



Bidvest Foodservice

The largest foodservice distributor outside North America and comprises market leading distributors in Europe, Asia Pacific and Southern Africa.



Bidvest
Foodservice

R58,4 billion

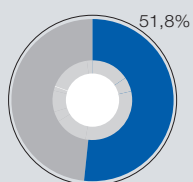
Revenue 1,0% decrease

R2 046,0 million

Trading profit 16,3% increase

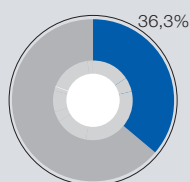
Revenue

(Divisional contribution %)



Trading profit

(Divisional contribution %)



Product responsibility

Represented by the South African Sustainable Seafood Initiative (SASSI). This year we joined SASSI – a participation scheme launched in 2007 in response to growing consumer awareness and demand for sustainable seafood. Its main aim is to contribute to the reversal of over-exploitation of fish stocks by shifting consumer demand towards more sustainable options.

Highlights

- ▶ Creation of Bidvest Foodservice following refocus and reallocation of management responsibilities
- ▶ Asia Pacific region puts in another strong performance
- ▶ UK business restructured into two standalone divisions
- ▶ Southern Africa performance mixed as World Cup effects lag expectations
- ▶ Nowaco and Farutex platforms for central and east European expansion

Financial indicators

(for the year ended June 30)

	2010 R'm	2009 R'm
Revenue	58 389,9	59 005,0
Trading profit	2 046,0	1 759,1
Operating assets	12 784,9	12 216,3
Operating liabilities	8 786,3	8 733,3
Depreciation	600,6	557,1
Amortisation and impairments of intangible assets	70,0	65,2
Goodwill and intangible assets	5 253,1	3 458,7

Sustainable development indicator overview

Employees	17 804	15 751
Total training spend (R'000)	24 376	22 408 ⁽¹⁾
Training spend per employee (R)	1 369	1 423 ⁽¹⁾
Lost-time injury frequency rate	10,2	8,7
Work-related fatalities (number)	1	–
BEE procurement (R'000) South Africa only	739 629	1 079 622
CSI spend (R'000)	8 674	7 929
Total water usage (litres '000)	547 597	478 791 ⁽¹⁾
Total electricity usage (kWh '000)	208 247	177 583 ⁽¹⁾
Petrol (litres)	3 702 779	3 359 090
Diesel (litres)	44 176 228	42 966 579
Total carbon emissions (tonnes)	269 913	230 222 ⁽¹⁾
Carbon emissions per employee (tonnes)	15,2	14,6 ⁽¹⁾

⁽¹⁾ Restated



QUICK LINK: Historic divisional sustainable development data

http://www.bidvest.com/bidvest_ar2010/014.html

Bidvest Foodservice



Bernard Berson, *chief executive*

Positioning and reputation

Each business is shaped by the unique needs of its market. Each is expected to identify and maximise the opportunities in each geography. Unifying factors are unwavering commitment to quality and customer service. Our businesses are leaders in their sectors.

Macro- and trading environment

The foodservice industry faced a challenging environment worldwide. Trading conditions varied enormously across geographies as national markets are at different stages of economic recovery. The road to recovery appears to be the slowest in the UK and western Europe as national governments impose strict fiscal discipline.

Performance

The business put in a satisfactory overall performance as a refocused division. Trading profit, including the Nowaco and Farutex acquisition, rose 16,3% to R2,0 billion (2009: R1,8 billion). At R58,4 billion, revenue was 1,0% lower (2009: R59,0 billion). Excluding this acquisition, on a like-for-like basis, revenue fell 7,8%, primarily a result of adverse exchange rate translation.

Strategic and industry dynamics

Innovation in the face of changing markets was necessary in all operations. Management was confronted by volume pressures and downtrading. Inflation is

lower across all geographies. In some cases, food deflation complicated inventory and margin management. Consumer focus on value and price was especially evident in the UK and Europe.

Pressure was felt in both the consumer and institutional markets. Major customers and government departments were aggressive in pursuit of cost savings. This trend is expected to continue and even accelerate.

Skills shortages still apply across most markets. It is a strategic priority to retain good people. Our business is primarily built on solid relationships. Pressure on the wage bill continues even in markets where unemployment may have moved higher.

Consumer activism for the environment and awareness of responsibility in the foodservice supply chain is on the increase, supported by tightening legislation. Bidvest Foodservice regards this trend as an opportunity to position its brands ahead of less well-resourced competitors. By applying strict standards throughout the foodservice chain, coupled with smart monitoring technology, we are able to offer our customers safe, quality products, sourced from responsibly managed resources.

Efficiencies

In the face of an industry downturn and downtrading, all businesses sought efficiency gains.

Structures were reviewed and further rationalisation achieved as local teams rightsized businesses for a much-changed trading environment. Expense management and working capital efficiency remained a focus area.

Technology is increasingly deployed to achieve efficiency improvements. There is no common platform and no plan to enforce a uniform approach. However, learnings from various technology sets are being shared. Initiatives include internet based selling solutions, paperless warehouse systems, dynamic routing and mobile devices for field sales members.

UK retrenchment costs and further costs relating to depot closures were fully expensed.

Benchmarks

Across all geographies we benchmark versus each other and against our international peers, when this information is available. Targets are set individually inside all operations.

Brand and operational dynamics

Value brands were a focus area. Teams looked to expand the range of products per drop to achieve distribution efficiencies.

Development of a house brand strategy across geographies receives increasing attention. We are exploring efficiencies

across commodities, products and brands. We will investigate all sourcing and procurement solutions with the potential to deliver a supplier or customer benefit.

New initiatives

Nowaco (in Czech Republic and Slovakia) and Farutex (Poland) were acquired early in the period and bedded in well.

The other major new initiative was the introduction of a new structure, creating a single Bidvest Foodservice business across all geographies while reinforcing the decentralised model that ensures individual accountability within each business unit. The new structure was introduced in the second half. There was little disruption as the only material change affects reporting lines to the Bidvest Foodservice chief executive. Teams were always and will continue to remain responsible for local performance.

Business risks

Though markets are diverse, we face challenges common to all distribution businesses. The long-term prognosis on fuel and energy is the same worldwide – prices will rise, government oversight of carbon footprint issues will increase and we will be under pressure to maximise cost and energy efficiencies. All businesses are alive to the challenge.

Food price inflation is a politically sensitive issue in all geographies, increasing the need for smart solutions on our part. We also face the challenge of anticipating changes in taste (food is today part of the fashion industry) while responding quickly to economic impacts that trigger downtrading by consumers, cutbacks by corporates and belt-tightening by governments.

Global commodity risk increasingly affects food. The burgeoning appetite for certain foodstuffs in rapidly growing emerging markets can drive prices to unprecedented levels. The effect is compounded when a worldwide shortage of that commodity occurs at much the same time.

Culture

The Bidvest brand identity is increasingly deployed across operations. The unifying factors in the culture are pride in leadership performance and self-reliance. The change in structure has led to greater cohesion and a new sense that we are all on the same team with lots to learn from one another. Motivation levels are high.

Future

Double-dip recession fears have intensified in Europe and the UK. Asia Pacific has recovered relatively well from the financial crisis. South Africa was deeply affected by recession, but some improvement is expected.

Opportunities are being sought in Europe to expand Bidvest's presence in the hospitality and fresh sectors. Growth opportunities in eastern Europe will be explored, as will those in other markets that we don't presently operate in.

Overall, we will target a revenue increase above the GDP growth rates of our regions, adjusted for relevant food price inflation or deflation and a resultant trading profit growth. Synergies and efficiencies across geographies will be explored although no substantial benefit is anticipated in the short term.

Bidvest Foodservice – Europe

Comprises market leading foodservice product distributors in the United Kingdom, Belgium, the Netherlands, Czech Republic, Slovakia, Poland, Saudi Arabia and the United Arab Emirates, sources and processes highly regarded own brands and provides products, quality ingredients, finished products, equipment and logistics to the catering and hospitality industry.

Financial indicators

(for the year ended June 30)

	2010 ⁽²⁾ R'm	2009 R'm
Revenue	35 460,8	36 984,5
Trading profit	897,8	770,6
Operating assets	6 784,4	6 781,9
Operating liabilities	5 483,2	4 720,6
Depreciation	405,2	383,1
Amortisation and impairments of intangible assets	62,6	58,8
Goodwill and intangible assets	4 059,7	2 304,9

Sustainable development indicator overview

Employees	10 115	8 474
Total training spend (R'000)	14 146	14 091 ⁽¹⁾
Training spend per employee (R)	1 400	1 663 ⁽¹⁾
Lost-time injury frequency rate	7,6	5,9
Work-related fatalities (number)	1	–
CSI spend (R'000)	6 346	5 562
Total water usage (litres '000)	202 401	159 464
Water recycled (litres '000)	18 501	6 049 ⁽¹⁾
Total electricity usage (kWh '000)	109 835	94 702
Electricity from renewable sources (kWh '000)	59 255	66 749
Petrol (litres)	514 521	128 057
Diesel (litres)	31 280 887	29 329 300
Total carbon emissions (tonnes)	141 986	110 274
Carbon emissions per employee (tonnes)	14,0	13,0

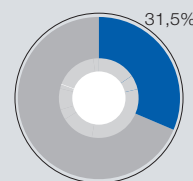
⁽¹⁾ Restated

⁽²⁾ Current year sustainable development figures include Nowaco group acquisition

QUICK LINK: Historic divisional sustainable development data
http://www.bidvest.com/bidvest_ar2010/015.html

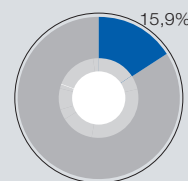
Revenue

(Divisional contribution %)



Trading profit

(Divisional contribution %)



Across Europe, turnover was impacted by difficult trading conditions and bad spring and winter weather. European markets entered recession a little later than the UK and recovery is slow. Recovery is under way in the United Arab Emirates.

Revenue and trading profit moved higher. Cost-cutting and efficiency gains contributed to stronger cash generation and improved ROFE.

The UK business 3663 First for Foodservice was restructured. Two standalone businesses were created: the 3663 Wholesale division, serving caterers, hotels and the institutional market, and Bidvest Logistics (formerly the contract distribution division of 3663) with primary focus on quick service restaurants. Each business has its own managing director.

Businesses performed in line with expectation. The UK business achieved a small, but pleasing increase in sales.

The strategy of acquisitive growth gathered pace with our move into the emerging markets of central and eastern Europe. Newly acquired Nowaco and Farutex made a pleasing contribution at operational level, though the income statement was impacted by the IFRS requirement that acquisition costs be fully expensed in the year incurred.

Our new colleagues in Czech Republic, Poland and Slovakia soon became recognisable as typical Bidvest people that take pride in the job. The cultural fit was close from day one.

Despite the downturn, underlying European trends remain favourable, such as a preference for eating out-of-home and interest in food as a leisure activity. Pressure on the consumers' time ensures ready trial of smart food solutions. Unfortunately, recession was especially severe in the mid-range sector where our businesses are

active. The number of out-of-home eating events fell. Fast casual dining reduced purchases of higher margin items.

The UK shift from canned and packaged foods to fresh and chilled continued. A trend to value offerings was evident across Europe.

A major focus area after central European expansion is experience-sharing and synergy exploitation to develop Europe-wide efficiencies. Cooperation is standard practice across logistic departments. Joint reviews are carried out in areas such as voicepicking and telematics. Shared procurement ensures cost efficiencies when buying vehicles and non-food consumables.

A major benchmarking innovation was implemented in the UK where external measurement is being conducted by two outside agencies. The strategy is to deliver what's important to customers.

The UK business bought the assets of a small fine foods supplier, Giffords, to drive further growth in the fine foods and local produce market. Over the last 11 years, the European business has grown via a mix of organic and acquisitive growth. Further acquisitive opportunities will be explored.

In the year ahead, Bidvest Europe will seek continued revenue and trading profit growth.

Sustainable development

The food industry has a major impact on the world's resources, and both institutional customers and consumers increasingly demand the foodservice industry to take responsibility for serving healthy and sustainably produced food. Our key position in the food supply network offers opportunities for Bidvest Europe to lead the industry in responsible practices and further entrench our brands as the customers' preferred choice.

Environment – Systems to monitor environmental performance are largely in place, enabling us to set targets and implement programmes for next year, covering packaging waste, recycled packaging and energy and fuel usage. Efficient routing across the division has resulted in a significant decrease in diesel usage although overall usage increased due to acquisitions. Our UK businesses achieved ISO 14064 assurance for their work reducing greenhouse gases and their innovative waste oil recycling scheme. The businesses also attained the Carbon Trust Standard for the company's commitment to reducing carbon emissions. Bidvest Foodservice companies partner with organisations to source food products from sustainable resources. Local sourcing is on the increase.

Human resources – Various initiatives provide opportunities for employees to share their ideas, from helping shape 3663 Wholesale's vision, mission and values to reviewing paper usage at Deli XL Belgium. Satisfaction survey scores reflect loyalty to our businesses. Despite the recessionary environment, we maintained our training spend.

Health and safety – It is with regret that we report one work-related fatality. This was fully investigated to ensure ongoing commitment at 3663 Wholesale for the health and safety of all employees. No fatalities were recorded by Bidvest Europe's continental operations.

Labour disputes – The percentage of female employees at management grades is improving and diversity training continues.

Society – Codes and policies are in place and processes implemented (with oversight by internal audit) to reduce the risk of unethical business behaviour by Bidvest Europe or any employees. Altogether 106 instances of fraud or theft, for a total loss to the company of £96 090, were

Bidvest Foodservice – Europe

reported to the audit committee. Most high-impact incidents are of external origin with no insider involvement. While the number of incidents is static, the financial impact has increased. There is a recent trend towards fraudulent applications for credit. All European operations are subject to the European Union's Unfair Commercial Practices Act of 2008.

Product responsibility – Dedicated quality assurance oversees customer health and safety. Customer complaints at 3663 Wholesale fell 12% to 89 per million cases sold. We are working closely with industry bodies to ensure nutrition and health claims are easily understood by customers.

 **QUICK LINK: Divisional sustainability report**
http://www.bidvest.com/bidvest_ar2010/016.html

3663 WHOLESALE

Trading profit rose pre-exceptionals. A 2% reduction in overheads was achieved, despite the cost of running two IT systems in parallel. Better progress was made on the new £22 million AX Dynamics system, a platform that has been under test for two years. Cost savings came through following the closure of six depots in two years.

Strong focus on working capital and debtors management helped us to a 10% increase in ROFE. Head office costs fell by 20%. Debtor days were the lowest in five years. Stock availability and first-time order fulfilment hit an all-time high. Stock wastage, damage and theft were down. Cash flows were strong.

Consolidation of delivery routes led to vehicle utilisation efficiencies and cuts in the fleet. Continued investment in driver training fostered fuel efficiency.

Depot costs were cut and all fourth-quarter cost-reduction targets were met. Job

losses were minimised and staff showed their commitment by agreeing a one-year pay freeze.

We stepped up the development of the short-life produce mix at Swithenbank Foods, our specialist fresh and chilled division. To address the value focus we relaunched our Smart Choice range.

A major research initiative was launched to map customer needs and substantiate our “Delivering what’s important to you” positioning. Empathy with customer challenges drives our strategy.

We spent £18 million on a new multi-temperature depot at Paddock Wood, Kent. Enhanced credentials for quality chilled and fresh foods helped us win a major contract from a multinational caterer.

We entrenched customer relationships. We were the only supplier to get through to Parkhurst prison on the Isle of Wight in heavy snow. As snow continued, we made deliveries by sled to an old-age home. We quantified our carbon footprint for a major hospital caterer – the only wholesaler to do so.

Roll-out of mobile phone technology was completed, resulting in a 46% increase in customer calls. E-notebooks were deployed to sales staff.

We introduced central London's first all-electric delivery vehicle and continue to encourage the use of recycled biodiesel.

Telesales launched a customer loyalty programme with a safari theme to build on our South African associations.

Two regional managing directors were appointed. Competition is strongest from regional players. Tighter local focus will help keep us on top.

Off a low base, VIVAS (our joint venture with a leading vintner) almost doubled sales.

A combined food and wine delivery in a mini-drop has strong appeal in the current market. In contrast, the smaller drops trend made some fresh produce deliveries unprofitable. The customer-base was rationalised.

In the coming year, we plan a new e-commerce site. It will be benchmarked against Australasian performance as Bidvest Australia and Bidvest New Zealand are leaders in this area. Further revenue and profit growth are projected.

BIDVEST LOGISTICS

Performance was well up. Operational improvements were driven by the new regionalisation strategy, use of double-decker trailers, efficiencies in all departments and the savings achieved through the Lichfield depot closure. ROFE and profit rose significantly.

Competition intensified as third-party logistics operators continue to investigate foodservices. We retained a core client despite an aggressive pitch by a multinational. Hoped-for volume increases failed to materialise. Fuel costs were largely stable, but rose late in the year.

Productivity gains and cost savings were driven by the implementation of telematics and further expansion of voicepicking. Employee-contracted working hours were reviewed to ensure staff availability dovetails with customer requirements.

To address the risk of reliance on large customers, efforts were made to stagger contract end-dates and extend and roll over contracts. Diversification opportunities will be explored.

Long-term sustainability is assured by commitment to cost efficiency and

continuing investment in telematics, radio frequency identification technology and planning software. Waste management and recycling initiatives create partnerships with likeminded customers.

The business retained its accreditation in Investors in Excellence and ISO 14001 status.

Excess market capacity may persist for three years and third-party logistics operators can be expected to maintain competitive pressure. Effective deployment of new technology will help us retain our competitive edge. Staff motivation is key. We plan to create strong forward momentum following our relaunch as Bidvest Logistics in July 2010. Further savings will be pursued as we seek trading profit growth in 2011.

DELI XL BELGIUM

Trading profit rose on marginally higher revenue, a satisfactory performance in the face of Belgium's steepest post-war recession. The country's GDP shrank by 3,7% in 2009.

Development of a virtual trade fair for customers resulted in lower costs while driving sales 30% higher for the promotion. Margins were well managed and distribution costs were driven down by the application of new technology. ROFE improved.

The Flanders depot was further developed. Prioritisation of national and international customers was aided by implementation of a customer value matrix.

Our "Start To Save" campaign was launched to reinforce our business sustainability strategy. It encompasses economic, ecological and social factors with the focus on cost reduction, motivation, innovation, cohesion, confidence and competitive advantage. Our GRI report on 2009 activities and five-year plan was being finalised at year-end.

A new customer loyalty programme was launched as a major retailer bought a foodservice company, signalling a possible challenge in our core market.

Opportunities will be explored in the non-food and daily fresh markets. E-commerce, the own-brand strategy and hub-and-spoke optimisation will receive management attention.

DELI XL NETHERLANDS

Performance was on budget, despite recession and fierce competition. Out-of-home spending plummeted. Adverse weather impacted tourism.

A major cost-saving drive, Mercurius Quick Wins, was highly successful. Last year's decision to close two sites proved timely. Cash generation was a priority. An e-learning programme, Focus on Finance, made employees aware of their impact on cash flow. Stock value was reduced. Margins narrowed as a result of growth in low-margin catering and large-contract business.

Through a series of joint ventures we created a new specialist seafood company and bought a majority interest in Stavasius, a fruit and vegetable producer and wholesaler. We took a minority interest in Eetgemak, a producer of convenience meals and food components. New investment lowered ROFE slightly.

We stepped up e-commerce activities and launched a new website. A new CSR policy was introduced, focusing on climate and environment, health, hospitality, chain responsibility, sustainable buying, passion for food and service.

We relaunched Reuser & Smulders, our tea and coffee brand (now Rainforest Alliance-certified). To sell non-food items into the hospitality market, we introduced a new brand, NonFoodProfessionals.nl.

Transition from a hierarchical organisation to a process-driven business gathered pace with the appointment of process managers and teams. The First for Foodservice staff awards, introduced two years ago, have become an important means of instilling our values.

Our marketplace standing remains strong. The last review confirmed market-share gains in the hotels, restaurants and catering sector. Development of our new organisational model and roll-out of a new IT system will strengthen us still further.

Acquisition opportunities may occur as industry consolidation is predicted. The immediate challenge is to increase sales in tough trading conditions.

MIDDLE EAST

Expansion by Horeca United Arab Emirates into Saudi Arabia via a JV with a local partner was timely as the credit crisis slowed Dubai's growth. Revenue and trading profit rose and by year-end the new Saudi Arabian business – Al Diyafa – had reached break-even point.

Investment in quality and HACCP accreditation was vindicated by Dubai's introduction of new food distribution regulations. Less well-resourced competitors are under pressure.

We launched a strong US desserts brand and a frozen smoked-salmon offering to complement our high quality fresh smoked salmon.

NOWACO (Czech Republic and Slovakia)

Business conditions remained challenging, though the Czech and Slovakian economies returned to growth. Revenue dipped, but cost savings enabled a slight trading profit improvement. Nowaco maintained market leadership in Czech Republic and strengthened its position in Slovakia.

Bidvest Foodservice – Europe

Nowaco Czech Republic comprises three divisions – production, distribution and Gastrostella. Production covers Prima own label ice-cream (top seller by volume in Czech Republic and third in Slovakia) and the processing of frozen fish, vegetables, meat and other frozen products. The distribution division accounts for about 60% of foodservice and 40% of retail distribution in Czech Republic. Gastrostella is a dry goods and beverages wholesaler.

In Slovakia, the business focuses on distribution, serving 75% of foodservice and 25% of retail customers. In Czech Republic there are three depots and five branches; in Slovakia one depot and two branches.

Czech Republic's economic growth lagged Slovakia. Inflation eased higher to about 2% in both countries. Nowaco was impacted by a harsh winter and wet spring, a poor environment for ice-cream sales, tourism and out-of-home activity.

In tough trading conditions the strength of our core brands was demonstrated – Nowaco, a trusted frozen food brand, and Prima ice-cream. New brands, Nowameat fresh meat and Nowamilk dairy products were introduced. Bagetier, a new bakery line, has been launched, further enhancing our range.

The only major new investment was in new bakery production lines at our Opava factory in Czech Republic, a €3 million commitment. A new freezer is being constructed in Kralupy to increase storage capacity.

For the first time since inception 20 years ago, Nowaco sales stalled. The emphasis switched to efficiency gains. We increased the average value per delivery while cutting kilometres travelled per day. Pay was frozen. We reduced marketing costs and inventories. Just-in-time efficiencies were achieved.

Leveraging the Bidvest relationship was a priority and we implemented the Bidvest identity with the help of Bidvest Europe.

In the coming year, we see good prospects for bakery production and distribution and growth potential in frozen meats and fresh. Prima is well positioned to seek cross-border expansion into Slovakia.

FARUTEX (Poland)

The business was impacted by the expiry of a contract with a major customer, yet maintained its position as Poland's leading foodservice distributor. In a little over six months, lost volumes were replaced, but trading profit fell as a result of customer cutbacks, adverse weather, extensive flooding and the period of mourning following the death of the Polish president and other leaders.

Investment in new sales resources to recoup lost turnover impacted ROFE. A new branch, our 11th, was opened in Łódź.

Management focused increasingly on savings and in the second half some redundancies occurred. Further cost efficiencies will be sought in the year ahead. We will seek sales growth while looking to achieve better margins by growing higher value product lines.

Bidvest Foodservice – Asia Pacific

Comprises Bidvest Australia, Bidvest New Zealand, Angliss Singapore and Angliss Greater China. Bidvest leads the foodservice industry and offers a full end-to-end national distribution service.

Financial indicators

(for the year ended June 30)

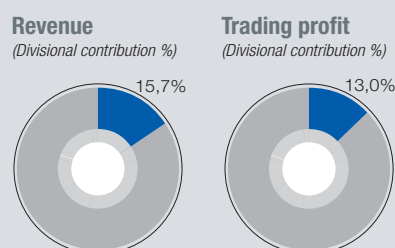
	2010 R'm	2009 R'm
Revenue	17 547,6	17 067,6
Trading profit	729,4	602,5
Operating assets	4 232,8	3 777,9
Operating liabilities	2 333,2	3 123,6
Depreciation	138,1	123,8
Amortisation and impairments of intangible assets	4,7	3,5
Goodwill and intangible assets	1 163,9	1 134,8

Sustainable development indicator overview

Employees	4 149	3 623
Total training spend (R'000)	2 117	1 496
Training spend per employee (R)	509	412
Lost-time injury frequency rate	21,3	13,9
Work-related fatalities (number)	–	–
CSI spend (R'000)	855	1 101
Total water usage (litres '000)	77 222	75 568 ⁽¹⁾
Total electricity usage (kWh '000)	63 685	54 389 ⁽¹⁾
Petrol (litres)	1 123 541	1 102 647
Diesel (litres)	6 960 761	6 814 851
Total carbon emissions (tonnes)	70 439	67 377 ⁽¹⁾
Carbon emissions per employee (tonnes)	16,9	18,6 ⁽¹⁾

⁽¹⁾ Restated

QUICK LINK: Historic divisional sustainable development data
http://www.bidvest.com/bidvest_ar2010/017.html



Bidvest Foodservice – Asia Pacific

The region covers a vast area and macro-economic factors vary considerably. However, pleasing revenue and trading growth was achieved across all businesses in the region.

Bidvest Australia remains the major contributor and the state of the Australian economy is material for regional performance. Australia was lifted by a return to strong resources growth. However, measures by government to stimulate the economy came to an end. Government measures to curb spending contributed to a decline in consumer confidence (evident by mid-year) and downtrading set in.

In common with other economies in the early stages of recovery, there was a shift to in-home eating.

New Zealand did not have the benefit of a resources-led recovery and the trading environment remains challenging. Job losses are a concern. Unemployment at 7.3% may appear low against a southern African yardstick, but is twice the level of three years ago and a major worry as until recently New Zealand was considered a full-employment economy.

One effect is much reduced out-of-home eating. New Zealand's hospitality industry has contracted as a result.

A much stronger recovery was under way in Singapore and Asia. Singapore's economy recovered slowly in the six months to December 2009, but business sentiment and consumer confidence picked up significantly after that.

In Singapore, unemployment dropped and by year-end was close to the pre-crises level. Bank rates remained low in line with global efforts to spur growth. Malaysia's economy rebounded and commodity prices recovered.

Competition intensified. Overall inflation in Singapore was slightly below 1%. Food inflation was more than twice as high, though price fluctuations were less pronounced than previously.

The opening of major resorts has resulted in an increase in spending by tourists and knock-on benefits for Singapore's foodservice. Casual dining and family restaurant chains remain the strongest contributors to our foodservice business. Teenagers and young families continue to eat out.

The island nation has seen a shift to value-added products and services. The big demand is for finished products rather than raw material.

In Greater China, the economic recovery has been so strong that recruitment of skilled personnel has become difficult. Our customers face the threat of big increases in rents and wages. They therefore seek savings elsewhere. This mindset means our businesses face continued pressure on margins from price-sensitive customers.

Regional prospects overall remain positive and further growth is projected.

Sustainable development

Economic performance – Women are excelling at every level in our organisation. Our annual report to the Equal Opportunities for Women in the Workplace in Australia shows women now represent 29% of our national and regional managers, though overall representation is at 24%.

Environment – Tightening legislation in Australia is compelling us to measure more aspects of our carbon footprint, such as indirect energy usage. While there has been a significant increase in the amount of ethanol-based fuel used, renewable energy

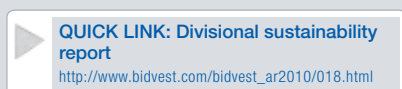
is still priced at twice that of coal-derived energy (electricity), hampering efforts to innovate in this area. All depots are introducing water-saving measures and all our companies run campaigns and programmes to reduce the use of resources (eg paperless office systems) and recycle more.

Human resources – Employee-based consultative committees monitor workplace activities, enabling us to engage with employees, understand issues of common concern and take corrective action as required. While staff turnover is up following restructuring, absenteeism has fallen 13%, indicating improved satisfaction and wellness levels. Bidvest Academy courses have been successfully registered with national authorities, enabling university accreditation; 302 trainees participated.

Health and safety – We have begun a certification process for AS/NZS 4801 (safety management systems). Desk audits have begun and site audits are scheduled. Audits are ongoing for asbestos, risk from dangerous goods and risks related to buildings. Staff receive training in areas such as fire safety for advisers, fire safety and evacuation, workplace health and safety, rehabilitation and return to work and fatigue management for drivers. The number of claims has dropped significantly from a peak in 2009. The value of claims has dropped to 60% of 2007 levels.

Society – Our Bidvalues statement defines and forms the basis of our organisational structure. Oversight of business ethics and auditing of incidents of fraud and corruption are carried out by both internal and external audit. No fines of significance were incurred for non-compliance with national laws and regulations.

Product responsibility – The Bidvest Quality Management System provides consistency within the division, encouraging efficiencies and savings. We have provided staff training in customer care and service, and substantial improvements in the way they work and higher levels of customer satisfaction have been reported.



BIDVEST AUSTRALIA

Teams put in a reasonably good performance. Sales were up by about 5% while trading profit rose 10%. Second-half trading conditions were substantially worse than the first. Food price deflation was evident for much of the year.

Operational efficiencies drove continued improvements in our cost of doing business (total expenses as a percentage of sales).

Technology continues to be an enabler of good sustainability practice. Our e-commerce tool FindFoodFast maintained a good rate of growth. Energy and other savings were fostered by further roll-out of paperless warehousing, our track and trace technology and dynamic routing.

Benchmarking entrenches a total business sustainability approach to our operations. Measurement and incentivisation are not restricted to financial matters. They cover all aspects of the business. Primarily, we measure ourselves against budgets and prior year. All comparable businesses are measured against one another as well as against their own targets.

Bidfresh was launched to mark our entry into the produce and portion-control meat market. This development began in October 2009 with the purchase of a small, underperforming business that was subsequently rebranded as our first Bidfresh operation.

Our new Hobart facility opened in September and in January a new freezer

complex was commissioned at John Lewis, Adelaide, tripling our frozen foods capability. In April, we acquired, Kele, a central Queensland foodservice wholesaler. The acquisition increases our exposure to an area of Australia that shows good growth potential thanks to the buoyant resources sector. Expansion to Cairns was completed and our Perth branch is being further extended to cater for increased demand.

Bidvest has become a familiar name in Australia. We trade as Bidvest across a large geographic footprint and all our 600 trucks carry the corporate livery. Our people are passionate about the brand and live the Proudly Bidvest culture.

Our largest challenge is continued expansion from an already large base while training enough talented and competent people to drive sustainable growth. Talent retention has again become crucial as employment has picked up on the back of renewed growth in the resources sector.

In the coming year, we face the prospect of continued food deflation and low consumer confidence. Over three to five years, our principal objective is to grow our revenues to AUD2 billion (currently AUD1,7 billion) and to achieve annually compounded growth in earnings before interest and tax of high single digits or more.

BIDVEST NEW ZEALAND

Pleasing trading profit and revenue growth were achieved, despite tough market conditions. Non-financial performance was also satisfactory. We maintained initiatives to reduce waste, recycle, support the community, train staff and lower vehicle emissions.

Wage costs were well contained, the debt collection rate went up, occupancy costs fell and vehicle costs remained stable. ROFE increased marginally following increased investment in land and buildings. Margins were well managed and interest rates at historical lows kept lending costs

at acceptable levels. Cash flows remained strong.

The operational focus is on building up targeted food categories to specific customers, increasing the value per drop while delivering a comprehensive service that leaves few gaps for competitors.

Our "Smart Choice" house brand continues to increase its percentage share of total sales and profitability from imported products continues to grow. Logistics division performed well on the "Streets" ice-cream account. Fresh produce made a pleasing contribution and offers continuing growth opportunities.

Our prime vendor strategy gained momentum. This initiative is a total food supply service delivered to customers through e-commerce. Sales through e-commerce show continued strong growth.

Last year's implementation of the Bidvest brand identity went well and helped maintain high levels of motivation.

Further investment in infrastructure is about to be committed. New distribution centres are planned. Substantial investment in IT will be made to further enhance the reliability of our national platform. Further growth in revenue and trading profit is projected.

SINGAPORE

Revenue increased marginally, but trading profit recovered to pre-financial crisis levels. A strong second-half performance reflected robust market conditions. Cash flow was healthy and working capital well controlled.

We restructured the foodservice division, moving from product to customer focus while reducing the number of customers served by individual sales staff. The customer-centric strategy contributed to strong foodservice growth.

We acquired a Halal food-processing business and upgraded our food quality

Bidvest Foodservice – Asia Pacific

system. We hold both HACCP and Halal certification. We expanded our delivery fleet and now specify Euro 4 engine standards. In Malaysia, we consolidated inventory into a third-party logistics centre, resulting in fewer transfers and faster delivery.

We continue to build our own brands for the foodservice and retail markets and position them as value-for-money quality products. In addition, we created a gourmet fine food division, Aequitas Gourmet, to spearhead our entry into the fine-dining market.

Though confidence has returned, our Malaysian greenfields operation, Avid Foodservices, faced continued challenges as a small operator in a mature market. A concerted effort to build sales is under way.

We plan to grow our value-added solutions and off-the-centre-of-the-plate products. In 2011 we will pursue further sales and profit growth.

GREATER CHINA

Angliss, with operations in Hong Kong, Macau, Beijing, Shanghai, Guangzhou and Shenzhen, achieved record trading profit and confirmed its position as the region's leading foodservice business. The core Hong Kong site achieved strong trading profit growth off of marginally higher revenue. ROFE improved strongly.

We focused on higher margin foodservice business rather than trading activities. We broadened the customer-base and introduced new products such as our Laughing Cow range, and new lines such as lobster and Japanese perishable foods. Established brands like Anchor, 1855 and AACo did well, helping us grow market share.

To improve delivery efficiencies we introduced 24-hour stockpicking in our warehouse and opened a new production centre to increase production capacity and position us for growth in the ready-to-eat and ready-to-cook sector.

Liquidity and debtors were well controlled. Cash flows were good. We employed a dedicated supply chain manager to improve logistics efficiency, reduce warehouse costs and optimise stock levels.

We opened a new training centre.

Greater China anticipates continued growth by adding further value to the existing range while building our presence in the ready-to-eat and ready-to-cook market.

Bidvest Foodservice – Southern Africa

A leading multi-range manufacturer and distributor of food products and ingredients. Bidvest operates through strategically located independent business units, aimed at servicing the catering, hospitality, leisure, bakery, poultry, meat and food processing industries.

Financial indicators

(for the year ended June 30)

	2010 R'm	2009 R'm
Revenue	5 381,4	4 952,9
Trading profit	418,9	385,9
Operating assets	1 767,7	1 656,5
Operating liabilities	969,9	889,1
Depreciation	57,1	50,2
Amortisation and impairments of intangible assets	2,7	2,9
Goodwill and intangible assets	29,5	19,1

Sustainable development indicator overview

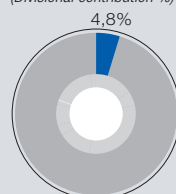
Employees	3 540	3 654
Total training spend (R'000)	8 113	6 820 ⁽¹⁾
Training spend per employee (R)	2 292	1 866 ⁽¹⁾
Employees attending HIV/Aids training (%)	10,9	23,9
Lost-time injury frequency rate	1,8	6,4
Work-related fatalities (number)	–	–
BEE procurement (R'000)	739 629	1 079 622
CSI spend (R'000)	1 473	1 266
Enterprise development spend (R'000)	7 022	2 165
Total water usage (litres '000)	267 974	243 760 ⁽¹⁾
Total electricity usage (kWh '000)	34 727	28 492 ⁽¹⁾
Petrol (litres)	2 064 717	2 128 386
Diesel (litres)	5 934 580	6 822 428
Total carbon emissions (tonnes)	57 488	52 571 ⁽¹⁾
Carbon emissions per employee (tonnes)	16,2	14,4 ⁽¹⁾

⁽¹⁾ Restated

QUICK LINK: Historic divisional sustainable development data
http://www.bidvest.com/bidvest_ar2010/019.html

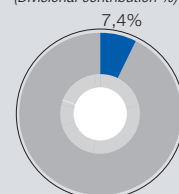
Revenue

(Divisional contribution %)



Trading profit

(Divisional contribution %)



Bidvest Foodservice – Southern Africa

Southern Africa performance was mixed as food deflation set in and consumers downtraded. World Cup benefits were not as strong as hoped, though volumes improved toward year-end. Hospitality industry volumes rose, but industrial catering business remained flat. Prolonged school holidays impacted the educational component of the institutional eating market. Expense management was a focus area for all businesses.

Food deflation and a shrinking market intensified competitive pressure. An important benchmarking tool, the Stats SA Food and Beverage Report indicated that industry revenues fell by 1,2% over the year.

Business failures only started to dip in the second half. In the leisure and hospitality sector, restaurant visits and spend per patron remained under pressure.

The World Cup boosted sales in May and June, but regional effects were patchy. The restaurant and hotel markets in Gauteng appear to have enjoyed a World Cup bonanza, but in coastal areas the World Cup windfall could not offset the business impact of much lower business travel and conferencing.

Low interest rates may be helping consumers to service household debt, but have not led to a consumer feel-good effect. There has been no increase in out-of-home eating. Lower inflation compounded the expense management challenge.

South Africa's return to growth was encouraging, but was not immediately reflected in the return of consumers to restaurants, coffee shops and canteens.

Industry concerns in the first half of the ensuing period centre on the possibility that some consumers over-spent during the World Cup and belt-tightening may occur for several months. However, the national

mood lifted considerably during and after the World Cup and the economy appears to be in recovery mode. A gradual pick-up in consumer demand is anticipated, enabling our businesses to maintain momentum.

Sustainable development

Economic performance – We are aiming for level 4 contribution under the DTI Codes, focusing on employment equity, skills development, socio-economic development and preferential procurement. Local teams are responsible for their own BEE targets and progress is tracked. We continue to support the Centre for Culinary Excellence at Johannesburg University and three aspirant chefs are being trained to improve the quality of the food preparation at the Bidfood Ingredients canteen, which is run as a business under our enterprise development programme.

Environment – We track transport and have improved our measurement of all energy and resource usage. Bidfood Ingredients' Durban yeast factory remains a challenge, being an old and environmentally inefficient facility. We continuously engage the local authority, and made the required changes to renew our annual effluent permit. Responding to growing consumer awareness and demand for sustainable seafood, we joined the South African Sustainable Seafood Initiative, and now undertake to DNA test any seafood product we can't identify, thereby ensuring the product supplied is the same as advertised.

Product responsibility – We are represented on the South African Food Safety Initiative, a subcommittee of the Consumer Goods Council of South Africa. New labelling legislation will be effective from March 2011, and we expect more thorough policing in future in line with international standards. We expect to gain competitive advantage in this new operating environment, leveraging off the leading standards we set for the industry.

Human resources – Employee engagement is decentralised, with issues raised and dealt with immediately. Despite strong labour representation, relations are constructive and no strike action was experienced. First priority for employees is skills training and advancement – possible now that the long-time barrier of a lack of basic lifeskills has largely been overcome through recruitment of employees that at least complete their final high school exams. In addition to our internal training, we have an active learnership programme in partnership with the food and beverage and wholesale and retail training authority. Talent retention remains a challenge. Staff developed by an industry leader rapidly become the target for recruitment by competitors while emigration continues to put strain on the skills base.

Health and safety – Critical aspects of health and safety management, such as audits, are outsourced to specialist consultants. Spot-checks are conducted and a full incident report serves as a guide for improving systems and closing loopholes. There were again no fatalities across our businesses.

Labour disputes – CCMA cases brought against Bidvest Foodservice Southern Africa rose 13% to 71, with 48 findings in favour of the division. No Department of Labour fines were incurred for non-compliance.

 **QUICK LINK: Divisional sustainability report**
http://www.bidvest.com/bidvest_ar2010/020.html

BIDVEST FOODSERVICE SA

Trading profit was flat, despite an excellent fourth quarter. We derived competitive advantage from our position as the supplier offering the widest range of products in our industry. We grew market share and the basket of supplied products despite a shrinking customer-base. Customers achieved operational and price efficiencies

by pooling their buying with a broadline supplier able to meet diverse needs in one drop.

Margins suffered as a result of our market-share drive, though aggressive management of growth and advertising rebates enabled us to make up the loss. The need for increased World Cup working capital pushed funds employed higher. Cash generation was good.

We cut petrol and diesel usage and increased the amount of waste we recycled.

Credit management was rigorous. Sales teams increased the business written with customers in good standing and aggressively pursued new business. The average value per invoice increased by 4%. To support this effort we introduced a field sales management tool that enables sales teams to more efficiently manage sales and call cycles.

Expenses were well contained, despite additional rental and depreciation costs following four branch relocations. Stock losses and bad debts fell.

Delivery costs fell 5,7% and the size of the vehicle fleet was reduced by 6%. We renewed the fleet ahead of the World Cup and disposed of less efficient vehicles.

Our value proposition as a solution-finder was showcased by our national accounts business. We offer national customers a central point of contact for central price negotiations against a nationally distributed supply solution. Greater efficiencies allowed us to reduce our gross margin, grow volumes and maintain our operating margin in this channel.

We grew our export business, especially to Angola and acquired a small catering equipment business, Caternet.

In 2011 we plan to build a new multi-temp facility in Bloemfontein and convert our Polokwane frozen facility to multi-temp. Improved infrastructure will add much-needed capacity in both regions. The business is well positioned to seek renewed growth as economic conditions improve.

BIDFOOD INGREDIENTS

Bidfood Ingredients put in a pleasing performance in challenging conditions, impacted by lower commodity product volumes and deflation. Revenue dipped, but trading profit showed pleasing growth.

We maintained investment in skills development. Management initiated a strong drive to reduce our carbon footprint. A process of target-setting, quarterly monitoring and regular reviews was established. We have begun to benchmark our use of electricity, water and fuel. Effluent discharges are closely monitored.

Our food safety programme was stepped up. We have begun educating personnel in the principles of basic food safety at all branches. Our Cape Town savoury ingredients factory achieved ISO 22000 accreditation.

Customers were impacted by consumer cost-cutting. Consumption of meat and poultry fell. We introduced offerings to help food manufacturers develop more affordable options. Sales of some commodity products fell.

We reduced stock, though inventory rose near year-end to optimise the World Cup opportunity. Cash flows strengthened.

Chipkins Bakery Group maintained its improvement and continued the development of its own manufactured lines. NCP Yeast was impacted by a shortage of local molasses. Even so, the business performed well.

The Crown National launch of its Chef's Choice range proved highly successful. We also introduced the Handipack retail spice range.

Bidfood Solutions, our vehicle for increased penetration of the general foods sector, faced a challenge as some large customers froze new product development.

We launched promotional drives to maximise sales over the World Cup and obtained exclusive rights to the word "vuvuzela" in the spices and seasoning segment.

A new warehouse management system was implemented at Crown National's Cape Town spice factory.

In the coming year, we plan further growth in sales and profitability while achieving continued efficiencies.

SPECIALITY

South Africa's leading distributor of local and imported food brands achieved record revenue and trading profit on the back of a good second half. The business benefited from increased in-home eating and a high in-store presence. Several new products were introduced while the Goldcrest range was expanded.

A major drive to reduce the incidence of damaged returns and better stock rotation led to margin improvement.

Stock levels rose for the World Cup, but over the year as a whole inventory was tightly controlled. Debtors management improved, as did cash flows.

We made increased use of automotive telematics and began a concerted drive to improve collation and interpretation of sustainability data. Efficiencies in power and fuel usage will be aggressively pursued.

Own brands were strongly promoted. Softer prices on some lines and a stable rand enabled us to partner major retail groups with aggressive promotions. In the final quarter, we stocked up on lines for in-home consumption during shared viewing of World Cup games.

We began a logistics partnership with Ferrero, the leading imported confectionary brand. The relationship facilitates entry into markets such as garage stores and pharmacies while broadening retail chain exposure.

Trading conditions are expected to remain challenging, but we will seek continued revenue and profit growth.