	423,0	428,9
Funded status of defined benefit plans	103,8	109,4
Unrecognised due to Paragraph 65 limit	–	(0,9)
Asset not recognised at reporting date	–	–
<b>Asset at reporting date</b>	103,8	108,5

\* The amounts have been restated due to the adoption of IAS 19R.

# Notes to the financial statements continued

for the year ended 30 September 2014

## 34 Pension obligations continued

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 to 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'million)	2014	Restated* 2013
<b>Movement in the net asset recognised in the statement of financial position</b>		
Balance at the beginning of the year	108,5	77,2
Contributions paid	201,3	181,3
Other movements (net expense in the income statement)	(206,0)	(150,0)
Interest cost	(29,4)	(27,5)
Current service cost	(203,8)	(182,4)
Return on plan assets	39,6	33,7
Net actuarial (losses)/gains released in terms of IAS 19R	(12,4)	26,2
<b>Balance at the end of the year</b>	<b>103,8</b>	<b>108,5</b>
The net asset is included in the statement of financial position as follows:		
Investments (refer note 17)	44,8	43,0
Other receivables (refer note 21.1)	63,0	69,3
Other payables (refer note 29)	(4,0)	(3,8)
	<b>103,8</b>	<b>108,5</b>

\* The amounts have been restated due to the adoption of IAS 19R.

## 34

**Pension obligations** *continued***Actuarial assumptions**

The principal actuarial assumptions used for accounting purposes were:

Discount rate

	GROUP	
	2014	Restated* 2013
	% Full yield curve	% Full yield curve
– Tiger Brands Defined Benefit Pension Fund	6,70	9,90
– Tiger Oats Benefit Foundation	9,30	9,90
– Nestlé Pension Fund	6,70	9,90
– ICS Pension Fund	7,90	7,90
Future salary increases		
Post-retirement discount rate		
– Tiger Brands Defined Benefit Pension Fund	3,00	3,00
– Nestlé Pension Fund	3,58	4,15
Future pension increases		
– Nestlé Pension Fund	5,52	5,52

**(R'million)****Reconciliation of the defined benefit obligation**

Defined benefit obligation at the beginning of the year	(319,5)	(350,8)
Current service cost	(4,7)	(3,7)
Member contributions	(1,3)	(1,4)
Interest cost	(29,3)	(27,5)
Actuarial (loss)/gain	(5,4)	19,4
Benefits paid	40,7	44,2
Risk premiums (group life and permanent health)	0,3	0,3
Defined benefit obligation at the end of the year	(319,2)	(319,5)

**Reconciliation of fair value of plan assets**

Assets at fair market value at the beginning of the year	428,9	428,0
Return on assets	39,6	33,7
Contributions	3,5	4,0
Risk premiums (group life and permanent health)	(0,3)	(0,3)
Benefits paid	(40,7)	(44,2)
Actuarial (loss)/gain	(8,0)	7,7

**Assets at fair market value at the end of the year**

423,0 428,9

**Asset balance at the end of the year**

103,8 109,4

\* The amounts have been restated due to the adoption of IAS 19R.

# Notes to the financial statements continued

for the year ended 30 September 2014

		GROUP			
(R'million)	2014	Restated 2013	2012	2011	2010
<b>34 Pension obligations</b> <small>continued</small>					
<b>Trend information</b>					
Present value of defined benefit obligation	(319,2)	(319,5)	(350,8)	(329,5)	(261,3)
Fair value of plan assets	423,0	428,9	428,0	398,9	389,6
Funded status	103,8	109,4	77,2	69,4	128,3
Experience loss/(gain) on liabilities	1,4	(14,2)	1,7	51,4	13,3
Experience loss/(gain) on assets	8,0	(7,7)	(14,9)	(0,6)	2,9

The risks faced by the group as a result of pension obligations can be summarised as follows:

- **Inflation:** The risk that future CPI inflation is higher than expected and uncontrolled.
- **Longevity:** The risk that pensioners live longer than expected and thus their pension benefit is payable for longer than expected.
- **Open-ended, long-term liability:** The risk that the liability may be volatile in the future and uncertain.
- **Future changes in legislation:** The risk that changes to legislation with regard to the postemployment liability may increase the liability for the company.
- **Future changes in the tax environment:** The risk that changes in the tax legislation governing employee benefits may increase the liability for the company.
- **Administration:** Administration of this liability poses a burden to the company.

## Sensitivity analysis

The sensitivity analysis has been prepared for the Tiger Brands Defined Benefit Pension Fund and the Nestlé Pension Fund. The liabilities of the Tiger Brands PRDBS Provident Fund and the ICS Pension Fund are not sensitive to changes in either the discount rate or the inflation rate.

		GROUP		
		Balance 2014	+1%	-1%
<b>Discount rate</b>				
Defined benefit obligation (R'million)		(269,5)	(259,6)	(280,2)
Change (%)			(3,7)	4,0
<b>Inflation rate</b>				
Defined benefit obligation (R'million)		(269,5)	(279,4)	(260,1)
Change (%)			3,7	(3,5)

### 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 2014.

(R'million)	GROUP	
	2014	Restated* 2013
<b>Balance at the end of the year</b>		
Present value of obligations	(626,4)	(580,9)
Liability at reporting date	(626,4)	(580,9)
<b>Movement in the liability recognised in the statement of financial position</b>		
Balance at the beginning of the year	(580,9)	(583,6)
Contributions paid	36,2	34,2
Other expenses included in staff costs	(81,7)	(31,5)
Current service cost	(2,6)	(3,1)
Interest cost	(50,6)	(45,3)
Actuarial (losses)/gains recognised	(28,5)	16,9
Balance at the end of the year	(626,4)	(580,9)

\* The amounts have been restated due to the adoption of IAS 19R.

The employer's estimate of contributions expected to be paid for the 2015 financial year is R38,6 million (2014: R36,2 million).

The principal actuarial assumptions used for accounting purposes were:	GROUP	
	2014	Restated* 2013
Discount rate	8,50	9,00
Medical inflation	7,80	7,80
Future salary increases	7,80	7,80
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

# Notes to the financial statements *continued*

for the year ended 30 September 2014

## 35 Post-retirement medical aid obligations *continued*

The risks faced by the group as a result of the post-retirement medical aid obligation can be summarised as follows:

- **Inflation:** The risk that future CPI inflation and healthcare cost inflation are higher than expected and uncontrolled.
- **Longevity:** The risk that pensioners live longer than expected.
- **Open-ended, long-term liability:** The risk that the liability may be volatile in the future and uncertain.
- **Future changes in legislation:** The risk that changes to legislation with respect to the post-employment liability may increase the liability for Tiger Brands.
- **Future changes in the tax environment:** The risk that changes in the tax legislation governing employee benefits may increase the liability for Tiger Brands.
- **Perceived inequality between current employees:** The risk of dissatisfaction of current employees who are not eligible for a post-employment healthcare subsidy.
- **Administration:** Administration of this liability poses a burden to Tiger Brands.
- **Enforcement of eligibility criteria and rules:** The risk that eligibility criteria and rules are not strictly or consistently enforced.

### 35.1 Sensitivity analysis

	GROUP		
	Base case	Medical inflation	
<b>2014</b>			
Key assumption (%)	7,80	(1,0)	1,0
<b>Accrued liability 30 September 2014</b>			
(R'million)	626,4	563,1	702,7
% change		(10,1)	12,2
<b>Current service cost plus interest cost 2014/2015</b>			
(R'million)	55,1	49,1	62,3
% change		(10,8)	13,2
<b>2013 (restated)*</b>			
Key assumption (%)	7,80	(1,0)	1,0
<b>Accrued liability 30 September 2013</b>			
(R'million)	580,9	522,6	651,0
% change		(10,0)	12,1
<b>Current service cost plus interest cost 2013/2014</b>			
(R'million)	53,4	47,6	60,3
% change		(10,8)	13,0

\* The amounts have been restated due to the adoption of IAS 19R.



**Post-retirement medical aid obligations** continued**Sensitivity analysis continued**

	GROUP		
	Base case	Discount rate	
<b>2014</b>			
Key assumption (%)	8,50	(1,0)	1,0
<b>Present value of obligations 30 September 2014</b>			
(R'million)	626,4	706,6	561,1
% change		12,8	(10,4)
<b>2013 (restated)*</b>			
Key assumption (%)	9,00	(1,0)	1,0
<b>Present value of obligations 30 September 2013</b>			
(R'million)	580,9	654,3	521,0
% change		12,6	(10,3)

	GROUP		
	Base case	Expected retirement age	
<b>2014</b>			
Key assumption	60/63/65 years	1 year younger	1 year older
<b>Present value of obligations 30 September 2014</b>			
(R'million)	626,4	630,7	620,9
% change		0,7	(0,9)
<b>2013 (restated)*</b>			
Key assumption	60/63/65 years	1 year younger	1 year older
<b>Present value of obligations 30 September 2013</b>			
(R'million)	580,9	584,7	576,8
% change		0,7	(0,7)

(R'million)	2014	Restated* 2013	2012	2011	2010
<b>Trend information</b>					
Present value of obligations	(626,4)	(580,9)	(584,4)	(544,3)	(499,3)
Present value of obligations in excess of plan assets	(626,4)	(580,9)	(584,4)	(544,3)	(499,3)
Experience adjustments	(5,9)	(2,2)	(9,8)	1,6	17,4
Actuarial (gains)/losses before changes in assumptions:					
In respect of present value of obligations	(5,9)	(2,2)	(9,8)	1,6	17,4

\* The amounts have been restated due to the adoption of IAS 19R.

The duration of the liability at 30 September 2014 is 13,0 years (2013: 12,9 years).

# Notes to the financial statements continued

for the year ended 30 September 2014

## 36 Guarantees and contingent liabilities

(R'million)	GROUP	
	2014	Restated* 2013
Guarantees and contingent liabilities	70,8	78,8

\* The amounts have been restated due to the adoption of IAS 19R.

Guarantees exist against the group for third-party obligations of R70,8 million at 30 September 2014 (2013: R78,8 million).

### COMPANY

Guarantees exist against the company for the obligations of certain subsidiaries amounting to R55,0 million at 30 September 2014 (2013: R63,0 million).

Shares in Chocolaterie Confiserie Camerounaise SA (Chococam), acquired on 1 August 2008 have been pledged as security for the foreign loan utilised to acquire the subsidiary.

Refer to note 31.1.

## 37 Financial instruments

The group's objective in using financial instruments is to reduce the uncertainty over future cash flows arising principally as a result of commodity price, currency and interest rate fluctuations. The use of derivatives for the hedging of firm commitments against commodity price, foreign currency and interest rate exposures is permitted in accordance with group policies, which have been approved by the board of directors. Where significant finance is taken out, this is approved at board meetings.

The foreign exchange contracts outstanding at year end are marked to market at closing spot rate.

The group finances its operations through a combination of retained surpluses, bank borrowings and long-term loans.

The group borrows short-term funds with fixed or floating rates of interest through the holding company, Tiger Brands Limited.

The main risks arising from the group's financial instruments are, in order of priority, procurement risk, foreign currency risk, interest rate risk, liquidity risk and credit risk, as detailed below.

### 37.1 Procurement risk (commodity price risk)

Commodity price risk arises from the group being subject to raw material price fluctuations caused by supply conditions, weather, economic conditions and other factors. The strategic raw materials acquired by the group include wheat, maize, rice, oats and sorghum.

The group uses commodity futures and options contracts or other derivative instruments to reduce the volatility of commodity input prices of strategic raw materials. These derivative contracts are only taken out to match an underlying physical requirement for the raw material. The group does not write naked derivative contracts.

The group has developed a comprehensive risk management process to facilitate, control and to monitor these risks. The procurement of raw materials takes place in terms of specific mandates given by 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.

**37**  
**37.1**

**Financial instruments** continued  
**Procurement risk (commodity price risk)** continued

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

(R'million)	GROUP	
	Derivative contracts expiring within 0 – 3 months Unrealised profit at 30 September	Hedged value
<b>2014</b>		
Maize and wheat Futures	(2,6)	62,7
<b>2013 (restated)*</b>		
Maize and wheat Futures	(2,0)	78,1

\* The amounts have been restated due to the adoption of IAS 19R.

**Commodity price sensitivity analysis**

The following table details the group 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 excluding the impact of hedge accounting.

(R'million)	GROUP	
	Profit/(loss) after tax	
	2014	Restated* 2013
Milling and Baking + 10%	(216,9)	(188,6)
Milling and Baking – 10%	216,9	188,6
Other Grains + 10%	(98,7)	(107,9)
Other Grains – 10%	98,7	107,9
Other + 10%**	(49,6)	(30,6)
Other – 10%**	49,6	30,6
Total + 10%	(365,2)	(327,1)
Total – 10%	365,2	327,1

\* The amounts have been restated due to the adoption of IAS 19R.

\*\* Other includes tomato paste, sugar, pork, soya and other sundry items.

Commodity price sensitivity is not applicable to the company.

# Notes to the financial statements continued

for the year ended 30 September 2014

## 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 an 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 2014.

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

(R'million)	South African rand	United States dollar	Pound sterling	Euro	Nigerian naira	Other**	Total
<b>GROUP 2014</b>							
<b>Financial assets</b>							
Accounts receivable	2 227,1	841,3	249,1	305,8	747,8	496,3	4 867,4
Cash and cash equivalents	309,7	266,7	8,5	110,2	233,7	231,5	1 160,3
<b>Financial liabilities</b>							
Borrowings***	(2 942,9)	(23,3)	–	–	(1 383,8)	(299,5)	(4 649,5)
Accounts payable	(3 614,6)	(93,7)	(92,0)	(64,5)	(937,7)	(303,7)	(5 106,2)
<b>2013 (restated)*</b>							
<b>Financial assets</b>							
Accounts receivable	2 990,3	247,2	17,7	32,7	522,3	389,7	4 199,9
Cash and cash equivalents	230,0	81,8	6,0	41,3	107,6	166,2	632,9
<b>Financial liabilities</b>							
Borrowings***	(3 099,8)	(21,8)	–	–	(1 679,1)	(302,2)	(5 102,9)
Accounts payable	(3 237,5)	(64,6)	(12,1)	(61,7)	(812,0)	(355,9)	(4 543,8)

\* The amounts have been restated due to the adoption of IAS 19R.

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

\*\*\* In 2014 R169,3 million (2013: R193,6 million) is held by the company.

## 37 Financial instruments *continued*

### 37.2 Foreign currency risk *continued*

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

	Assets	Liabilities	Average
<b>GROUP</b>			
<b>2014</b>			
US dollar	11,32	11,32	11,32
Pound sterling	18,35	18,36	18,35
Euro	14,27	14,28	14,28
<b>2013 (restated)*</b>			
US dollar	10,05	10,05	10,05
Pound sterling	16,22	16,23	16,23
Euro	13,59	13,61	13,60

\* The amounts have been restated due to the adoption of IAS 19R.

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:

	Foreign currency (in million)	Average rate	Rand (in million)
<b>GROUP</b>			
<b>2014</b>			
<b>Foreign currency sold</b>			
US dollar	10,9	11,3670	123,9
Pound sterling	1,0	18,6000	18,6
Euro	0,4	13,5000	5,4
Other currencies	–	–	9,0
<b>Foreign currency purchased</b>			
US dollar	28,5	11,3368	323,1
Pound sterling	5,7	18,4561	105,2
Euro	5,6	14,3750	80,5
Other currencies	–	–	2,6

# Notes to the financial statements continued

for the year ended 30 September 2014

## 37 Financial instruments continued

### 37.2 Foreign currency risk continued

	Foreign currency (in million)	Average rate	Rand (in million)
<b>GROUP</b>			
<b>2014</b>			
<b>Unhedged foreign currency monetary assets</b>			
US dollar	16,5	11,3091	186,6
Pound sterling	0,8	17,5000	14,0
Euro	3,3	14,0909	46,5
Other currencies	–	–	11,6
<b>Unhedged foreign currency monetary liabilities</b>			
US dollar	(0,4)	10,0000	(4,0)
Pound sterling	–	18,3612	–
Euro	(0,1)	18,0000	(1,8)
Other currencies	–	–	(1,0)
<b>2013 (restated)*</b>			
<b>Foreign currency sold</b>			
US dollar	8,6	10,1047	86,9
Pound sterling	–	16,2536	0,6
Euro	0,4	12,5000	5,0
Other currencies			6,3
<b>Foreign currency purchased</b>			
US dollar	42,1	10,0855	424,6
Pound sterling	0,9	16,5556	14,9
Euro	8,5	13,7529	116,9
Other currencies			19,0
<b>Unhedged foreign currency monetary assets</b>			
US dollar	15,7	7,6624	120,3
Pound sterling	1,5	15,6667	23,5
Euro	4,9	11,5510	56,6
Other currencies			14,6
<b>Unhedged foreign currency monetary liabilities</b>			
US dollar	0,9	9,5556	8,6
Pound sterling	–	16,2255	0,3
Euro	0,1	16,0000	1,6
Other currencies			0,6

\* The amounts have been restated due to the adoption of IAS 19R.

**37**  
**37.2**

**Financial instruments** continued

**Foreign currency risk** continued

**Cash flow hedges**

At 30 September 2014, 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 probable forecast transactions.

A summary of these contracts are:

	Foreign currency (in million)	Average rate	Rand (in million)
<b>GROUP</b>			
<b>2014</b>			
<b>Foreign currency bought</b>			
US dollar	27,7	13,4765	373,3
Euro	4,9	14,5510	71,3
Pound sterling	3,9	18,6154	72,6
Other currencies	–	–	2,0
<b>2013 (restated)*</b>			
<b>Foreign currency bought</b>			
US dollar	25,1	9,9124	248,8
Euro	7,8	13,2692	103,5
Pound sterling	0,7	16,1429	11,3
Other currencies	–	–	18,2

\* The amounts have been restated due to the adoption of IAS 19R.

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 R10,6 million (2013: R16,2 million) relating to the hedging instrument included in other comprehensive income.

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

	<b>GROUP</b>	
	1 – 6 months	7 – 12 months
<b>Foreign currency (in million)</b>		
US dollar	17,1	–
Euro	4,8	0,1
Pound sterling	3,6	0,4
Australian dollar	0,1	–
Japanese yen	13,2	–
Nigerian naira	–	–

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

During the year, R22,9 million (2013: R80,4 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.

There are no ineffective hedges to be recognised in profit or loss.

# Notes to the financial statements continued

for the year ended 30 September 2014

## 37 Financial instruments continued

### 37.2 Foreign currency risk continued

#### Foreign currency sensitivity

The following table details the group and company's sensitivity to a 10% weakening/strengthening in ZAR against the respective foreign currencies.

The sensitivity analysis includes only material outstanding foreign currency denominated monetary items as detailed in the table on page 218 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 ZAR weakens against the relevant currency.

	Other comprehensive income	
(R'million)	2014	Restated* 2013
<b>GROUP</b>		
USD + 10%	(18,8)	(117,1)
USD – 10%	18,8	117,1
EUR + 10%	(7,1)	0,4
EUR – 10%	7,1	(0,4)
Pound sterling + 10%	(7,3)	–
Pound sterling – 10%	7,3	–
Other + 10%	(4,1)	3,4
Other – 10%	4,1	(3,4)
Total + 10%	(37,3)	(113,3)
Total – 10%	37,3	113,3
	Profit/loss after tax	
(R'million)	2014	Restated* 2013
<b>COMPANY</b>		
USD + 10%	8,4	8,0
USD – 10%	(8,4)	(8,0)
Other + 10%	5,4	11,0
Other – 10%	(5,4)	(11,0)
Total + 10%	13,8	19,0
Total – 10%	(13,8)	(19,0)

\* The amounts have been restated due to the adoption of IAS 19R.



## 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's 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'million)	Fixed rate	Floating rate	Total	Average interest rate for the year (%)
<b>GROUP</b>				
The interest rate profile of the group's borrowings at 30 September 2014 and 30 September 2013 is reflected in note 31.				
<b>2014</b>				
<b>Local currency denominated loans</b>				
Loan repayable by 2015 (secured)	118,8		118,8	8,4
Loan repayable by 2015 (unsecured)	500,0		500,0	6,0
Other loans and capitalised finance leases (secured and unsecured)		7,0	7,0	8,8
	618,8	7,0	625,8	
<b>Foreign currency denominated loans</b>				
Loan repayable by 2018 (secured) **		169,3	169,3	6,8
Loan repayable by 2015 (unsecured)		17,3	17,3	8,0
Loan repayable by 2016 (secured)		5,4	5,4	4,0
Loan repayable by 2020 (secured)		39,0	39,0	12,0
Loan repayable by 2016 (secured)		178,8	178,8	14,8
Loan repayable by 2016 (secured)		226,5	226,5	15,0
Loan repayable by 2016 (unsecured)		29,1	29,1	16,3
Loan repayable by 2017 (secured)		185,9	185,9	15,0
Loan repayable by 2018 (secured)		16,0	16,0	7,0
Loan repayable by 2021 (secured)		69,1	69,1	7,0
Loan repayable by 2056 (secured)		1,1	1,1	–
		937,5	937,5	
<b>Total</b>	618,8	944,5	1 563,3	

\*\* Loans at a company level.

# Notes to the financial statements continued

for the year ended 30 September 2014

## 37 Financial instruments continued

### 37.3 Interest rate risk management continued

(R'million)	Fixed rate	Floating rate	Total	Average interest rate for the year (%)
<b>GROUP</b>				
<b>2013 (restated)*</b>				
<b>Local currency denominated loans</b>				
Loan repayable by 2015 (secured)	157,0		157,0	8,4
Loan repayable by 2015 (unsecured)	1 000,0		1 000,0	6,0
Other loans and capitalised finance leases (secured and unsecured)		11,6	11,6	8,0
<b>Total</b>	<b>1 157,0</b>	<b>11,6</b>	<b>1 168,6</b>	
<b>Foreign currency denominated loans</b>				
Loan repayable by 2013 (secured)**		193,6	193,6	6,8
Loan repayable by 2014 (secured)		–	–	18,0
Loan repayable by 2014 (unsecured)		15,6	15,6	8,0
Loan repayable by 2016 (secured)		7,6	7,6	4,0
Loan repayable by 2016 (secured)		29,5	29,5	12,0
Loan repayable by 2016 (secured)		247,8	247,8	14,8
Loan repayable by 2016 (secured)		422,0	422,0	15,0
Loan repayable by 2016 (unsecured)		34,5	34,5	11,1
Loan repayable by 2017 (secured)		236,4	236,4	15,0
Loan repayable by 2018 (secured)		18,9	18,9	7,0
Loan repayable by 2056 (secured)		1,6	1,6	–
		1 207,5	1 207,5	
<b>Total</b>	<b>1 157,0</b>	<b>1 219,1</b>	<b>2 376,1</b>	

\* The amounts have been restated due to the adoption of IAS 19R.

\*\* Loans at a company level.

#### 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 on page 225 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.

## 37 Financial instruments continued

### 37.3 Interest rate risk management continued

COMPANY			GROUP	
2014	2013	(R'million)	2014	Restated* 2013
		Profit/(loss) after tax		
		ZAR borrowings		
		+ 1%	(35,2)	(32,3)
		- 1%	35,2	32,3
		Foreign borrowings		
(2,4)	(2,1)	+ 1%	(3,8)	(2,4)
2,4	2,1	- 1%	3,8	2,4
		Total		
(2,4)	(2,1)	+ 1%	(39,0)	(34,7)
2,4	2,1	- 1%	39,0	34,7

\* The amounts have been restated due to the adoption of IAS 19R.

### 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.

# Notes to the financial statements *continued*

for the year ended 30 September 2014

## 37 Financial instruments *continued*

### 37.4 Liquidity risk management *continued*

#### Contractual maturity for non-derivative financial liabilities

The following table details the group and company's remaining contractual maturity for non-derivative financial liabilities.

The table has 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'million)	Carrying amount	Finance charge	0 – 6 months	7 – 12 months	1 – 5 years	> 5 years
<b>GROUP</b>						
<b>2014</b>						
Trade and other payables	2 356,9	–	2 349,7	7,2	–	–
Borrowings (long and short term)**	1 563,9	(258,4)	863,0	375,2	583,2	0,8
Guarantees and future commitments not on the statement of financial position	–	–	411,5	8,2	–	–
<b>Total</b>	<b>3 920,8</b>	<b>(258,4)</b>	<b>3 624,2</b>	<b>390,6</b>	<b>583,2</b>	<b>0,8</b>
<b>2013 (restated)*</b>						
Trade and other payables	2 131,8	–	2 061,4	70,4	–	–
Borrowings (long and short term)**	2 376,1	(271,8)	660,4	512,4	1 473,6	1,4
Guarantees not on the statement of financial position	–	–	78,8	–	–	–
<b>Total</b>	<b>4 507,9</b>	<b>(271,8)</b>	<b>2 800,6</b>	<b>582,8</b>	<b>1 473,6</b>	<b>1,4</b>
<b>COMPANY</b>						
<b>2014</b>						
Borrowings (long and short term)	169,3	(35,4)	–	51,2	153,5	–
Intergroup loan accounts	490,1	(177,7)	–	–	667,8	–
Guarantees not on the statement of financial position	–	–	55,0	–	–	–
<b>Total</b>	<b>659,4</b>	<b>(213,1)</b>	<b>55,0</b>	<b>51,2</b>	<b>821,3</b>	<b>–</b>
<b>2013</b>						
Borrowings (long and short term)	193,6	–	–	33,0	160,6	–
Intergroup loan accounts	459,8	–	–	–	459,8	–
Guarantees not on the statement of financial position	–	–	63,0	–	–	–
<b>Total</b>	<b>653,4</b>	<b>–</b>	<b>63,0</b>	<b>33,0</b>	<b>620,4</b>	<b>–</b>

\* The amounts have been restated due to the adoption of IAS 19R.

\*\* Excludes bank overdrafts of R3 086,2 million (2013: R2 726,8 million) and cash of R1 160,3 million (2013: R632,9 million). These are repayable on demand and subject to annual review.

Refer to note 33.3 and 33.4 for disclosure relating to operating and finance lease commitments.

## 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.

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 2014 in respect of guarantees amounted to R70,8 million (2013: R78,8 million). Refer to note 36.

#### COMPANY

Credit risk exposure at 30 September 2014 relating to guarantees amounted to R55,0 million (2013: R63,0 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 its business and maximise shareholder value.

The company and group manage their capital structure, calculated as equity plus net debt, and make adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the company and group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or increase or decrease levels of debt. No changes were made in the objectives, policies or processes during the years ended 30 September 2014 and 30 September 2013.

The company and group monitor capital using a gearing ratio, which is net debt divided by total equity. The company and group target a long-term gearing ratio of 30% to 40%, except when major investments are made where this target may be exceeded.

	GROUP	
(R'million)	2014	Restated* 2013
Cash and cash equivalents	(1 160,3)	(632,9)
Long-term borrowings	627,4	1 452,7
Short-term borrowings	4 022,1	3 650,2
Net debt	3 489,2	4 470,0
Total equity	13 947,2	13 815,5
<b>Total capital</b>	<b>17 436,4</b>	<b>18 285,5</b>
Net debt to equity (%)	25,0	32,4

\* The amounts have been restated due to the adoption of IAS 19R.

# Notes to the financial statements continued

for the year ended 30 September 2014

## 37 Financial instruments continued

### 37.6 Capital management continued

	COMPANY	
(R'million)	2014	2013
Cash and cash equivalents	(270,0)	(64,8)
Long-term borrowings	131,8	160,6
Short-term borrowings	37,5	33,7
Net (cash)/debt	(100,7)	129,5
Total equity	9 548,8	10 155,3
<b>Total capital</b>	<b>9 448,1</b>	<b>10 284,8</b>
Net (cash)/debt to equity (%)	(1,1)	1,3

### 37.7 Categorisation of financial assets and liabilities

(R'million)	Loans and receivables Amortised cost	Financial assets available for sale Fair value	Other liabilities Amortised cost	Financial instruments at fair value through profit or loss	Non-financial items	Total book value
<b>GROUP</b>						
<b>2014</b>						
Assets	–	–	–	–	18 468,7	18 468,7
Other investments	46,9	303,1	–	–	–	350,0
Loans	5,6	–	–	–	–	5,6
Trade and other receivables	3 857,7	–	–	13,4	996,3	4 867,4
Cash and cash equivalents	1 160,3	–	–	–	–	1 160,3
<b>Total</b>	<b>5 070,5</b>	<b>303,1</b>	<b>–</b>	<b>13,4</b>	<b>19 465,0</b>	<b>24 852,0</b>
Shareholders' equity and liabilities	–	–	–	–	(15 760,9)	(15 760,9)
Long-term borrowings	–	–	(627,4)	–	–	(627,4)
Trade and other payables	–	–	(601,6)	(8,4)	(3 831,6)	(4 441,6)
Short-term borrowings	–	–	(4 022,1)	–	–	(4 022,1)
<b>Total</b>	<b>–</b>	<b>–</b>	<b>(5 251,1)</b>	<b>(8,4)</b>	<b>(19 592,5)</b>	<b>(24 852,0)</b>

## Financial instruments continued

### Categorisation of financial assets and liabilities continued

(R'million)	Loans and receivables Amortised cost	Financial assets available for sale Fair value	Other liabilities Amortised cost	Financial instruments at fair value through profit or loss	Non- financial items	Total book value
<b>GROUP</b>						
<b>2013 (restated)*</b>						
Assets	–	–	–	–	19 895,5	19 895,5
Other investments	85,2	420,3	–	–	–	505,5
Loans	7,2	–	–	–	–	7,2
Trade and other receivables	3 316,8	–	–	18,7	864,4	4 199,9
Cash and cash equivalents	632,9	–	–	–	–	632,9
<b>Total</b>	<b>4 042,1</b>	<b>420,3</b>	<b>–</b>	<b>18,7</b>	<b>20 759,9</b>	<b>25 241,0</b>
Shareholders' equity and liabilities	–	–	–	–	(16 151,0)	(16 151,0)
Long-term borrowings	–	–	(1 452,7)	–	–	(1 452,7)
Trade and other payables	–	–	(2 131,6)	(4,7)	(1 850,8)	(3 987,1)
Short-term borrowings	–	–	(3 650,2)	–	–	(3 650,2)
<b>Total</b>	<b>–</b>	<b>–</b>	<b>(7 234,5)</b>	<b>(4,7)</b>	<b>(18 001,8)</b>	<b>(25 241,0)</b>

\* The amounts have been restated due to the adoption of IAS 19R.

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

# Notes to the financial statements continued

for the year ended 30 September 2014

## 37 Financial instruments continued

### 37.7 Categorisation of financial assets and liabilities continued

(R'million)	Loans and receivables Amortised cost	Financial assets available for sale Fair value	Other liabilities Amortised cost	Non- financial items	Total book value
<b>COMPANY</b>					
<b>2014</b>					
Assets	499,5	–	–	4 477,6	4 977,1
Other investments	1 981,6	8,5	–	–	1 990,1
Loans	2 916,3	–	–	–	2 916,3
Trade and other receivables	82,8	–	–	2,8	85,6
Cash and cash equivalents	270,0	–	–	–	270,0
<b>Total</b>	<b>5 750,2</b>	<b>8,5</b>	<b>–</b>	<b>4 480,4</b>	<b>10 239,1</b>
Shareholders' equity and liabilities	–	–	(490,1)	(9 550,6)	(10 040,7)
Long-term borrowings	–	–	(131,8)	–	(131,8)
Trade and other payables	–	–	(29,1)	–	(29,1)
Short-term borrowings	–	–	(37,5)	–	(37,5)
<b>Total</b>	<b>–</b>	<b>–</b>	<b>(688,5)</b>	<b>(9 550,6)</b>	<b>(10 239,1)</b>
<b>2013</b>					
Assets	653,9	–	–	5 324,4	5 978,3
Other investments	1 943,9	7,0	–	–	1 950,9
Loans	2 807,6	–	–	–	2 807,6
Trade and other receivables	45,0	–	–	–	45,0
Cash and cash equivalents	64,8	–	–	–	64,8
<b>Total</b>	<b>5 515,2</b>	<b>7,0</b>	<b>–</b>	<b>5 324,4</b>	<b>10 846,6</b>
Shareholders' equity and liabilities	–	–	(459,8)	(10 155,3)	(10 615,1)
Long-term borrowings	–	–	(160,6)	–	(160,6)
Trade and other payables	–	–	(37,2)	–	(37,2)
Short-term borrowings	–	–	(33,7)	–	(33,7)
<b>Total</b>	<b>–</b>	<b>–</b>	<b>(691,3)</b>	<b>(10 155,3)</b>	<b>(10 846,6)</b>

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 future positions with SAFEX, forward exchange contracts and listed investments, approximate their carrying values. The maturity profile of these financial instruments fall due within 12 months. The maturity profile of the group's long-term liabilities is disclosed in note 31 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/by subsidiaries where the fair value is R1,8 billion calculated, using the effective interest rate method linked to market related interest rates.

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:

(R'million)	2014				Restated* 2013			
	Level 1	Level 2	Level 3**	Total	Level 1	Level 2	Level 3**	Total
<b>GROUP</b>								
<b>Assets measured at fair value</b>								
Available-for-sale financial assets								
Other investments	292,7	2,3	8,1	303,1	411,6	8,7	–	420,3
Derivatives	–	13,4	–	13,4	–	18,7	–	18,7
<b>Liabilities measured at fair value</b>								
Derivatives	–	8,4	–	8,4	–	4,7	–	4,7

\* The amounts have been restated due to the adoption of IAS 19R.

\*\* The value of the investment in group risk holdings is based on Tiger Brands' proportionate share of the net asset value of the company. There are no significant unobservable inputs that are used in the valuation and any changes in these inputs would not result in a fair value change.

# Notes to the financial statements *continued*

for the year ended 30 September 2014

## 37 Financial instruments *continued*

### 37.8 Fair value hierarchy *continued*

(R'million)	2014				2013			
	Level 1	Level 2	Level 3**	Total	Level 1	Level 2	Level 3**	Total
<b>COMPANY</b>								
Assets measured at fair value								
Available-for-sale financial assets								
Other investments	–	0,4	8,1	8,5	–	7,0	–	7,0
Derivatives	–	–	–	–	–	–	–	–
Liabilities measured at fair value								
Derivatives	–	–	–	–	–	–	–	–

\*\* The value of the investment in group risk holdings is based on Tiger Brands' proportionate share of the net asset value of the company. There are no significant unobservable inputs that are used in the valuation and any changes in these inputs would not result in a fair value change.

## 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 2014, the group has not recorded any impairment of receivables relating to amounts owed by related parties (2013: Rnil). This assessment is undertaken at each financial year through examining the financial position of the related party and the market in which the related party operates.

### 38 Related-party disclosures *continued*

Details of material transactions with related parties not disclosed elsewhere in the financial statements are as follows:

(R'million)	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Fees received from related parties
<b>GROUP</b>				
<b>2014</b>				
<b>Related party – associates</b>				
Oceana Group Limited	–	–	–	0,5
UAC Foods	–	–	18,4	10,1
National Foods Holdings Limited	–	–	–	–
<b>2013 (restated)*</b>				
<b>Related party – associates</b>				
Oceana Group Limited	–	–	–	–
UAC Foods	–	–	7,1	8,9
National Foods Holdings Limited	–	–	–	–
<b>(R'million)</b>			<b>2014</b>	<b>2013</b>
<b>Other related parties</b>				
Key management personnel**				
Short-term employee benefits			95,2	81,9
Post-employment and medical benefits			12,8	11,3
Share-based payments			76,9	68,9
Total compensation paid to key management personnel			184,9	162,1

\* The amounts have been restated due to the adoption of IAS 19R.

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

# Notes to the financial statements continued

for the year ended 30 September 2014

## 38 Related-party disclosures continued

(R'million)	Amounts owed by related parties <sup>1</sup>	Amounts owed to related parties <sup>1</sup>	Dividends received
<b>COMPANY</b>			
<b>2014</b>			
<b>Related party – intergroup</b>			
<b>Subsidiaries</b>			
Durban Confectionery Works (Pty) Limited	33,0	–	–
Tiger Consumer Brands Limited	–	76,1	1 270,0
Tiger Brands (Mauritius) Limited	–	196,0	–
Enterprise Foods (Pty) Limited	0,4	–	–
Langeberg Holdings Limited	702,4	–	–
Langeberg Foods Africa (Pty) Limited	–	201,6	–
Langeberg & Ashton Foods (Pty) Limited	499,5	–	–
The Duntulum Trust	18,9	–	–
Gloriande NV	0,2	–	–
Tiger Food Brands Intellectual Property Holding Company (Pty) Limited	354,3	–	–
Pharma I Investment Holdings Limited	1 227,6	–	–
Investment and dormant companies	165,5	16,4	–
Chocolaterie Confiserie Camerounaise	–	–	39,2
Deli Foods Nigeria Limited	25,5	–	–
East Africa Tiger Brands Industries	33,6	–	3,0
Davita Trading (Pty) Limited	–	–	160,0
<b>Empowerment entities</b>			
Tiger Brands Foundation	293,7	–	132,4
Thusani II	58,7	–	26,5
<b>Associate</b>			
Oceana Group Limited	–	–	164,3
National Foods Holdings Limited	–	–	15,8
UAC Foods	–	–	38,0
<b>Other</b>			
Tiger Brands Employee Share Trust	–	0,3	–

<sup>1</sup> Interest-free with no fixed repayment terms. Not repayable before 30 September 2015 except for the amount owing by Langeberg & Ashton Foods (Pty) Limited, and the amount owing to Tiger Consumer Brands Limited.

## 38 Related-party disclosures *continued*

(R'million)	Amounts owed by related parties <sup>1</sup>	Amounts owed to related parties <sup>1</sup>	Dividends received
<b>COMPANY</b>			
<b>2013</b>			
<b>Related party – intergroup</b>			
<b>Subsidiaries</b>			
Durban Confectionery Works (Pty) Limited	33,0	–	–
Tiger Consumer Brands Limited	–	67,9	1 200,0
Tiger Brands (Mauritius) Limited	–	174,0	36,0
Enterprise Foods (Pty) Limited	0,4	–	–
Langeberg Holdings Limited	702,4	–	–
Langeberg Foods Africa (Pty) Limited	–	201,6	–
Langeberg & Ashton Foods (Pty) Limited	653,9	–	–
The Duntulum Trust	18,9	–	–
Gloriande NV	0,2	–	–
Tiger Food Brands Intellectual Property Holding Company (Pty) Limited	330,8	–	710,9
Pharma I Investment Holdings Limited	1 227,6	–	789,2
Investment and dormant companies	165,5	16,3	–
Chocolaterie Confiserie Camerounaise	–	–	21,1
Deli Foods Nigeria Limited	31,7	–	–
East Africa Tiger Brands Industries	19,3	–	–
<b>Empowerment entities</b>			
Tiger Brands Foundation	229,5	–	122,0
Thusani II	45,8	–	24,4
<b>Associate</b>			
Oceana Group Limited	–	–	164,5
National Foods Holdings Limited	–	–	10,4
UAC Foods	–	–	49,2
<b>Other</b>			
Tiger Brands Employee Share Trust	–	1,4	–

<sup>1</sup> Interest-free with no fixed repayment terms. Not repayable before 30 September 2014 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 2014

## 39 Business combinations

### 39.1 Dangote Flour Mills Plc (DFM) 2013

On 4 October 2012, Tiger Brands acquired 63,35% of the issued share capital of DFM, a company based in Nigeria and engaged mainly in the manufacturing of flour, pasta and noodles, for a purchase consideration of R1,5 billion less a warranty claim recognised of R27,5 million.

The purchase consideration was accounted for as follows:

(R'million)	Acquisition value
Trademarks	134,1
Property, plant and equipment	2 370,8
Deferred tax asset	73,9
Inventory	868,0
Trade and other receivables*	728,9
Cash and cash equivalents	(32,4)
Short-term borrowings	(968,2)
Trade payables	(1 064,5)
Taxation payable	(31,1)
Long-term borrowings	(497,2)
Deferred tax liability	(214,0)
Fair value of net assets acquired	1 368,3
Non-controlling interest	(529,6)
Goodwill	646,3
Purchase consideration	1 485,0

\*Includes gross trade receivables of R811,7 million less allowance for doubtful debts of R326,3 million.

From date of acquisition to 30 September 2013, the DFM business contributed R3,4 billion to group revenue and R277,7 million to losses after tax.

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 and improved synergies.

The purchase consideration was financed out of operating cash flows.

## 40 Subsequent events

There are no material events that occurred during the period subsequent to 30 September 2014, but prior to these financial statements being authorised for issue.

## 41

(R'million)

2014

Restated\*  
2013**Analysis of profit from discontinued operation**

The combined results of the discontinued operation included in the profit for the year are set out below.

**Profit for the year from discontinued operation (attributable to owners of the company)**

Turnover	186,9	1 087,8
Expenses	(156,1)	(890,9)
Operating income before abnormal items	30,8	196,9
(Gain)/loss on remeasurement to fair value on transfer of net assets to held-for-sale	18,6	(25,8)
Operating income after abnormal items	49,4	171,1
Finance costs	(5,0)	(47,6)
Profit before taxation	44,4	123,5
Taxation	(3,4)	34,5
Profit for the year from discontinued operation (attributable to owners of the company)	41,0	158,0
Attributable to non-controlling interest	(11,1)	(97,3)
Attributable to owners of parent	29,9	60,7
<b>Cash flows from discontinued operation</b>		
Net cash inflows from operating activities	(23,9)	266,1
Net cash outflows from investing activities	97,0	(178,6)
Net cash outflows from financing activities	(72,2)	(227,8)
Net cash outflows	0,9	(140,3)

\* The amounts have been restated due to the adoption of IAS 19R.

The Dangote Agrosacks limited business was acquired effective 4 October 2012 as part of the DFM acquisition per note 39. During August 2013, a decision was made to dispose of the business resulting in Dangote Agrosacks limited being classified and accounted for at 30 September 2013 as a disposal group held-for-sale – refer to note 22. The business was disposed of effective November 2013, thus the results noted above for the year ended 30 September 2014 are for two months only.

# Notes to the financial statements *continued*

for the year ended 30 September 2014

## 42 Employee benefits – impact of transition to IAS 19R

The group adopted the revised IAS 19 *Employee Benefits* standard on 1 October 2013. This included changes to accounting principles in respect of defined benefit plans and the post-retirement medical aid liability. The amendment eliminates the option of the corridor approach and all the actuarial gains and losses are recognised immediately in other comprehensive income. The full net liability/asset is recorded in the statement of financial position while the expected interest income on assets is calculated using the same discount rate as calculating the present value of the obligation. The changes in fair value of obligation are recorded in other comprehensive income where those were included in the operating expenses previously. The amendments were applied retrospectively to September 2012. The impact of the revised standard on the group is presented in the table below:

(R'million)	2013	2012
<b>Statement of financial position</b>		
Decrease in opening retained income		129,5
Decrease/(increase) in provision for post-retirement medical aid	28,5	(176,8)
Decrease/(increase) in provision for defined benefit fund	2,0	(1,5)
Increase/(decrease) in trade and other receivables	23,0	(1,5)
(Increase)/decrease in deferred taxation	(15,0)	50,3
	38,5	–
<b>Profit or loss</b>		
Decrease in operating expenses	(10,4)	–
Increase in tax expense	2,9	–
	(7,5)	–
<b>Other comprehensive income (OCI)</b>		
Actuarial movements in OCI	(43,1)	–
Tax on actuarial movements in OCI	12,1	–
	(31,0)	–
<b>Net movement in total comprehensive income</b>	<b>(38,5)</b>	<b>–</b>

There was no material impact on the group's consolidated statement of cash flows or basic and diluted EPS or HEPS.



# Annexure A

## Interest in subsidiary companies

(R'million)	Company's interest							
	Issued ordinary capital		Effective holding percentage		Shares at cost		Indebtedness	
	2014	2013	2014 %	2013 %	2014	2013	2014	2013
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	33,0	33,0
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	100,0	85,8	85,8	499,5	653,9
Tiger Food Brands Intellectual Property Holding Company (Pty) Limited	1,0	1,0	100,0	100,0	17,3	17,3	354,3	330,8
Tiger Consumer Brands Limited	0,1	0,1	100,0	100,0	0,1	0,1	(76,1)	(67,9)
Tiger Brands (Mauritius) Limited <sup>2</sup>	35,7	35,7	100,0	100,0	337,9	337,9	(196,0)	(174,0)
Haco Industries Kenya Limited <sup>2</sup>	11,1	11,1	51,0	51,0	45,5	45,5	–	–
Chocolaterie Confiserie Camerounaise <sup>2</sup>	71,8	71,8	74,7	74,7	152,7	152,7	–	–
Deli Foods Nigeria Limited <sup>2, 4</sup>	2,1	2,1	100,0	100,0	213,2	251,6	25,5	31,7
East Africa Tiger Brands Industries <sup>2</sup>	212,2	212,2	51,0	51,0	121,4	121,4	33,6	19,3
Davita Trading (Pty) Limited	–	–	100,0	100,0	1 521,6	1 521,6	–	–
Pharma I Investment Holdings Limited <sup>3</sup>	–	–	100,0	100,0	–	–	1 227,6	1 227,6
Dangote Flour Mills Plc <sup>2, 4</sup>	0,1	0,1	65,7	63,4	672,9	1 485,0	–	–
Other miscellaneous, property, investment and dormant companies	–	–	100,0	100,0	–	–	(33,4)	(33,3)
					3 604,4	4 454,9	2 570,8	2 723,9
<b>Note</b>								
<sup>1</sup> Non-current amounts owed to the company							2 561,4	2 529,8
Current amounts owed to the company							499,5	653,9
Non-current amounts owed by the company							(414,0)	(391,9)
Current amounts owed by the company							(76,1)	(67,9)
							2 570,8	2 723,9

<sup>2</sup> All companies are incorporated in South Africa other than six; one of which is incorporated in Mauritius, one in Kenya, one in Cameroon, two in Nigeria, and one in Ethiopia.

<sup>3</sup> Previously Adcock Ingram Holdings (Pty) Limited.

<sup>4</sup> Investments impaired in the current year of R848,7 million and R48,0 million relating to Dangote Flour Mills Plc and Deli Foods Nigeria Limited respectively. Refer to note 13 for additional details.

All rand amounts of less than R100 000 are shown as nil in the above table.

# Annexure B

## Interest in associated companies

(%)	Date of financial statements	Percentage holding		Nature of business	Listed/unlisted
		2014	2013		
Empresas Carozzi (Chile)	31/12/2013	24,4	24,4	Food processing	Unlisted
Oceana Group Limited	30/09/2014	41,9	41,9	Fishing	Listed
National Foods Holdings Limited	30/06/2014	37,4	37,4	Food processing	Listed
UAC Foods	30/06/2014	49,0	49,0	Food processing	Unlisted

# Annexure C

## Other investments

	Effective percentage holding		GROUP		COMPANY	
	2014 %	Restated* 2013 %	2014	Restated* 2013	2014	2013
<b>LISTED INVESTMENTS</b>						
Adcock Ingram Holdings Limited	3,3	3,3	5 808 887	5 827 301	–	–
<b>UNLISTED INVESTMENTS</b>						
Ordinary shares						
Business Partners Limited	0,2	0,2	336 550	336 550	336 550	336 550

\* The amounts have been restated due to the adoption of IAS 19R.

### 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.

# Application of King III

Principle number	Description	Compliance
<b>Chapter 1: Ethical leadership and corporate citizenship</b>		
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 shareholders 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.
<b>Chapter 2: Boards and directors</b>		
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

Principle number	Description	Compliance
<b>Chapter 2: Boards and directors continued</b>		
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 Annual Report.	See Chapter 9 below
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 Chief Executive Officer 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 remuneration and 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.

# Application of King III continued

Principle number	Description	Compliance
<b>Chapter 2: Boards and directors continued</b>		
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 company performed a board assessment in 2014 using external assessors. An internal evaluation is conducted annually, when an external evaluation 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: <ul style="list-style-type: none"> <li>➤ Audit committee</li> <li>➤ Risk and sustainability committee</li> <li>➤ Remuneration and nomination committees</li> <li>➤ Social, ethics and transformation committee</li> <li>➤ Investment committee</li> </ul>
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 Annual Report on pages 80 to 105.
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 Annual Report on pages 80 to 105.
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.

Principle number	Description	Compliance
<b>Chapter 3: Audit committee</b>		
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 coordinated 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 Services (Pty) Ltd.
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 74 of this Integrated Annual Report.

# Application of King III continued

Principle number	Description	Compliance
<b>Chapter 4: The governance of risk</b>		
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.
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 Services (Pty) Ltd, as well as from Alexander Forbes.
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 Annual Report provides a detailed outline of the risk management process to its stakeholders.



Principle number	Description	Compliance
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 and sustainability 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 and sustainability 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.
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.

# Application of King III continued

Principle number	Description	Compliance
<b>Chapter 7: Internal audit</b>		
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.
<b>Chapter 8: Governing stakeholder relations</b>		
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 page 108.
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.
<b>Chapter 9: Integrated reporting and disclosure</b>		
9.1	The board should ensure the integrity of the company's Integrated Annual Report.	The board is responsible for the integrity of the Integrated Annual 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.

# Administration

## **Tiger Brands Limited**

Registration number: 1944/017881/06

## **Company Secretary**

IWM Isdale  
Registered office  
3010 William Nicol Drive  
Bryanston  
Sandton

PO Box 78056, Sandton, 2146  
Telephone: 27 11 840 4000  
Facsimile: 27 11 514 0477

## **Auditors**

Ernst & Young Inc.

## **Principal banker**

Nedbank Limited

## **Sponsor**

J.P. Morgan Equities Limited

## **South African share transfer secretaries**

Computershare Investor Services (Pty) Limited  
70 Marshall Street  
Johannesburg  
2001

PO Box 61051, Marshalltown, 2107

## **American Depository Receipt (ADR) facility**

ADR Administrator  
The Bank of New York Mellon

## **Shareholder relations department for ADRs**

PO Box 11258  
New York, NY10286  
Level I ADR Symbol: T10AY

## **Website address**

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

## **Contact details**

[Companysecretary@tigerbrands.com](mailto:Companysecretary@tigerbrands.com)  
[Investorrelations@tigerbrands.com](mailto:Investorrelations@tigerbrands.com)  
[Tigercsd@tigerbrands.com](mailto:Tigercsd@tigerbrands.com)  
Consumer help line: 0860 005342

# Analysis of shareholders

## Analysis of registered shareholders and company schemes

### Registered shareholder spread

In accordance with the JSE Listings Requirements, the following table confirms the spread of registered shareholders as detailed in the Integrated Annual Report and accounts dated 26 September 2014 was:

Shareholder spread	Number of holders	% of total shareholders	Number of shares	% of issued capital
1 – 1 000 shares	21 211	82,84	6 060 624	3,16
1 001 – 10 000 shares	3 793	14,81	10 701 560	5,58
10 001 – 100 000 shares	465	1,82	12 881 812	6,71
100 001 – 1 000 000 shares	107	0,42	34 390 613	17,92
1 000 001 shares and above	30	0,11	127 913 659	66,63
<b>Total</b>	<b>25 606</b>	<b>100,00</b>	<b>191 948 268</b>	<b>100,00</b>

### Public and non-public shareholdings

Within the shareholder base, we are able to confirm the split between public shareholdings and directors/company-related schemes as being:

Shareholder type	Number of holders	% of total shareholders	Number of shares	% of issued capital
Non-public shareholders	12	0,05	32 575 304	16,97
► Empowerment holdings	6	0,02	21 337 665	11,12
► Own holding	1	0,00	10 326 758	5,38
► Share trusts/share incentive scheme	3	0,01	900 181	0,47
► Directors and associates	1	0,00	5 000	0,00
► Pension funds	1	0,00	5 700	0,00
Public shareholders	25 594	99,95	159 372 964	83,03
<b>Total</b>	<b>25 606</b>	<b>100,00</b>	<b>191 948 268</b>	<b>100,00</b>

## Substantial investment management and beneficial interests

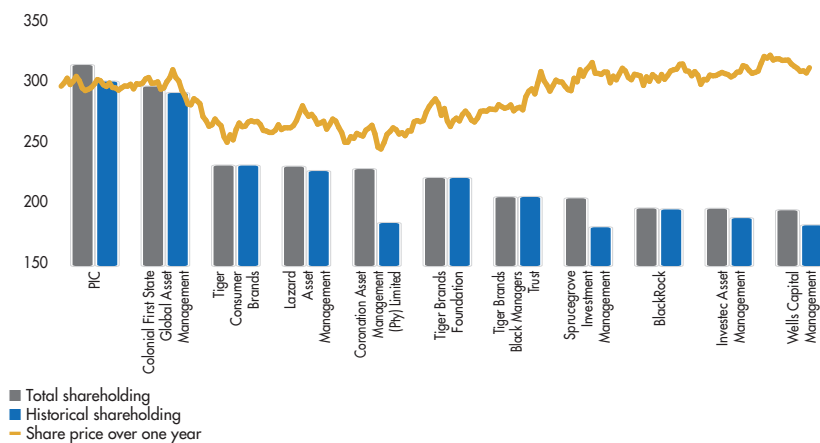
### Substantial investment management and beneficial interests above 3%

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 26 September 2014:

### Investment management shareholdings

Investment manager	Total shareholding	%
PIC	20 524 200	10,69
Colonial First State Global Asset Management	18 339 157	9,55
Tiger Consumer Brands	10 326 758	5,38
Lazard Asset Management	10 216 441	5,32
Coronation Asset Management (Pty) Limited	9 971 453	5,19
Tiger Brands Foundation	9 068 067	4,72
Tiger Brands Black Managers Trust	7 120 282	3,71
Sprucegrove Investment Management	7 003 371	3,65
BlackRock	5 977 711	3,11
Investec Asset Management	5 942 285	3,10
Wells Capital Management	5 790 319	3,02
<b>Total</b>	<b>110 280 044</b>	<b>57,45</b>

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

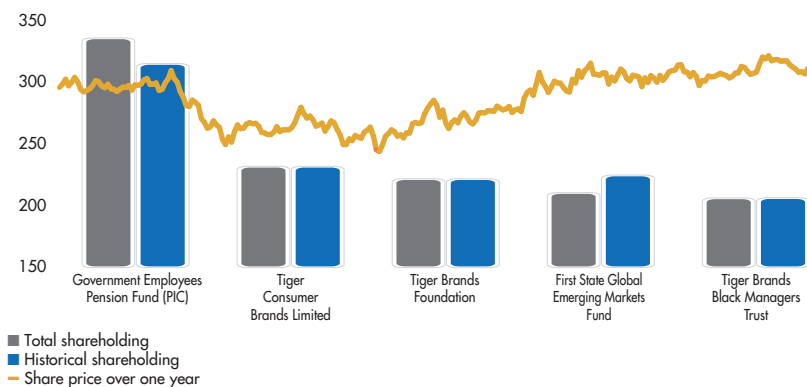


# Analysis of shareholders continued

## Beneficial shareholdings

Beneficial shareholdings	Total shareholding	%
Government Employees Pension Fund (PIC)	23 348 777	12,16
Tiger Consumer Brands Limited	10 326 758	5,38
Tiger Brands Foundation	9 068 067	4,72
First State Global Emerging Markets Fund	7 660 700	3,99
Tiger Brands Black Managers Trust	7 120 282	3,71
<b>Total</b>	<b>57 524 584</b>	<b>29,97</b>

## Beneficial shareholding positions above 3% with 12-month change



## Previously disclosed holdings

Investment managers now holding below 3%

Investment manager	Total shareholding	%	Previous %
N/A	–	–	–
<b>Total</b>	<b>0</b>	<b>0,00</b>	<b>0,00</b>

## Beneficial owners now holding below 3%

Beneficial owner	Total shareholding	%	Previous %
N/A	–	–	–
<b>Total</b>	<b>0</b>	<b>0,00</b>	<b>0,00</b>

## Geographic split of shareholders

### Geographic split of investment managers and company-related holdings

Region	Total shareholding	% of issued capital
South Africa	97 675 290	50,89
United States of America and Canada	45 432 794	23,67
United Kingdom	26 316 940	13,71
Rest of Europe	6 021 627	3,13
Rest of the world <sup>1</sup>	16 501 617	8,60
<b>Total</b>	<b>191 948 268</b>	<b>100,00</b>

<sup>1</sup> Represents all shareholdings except those in the above regions.

### Geographic split of beneficial shareholders

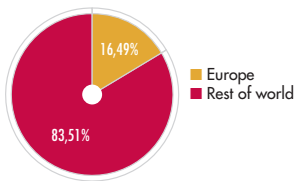
Region	Total shareholding	% of issued capital
South Africa	102 371 725	53,33
United States of America and Canada	41 312 169	21,52
United Kingdom	16 975 954	8,84
Rest of Europe	14 689 233	7,65
Rest of the world <sup>1</sup>	16 599 187	8,64
<b>Total</b>	<b>191 948 268</b>	<b>100,00</b>

<sup>1</sup> Represents all shareholdings except those in the above regions.

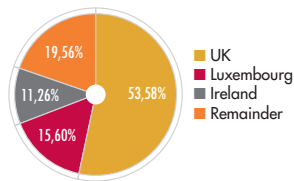
# Analysis of shareholders continued

## Geographic split of beneficial shareholders

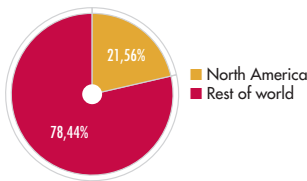
Total European holding



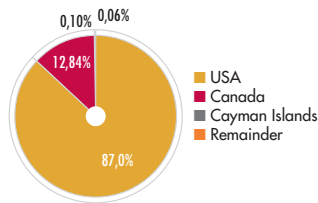
Split of beneficial shares



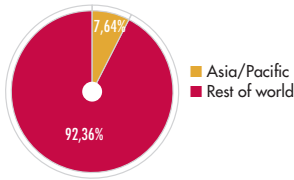
Total North American holding



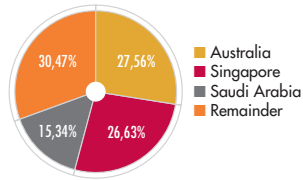
Split of beneficial shares



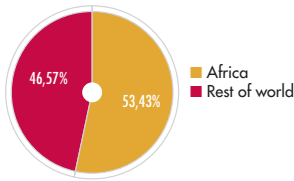
Total Asia/Pacific holding



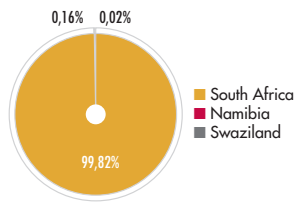
Split of beneficial shares



Total African holding



Split of beneficial shares





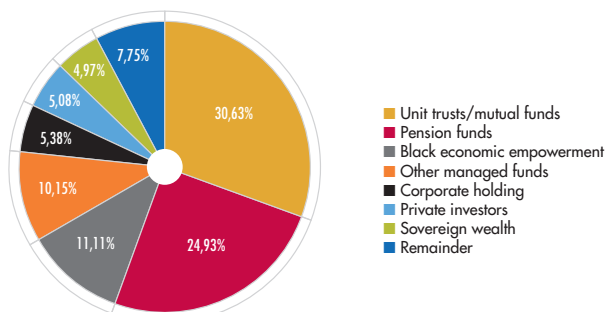
## Shareholder categories

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	58 785 469	30,63
Pension funds	47 851 618	24,93
Black economic empowerment	21 329 884	11,11
Other managed funds	19 492 188	10,15
Corporate holding	10 326 758	5,38
Private investors	9 750 659	5,08
Sovereign wealth	9 544 717	4,97
Insurance companies	3 226 813	1,68
American depository receipts	1 933 282	1,01
Exchange-traded fund	1 885 027	0,98
Custodians	1 834 465	0,96
Employees	880 431	0,46
Investment trust	548 332	0,29
Charity	511 677	0,27
University	200 485	0,10
Local authority	155 182	0,08
Hedge	67 833	0,04
Foreign government	61 775	0,03
Remainder	3 561 673	1,85
<b>Total</b>	<b>191 948 268</b>	<b>100,00</b>

Beneficial shareholders split by category<sup>1</sup>

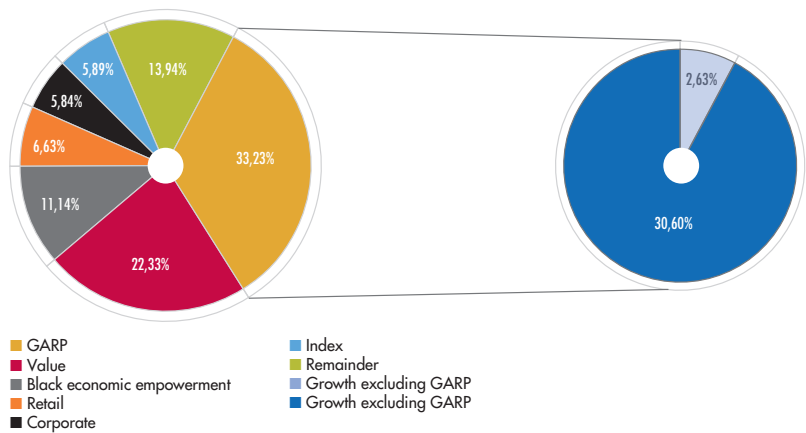


<sup>1</sup>Includes categories above 2% only.

# Analysis of shareholders continued

## Analysis of investment styles<sup>1</sup>

Analysis into institutional attributes broadly indicates the following split of investment approach within the shareholder base:



<sup>1</sup>Includes categories above 1% only.

# Shareholders' diary

Financial year end	30 September
Annual general meeting	9 February 2015

## Reports and accounts

Announcement of interim report and interim dividend for half-year ending 31 March 2015	20 May 2015
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Announcement of annual results and final dividend for the year ended 30 September 2015	19 November 2015
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Integrated Annual Report	December 2015
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## Dividends 2015

Ordinary shares  
Interim dividend  
Final dividend

## Declaration

May 2015  
November 2015

## Payment

July 2015  
January 2016

# Declaration of final dividend number 140

The board has approved and declared a final dividend of 611 cents per ordinary share (gross) in respect of the year ended 30 September 2014.

The dividend will be subject to the 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 dividends tax rate is 15% (fifteen per centum).
- There are no secondary tax on companies (STC) credits utilised.
- The gross local dividend amount is 611 cents per ordinary share for shareholders exempt from the dividends tax.
- The net local dividend amount is 519,35 cents per ordinary share for shareholders liable to pay the dividends tax.
- Tiger Brands has 191 948 268 ordinary shares in issue (which includes 10 326 758 treasury shares).
- 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, 2 January 2015
Shares commence trading ex the final dividend	Monday, 5 January 2015
Record date to determine those shareholders entitled to the final dividend	Friday, 9 January 2015
Payment in respect of the final dividend	Monday, 12 January 2015

Share certificates may not be dematerialised or rematerialised between Monday, 5 January 2015 and Friday, 9 January 2015, both days inclusive.

By order of the board  
**IWM Isdale**  
Company Secretary

18 November 2014

# Notice of annual general meeting of shareholders

Notice is hereby given that the 70th annual general meeting of shareholders of Tiger Brands Limited (the company) will be held on Monday, 9 February 2015, at 14:00, at 3010 William Nicol Drive, Bryanston, 2021 (or any adjourned or postponed date and time determined in accordance with sections 64(4) and 64(11)(a)(i) of the Companies Act, No 71 of 2008, as amended from time to time (the Companies Act) as read with the JSE Limited (the JSE) Listings Requirements (the Listings Requirements)), to transact the following business and to consider and, if deemed fit, to pass and approve, with or without modification, the following ordinary and special resolutions in the manner required by the Companies Act, and subject to the JSE Listings Requirements.

Date of issue: 30 December 2014

Copies of the Integrated Annual Report which accompanies this notice are available in English only and may be obtained from Monday, 5 January 2015 until Monday, 9 February 2015, both days inclusive, during normal business hours from the registered office of the company and the offices of the transfer secretaries, the addresses of which are set out in the "Corporate information" section of the Integrated Annual Report.

## 1. Report from social, ethics and transformation committee to the annual general meeting

The report from the social, ethics and transformation committee contained on pages 78 and 79 of the Integrated Annual Report is tabled in terms of Regulation 43(5)(c) of the Regulations to the Companies Act.

## 2. Ordinary business

### 2.1 Presentation of the annual financial statements

"To present the consolidated audited annual financial statements of the company and its subsidiaries as approved by the board of directors of the company (the board) in terms of section 30(3) of the Companies Act, incorporating the auditors' and directors' reports for the year ended 30 September 2014 and incorporating the audit committee report."

In accordance with the Companies Act the directors must present to shareholders, for their consideration, the consolidated audited financial statements of the company and its subsidiaries for the last completed financial year (as approved by the board), together with the reports of the directors, the auditors and the audit committee.

### 2.2 Ordinary resolutions numbers 2.2.1 to 2.2.4 – re-election of directors

The company's memorandum of incorporation requires the directors to offer themselves for re-election in terms of section 68(2)(a) of the Companies Act at the first meeting of shareholders which takes place after their appointment and from then on for re-election by rotation.

- 2.2.1 "RESOLVED THAT BL Sibiyi, who retires in terms of clause 24.2 of the company's memorandum of incorporation and is eligible and available for re-election, be and is hereby reappointed as a director of the company."

#### **Explanation and effect of ordinary resolution number 2.2.1**

The reason for proposing ordinary resolution number 2.2.1 is to reappoint BL Sibiya as a director of the company. BL Sibiya is obliged to retire in terms of the company's memorandum of incorporation. The effect of this ordinary resolution number 2.2.1 will be that BL Sibiya will be reappointed as a director of the company. Shareholders are referred to page 270 of this notice for a short biography of BL Sibiya.

- 2.2.2 "RESOLVED THAT RMW Dunne, who retires in terms of clause 24.2 of the company's memorandum of incorporation and is eligible and available for re-election, be and is hereby reappointed as a director of the company."

#### **Explanation and effect of ordinary resolution number 2.2.2**

The reason for proposing ordinary resolution number 2.2.2 is to reappoint RMW Dunne as a director of the company. RMW Dunne is obliged to retire in terms of the company's memorandum of incorporation. The effect of this ordinary resolution number 2.2.2 will be that RMW Dunne will be reappointed as a director of the company. Shareholders are referred to page 270 of this notice for a short biography of RMW Dunne.

- 2.2.3 "RESOLVED THAT PB Matlare, who retires in terms of clause 24.2 of the company's memorandum of incorporation and is eligible and available for re-election, be and is hereby reappointed as a director of the company."

#### **Explanation and effect of ordinary resolution number 2.2.3**

The reason for proposing ordinary resolution number 2.2.3 is to reappoint PB Matlare as a director of the company. PB Matlare is obliged to retire in terms of the company's memorandum of incorporation. The effect of this ordinary resolution number 2.2.3 will be that PB Matlare will be reappointed as a director of the company. Shareholders are referred to page 270 of this notice for a short biography of PB Matlare.

- 2.2.4 "RESOLVED THAT O Ighodaro, who retires in terms of clause 24.2 of the company's memorandum of incorporation and is eligible and available for re-election, be and is hereby reappointed as a director of the company."

#### **Explanation and effect of ordinary resolution number 2.2.4**

The reason for proposing ordinary resolution number 2.2.4 is to reappoint O Ighodaro as a director of the company. O Ighodaro is obliged to retire in terms of the company's memorandum of incorporation. The effect of this ordinary resolution number 2.2.4 will be that O Ighodaro will be reappointed as a director of the company. Shareholders are referred to page 270 of this notice for a short biography of O Ighodaro.

The appointments numbered 2.2.1 to 2.2.4 constitute separate ordinary resolutions and will be considered by separate votes.

# Notice of annual general meeting of shareholders *continued*

## 2.3 Ordinary resolution number 2.3 – approval of remuneration policy

“RESOLVED AS AN ORDINARY RESOLUTION, to consider and endorse, by way of a non-binding advisory vote, the company’s remuneration policy.”

### Explanation and effect of ordinary resolution number 2.3

The reason for proposing this resolution is to request shareholders to signify their approval of the company’s remuneration policy by way of a non-binding advisory resolution as provided for in King III. The effect of this resolution is that the remuneration policy will be approved. The policy is outlined on pages 80 to 105 of the Integrated Annual Report.

## 2.4 Ordinary resolutions numbers 2.4.1 to 2.4.3 – election of the audit committee

“In terms of section 94 of the Companies Act at each annual general meeting the shareholders must elect an audit committee comprising at least 3 (three) members, each of whom must satisfy the requirements set out in the Companies Act and regulations to the Companies Act. The following independent non-executive directors offer themselves for election to the audit committee that is RMW Dunne, KDK Mokhele and RD Nisbet.

2.4.1 “RESOLVED THAT RMW Dunne is reappointed as a member of the company’s audit committee with effect from the end of this annual general meeting.”

### Explanation and effect of ordinary resolution number 2.4.1

The reason for proposing ordinary resolution number 2.4.1 is to appoint RMW Dunne as a member of the company’s audit committee. The effect of this ordinary resolution number 2.4.1 is that RMW Dunne will be appointed as a member of the company’s audit committee. Shareholders are referred to page 270 of this notice for a short biography of RMW Dunne.

2.4.2 “RESOLVED THAT KDK Mokhele is reappointed as a member of the company’s audit committee with effect from the end of this annual general meeting.”

### Explanation and effect of ordinary resolution number 2.4.2

The reason for proposing ordinary resolution 2.4.2 is to appoint KDK Mokhele as a member of the company’s audit committee. The effect of this ordinary resolution number 2.4.2 is that KDK Mokhele will be appointed as a member of the company’s audit committee. Shareholders are referred to page 270 of this notice for a short biography of KDK Mokhele.

2.4.3 “RESOLVED THAT RD Nisbet is reappointed as a member of the company’s audit committee with effect from the end of this annual general meeting, subject to his re-election as a director pursuant to ordinary resolution number 2.2.4.”

#### Explanation and effect of ordinary resolution number 2.4.3

The reason for proposing ordinary resolution number 2.4.3 is to appoint RD Nisbet as a member of the company's audit committee. The effect of this ordinary resolution number 2.4.3 is that RD Nisbet will be appointed as a member of the company's audit committee. Shareholders are referred to page 270 of this notice for a short biography of RD Nisbet.

The resolutions numbered 2.4.1 to 2.4.3 constitute separate ordinary resolutions and will be considered by separate votes.

### 2.5 Ordinary resolution number 2.5 – appointment of auditors

"RESOLVED THAT, on recommendation of the current audit committee as envisaged in section 94(7) of the Companies Act, that Ernst & Young Inc. be and are hereby reappointed as auditors of the company."

#### Explanation and effect of ordinary resolution number 2.5

Section 90(1) of the Companies Act provides a list of the business that needs to be transacted at an annual general meeting convened by a public company. One such requirement is the appointment of an auditor for the ensuing financial year. The effect of this ordinary resolution number 2.5 is that Ernst & Young Inc. will be reappointed as the auditors of the company for the following financial year.

### 2.6 Ordinary resolution number 2.6 – general authority

"RESOLVED THAT, the board and/or any director of the company and/or the company secretary be and is hereby authorised to execute all documents and to do all such further acts and things as he/she may in his/her discretion consider appropriate to implement and give effect to the ordinary and special resolutions set out herein, if so approved by the shareholders."

#### Explanation and effect of ordinary resolution number 2.6

For the sake of practicality, the board, or a specific director(s) thereof or the company secretary, must be empowered to enforce the resolutions so passed by the company at the annual general meeting, if any. The effect of this ordinary resolution number 2.6 is that the board, or a specific director(s) thereof or the company secretary, will be empowered to enforce the resolutions contemplated in this notice.

### 3. Special business

#### 3.1 Special resolution number 1 – section 45 financial assistance to related and inter-related parties

"RESOLVED THAT, the board of directors of the company (the board) may, subject to compliance with the requirements of the company's memorandum of incorporation and the Companies Act (including but not limited to the board being satisfied that

# Notice of annual general meeting of shareholders continued

immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test (as contemplated in section 4 of the Companies Act) and that the terms under which the financial assistance is proposed to be given are fair and reasonable to the company), authorise the provision by the company, at any time and from time to time during the period of 2 (two) years commencing on the date of approval of this special resolution, of direct or indirect financial assistance, including without limitation by way of a loan, guarantee of a loan or other obligation or the securing of a debt or other obligation, as envisaged in section 45 of the Companies Act, to any 1 (one) or more related or inter-related companies or corporations of the company and/or to any 1 (one) or more members of any such related or inter-related company or corporation related to any such company or corporation as outlined in section 2 of the Companies Act, on such terms and conditions as the board may deem fit."

## **Explanation and effect of special resolution number 1**

The reason for this special resolution number 1 is to obtain approval from the shareholders of the company to enable the company to provide financial assistance, when the need arises, to the potential recipients envisaged in the special resolution in accordance with the provisions of section 45 of the Companies Act. The

company may not provide the financial assistance contemplated in section 45 of the Companies Act without a special resolution. The above resolution gives the board the authority to authorise the company to provide direct or indirect financial assistance, including but without limitation by way of the provision of warranties or the provision of indemnities or a loan, guaranteeing of a loan or other obligation or securing of a debt or other obligation, to the recipients contemplated in special resolution number 1.

It is difficult to foresee the exact details of financial assistance that the company may be required to provide over the next 2 (two) years.

It is essential, however, that the company is able to organise effectively its internal financial administration. The general authority in special resolution number 1 will allow the company to continue to grant financial assistance to the relevant parties in appropriate circumstances.

For these reasons and because it would be impracticable and difficult to obtain shareholder approval every time the company wishes to provide financial assistance as contemplated above, it is necessary to obtain the approval of shareholders, as set out in special resolution number 1. If approved, this general authority will expire at the end of



2 (two) years from the date in which this resolution is approved. There is, however, the intention to renew the authority annually at the annual general meeting.

It should be noted that this resolution does not authorise financial assistance to a director or a prescribed officer or any company or person related to a director or prescribed officer.

### 3.2 Special resolution number 2 – approval of remuneration payable to non-executive directors, the Chairman and Deputy Chairman

“RESOLVED THAT the remuneration payable to non-executive directors be increased to R344 063 (three hundred and forty four thousand and sixty three rand) per annum and that the remuneration payable to the Chairman and Deputy Chairman be R1 597 825 (one million five hundred and ninety seven thousand eight hundred and twenty-five rand) per annum and R825 750 (eight hundred and twenty-five thousand seven hundred and fifty rand) per annum respectively, such remuneration to be effective from 1 March 2015 and to be paid quarterly in arrear.”

### 3.3 Special resolution number 3 – approval of remuneration payable to non-executive directors participating in sub-committees

“RESOLVED THAT the payment to non-executive directors who participate in

the sub-committees of the board be as outlined hereunder:

	Chairman	Member
Audit committee	261 487	134 249
Remuneration committee inclusive of nomination committee members	194 995	97 052
Risk and sustainability committee	178 920	82 910
Social, ethics and transformation committee	148 635	74 317

The above remuneration to be effective from 1 March 2015 and to be paid quarterly in arrears.

### Explanation and effect of special resolutions number 2 and 3

The reason for proposing special resolutions numbers 2 and 3 is to increase the remuneration paid to non-executive directors, in respect of services rendered as directors in terms of section 66(8) of the Companies Act, so as to ensure that such remuneration remains market-related and accords with the increasing level of responsibility being placed upon directors. The proposed remuneration was accepted by the board after a recommendation of the remuneration committee which considered the quantum of fees being paid to non-executive directors and to the Chairman and Deputy Chairman of

# Notice of annual general meeting of shareholders continued

similar-sized listed companies. The recommendation of the remuneration committee was made after it had received a recommendation from executive management. The Chairman and Deputy Chairman do not receive any additional remuneration for their participation in the sub-committees of the board.

The above levels of remuneration for non-executive directors represent increases of 6,5% (six and a half percent). The proposed remuneration increases will take effect as of 1 March 2015, in line with the King III recommendation that such approvals should not be retrospective.

## 3.4 Special resolution number 4 – approval of remuneration payable to non-executive directors in respect of unscheduled meetings and additional work undertaken

“RESOLVED THAT non-executive directors be paid an amount of R18 100 (eighteen thousand one hundred rand) per meeting in respect of special meetings of the board and that non-executive directors be paid an amount of R3 600 (three thousand six hundred rand) per hour in respect of any additional work performed by them, provided that payment in respect of any such additional work is approved by the remuneration committee and the Chief Executive Officer. The increased remuneration is to be effective from 1 March 2015.

## Explanation and effect of special resolution number 4

The reason for proposing this special resolution number 4 is to increase the existing fees paid to non-executive directors who attend special meetings of the board from R17 000 (seventeen thousand rand) per meeting to R18 100 (eighteen thousand one hundred rand) per meeting, and to increase the payment in respect of any additional work done to R3 600 (three thousand six hundred rand) per hour, provided that payment for such additional work is approved by the remuneration committee and the Chief Executive Officer. This is an increase of 6,5% (six and a half percent).

## 3.5 Special resolution number 5 – general authority to repurchase shares

“RESOLVED THAT, in terms of the authority granted in the company’s memorandum of incorporation and/or the memorandum of incorporation of any subsidiary of the company, the company and/or its subsidiaries be and are hereby authorised, by way of a general approval, to acquire the company’s own ordinary shares (shares) upon such terms and conditions and in such amounts as the directors of the company (and, in the case of an acquisition by a subsidiary(ies), the directors of the subsidiary(ies) may from time to time decide), but subject to the provisions of the Companies Act and any other stock exchange upon which the shares of the company may

be quoted or listed, subject to the following conditions:

- 3.5.1 "That this authority shall be valid until the next annual general meeting of the company, or for 15 (fifteen) months from the date of passing of this resolution, whichever period is shorter;
- 3.5.2 "That any repurchases of shares in terms of this authority be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty, such repurchases being effected by only one appointed agent of the company at any point in time;
- 3.5.3 "That the acquisitions in any one financial year shall be limited to 4,5% (four and a half percent) of the issued share capital of the company at the date of this annual general meeting, provided that any subsidiary(ies) may acquire shares to a maximum of 10% (ten percent) in the aggregate of the shares in the company;
- 3.5.4 "That any acquisition of shares, in terms of this authority, may not be made at a price greater than 10% (ten percent) above the weighted average market value of the shares over the 5 (five) business days immediately preceding the date on which the acquisition is effected;
- 3.5.5 "The repurchase of shares may not be effected during a prohibited period, as

defined in the JSE Listing Requirements unless the company has a repurchase programme in place, where the dates and quantities of securities to be traded are fixed and details of the programme have been submitted to the JSE in writing. The company will instruct an independent third party, which makes its investment decisions in relation to the company's securities independently of, and uninfluenced by, the company, prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE; and

- 3.5.6 "That an announcement containing full details of such acquisitions of shares, will be published as soon as the company and/or its subsidiary(ies) has/have acquired shares constituting, on a cumulative basis, 3% (three percent) of the number of shares in issue at the date of the general meeting at which this special resolution number 5 is considered and passed, and for each 3% (three percent) in aggregate of the aforesaid initial number acquired thereafter."

In terms of the authorities granted at previous annual general meetings of shareholders, a subsidiary of the company had purchased 10 326 758 (ten million three hundred and twenty-six thousand seven hundred and fifty eight) shares in the company up to 30 September 2013. The board of directors will continually reassess the repurchase programme, having regard to prevailing circumstances.

# Notice of annual general meeting of shareholders continued

After considering the effects of a maximum repurchase, the directors are of the opinion that:

- 3.5.7 The company and the group will be able to pay its debts as they become due in the ordinary course of business for a period of 12 (twelve) months after the date of notice of the annual general meeting;
- 3.5.8 The consolidated assets of the company and its subsidiaries (the group) fairly stated in accordance with International Financial Reporting Standards, will be in excess of its consolidated liabilities for a period of 12 (twelve) months after the date of notice of the annual general meeting;
- 3.5.9 The company and the group's working capital will be adequate for a period of 12 (twelve) months after the date of notice of the annual general meeting to meet the group's current and foreseeable future requirements; and
- 3.5.10 The board of directors has passed a resolution approving the repurchase and confirm that the company and its subsidiary/ies have passed the solvency and liquidity test and that, since the test was performed, there have been no material changes to the financial position of the group.

## Explanation and effect of special resolution number 5

The reason for and effect of this special resolution number 6 is to grant the directors

a general authority in terms of the Companies Act and, subject to the JSE Listing Requirements and any other stock exchange upon which the shares of the company may be quoted or listed, for the acquisition by the company or one of its subsidiaries, of the company's own shares on the terms set out above.

Shareholders' attention is, for the purpose of this general authority, drawn to the following information that is required to be disclosed and which is contained in the pages referred in the following pages of the Integrated Annual Report.

The directors, whose names are given on page 21 of the Integrated Annual Report, which were enclosed with this notice of meeting, collectively and individually accept full responsibility for the accuracy of the information given and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the Integrated Annual Report contains all information required by law and the JSE Listings Requirements.

There are no material changes to the financial or trading position of the company and/or the group, nor are there any legal or arbitration proceedings, that may affect the financial position of the group since 30 September 2014 and the date of this notice.

#### 4. To transact such other business as may be transacted at an annual general meeting of shareholders

##### Record dates, voting, proxies and electronic participation

###### Record dates

The record date on which shareholders must be recorded as such in the register of shareholders of the company for the purposes of receiving notice of this general meeting is 19 December 2014.

The record date on which shareholders must be recorded as such in the register of shareholders of the company for the purposes of being entitled to attend and vote at the general meeting is 30 January 2015.

The last day to trade in ordinary shares of the company in order to be entitled to participate in and vote at the general meeting is 23 January 2015.

###### Attendance, voting and proxies

1. Any member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, speak and vote in his/her stead. The form of proxy should be completed by those shareholders who are:
  - ▶ holding shares in certificated form; or
  - ▶ "own name" registered dematerialised shareholders.
2. All other beneficial owners who have dematerialised their shares through a Central Securities Depository Participant

(CSDP) or broker and wish to attend the annual general meeting, must instruct their CSDP or broker to provide them with a letter of representation, or they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.

3. Note that voting will be performed by way of a poll, unless before the vote is taken it is determined by the chairperson of the annual general meeting that the vote be decided on a show of hands, so each shareholder present or represented by way of proxy will be entitled to 1 (one) vote for every ordinary share held or represented.
4. Attention is drawn to the notes attached to the form of proxy.
5. Forms of proxy must be lodged at, posted to, or faxed to the registered office of the company at 3010 William Nicol Drive, Bryanston, 2021 (registered office) or the company's transfer secretaries, Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg, 2001 or posted to the transfer secretaries at PO Box 61051, Marshalltown, 2107, South Africa (transfer secretaries), so as to be received by them by no later than close of business on Friday, 7 February 2015, provided that proxies which

# Notice of annual general meeting of shareholders continued

are not delivered timeously to the registered office or transfer secretaries, may be handed up to the Chairman of the general meeting at any time before the proxy exercises any rights of the shareholder at the general meeting.

The completion of a form of proxy will not preclude a member from attending the meeting.

6. In terms of the JSE Listings Requirements, as read with the Companies Act, and save where otherwise specified, 75% (seventy-five percent) of the votes cast by equities securities holders present or represented by proxy at the meeting must be cast in favour of the above special resolutions for them to be approved.
7. In terms of the Companies Act, a majority of the votes cast by shareholders present or represented by proxy at the meeting must be cast in favour of an ordinary resolution for it to be approved.
8. Section 63(1) of the Companies Act requires that meeting participants provide reasonably satisfactory identification. The company will regard presentation of an original of a meeting participant's valid driving licence, identity document or passport to be satisfactory identification.

## Electronic participation

1. Shareholders wishing to participate and vote electronically in the general meeting are required to deliver written notice to the Company Secretary, at 3010 William Nicol Drive, Bryanston, 2021 (marked for the attention of IWM Isdale), with a copy to the transfer secretaries at the address as set out on the previous page, by no later than 12:00 on Friday, 16 January 2015, indicating that they wish to participate and vote at the general meeting via electronic communication (the electronic participation notice).
2. In order for the electronic participation notice to be valid it must contain:
  - (i) if the shareholder is a natural person, a certified copy of his/her identity document and/or passport;
  - (ii) if the shareholder is not a natural person, a certified copy of a resolution by the relevant entity and a certified copy of the identity documents and/or passports of the persons who passed the relevant resolution. The resolution must set out who from the relevant entity is authorised to represent the relevant entity at the general;
  - (iii) a valid email address and/or facsimile number (the contact address/number) of the shareholder; and

- (iv) if the shareholder wishes to vote via electronic communication, set out that the shareholder wishes to vote via electronic communication.

By no later than Wednesday, 5 February 2015, the company shall use its reasonable endeavours to notify each shareholder (at their contact address/number) who has delivered valid electronic participation notices of the details pertaining to participation at the general meeting by electronic means. Any reference to “shareholder” in this paragraph includes a reference to that shareholder’s proxy. Before any person may attend or participate in the general meeting, the person must present reasonably satisfactory identification.

Shareholders should take note of the following:

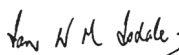
1. The cost of the electronic communication facilities will be for the account of the company although the cost of shareholder’s call will be for his/her/its own expense; and
2. By delivery of the electronic participation notices, the shareholder indemnifies and holds harmless the company against any loss, injury, damage, penalty or claim arising in any way from the use of the electronic communication facilities to participate in the annual general meeting or any

interruption in the ability of the shareholder to participate in the annual general meeting via electronic communication whether or not the problem is caused by any act or omission on the part of the shareholder, or anyone else, including without limitation the company and its employees.

#### **Transfer secretaries**

Computershare Investor Services (Pty) Limited  
Registration number 2004/003647/07  
70 Marshall Street, Johannesburg, 2001, South Africa  
PO Box 61051, Marshalltown, 2107, South Africa  
Tel: +27 11 370 5000  
Fax: +27 11 688 5248

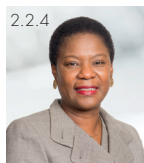
By order of the board



**IWM Isdale**  
*Company Secretary*

18 November 2014  
Bryanston

# Appendix 1: Re-election of directors and election of audit committee



## 2.2 Ordinary resolutions number 2.2.1 to 2.2.4 – re-election of directors

### 2.2.1 Bheki Sibiya (57)

*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 Cape Africa and PPC Limited, and Executive Chairman of Smartvest Investments.

### 2.2.2 Richard Dunne (66)

*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.

### 2.2.3 Peter Matlare (55)

*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 Barclays Africa.

### 2.2.4 Funke Ighodaro (51)

*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.

## 2.4 Ordinary resolutions number 2.4.1 to 2.4.3 – election of the audit committee

### 2.4.1 Richard Dunne

See 2.2.2.

### 2.4.2 Khotso Mokhele (59)

*BSc Agriculture, MSc Food Science, PhD Microbiology*

Khotso joined the Tiger Brands board in August 2007. He serves as Chairman of 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.

### 2.4.3 Rob Nisbet (59)

*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.



# Form of proxy

**Tiger Brands Limited**  
Incorporated in the Republic of South Africa  
Registration number 1944/017881/06 (Tiger)  
JSE code: TBS ISIN: ZAE000071080  
Website address: <http://www.tigerbrands.com>



For Tiger Brands ordinary shareholders

- For use at the annual general meeting of Tiger Brands Limited (the company) to be held at 3010 William Nicol Drive, Bryanston, Sandton, 2021, on Monday, 9 February 2015, at 14:00, or any adjourned or posted date and time determined in accordance with sections 64(4) and 64(11)(a)(i) of the Companies Act No 71 of 2008 (the Act).
- This form of proxy is not to be used by beneficial owners of shares who have dematerialised their shares (dematerialised shares) through a Central Securities Depository Participant (CSDP) or broker, as the case may be, unless you are recorded on the subregister as an own name dematerialised shareholder. Generally, you will not be an own name dematerialised shareholder unless you have specifically requested your CSDP to record you as the holder of the shares in your own name in the company's subregister.
- This form of proxy is only for use by certificated, own name dematerialised shareholders and CSDPs or brokers (or their nominees) registered in the company's subregister as the holder of dematerialised ordinary shares.
- Each shareholder entitled to attend and vote at the annual general meeting is entitled to appoint a proxy (who need not be a shareholder of the company) to attend, participate in and speak and vote in place of that shareholder at the annual general meeting, and at any adjournment thereafter.
- Please note the following – your rights as a shareholder at the annual general meeting:
  - The appointment of the proxy is revocable; and
  - You may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and (ii) delivering a copy of the revocation instrument to the proxy and to the company.
- Please note that any shareholder of the company that is a company may authorise any person to act as its representative at the annual general meeting. Please also note that section 63(1) of the Act requires that persons wishing to participate in the annual general meeting (including the aforementioned representative) provide satisfactory identification before they may so participate. The company will regard presentation of an original of a meeting participant's valid driving licence, identity document or passport to be satisfactory identification.
- Note that voting will be performed by way of a poll so each shareholder present or represented by way of proxy will be entitled to 1 (one) vote for every ordinary share held or represented.

I/We, the undersigned:

(PLEASE PRINT)

of (insert address):

being a member of Tiger Brands Limited and entitled to vote, do hereby appoint:

or, failing him/her,

or, failing him/her, the Chairman of the meeting, as my/our proxy to vote for me/us on my/our behalf at the annual general meeting of shareholders of the company to be held at 14:00 on 9 February 2015 or at any adjournment thereof as follows:

*\*Indicate instructions to proxy by insertion of an "X" or the relevant number of votes exercisable by the member on a poll in the space provided below – see note 17.)*

	Number of votes		
	*In favour of resolution	*Against resolution	*Abstain from voting
<b>Ordinary resolutions</b>			
2.2			
2.2.1 To re-elect BL Sibiyi			
2.2.2 To re-elect RMW Dunne			
2.2.3 To re-elect PB Mafare			
2.2.4 To re-elect O Ighodaro			
2.3 To consider and endorse, by way of non-binding advisory vote, the company's remuneration policy			
2.4 To re-elect the members of the audit committee			
2.4.1 To re-elect RMW Dunne			
2.4.2 To re-elect KDK Mokhele			
2.4.3 To re-elect RD Nisbet			
2.5 To reappoint Ernst & Young Inc. as auditors of the company			
2.6 General authority to implement resolutions			
<b>SPECIAL BUSINESS</b>			
<b>Special resolution 1</b>			
3.1 To approve the authority to provide financial assistance to related and inter-related parties			
<b>Special resolution 2</b>			
3.2 To approve the remuneration payable to non-executive directors			
<b>Special resolution 3</b>			
3.3 To approve the remuneration payable to non-executive directors who participate in the sub-committees of the board			
<b>Special resolution 4</b>			
3.4 To increase the fees payable to non-executive directors who attend unscheduled meetings of the board and who undertake additional work			
<b>Special resolution 5</b>			
3.5 To approve the acquisition by the company and/or its subsidiaries of shares in the company			

and generally to act as my/our proxy at the annual general meeting. (If no directions are given, the proxy holder will be entitled to vote or to abstain from voting as that proxy holder deems fit.)

Signed at \_\_\_\_\_ on \_\_\_\_\_ 2015

Signature \_\_\_\_\_ Assisted by me (where applicable)

(state capacity and full name)

Each member is entitled to appoint 1 (one) or more proxies (who need not be a member of the company) to attend, speak and vote in place of that member at the annual general meeting.

Please read the notes on the reverse hereof.

# Notes to form of proxy (including a summary of rights, stated in bold, in terms of section 58)

1. Each shareholder may attend the general meeting in person.
2. At any time, a shareholder of a company may appoint any individual as a proxy to participate in, and speak and vote at, the general meeting on behalf of the shareholder.
3. An individual appointed as a proxy need not also be a shareholder of the company.
4. The proxy appointment must be in writing, dated and signed by the shareholder.
5. Forms of proxy must be forwarded to reach the registered office of the company at 3010 William Nicol Drive, Bryanston, 2021 (registered office), or the company's transfer secretaries, Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg, 2001, or posted to the transfer secretaries at PO Box 61051, Marshalltown, 2107, South Africa (transfer secretaries), so as to be received by them by no later than close of business on 5 February 2015, provided that proxies which are not delivered timeously to the registered office or transfer secretaries, may be handed up to the Chairman of the general meeting at any time before the proxy exercises any rights of the shareholder at the general meeting.
6. The appointment of one or more proxies in accordance with the form of proxy to which these notes are attached will lapse and cease to be of force and effect immediately after the general meeting of the company to be held at the registered office on Monday, 9 February 2015, at 14:00, or at any adjournment(s) thereof, unless it is revoked earlier in accordance with paragraphs 7 and 8 below.
7. A shareholder may revoke the proxy appointment by: (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and (ii) delivering a copy of the revocation instrument to the proxy/ies and to the company at the Registered office, for attention of the Company Secretary, to be received before the replacement proxy exercises any rights of the shareholder at the general meeting or any adjournment(s) thereof.
8. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy/ies' authority to act on behalf of the shareholder as of the later of: (i) the date stated in the revocation instrument; if any; or (ii) the date on which the revocation instrument was delivered as required in paragraph 7(ii).
9. A shareholder can appoint one or more proxies for the purposes of representing that shareholder at the general meeting of the company and at any adjournment(s) thereof by completing and signing the form of proxy to which these notes are attached in accordance with the instructions it contains and returning it to the registered office or the transfer secretaries, so as to be received by them by no later than close of business on 6 February 2015 and may be handed up to the Chairman of the general meeting at any time before the proxy exercises any rights of the shareholder at a shareholders meeting.
10. If the instrument appointing a proxy or proxies has been delivered to the company in accordance with the provisions of paragraph 9, then, until that appointment lapses in accordance with the provisions of paragraph 6, any notice that is required in terms of the Companies Act No 71 of 2008, as amended from time to time (the Act) or the company's memorandum of incorporation to be delivered by the company to the shareholder must be delivered by the company to:
  - 10.1 The shareholder; or
  - 10.2 The proxy or proxies, if the shareholder has: (i) directed the company to do so, in writing; and (ii) paid any reasonable fee charged by the company for doing so.
11. Section 63(1) of the Act requires that meeting participants provide reasonably satisfactory identification. The company will regard presentation of an original of a meeting participant's valid driving licence, identity document or passport to be satisfactory identification.
12. Documentary evidence establishing the authority of a person who participates in, or speaks or votes at, the meeting on behalf of a shareholder in a representative capacity, or who signs the form of proxy in a representative capacity, (for example, a certified copy of a duly passed directors' resolution in the case of a shareholder which is a company, a certified copy of a duly passed members' resolution in the case of a shareholder which is a close corporation and a certified copy of a duly passed trustees' resolution in the case of a shareholder who/which is/are a trust) must be presented to the person presiding at the meeting or attached to the form of proxy (as the case may be), and shall thereafter be retained by the company.
13. It is recorded that, in accordance with section 63(6) of the Act, if voting on a particular matter is by polling, a shareholder or a proxy for a shareholder has the number of votes determined in accordance with the voting rights associated with the securities held by that shareholder.
14. Any insertions, deletions, alteration or correction made to the form of proxy must be initialled by the signatory/ies. Any insertion, deletion, alteration or correction made to the form of proxy but not complying with the foregoing will be deemed not to have been validly effected.
15. A shareholder may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by the shareholder.
16. The person whose name stands first on the form of proxy and who is present at the general meeting will be entitled to act as proxy to the exclusion of those whose names follow. In the event that no names are indicated, the proxy shall be exercised by the Chairman of the general meeting.
17. A shareholder's instructions to the proxy must be indicated by the insertion of an "X" or the relevant number of votes exercisable by that shareholder in the appropriate box provided. An "X" in the appropriate box indicates the maximum number of votes exercisable by that shareholder. Failure to comply with the above or to provide any voting instructions will be deemed to authorise the proxy to vote or to abstain from voting at the meeting as he/she/it deems fit in his/her/its discretion.
18. When there are joint holders of shares, any one holder may sign the form of proxy, and the vote of the senior shareholder (for which purpose seniority will be determined by the order in which the names of the shareholders appear in the company's register) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholders.
19. The completion and lodging of this form of proxy will not preclude the shareholder who appoints one or more proxy/ies from participating in the meeting and speaking and voting in person thereat to the exclusion of any proxy/ies appointed in terms of the form of proxy should such shareholder wish to do so. The appointment of any proxy/ies is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder.



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