

Country Foods Limited
 (Formerly Africa's Best 346 Limited)
 (Incorporated in the Republic of South Africa)
 (Registration number 2005/018743/06)
 (JSE code: CFO ISIN: ZAE000105052)
 ("Country Foods" or "the company" or "the group")

Highlights

- Revenue up 327% to R171 million
- Earnings per share up 268% to 12.5 cents per share
- Headline earnings up 256% to R11.4 million
- Headline earnings per share up 176% to 12.4 cents per share
- Net tangible asset value per share up 63% to 57.9 cents per share

ABRIDGED AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2007

Abridged consolidated income statements

	Audited 30 September 2007 Year R'000	Audited ⁽¹⁾ 30 September 2006 15 months R'000
Revenue	171 370	40 106
Cost of sales	(111 014)	(20 888)
Gross profit	60 356	19 218
Other income	5 053	2 539
Operating costs	(33 526)	(13 521)
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	31 883	8 236
Depreciation and amortisation	(7 755)	(3 672)
Profit before finance costs	24 128	4 564
Net finance costs	(6 623)	(3 671)
Profit before taxation	17 505	893
Income tax (expense)/credit	(4 392)	1 747
Profit for the year	13 113	2 640
 Attributable to:		
Equity holders of the group	11 498	2 477
Minority interests	1 615	163
Profit for the year	13 113	2 640
 Reconciliation of headline earnings:		
Earnings attributable to equity holders of the group	11 498	2 477
Adjusted for:		
(Profit)/Loss on sale of property, plant and equipment	(94)	729
Headline earnings attributable to ordinary shareholders	11 404	3 206
 Weighted average shares in issue ('000)		
Shares in issue at period end ('000)	92 236	72 000
Earnings per share (cents)	12.5	3.4
Headline earnings per share (cents)	12.4	4.5

Note:

- (1) The historical financial information for the 15 months ended 30 September 2006 is for Edulis Mushrooms (Pty) Limited ("Edulis") as the group was formed with effect from 30 September 2006 as set out in the detailed prospectus dated 21 September 2007 ("the detailed prospectus") and as set out below under business combinations.

Abridged consolidated balance sheets

	Audited 30 September 2007 R'000	Restated Audited 30 September 2006 R'000
ASSETS		
Non-current assets	112 788	88 967
Property, plant and equipment	52 724	39 143
Other investment	19	3
Loans receivable ^(1.2)	-	685
Trade receivables	4 949	2 700
Intangible assets ^{(1.1)(1.2)}	52 506	46 111
Deferred tax assets	2 590	325
Current assets	114 012	66 335
Inventories	23 658	16 024
Loans receivable	1 055	-
Trade and other receivables	68 513	43 939
Loans to related companies	-	4 027
Cash and cash equivalents	20 786	2 345
Total assets	226 800	155 302
EQUITY		
Equity attributable to equity holders of the company	125 753	71 669
Ordinary share capital and premium	83 464	40 723
Non-distributable reserve	151	306
Retained earnings	42 138	30 640
Minority interest	2 706	513
Total equity	128 459	72 182
Non-current liabilities	43 311	33 351
Interest-bearing borrowings	19 259	14 745
Loans from related companies	1 815	-
Non-interest bearing borrowings	7 884	6 423
Deferred taxation liability ^(1.1)	14 353	12 183
Current liabilities	55 030	49 769
Trade and other payables	37 564	19 731
Current portion of interest-bearing borrowings	10 391	8 217
Taxation payable	5 745	2 306
Bank overdraft	1 330	19 515
Total equity and liabilities	226 800	155 302
Number of shares in issue ('000)	126 455	72 000
Net asset value per share (cents)	99.4	99.5

Net tangible asset value per share (cents)

57.9

35.5

Notes:

- (1) The balance sheet at 30 September 2006 has been restated for the following adjustments:
- (1.1) Recognition of the deferred tax liability amounting to R2 010 832 of Country Mushrooms (Pty) Limited ("Country Mushrooms") at acquisition, and the resultant impact on the goodwill recognised in terms of the business combination.
 - (1.2) A reclassification adjustment to reflect the acquisition of exclusive rights of distribution of fresh mushrooms from Edulis Zimbabwe. The amount of R10 518 370 has been reclassified as an intangible asset.

Abridged consolidated statements of changes in equity

	Share capital R'000	Share premium R'000	Non-distributable reserves R'000	Retained earnings R'000	Minority interest R'000	Total equity R'000
Balance 1 July 2005	250	-	(55)	28 163	350	28 708
Foreign currency translation reserve movement	-	-	361	-	-	361
Shares issued – cost of acquisition	42	40 431	-	-	-	40 473
Transactions recognised directly in equity	42	40 431	361	-	-	40 834
Profit for the period	-	-	-	2 477	163	2 640
Balance at 30 September 2006	292	40 431	306	30 640	513	72 182
Foreign currency translation reserve movement	-	-	(155)	-	-	(155)
Acquisition of subsidiary	-	-	-	-	578	578
Proceeds on share issue	84	47 034	-	-	-	47 118
Share issue expenses	-	(4 377)	-	-	-	(4 377)
Transactions recognised directly in equity	84	42 657	(155)	-	578	43 164
Profit for the year	-	-	-	11 498	1 615	13 113
Balance at 30 September 2007	376	83 088	151	42 138	2 706	128 459

Abridged consolidated cash flow statements

	Audited 30 September 2007 Year R'000	Audited 30 September 2006 15 months R'000
Cash inflow/(outflow) from operating activities	2 618	(8 554)
Cash (utilised by)/from investing activities	(9 194)	4 295
Cash inflows from financing activities	43 025	942
Increase/(decrease) in cash and cash equivalents	36 449	(3 317)
Cash on acquisition of subsidiary company	177	(3 877)
Cash and cash equivalents at beginning of year	(17 170)	(9 976)
Cash and cash equivalents at end of year	19 456	(17 170)

Abridged segment reports

	Audited 30 September 2007 Year R'000	Audited 30 September 2006 15 months R'000
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By geographical segments

Revenue

Local

Mushrooms	50 663	4 814
Beverages	60 036	-
Other	3 356	4 100

Export

Mushrooms	57 315	31 192
	171 370	40 106

Assets and liabilities

Local

Non-current assets	100 026	77 033
Current assets	93 345	49 663
Liabilities	(84 432)	(73 428)
	108 939	53 268

Foreign

Non-current assets	12 762	11 935
Current assets	20 667	16 672
Liabilities	(13 909)	(9 693)
	19 520	18 914

By lines of business

Revenue

Mushrooms - wild and exotic	63 078	36 006
Mushrooms - cultivated	44 900	-
Beverages	60 036	-
Other	3 356	4 100
	171 370	40 106

Profit for the year

Mushrooms - wild and exotic	7 731	2 477
Mushrooms - cultivated	1 967	-
Beverages	1 973	-
Other	(173)	-
	11 498	2 477

OVERVIEW

The directors of Country Foods have pleasure in presenting the audited results for the year ended 30 September 2007 ("2007 year end") and are pleased to announce that the group has met its earnings forecasts for the year. Country Foods listed on ALT^x on 3 October 2007.

Country Foods is a holding company of wholly-owned subsidiaries that operate in the niche, high

quality value-added food and beverage product markets, through its subsidiaries Edulis, Country Mushrooms and Fruitime Fruit Juices (Pty) Limited ("Fruitime").

Country Foods has completed an eventful year that has set the tone and shape for future growth and expansion of the group. Whilst results are substantially in line with group forecasts, as set out in its prospectus, the substantial growth experienced during the period under review is extremely pleasing. The recent commissioning of a number of productive assets as well as the establishment of new offshore operations, will undoubtedly contribute to sustained growth in the year ahead.

Demand for the group's products has remained positive in the South African market and extremely strong on the export market. The local distribution division acquired the sole distribution rights of international food brands such as Greci, Ferrarelle, Antonio Amato and Colavita. The newly acquired distribution rights will extend the group's ability to offer our customers a more comprehensive basket of products while maximising efficiency and lowering overall costs of distribution.

The acquisition of exclusive distribution and licensing rights of international and local brands and the ownership and management of such rights is an ongoing process and forms an important part of the growth strategy of Country Foods. The effort in implementation of shared infrastructure and services among the operating subsidiaries of the group has begun to produce the expected cost reductions and increase in efficiencies.

APPLICATION OF IFRS 3 BUSINESS COMBINATIONS AND REVERSE ACQUISITION

In a reverse acquisition, the acquirer is the entity whose equity interest has been acquired (the legal subsidiary) and the issuing entity (the legal parent) is the acquiree. Although legally the issuing entity is regarded as the parent and the entity whose equity interest has been acquired is regarded as the subsidiary, the legal subsidiary is the acquirer as it has the power to govern the financial and operating policies of the legal parent so as to obtain benefits from its activities.

Consolidated financial statements prepared following a reverse acquisition are issued under the name of the legal parent, but are a continuation of the financial statements of the legal subsidiary (i.e. the acquirer for accounting purposes). Because such consolidated financial statements represent a continuation of the financial statements of the legal subsidiary:

- the assets and liabilities of the legal subsidiary are recognised and measured in those consolidated financial statements at their pre-combination carrying amounts;
- the retained earnings and other equity balances recognised in the consolidated financial statements are the retained earnings and other equity balances of the legal subsidiary immediately before the business combination;
- the amount recognised as issued equity instruments in the consolidated financial statements shall be determined by adding to the issued equity of the legal subsidiary immediately before the business combination, the cost of the combination. However the equity structure appearing in the consolidated financial statements (i.e. the number and type of equity instruments issued) reflects the equity structure of the legal parent, including the equity instruments issued by the legal parent to effect the combination;
- comparative information presented in the consolidated financial statements is that of the legal subsidiary.

FINANCIAL RESULTS

The financial performance for the 2007 year end was substantially in line with forecasts as set out in the detailed prospectus. The growth experienced during the 2007 year is the result of the business combinations as set out below as well as substantial organic growth in the export and production divisions. Satisfactory growth in revenue was experienced across all operating units.

Group revenue for the year increased by 327% to R171.4 million (2006: R 40.1 million). EBITDA was up 287% to R31.9 million (2006: R8.2 million) due to higher volumes. EBITDA margins decreased to 18.6% (2006: 20.5%) due to the consolidation of Country Mushrooms and Fruitime for the 2007 year end period which traditionally earn lower margins than Edulis.

Headline earnings and profit attributable to equity holders of the group increased by 256% and 364% from the previous year to R11.4 million (2006: R3.2 million) and R11.5 million (2006: R2.5 million)

respectively. Headline earnings per share increased 176% to 12.4 cents (2006: 4.5 cents).

BUSINESS COMBINATIONS

The sale of shares and cession of claims agreement entered into between the Country Mushrooms vendors as sellers and Country Foods as purchaser on 11 September 2006, in terms of which Country Foods acquired the entire issued share capital of, and all shareholder claims of such vendors from such vendors, with effect from 30 September 2006, for a consideration of R22 000 000 in a "share for share" transaction.

The sale of shares and cession of claims agreement entered into between the Edulis vendor as seller and Country Foods as purchaser on 11 September 2006, in terms of which Country Foods acquired the entire issued share capital of, and all shareholder claims of such vendors from such vendors, with effect from 30 September 2006, for a consideration of R29 993 000 in a "share for share" transaction.

The sale of shares and cession of claims agreement entered into between the Fruitime vendor as seller and Country Foods as purchaser on 11 September 2006, in terms of which Country Foods acquired the entire issued share capital of, and all shareholder claims of such vendors from such vendors, with effect from 30 September 2006, for a consideration of R20 000 000 in a "share for share" transaction.

The sale of shares and cession of claims agreement entered into between the Porcini Mushrooms (Pty) Limited vendors as seller and Edulis as purchaser on 1 October 2006, in terms of which Edulis acquired the entire issued share capital of, and all shareholder claims of such vendors from such vendors, with effect from 1 October 2006, for a consideration of R5 984 000.

BASIS OF PREPARATION OF THE AUDITED RESULTS

Statement of compliance

The abridged financial statements comprise a consolidated balance sheet at 30 September 2007, a consolidated income statement, consolidated statement of changes in equity and summarised consolidated cash flow statement for the year ended 30 September 2007. The abridged financial statements have been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards ("IFRS") and the presentation and disclosure requirements of IAS 34, Interim Financial Reporting.

The basis of preparation is consistent with accounting policies used in the prior year.

The abridged financial statements were approved by the board of directors on 7 December 2007.

Basis of measurement

The abridged financial statements have been prepared on the historical cost basis except for certain financial instruments measured at fair value.

AUDITOR'S REPORT

The annual results have been audited by the company's auditors KPMG Inc. whose unqualified auditor's report on the abridged financial statements is available for inspection at the company's registered address.

PROSPECTS

The group will continue its expansion drive during the financial year ending 30 September 2008. Recently established offshore subsidiaries in Tunisia and Morocco began trading operations during October 2007. United States of America ("USA") subsidiary Forest Products International LLC has extended its market penetration and will begin distribution of a number of additional products on the East Coast of the USA.

The benefits of the commencement of alternative production in the Midlands facility as well as the increased product and brand offerings across the divisions are expected to have a positive impact on the group's revenue from the second quarter of the 2008 financial year.

Country Foods will remain actively interested in acquisitions that will complement its current growth strategy and we are confident that the planned management strategies, expansion of current operations and continued consumer demand for Country Foods products will result in continued growth and improved performance in the year ahead.

SUBSEQUENT EVENTS

Save for the listing of Country Foods on ALT^x on 3 October 2007, the directors are not aware of any matter or circumstance arising since the end of the year, which significantly affects the financial position of the group or the result of its operations as presented in these results.

SHARE CAPITAL

Country Foods has, through a private placement, placed 30 000 000 ordinary shares at 100 cents per share to selected investors of Country Foods with the listing on the JSE Limited ("JSE").

DIVIDEND POLICY

Initially all earnings generated by the group will be utilised to fund future growth and acquisitions. The company will periodically reconsider its cash position with the intention to distribute dividends to shareholders as soon as prevailing circumstances allow.

STATEMENT ON GOING CONCERN

The financial statements have been prepared on the going-concern basis since the directors have every reason to believe that the company has adequate resources in place to continue in operation for the foreseeable future.

CHANGES TO THE COMPANY SECRETARY

LA Comuzio resigned as company secretary on Thursday, 6 December 2007. Premium Corporate Consulting Services (Pty) Limited was appointed with effect from the same day.

APPRECIATION

The invaluable contribution of our management and staff is clearly reflected in these results. Their sustained support and performance will enable Country Foods to continue growing and prospering in the future. Our sincere appreciation is extended to each and every one of our employees for their efforts and performance.

A note of thanks to all our board members for their invaluable input and guidance.

To all our shareholders, a special thank you for your continued support. Your loyalty and confidence in our group is greatly appreciated.

On behalf of the Board

R G Casaletti
Chief Executive Officer
7 December 2007

R H Liversage
Chief Financial Officer

CORPORATE INFORMATION

Non executive directors: V I Zwane (Chairman), J C Fourie

Executive directors: R G Casaletti (CEO); R H Liversage (CFO), P B Swanevelder

Registration number: 2005/018743/06

Registered address: 40 Electron Avenue, Isando, Johannesburg, 1600

Postal address: PO Box 1838, Houghton, 2041

Company secretary: Premium Corporate Consulting Services (Pty) Limited

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Transfer secretaries: Computershare Investor Services 2004 (Pty) Limited

Designated Adviser: Exchange Sponsors (Pty) Limited

These results and an overview of Country Foods Limited are available at www.countryfoods.co.za.