2018

RCL FOODS LIMITED ABRIDGED INTEGRATED

ANNUAL REPORT

FOR THE YEAR ENDED
JUNE 2018

REVENUE
R24,4 billion
⬇ 2.1%

EBITDA
R2,0 billion
⬆ 17.1%

HEPS
96,8 cents
⬆ 52.4%

CASH GENERATED
by operations
R1,8 billion
⬇ 22.2%

TOTAL DIVIDENDS
declared per share
40,0 cents
⬆ 33.3%

CONTENTS

OUR LOGO AND ITS MEANING

A BOWL

FILLED ABUNDANTLY
Representing the rising opportunity in Africa and the desire to sustain its people

RCL FOODS

RCL FOODS is a food company. It is therefore fitting that our icon is representative of food. It is made up of two parts. The first part, the bottom half, represents a food bowl and that shape symbolises balance, harmony and community. The second part, the top half, represents a serving of food. It is rainbow shaped which symbolises hope, opportunity and prosperity. The two parts together represent a bowl filled with an abundance of food.

ABOUT THE REPORT

BOUNDARY AND SCOPE
The aim of this Integrated Annual Report is to provide stakeholders with a balanced and holistic view of the financial, social, environmental and economic impacts of RCL Foods Limited (RCL FOODS) to enable them to obtain a better understanding of our long-term prospects. The report includes all the subsidiaries of RCL FOODS. It covers the performance for the year ended June 2018 and provides an overview of our operations with relevant comparatives to the previous period.

MATERIAL ASPECTS AND COMPARABILITY
Materiality has been applied to qualitative and quantitative disclosures contained in this report. An item is considered material if it could influence the decisions of our business and its stakeholders. There have been no significant changes to the content and scope of this report from prior years. To enhance the comparability of information, certain comparative figures may have been restated and these have been noted as such.

ASSURANCE AND APPROVAL
The Board acknowledges its responsibility for the content of RCL FOODS' Integrated Annual Report. The Board has assessed the content of this report and believes that it addresses all material issues and fairly presents the integrated performance of RCL FOODS. The Board has authorised the release of this report at the RCL FOODS Board meeting held on 28 August 2018.

The information in this report has been verified by a combination of internal and external assurance providers. Details of the assurance element and providers are set out on pages 7 to 11 of the Annual Financial Statements, available on our website at www.rclfoods.com/financial-results-and-investor-presentations-2018

RCL FOODS values feedback and therefore welcomes any questions or comments regarding this report. These can be emailed to the Company Secretary, John Maher, at john.maher@rclfoods.com. Stakeholders are also directed to the company's website for this report and other relevant additional supporting reports and compliance information such as the Sustainable Business Report for the 2018 financial year, King IV application register and Board and board committee charters.

RELATED REPORTS
This Abridged Integrated Annual Report forms part of, and should be read in conjunction with, a suite of reports available online on our website. Other reports available are:

- Corporate Governance Report
- Remuneration Report
- Sustainable Business Report
- Annual Financial Statements
- King IV Application Register

USABILITY FEATURES

This icon signifies that related information is available online at **www.rclfoods.com**

Directs readers to the page in the Abridged Integrated Annual Report with more details

SR Directs readers to the page in the Sustainable Business Report with more details

Shareholders are reminded that they are entitled to a hard copy on request. This can be obtained by contacting the Company Secretary on +27 87 362 8501 or at john.maher@rclfoods.com

REPORTING FRAMEWORK

IFRS

INSTITUTE OF DIRECTORS SOUTHERN AFRICA

INTEGRATED REPORTING <IR>

GRI

JSE

OUR BUSINESS AT A GLANCE

OUR OPERATING CONTEXT AND TRENDS

OPERATING ENVIRONMENT AND TRENDS THAT IMPACT OUR ABILITY TO CREATE VALUE

The context within which we operate our business, both now and in the future, is informed and shaped by various long-term trends that present opportunities, risks, and in some cases both, for our ability to create long-term value for all our stakeholders. For the key macroeconomic impacts in the current reporting period, refer to the Chief Financial Officer's report from page 56. The discussion below highlights the key trends which directly impact the food industry and our Passion to provide "more food to more people, more often".

A GLOBAL SURPLUS IN FOOD PRODUCTION

Due to advances in agriculture and technology, there is surplus of food produced in many countries today. The extent of the surplus is determined by a wide variety of factors including the type of food, local demand, farming subsidies and trade barriers. These global surpluses are constantly searching for alternative markets and often cause imbalances in, and damage to, local industries and farming communities in the unprotected markets they choose to enter. The product dumping in the domestic poultry and sugar markets in recent years is an example of this phenomenon. In parallel, the rapid increase in food production and a decrease in food diversity, driven by changing consumption patterns, is negatively affecting the environment. Loss of biodiversity, depletion and pollution of fresh water sources, degradation of soils and a rise in greenhouse gases, are contributing significantly to climate change and undermining food security. As a business we have a responsibility to reduce the environmental impact of our operations whilst meeting the growing needs of our population.

THE THREAT OF MALNUTRITION REMAINS, DESPITE AN ABUNDANCE OF FOOD

There is strong evidence that the world produces enough food, yet we operate in a context within which 27% of South African children under the age of five are stunted, at least two million people have only one meal a day, and nearly 63% of people aged 15 and older are obese*, making them vulnerable to non-communicable diseases. As our population grows and the demand for food increases, we have a unique responsibility to nourish people according to their needs.

INCREASING REGULATORY INTERVENTION AND COMPLIANCE

Escalating regulatory and compliance demands present risks and associated costs for the business. Key recent regulatory and policy developments include the Health Promotion Levy, brining regulations, limitations placed on salt and sugar in foodstuffs, increased requirements in terms of labelling of products, and increasing food safety regulations. It is our responsibility to keep abreast of these developments, engage with regulators, contribute through thought leadership where appropriate, and ensure compliance, whilst managing impacts on revenue growth and cost efficiency.

** Stats SA: South Africa Demographic and Health Survey 2016*

CHANGING CONSUMER BEHAVIOURS AND TASTES

A growing demand for convenience foods

The ever-increasing demands on our time have steered the evolving trend towards ready-made, added-value and pre-prepared convenience meals and snacks. Most of our retail and foodservice customers are capitalising on this by introducing a plethora of new products and ranges to attract consumers. We have the opportunity to utilise our strong base, modern technology and pipeline of innovation to participate and win in this environment.

Health conscious consumer

Consumers, especially in more affluent markets, are becoming more health conscious and are demanding more choice. They require healthier food options and the accommodation of dietary, allergy, religious and social preferences. This has led to an explosion of trends such as sugar-free, gluten-free, banting, raw foods and others on retailers' shelves. Our product offering must continue to take cognisance of these changing preferences.

Socially connected and digitally savvy consumer

Consumers are directing more spend online, particularly through mobile channels. Globally, footfall in malls has decreased markedly. Our traditional channels to market are expanding. Technology is also enabling customers to interact directly with retailers and with each other, providing powerful platforms for price comparisons, information sharing and brand manipulation. The data gathered from online interactions provides compelling insights and allows companies to rapidly tailor their offerings to capitalise on emerging trends. We must ensure that we participate in these trends and develop new channels and direct engagement with consumers to protect and grow our brands.

Social and environmentally conscious consumer

Consumers are placing increasing importance on companies' impact on and contribution towards the environment, economic development and communities. There is a growing preference for products that are responsibly sourced and companies that contribute meaningfully to society. Activism by other stakeholders emphasises the need for performance in the triple context of economy, society and environment. Our Sustainable Business Drive is gaining momentum and we continue to direct our strategies towards creating a secure future for our business.

GROWING PRESSURE ON FOOD SYSTEMS

Although the world produces enough food to feed the current population, a third of food produced is wasted and food security remains an issue. With global populations expected to reach 9,2 billion by 2050, more people are going to need to be fed with fewer resources, which means that we need to transition to a sustainable food system, finding new ways to grow, produce and consume food for the good of people and the environment.
RCL FOODS has a unique opportunity to see and do things differently through Our Sustainable Business Drive.

OUR BUSINESS AT A GLANCE

OUR BUSINESS PROFILE

RCL FOODS is a leading African food manufacturer, producing a wide range of branded and private label food products which we distribute through our own route-to-market supply chain specialist, Vector. With R16,2 billion in market capitalisation and over **20 000 employees**, we are one of the top 100 companies listed on the JSE.

Our strategy is founded on a clear sense of who we are and where we are going as a business. We aim to create the future Our Way – driven by Our Passion and Our Ambition and guided by Our Values.

OUR PASSION

MORE FOOD TO MORE PEOPLE, MORE OFTEN

We believe in doing more... with a single-minded passion to provide more food to more people, more often. We believe that by nourishing people while sustaining our resources, everyone wins. Communities will be enriched, employees inspired and our customers and shareholders will enjoy the benefits.

OUR AMBITION

To build a profitable business of scale by creating food brands that matter

The key to our strategy is to build **brands that people love** – brands that make an impact on their lives and cater to their needs.

OUR STRATEGIC THRUSTS

Our Passion and Ambition are enabled by six strategic thrusts:

- Grow through strong brands
- Partner with strategic customers
- Extend our leading value chain
- Inspire great people
- Expand into the rest of Africa
- Drive sustainable business

Our Strategic Thrusts from page 30

OUR VALUES

Four powerful values drive the way we do business:

- Respect for people
- Uncompromising integrity
- Seeing and doing things differently
- Act responsibly

OUR WAY

Inspired by Our Passion and Our Values

Our unique RCL FOODS culture is at the heart of our strategy, brought to life in Our Way – the key behaviours that inspire the way we work and create value.

- MORE IMPACT
- MORE OPEN
- MORE BRAVE
- MORE SPEED
- MORE CURIOUS
- MORE YOU

OVER **240** OPERATIONS ACROSS SOUTH AFRICA AND AFRICA (including joint ventures)

Our Structure from page 8
CFO Report from page 56

MORE THAN **20 000** EMPLOYEES

WITH MORE THAN **20** OF SOUTH AFRICA'S MUCH-LOVED BRANDS

Our Brands from page 10

60 million CASES DELIVERED ANNUALLY BY VECTOR, OUR ROUTE-TO-MARKET SPECIALIST

The businesses that form RCL FOODS share deep South African roots, dating back over 120 years.

1891 A small family-owned flour mill was established in Pretoria. Today it is the centre of our Milling operation.

1916 Our first animal feed mill was built. Today we are one of the leading manufacturers of animal feeds.

1960 Rainbow Chicken started its operation on a humble farm in Hammarsdale, with its first processing plant being commissioned soon after.

1965 Our first sugar mill began processing sugarcane in Malalane. Today we are one of the biggest sugar producers in South Africa.

RCL FOODS is built on strong strategic acquisitions making it one of the largest food producers in South Africa.

1989 Rainbow Chicken Limited was listed on the JSE.

2004 Vector Logistics was acquired with the strategic intent of controlling and optimising the outbound supply chain.

2013 Foodcorp, one of South Africa's largest food producers, was acquired.

Our company name changed from Rainbow Chicken Limited to RCL Foods Limited.

2014 The leading sugar producer, TSB Sugar was acquired.

A 49% share of Senn Foods Logistics, a Botswana-based logistics company, was acquired.

A new BEE transaction was implemented.

2016 A 33.5% stake in Ugandan poultry operation, HMH Rainbow, was acquired.

2018 A 50.0% stake in Matzonox, a waste-to-value operation, was acquired.

Driehoek Voere, a producer of game, ruminant and horse feeds, was acquired post year-end.

OUR KEY STAKEHOLDERS

Our stakeholders play an important role in helping us achieve Our Passion.

- Communities
- Consumers
- Customers
- Employees
- Government
- Investors
- Media
- Suppliers

Our Stakeholders from page 24

RESOURCES WE USE TO CREATE VALUE FOR OUR STAKEHOLDERS

We are committed to creating and sharing value for and with our stakeholders, and we do this through the six capitals.

FINANCIAL CAPITAL

Our assets, net debt and shareholders' interest, which are managed to sustain the ongoing financial demands of our operations and provide the capital for future growth.

SOCIAL AND RELATIONSHIP CAPITAL

Our ongoing relationships with stakeholders to strengthen our network, create shared value and reinforce our licence to operate.

MANUFACTURED CAPITAL

Our physical infrastructure available to us for use in the production and distribution of our products.

NATURAL CAPITAL

Guided by Our Sustainable Business Drive, we strive to apply alternative business models in our consumption of natural resources in order to achieve energy-sufficient, water-smart and waste-free operations.

HUMAN CAPITAL

Our skilled, experienced and motivated people that enable our business growth and value creation.

INTELLECTUAL CAPITAL

Our organisational knowledge, including systems, procedures and developed intangibles.

Our Business Model from page 12

OUR MATERIAL RISKS

Key risks that have the potential to impact our ability to create value and achieve Our Passion.

- Revenue pricing pressure
- Commodity input cost fluctuations
- Supply chain business interruption
- Food and product safety
- Climate change
- Customer relations and brand preference
- Non-compliance with laws and regulations
- Information security
- Regulatory intervention and policy uncertainty
- Fraud and corruption

Our Material Risks from page 16

OUR BUSINESS AT A GLANCE

VALUE WE CREATE

FOR OUR CONSUMERS

Our brands are well entrenched with our consumers, with most of them holding market lead positions

#1 YUM YUM, NOLA, OUMA, catmor, Bobtail, CANINE CUISINE

Our diverse and affordable product offering has seen our RCL FOODS Consumer volumes grow **4.1%,** ahead of **total market's 1.6%** (Ask'd)

FOR OUR EMPLOYEES

We're passionate about training, developing and growing our people **R39,9 million** spent on training **11 000 people**

133% increase in the number of employees registered on apprenticeships or learnerships

130 Graduates have entered our Management Trainee Programme over the last three years

FOR OUR COMMUNITIES

Established and launched our DO MORE FOUNDATION a separate non-profit organisation that will enable us to **#DoMore** for impoverished communities through partnerships with government and business

DO MORE FOUNDATION

R15,4 million invested in community development CSI programmes

More than 846 000 tons of cane delivered by our community-based joint ventures

FOR OUR SHAREHOLDERS/DEBT-PROVIDERS

We delivered a total of **R841,8 million in dividends to our shareholders over the past three years**

We paid a total of **R315,1 million in interest in 2018**

FOR OUR ENVIRONMENT

29% increase in the amount of renewable energy created

9% decrease in the amount of municipal water used

Achieved **A-rating** in the Global Carbon Disclosure Project (CDP)

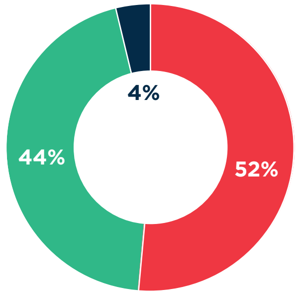
OUR BUSINESS AT A GLANCE

OUR STRUCTURE

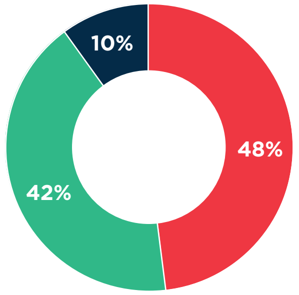
In line with our strategy, we have transformed from four separate businesses (TSB Sugar, Rainbow Chicken, Foodcorp and Vector Logistics) into a single, integrated RCL FOODS – with three divisions, supported by common functions.

Support is provided to our three divisions in common strategic and operational areas which are managed by human resources, finance, IT and the CEO's office.

REVENUE



EBITDA



EMPLOYEES

46%

33%

19%

2%

Consumer · Sugar & Milling · Logistics · Group

CONSUMER DIVISION

Our Consumer division produces a wide range of quality culinary, pet food and beverage products through its five business units – Chicken, Grocery, Pies, Beverages and Speciality. Our Foodsolutions service channel spans across the Group, providing dedicated support to customers in the foodservice industry.

1 MEGA GROCERY plant producing culinary and pet food products

Nearly **150 tons** of mayonnaise sold everyday

1 GROCERY plant producing Ouma rusks

Over **400 SPECIALITY** product lines

1 PIE factory

Over **300 000 PIES** sold daily

2 BEVERAGE FACTORIES – fresh and ultra-high temperature (UHT)

4 SPECIALITY factories

5 CHICKEN processing plants

20 million CHICKENS on the ground at any given time

Over **180 CHICKEN** farms and hatcheries

SUGAR & MILLING DIVISION

Our Sugar & Milling division produces a number of consumer staples and animal feed products within its three business units – Sugar, Millbake and Animal Feed.

1 FLOUR MILL the largest single-site flour mill in South Africa

550 000 tons of flour and maize milled each year

3 MOLASSES-BASED feed mills

7 BAKERIES

720 000 LOAVES of bread baked daily

Recognised as a **LEADING MANUFACTURER** in animal feed

67 000 HECTARES of irrigated cane producing approximately **700 000 tons** of **SUGAR PER YEAR**

3 SUGAR mills

1,2 million tons of animal feed produced per year

5 GRAIN-BASED feed mills

One of the **LARGEST SUGAR PRODUCERS** in South Africa producing **1/3 OF SOUTH AFRICA'S** sugar output

5,5 million tons of cane crushed per year

LOGISTICS DIVISION

Our Logistics division (Vector) provides RCL FOODS and numerous third parties with multi-temperature warehousing and distribution, supply chain intelligence and sales solutions. In addition to facilitating our own integrated supply chain, Vector has partnered with several leading food manufacturers, foodservice customers and retailers to distribute food products on their behalf across Southern Africa.

13 DISTRIBUTION sites

Over **6 000 CUSTOMER** drop points

Over **340 DISTRIBUTION** vehicles

6 PLANT-BASED cold stores

Storage capacity for over **100 000 PALLETS**

60 million CASES delivered annually

NATIONAL FOOTPRINT extending into Namibia and Botswana

Responsible for **100%** of **PICK n PAY'S FROZEN PRODUCT** distribution

Nearly **570 000 tons** transported annually

OUR BUSINESS AT A GLANCE

OUR BRANDS

Our ambition is to build a profitable business of scale by creating food brands that matter. We will do this by building a diverse portfolio of strong brands, allowing us to increase our market share in existing categories and to find new consumers in new categories and markets. Since our integration into ONE RCL FOODS, we have seen our brands grow – with some becoming market leaders in their respective categories.

OUMA

Number 1 Rusk in the market

Source: Aztec Report June 2018

9 500 kg consumed everyday – making it one of the most popular biscuits in South Africa

Selati
Inspired by Nature

Number 2 brand in the **sugar category**

Source: Aztec Report June 2018

Provider, supporter, partner and mentor in the Nkomazi and Pongola communities. Approximately **R285 million** in turnover was generated by small-scale growers through the supply of approximately **510 000 tons** of cane to our sugar mills in Nkomazi

Read more in the Sustainable Business Report available on our website www.rclfoods.com/financial-results-and-investor-presentations-2018

Number 1 brand in the peanut butter category

Source: Aztec Report June 2018

9 out of **10 people** recommend YUM YUM

Source: Home Tester Club

YUM YUM

850 young children at ECD centres in SA have benefited from a healthy snack of Monati and Yum Yum daily

Read more in the Sustainable Business Report available on our website www.rclfoods.com/financial-results-and-investor-presentations-2018

Bobtail

FELINE CUISINE

CANINE CUISINE

Number 1 in the premium dog food segment in retail – in less than 3 years

Source: Aztec Report June 2018

Number 1 brand in **mayonnaise category**

Source: Aztec Report June 2018

Nearly **150 tons** of mayonnaise **sold per day**

NOLA

SUNBAKE
Happiness in every bite

did more this year by giving back more than **R2 million in prizes** to its loyal supporters through the 2018 Super School Challenge

PIEMAN'S

was voted *CALTEX FRESH STOP* Supplier of the Year 2018

HOW WE OPERATE

OUR BUSINESS MODEL

Guided by Our Passion and underpinned by Our Values, we strive to create value for our stakeholders through the manufacture and distribution of a wide range of branded and private label food products. In line with our business model, our business activities centre on growing our revenue and profit across both our core and added-value categories, through the effective and balanced use of our capitals.

HOW WE DO BUSINESS :

MAXIMISE PROFIT IN OUR CORE CATEGORIES

These provide us with a wide range of consumer touch points and are the main staples on which we build our added-value portfolio.

ROUTE-TO-MARKET

Provide our products with an integrated route-to-market solution through our Logistics division.

ACCELERATE GROWTH IN OUR ADDED-VALUE CATEGORIES

Enable higher margins through brand differentiation and bring higher growth through innovation and brand penetration.

NEW CATEGORIES

Expand into new added-value categories which will facilitate our move towards a more balanced, higher-margin, higher-growth portfolio.

THE RESOURCES WE USE TO CREATE VALUE / THE OUTCOMES IN 2018

FINANCIAL CAPITAL

The resources we use to create value

- Market capitalisation of R16,2 billion
- R627,7 million re-invested in the business
- Finance income of R62,6 million
- Funding facilities available of R4,8 billion, of which R2,9 billion has been utilised

The outcomes in 2018

- R1,3 billion operating profit
- R1,8 billion cash generated by operations
- Return on invested capital 8.1%
- Net borrowings to shareholders' equity (gearing): 29.1%
- R837,7 million headline earnings
- 13.4% share price growth
- R304,6 million dividends paid to shareholders

MANUFACTURED CAPITAL

The resources we use to create value

Over 240 operations across South Africa and the rest of Africa providing goods and services for our three divisions, supported by our national office in Durban. These operations include:

- Rearing, laying and broiler farms and hatcheries; processing plants; and groceries operations in our Consumer division;
- Sugar mills, bakeries, flour mills and animal feed mills in our Sugar & Milling division; and
- Cold storage sites and distribution facilities in our Logistics division

The outcomes in 2018

- R814,9 million capital investment in fixed assets
- R72,5 million invested in acquisitions of businesses
- R26,4 million invested in associate
- 2,7 million tons of chicken, sugar, animal feed, milling and grocery products sold
- 60 million cases delivered
- 58 million litres of beverage product sold
- 49 million units of speciality product sold
- 194 million loaves of bread sold

HUMAN CAPITAL

The resources we use to create value

- A workforce of 20 581 people with relevant skills, knowledge and experience
- A strong leadership team, driving a unique, high-performance culture according to Our Way and Our Leadership Standards
- A strong focus on employee skills development, including leadership development

The outcomes in 2018

- R4,4 billion paid in wages and benefits
- R39,9 million invested in training and development
- 11 000 people upskilled and trained
- 931 artisans and apprentices employed
- 130 young graduates added to our Management Trainee Programme (over the last three years)

SOCIAL AND RELATIONSHIP CAPITAL

The resources we use to create value

- Our commitment to improving the lives of the communities in which we operate includes:
- Collaborative partnerships between government, business, NGOs and NPOs;
- Promoting enterprise development through the purchase of goods and services from B-BBEE accredited suppliers; and
- Supporting sustainable farming programmes and inter-connected business models that empower communities to support themselves

The outcomes in 2018

- Launch of the DO MORE FOUNDATION – a separate non-profit organisation dedicated to undertaking the RCL FOODS CSI agenda
- R15,4 million invested in community programmes and CSI initiatives
- 704 small-scale vegetable farmers assisted
- 510 000 tons of cane delivered by small-scale growers
- R758 million goods and services purchased from B-BBEE suppliers
- R180,4 million tax paid
- R27,2 million skills development levy paid

NATURAL CAPITAL

The resources we use to create value

- 687 GWh electricity consumed which includes sum of cogen, solar, biogas and municipal
- 173 455 tons coal consumed
- 16 456 kℓ diesel consumed
- 5 972 mℓ municipal water consumed
- 133 304 mℓ natural water abstracted

The outcomes in 2018

- 1 197 593 Total greenhouse gas emissions (tons of CO_2 equivalent)
- 596 mℓ municipal water reduction largely driven by new business model in chicken
- 13 GWh municipal electricity increase mainly due to increased electricity usage in irrigation pumps
- 30 013 tons of coal decrease driven by sugar mills (more and drier bagasse therefore less coal required) and new chicken business model
- 178 GWh renewable energy generated which includes cogen, solar and biogas
- 6 407 tons waste converted to value at our waste-to-value plant in Worcester
- 2 502 tons waste recycled, consisting of plastic, paper, cardboard, timber and scrap metal

INTELLECTUAL CAPITAL

The resources we use to create value

- Research and development (R&D) investment ensures that we provide our consumers with the best quality products
- Our commitment to food safety and quality is assured via international standards bodies
- Our commitment to creating food brands that matter has driven brand investment and grown our market share
- IT is a fundamental enabler in creating ONE RCL FOODS, optimising resources and unlocking business value through integrated platforms

The outcomes in 2018

- R6,6 million invested in R&D
- 100% of our sites certified by international standards bodies for food safety
- R34,1 million invested in IT systems and infrastructure

HOW WE OPERATE

OUR SUSTAINABLE BUSINESS DRIVE

Our Sustainable Business Drive, framed in the model below, is aligned to our business strategy and addresses our sixth strategic thrust – "Drive Sustainable Business". The stories on the following page are some of the highlights of the Sustainable Business Drive, whilst a full account of our progress is provided in the Sustainable Business Report, available at www.rclfoods.com/financial-results-and-investor-presentations-2018

OUR SUSTAINABLE BUSINESS DRIVE is about **CREATING THE FUTURE**. Underpinned by **OUR PASSION**, it sets out **OUR RESPONSE** to the most critical social and environmental challenges we face. **OUR SUSTAINABLE BUSINESS DRIVE** enables us to **SECURE THE FUTURE** for our business, while establishing **COMPETITIVE ADVANTAGE** in a fast-changing world.

MORE FOOD NOURISHING PEOPLE More nutritionally creative solutions	MORE PEOPLE ENRICHING COMMUNITIES More socially creative solutions	MORE OFTEN SUSTAINING RESOURCES More environmentally creative solutions
1 MORE NUTRITIOUS PRODUCTS We will provide more nourishing food, better value and greater choice to all people – educating our consumers on the benefits of a balanced diet. **Ambition** To lead the promotion of nutrition with innovative product solutions in the context of a balanced diet.	**1 MORE INSPIRED EMPLOYEES** We will build a unique organisation where work is safe, fun, meaningful and enriching in a way that unlocks the potential and creativity of our 20 000 people. **Ambition** To become THE place to work by building a compelling RCL FOODS culture.	**1 MORE ENERGY SELF-SUFFICIENT OPERATIONS** We will invest in energy sufficient operations and support the generation of renewable resources at a rate greater than we consume them. **Ambition** To become an energy self-sufficient business.
2 MORE NUTRITIONAL THOUGHT LEADERSHIP We will strive to become a trusted source of influence in food policies, regulation and food labelling development. **Ambition** To lead the promotion of nutrition through influencing policy development.	**2 MORE ECONOMICALLY DEVELOPED COMMUNITIES** We will drive an inclusive business agenda through land reform and new inter-connected business models. **Ambition** To become THE trusted business partner for economic development in the communities in which we operate.	**2 MORE WATER-SMART OPERATIONS** We will invest in water-smart operations and influence local government and other key stakeholders for collective solutions in the higher risk areas. **Ambition** To become a water-smart business that continually seeks new ways to reduce, reuse and "create" water.
3 MORE BASIC NUTRITION FOR CHILDREN We will drive awareness of the basic nutrition challenges for children through collaborative multi-stakeholder partnerships aimed at addressing nutritional stunting. **Ambition** To lead the promotion of nutrition for children through collective action against stunting.	**3 MORE SOCIALLY DEVELOPED COMMUNITIES** We will drive social upliftment of our communities through a dialogue approach – understanding their needs and partnering with like-minded organisations to find solutions. **Ambition** To become THE respected business partner for social development in the communities in which we operate.	**3 MORE WASTE-FREE OPERATIONS** We will invest in new business opportunities that turn our waste into value (through circular economy principles), and minimise our waste to landfill. **Ambition** To become a waste-free business that continually seeks new ways to turn waste into value.

UNDERPINNED BY NEW DISRUPTIVE MODELS IN DEVELOPMENT

ACHIEVED AND SUSTAINED BY STRONG WIN-WIN MULTI-STAKEHOLDER PARTNERSHIPS

Leave No Young Child Behind

27% of South African children under the age of five are physically and cognitively stunted as a result of chronic undernutrition and a lack of proper care in the crucial 'first 1000 days' of childhood. Through the DO MORE FOUNDATION, the non-profit organisation which we founded a year ago to DO MORE for young children, to ease hunger, and to support youth, we are driving a multi-partner initiative called Leave No Young Child Behind in the Nkomazi community near our Malalane mill.

To help deliver on the national integrated Early Childhood Development (ECD) policy, the DO MORE FOUNDATION is facilitating collaboration between government departments, municipalities and NGOs to take action around five key issues: food and nutrition, health, early learning, parenting, infrastructure and services for children. RCL FOODS is taking the lead in the nutrition agenda, providing 850 children with a nutritious daily snack of Monati porridge and Yum Yum peanut butter at 25 ECD centres, while also supporting these centres through funding, training and social support.

Leading the Change in Agriculture

In our Chicken agricultural operations, we continue to drive our Women in Agriculture programme which was established in 2015 to create an environment conducive to the attraction, empowerment and retention of women in the male-dominated field of agriculture. The main focus of the programme is to identify, attract and retain women through empowering, developing and mentoring them to be confident in all aspects of their lives.

We support a solid network where women can connect in order to inspire each other and celebrate their unique contribution in a safe and nurturing environment, underpinned by the motto "I Am A Woman, I Will Make A Positive Difference".

Some 28% of female managers within our Chicken agricultural operations have now participated in the Women in Agriculture programme, which has played a key role in increasing the percentage of women in agricultural leadership positions from 12% to 30% in six years.

Giving Waste Value in Worcester

Our first waste-to-value plant was constructed and commissioned at our Worcester chicken processing plant in 2017. The plant treats about 2 600 kilolitres of effluent per day from our Chicken processing plant, converting 30 tons of waste organics into biogas using a biological (anaerobic digestion) process and discharging 90% cleaner water.

So far we have generated 8 539 376 kWh of renewable power, reducing our dependence on coal power by 30%. We are also using some of the treated water on site for non-human applications and have eliminated the need for further chemical treatment before discharging the rest via the municipality. The model has been so successful that we are planning to construct a second, even larger waste-to-value plant at our Rustenberg Chicken facility in the 2019 financial year.

HOW WE OPERATE

OUR MATERIAL RISKS

Identifying and evaluating key risks and opportunities across our business is fundamental to our business activities and supports our strategy. Our risk management processes are conducted in line with the RCL FOODS Risk Methodology and are monitored by the Board through its Risk Committee. Our risk management processes are effective in continuously assessing risks and opportunities and in ensuring that they are managed in line with business strategy.

A number of key external factors have amplified the material risks that RCL FOODS is exposed to. These factors include, but are not limited to an intensely competitive operating environment, political uncertainty, volatility in the macroeconomic environment and increasing regulatory intervention.

Key Insights

The Listeriosis outbreak in South Africa has been a significant event resulting in financial and reputational consequences for our business. The increased focus on food safety from a public and government point of view has resulted in an elevated risk rating for Food and Product Safety Risk in our business. In addition to our current level of resilient food safety controls, we have invested in additional processes and technology to further enhance the safety of our products. These key initiatives and mitigations will be essential in re-building consumer confidence and proactively responding to any new regulation government may issue in this regard. The Listeriosis crisis is a reminder of the continually evolving and dynamic risk landscape we are exposed to.

The material risks for RCL FOODS, presented below, have been prioritised on an inherent basis (i.e. according to the likelihood and impact of the risk and in absence of mitigating controls). These risks are based on Risk Committee views and were derived through a series of risk workshops and interviews.

Read more about our risk management process in the Corporate Governance report available at www.rclfoods.com/financial-results-and-investor-presentations-2018

MATERIAL ISSUE 01 REVENUE PRICING PRESSURE

We have been challenged by continued poultry imports into South Africa, high levels of sugar imports, increased competition, consumer pressures and changes in government regulations that restrict our ability to increase prices to recover input cost increases.

RISKS

- Oversupply of dumped chicken in the local market due to increased imports
- High levels of dumped sugar imports into South Africa driven by weak tariff protection and a stronger Rand
- Challenges in macroeconomic environment, resulting in consumer pressure.
- Increasing competitor activity

RISK RESPONSE STRATEGIES AND OPPORTUNITIES

- Continued focus on the revised business model for the Chicken business unit which is aimed at minimising exposure to low-margin commodity chicken
- Building our brands through innovation and marketing initiatives
- Emphasis on cost reductions and operational effectiveness
- Ongoing engagement with government to find appropriate solutions for all stakeholders
- Robust strategic planning that positions us to address pricing pressure risks proactively
- Establishing robust partnerships with key customers
- Growth outside South African markets in line with our strategy

STAKEHOLDERS

- Investors
- Government
- Consumers

STRATEGIC THRUSTS

- Grow through strong brands
- Partner with strategic customers
- Extend our leading value chain

CAPITALS

- Financial capital
- Manufactured capital
- Social and Relationship capital

MATERIAL ISSUE 02 COMMODITY INPUT COST FLUCTUATIONS

The cost of our products is affected by the cost of the underlying commodities and materials. Our exposure to commodity pricing risk is increased by currency fluctuations linked to political uncertainty, changes in global and local market conditions and adverse climate conditions.

RISKS

- Volatility of raw material prices due to exchange rate fluctuations
- Unavailability of raw materials in the local market

RISK RESPONSE STRATEGIES AND OPPORTUNITIES

- Clear procurement strategy in place, guided by the RCL FOODS' Procurement Policy
- Monthly meetings of Commodity Procurement Committee to review strategy, prices and mandates
- Monthly comparison of raw material prices against SAFEX market prices
- Annual external assurance performed on commodity procurement processes
- Strong governance and risk management principles applied and entrenched within business processes
- Opportunities constantly investigated for local supply of raw materials to reduce reliance on imports

For detail on commodity price activity, refer to the CFO's Report from page 56.

STAKEHOLDERS

- Investors
- Customers
- Consumers

STRATEGIC THRUSTS

- Grow through strong brands
- Partner with strategic customers
- Extend our leading value chain

CAPITALS

- Financial capital

MATERIAL ISSUE 03 SUPPLY CHAIN BUSINESS INTERRUPTION

Interruptions in the business' supply chain network, whether from physical disruptions, environmental and industrial action or supplier ineffectiveness, could negatively impact our ability to service our customers.

RISKS

- Fire in plant or warehouse
- Disease outbreak impacting our chicken flock
- Business interruption due to failure in critical equipment
- Labour unrest, prolonged strike action

RISK RESPONSE STRATEGIES AND OPPORTUNITIES

- Close engagement with external risk assessors and insurers to ensure that all facilities have adequate fire detection and prevention
- Adherence to good farming practices and extensive precautionary measures to ensure chicken flock health
- Implementation of enhanced biosecurity procedures in light of the outbreak of Highly Pathogenic Avian Influenza (HPAI) in Southern Africa
- Business continuity and disaster recovery plans in place to deal with major incidents or crises
- Strike action plans in place
- Continued focus on forging strong relationships with the unions of our different business units
- Internal and/or external certification of key suppliers, with regular monitoring of quality of material
- Business continuity plans in place for key suppliers

STAKEHOLDERS

- Investors
- Consumers
- Customers

STRATEGIC THRUSTS

- Grow through strong brands
- Partner with strategic customers
- Extend our leading value chain
- Inspire great people
- Expand into the rest of Africa

CAPITALS

- Financial capital
- Manufactured capital
- Social and Relationship capital

MATERIAL ISSUE 04 FOOD AND PRODUCT SAFETY

Products could potentially be subjected to food or product hazards if not managed within the supply chain. This could lead to reputational damage, product liability claims and product recalls. Food safety is of paramount importance in our business and we adopt a proactive approach in ensuring that food safety standards are met.

RISKS

- Failure to meet food safety and quality standards, resulting in:
  - potential product recall or returns
  - heightened expectations and oversight from key stakeholders
  - possible damage to brand reputation

RISK RESPONSE STRATEGIES AND OPPORTUNITIES

- Robust, comprehensive product quality processes and controls in place
- All food production sites either FSSC 22000 or ISO 22000 certified
- Food safety risks controlled by the Hazard Analysis Critical Control Points (HACCP) methodology across the supply chain, which manages food risks
- Regular audits performed by RCL FOODS' Safety, Health, Environment and Quality (SHEQ), internal audit, independent risk consultants, customers and independent standards authorities
- Enhanced cleaning and hygiene procedures entrenched in business processes
- Procedures in place to prevent product cross contamination
- Enhanced pathogen testing of products and processing environments
- Well-established withdrawal and recall procedures
- Proactive investments in capital expenditure for new processes, technology and equipment to further enhance our food safety

For more detail on how we responded to the Listeriosis outbreak, refer to the CEO report from page 50.

STAKEHOLDERS

- Investors
- Government
- Consumers
- Customers
- Media

STRATEGIC THRUSTS

- Grow through strong brands
- Partner with strategic customers
- Extend our leading value chain
- Expand into the rest of Africa
- Drive sustainable business

CAPITALS

- Financial capital
- Manufactured capital
- Social and Relationship capital

MATERIAL ISSUE 05 CLIMATE CHANGE

Extreme weather patterns and environmental degradation have the potential to significantly impact the entire value chain, from production through to distribution and sales.

RISKS

- We consider key environmentally-related risks including:
  - Constraints in energy and water supply
  - Regulatory risks associated with environmental legislation e.g. carbon taxes

RISK RESPONSE STRATEGIES AND OPPORTUNITIES

- Creation of a dedicated sustainability team to drive our sustainability agenda, focusing largely on energy and water
- Inclusion of Sustainability in Our Strategy, with progress against targets monitored by the Executives and Risk Committee
- Implementation of energy and water efficiency and conservation projects e.g. Worcester waste-to-value project successfully completed, with renewable energy output and quality of cleaned wastewater exceeding target

For information on other key sustainability initiatives and progress, refer to the Sustainable Business Report at www.rclfoods.com/financial-results-and-investor-presentations-2018

STAKEHOLDERS

- Investors
- Consumers
- Government

STRATEGIC THRUSTS

- Grow through strong brands
- Partner with strategic customers
- Extend our leading value chain
- Drive sustainable business

CAPITALS

- Financial capital
- Natural capital
- Manufactured capital
- Social and Relationship capital

MATERIAL ISSUE 06 CUSTOMER RELATIONS AND BRAND PREFERENCE

Pressure on key customers is increasing due to challenges in the macroeconomic environment. Changing consumer tastes, preferences and loyalty have heightened the risk of consumers shifting their preferences to competitor products.

RISKS

- Decrease in demand from key customers
- Loss of key customers due to customer pressures
- Increased competition resulting in declining share of product categories

RISK RESPONSE STRATEGIES AND OPPORTUNITIES

- Continuous monitoring of external market trends and collation of consumer and customer insights to develop category and brand strategies
- Continuous investment in R&D and product or brand development
- Building and maintaining trading relationships across all customers
- Development of joint engagement plans with key customers that include innovation development and customer service objectives
- Marketing and sales capabilities
- Innovation and value-added launches to drive and enable growth and differentiation
- Establishing, monitoring and enhancing relationships between our brands, customers and consumers to ensure value creation for all stakeholders

STAKEHOLDERS

- Customers
- Investors
- Consumers

STRATEGIC THRUSTS

- Grow through strong brands
- Partner with strategic customers
- Extend our leading value chain
- Expand into the rest of Africa

CAPITALS

- Financial capital
- Manufactured capital
- Intellectual capital
- Social and Relationship capital

MATERIAL ISSUE 07 NON-COMPLIANCE WITH LAWS AND REGULATIONS

Our operations are subject to various legislation and regulations that impact a broad spectrum of activities across our business. Failure to manage compliance in these areas may affect our reputation and result in fines and penalties.

RISKS

- Non-compliance with legislation and regulations, resulting in fines and penalties
- Possible reputational damage to brands and RCL FOODS' corporate brand

RISK RESPONSE STRATEGIES AND OPPORTUNITIES

- A Group Compliance Framework is in place to enable accountability for, prioritisation of and compliance with legislation
- Ongoing provision of targeted training and awareness across the business
- Appropriate policies, systems, procedures and reporting
- Appointment of skilled technical resources and consultation with subject matter experts
- Audits performed by various independent bodies on various aspects of food and safety compliance, accounting, tax etc
- Stakeholder communication team and strategy in place

STAKEHOLDERS

- Investors
- Government
- Consumers
- Employees
- Media
- Customers

STRATEGIC THRUSTS

- Grow through strong brands
- Partner with strategic customers
- Extend our leading value chain
- Expand into the rest of Africa
- Inspire great people

CAPITALS

- Financial capital
- Manufactured capital
- Social and Relationship capital
- Natural capital
- Intellectual capital
- Human capital

MATERIAL ISSUE 08 INFORMATION SECURITY

Growing reliance on technology is accompanied by a number of new operational, security and strategic risks for businesses.

RISKS

- Critical system downtime
- Cyber-attacks
- Unauthorised access and misuse of sensitive information

RISK RESPONSE STRATEGIES AND OPPORTUNITIES

Our Group controls for information security include, but are not limited to:

- Malware protection
- Network security
- Secure configuration
- Incident management
- Managing user privileges
- Ongoing training and raising awareness regarding information security
- Disaster recovery plans and back up strategies
- External assurance of Information Technology Governance Controls (ITGC) performed for applicable business units
- Insurance cover in place to offset potential losses from cyber risk incidents
- Periodic information security reviews including threat and vulnerability assessments

STAKEHOLDERS

- Investors
- Employees
- Consumers
- Customers

STRATEGIC THRUSTS

- Grow through strong brands
- Partner with strategic customers
- Extend our leading value chain
- Expand into the rest of Africa

CAPITALS

- Intellectual capital
- Human capital
- Financial capital
- Manufactured capital
- Social and Relationship capital

MATERIAL ISSUE 09 REGULATORY INTERVENTION AND POLICY UNCERTAINTY

The Listeriosis crisis has highlighted the need for an industry-wide framework relating to food safety and pathogen management. Fostering good relations with key stakeholders is key to finding joint solutions to current threats impacting our business model.

RISKS

- Heightened regulatory scrutiny
- Uncertainty around legislation at a national level e.g. food safety legislation
- Lack of coordinated communication between government and the food industry

RISK RESPONSE STRATEGIES AND OPPORTUNITIES

- Strong focus on developing positive and constructive relationships with government and other industry players (e.g. South African Meat Processors Association), in order for us to anticipate and respond to regulatory and policy developments
- RCL FOODS is appraised on updates to legislation and regulations through regular interaction with its corporate attorneys
- Strong drive to deliver on transparent and prompt communication with key stakeholders across various communication channels
- Proactive customer engagements to foster strong relationships
- Establishment of protocol at site level for dealing with impromptu government visits
- Head of legal services is responsible for communication and correspondence with government and media

STAKEHOLDERS

- Investors
- Government
- Consumers
- Customers
- Employees

STRATEGIC THRUSTS

- Grow through strong brands
- Partner with strategic customers
- Extend our leading value chain
- Expand into the rest of Africa

CAPITALS

- Financial capital
- Manufactured capital
- Social and Relationship capital

MATERIAL ISSUE 10 FRAUD AND CORRUPTION

In the South African context of widespread unemployment and economic challenges, fraud and corruption presents a key business risk to the company.

RISKS

The direct costs and implications of fraudulent behaviour include loss of assets, reputational damage, investigations costs and potential loss of current or future business

RISK RESPONSE STRATEGIES AND OPPORTUNITIES

- Corporate Code of Conduct and Ethics policy is in place, governing behaviour of employees, contracting with suppliers etc
- Anonymous tip-off hotline in place, with follow-up on all allegations.
- Standard financial, logical and physical access controls in place over cash and assets
- Focus on an integrated fraud and corruption risk management process (i.e. appropriate fraud and corruption prevention policies, awareness of the current fraud and corruption risk areas)

A total of 79 fraud allegations were reported and investigated over the last financial year via the anonymous tip-off hotline.

STAKEHOLDERS

- Investors
- Consumers
- Media

STRATEGIC THRUSTS

- Grow through strong brands
- Partner with strategic customers
- Extend our leading value chain
- Expand into the rest of Africa

CAPITALS

- Financial capital
- Manufactured capital
- Social and Relationship capital

HOW WE OPERATE

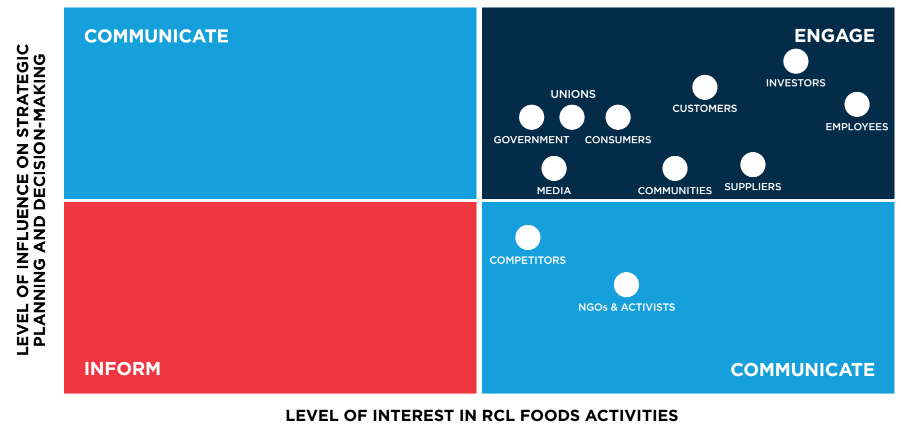
OUR STAKEHOLDERS

Each of our stakeholders plays an important role in helping us achieve Our Passion of providing "More Food to More People, More Often". This is because our relationships with our key stakeholders are critical to our ability to create meaningful value in the short-, medium-, and long-term. We believe that building a sustainable future for our people and business depends on establishing and growing strong stakeholder partnerships that generate shared value.

Our stakeholder engagement framework places strong emphasis on cultivating positive relationships, and where possible we strive to follow a partnership approach to drive business solutions jointly. In this context, we strive to ensure constructive and cooperative engagements characterised by openness and transparency; mutual respect; regular, structured interaction that is supportive and responsive; and a focus on outcomes (linked to business-critical aspects, national priorities and material issues for the business).

Our stakeholders, their interests and level of influence in the company's operations vary according to geographical location, business area, and the nature of their interest. We recognise that there is a broad range of stakeholders with an interest in our business, our products, activities and initiatives, and also on whom our business has an impact.

Our stakeholder matrix below provides us with a foundation for our stakeholder engagement framework. Material stakeholders are mapped against their level of interest in RCL FOODS' activities, along with their level of influence in strategic planning and decision-making.



The following section provides a brief overview of our key stakeholder groups, what matters most to them, our response to their concerns, the value we create for them, and how we engage with them to address their material interests as effectively as possible.

COMMUNITIES

HOW WE CREATE VALUE

We strive to create value for our communities through:

- Investing in social development initiatives to improve the lives of people in the communities around our operations
- Empowering our community to support themselves by contributing to our value chain

HOW WE ENGAGE

- Social development initiatives undertaken by our separate non-profit organisation, the DO MORE FOUNDATION
- Economic development partnerships with our on-the-ground community partners
- Collaborative partnerships with NGOs, local government, community leaders and other businesses

KEY ISSUES

- Social development needs in the communities in which we operate, including early childhood development and nutritional stunting
- Economic development in our labour-sending communities, including empowerment of small-scale growers

OUR RESPONSE

- Leading the nutrition agenda on early childhood development and stunting programme
- Launching social and economic development programmes in the three big communities in which we operate:
  - Nkomazi smallholder vegetable farmer support programme
  - DoMore4Hammarsdale food and economic security programme
  - Worcester zero stunting initiative
- Through sustainable farming programmes and interconnected business models, we are empowering our communities to support themselves while contributing to our leading value chain through the supply of cane to our sugar mills

More information available in the Sustainable Business Report on our website

www.rclfoods.com/financial-results-and-investor-presentations-2018

CONSUMERS

HOW WE CREATE VALUE

We strive to create value for our consumers by:

- Providing a portfolio of leading brands that meet their needs
- Providing our consumers with safe and high-quality food products by implementing international systems and processes into all our facilities

HOW WE ENGAGE

- RCL FOODS consumer care line
- Various social media platforms
- Our website www.rclfoods.com

KEY ISSUES

- Product quality and food safety
- Product affordability
- Product convenience
- Commitment to and compliance with issues regulated by government (e.g. labelling, salt, sugar)

OUR RESPONSE

- Our consistent investment in our brands has led to pleasing market share growth

Grow Through Strong Brands from page 32

- Our ongoing commitment to food safety and quality has been further strengthened post the Listeriosis crisis

Chairman's Report from page 46
Our Material Risks from page 16
CEO's Report from page 50

- International Standards Organisation (ISO) principles are embedded in our integrated management systems which span the supply chain

CUSTOMERS

HOW WE CREATE VALUE

We strive to create value for our customers by partnering with them to meet their business needs and provide them with growth opportunities

HOW WE ENGAGE

- Our dedicated Customer Directors meet periodically with our customers' senior leaders
- Joint strategic business planning sessions

KEY ISSUES

- Product quality and food safety
- Growth and profitability
- Responsiveness
- Tailored sales solutions
- Mutually beneficial partnerships

OUR RESPONSE

- Leveraged our enhanced capabilities to provide our foodservice customers with a growing and profitable portfolio of solutions
- Implemented a single sales interface for customers that drives common ways of working across all customer teams with "best in class" service methodologies
- Technical expertise and support in Animal Feed and Industrial flour sectors
- Expanding our basket to offer a broader range of product solutions

Partner with Strategic Customers from page 34

EMPLOYEES

HOW WE CREATE VALUE

We are committed to creating value for our 20 000 people through:

- Employment opportunities
- Investing in training to build a high-performance culture
- Ensuring our employees' health and safety in the workplace
- Actively driving transparent and meaningful engagement with employee representative forums including the National Working Forum

HOW WE ENGAGE

- Regular management updates
- Employee surveys
- Regular internal newsletters, notice boards and communications
- Skills development and training
- Ongoing engagement with labour unions
- Employee tip-off hotline
- DO MORE FOUNDATION engagement

KEY ISSUES

- Career development and growth
- Education and training
- Diversity and equal opportunities in the workplace
- Constructive employee relations and engagement
- Employee wellness

OUR RESPONSE

- Our 2018 achievements in pursuit of our "Inspire Great People" strategic thrust highlight our commitment to building a community of inspirational and productive people with a common purpose

Inspire Great People from page 38

- Four key focus areas have been identified that facilitate our growth ambition and passion:
  - Develop leaders and grow talent
  - Culture and diversity
  - Collaborative employee relations and engagement
  - Employee health, safety and wellness

More information available in our Sustainable Business Report

www.rclfoods.com/financial-results-and-investor-presentations-2018

- Implementing our 'Total Rewards' strategy to ensure competitive remuneration.

More information available in our Remuneration Report

www.rclfoods.com/financial-results-and-investor-presentations-2018

GOVERNMENT

HOW WE CREATE VALUE

We are committed to supporting government in achieving the National Development Goals and other governance needs by:

- Contributing to the fiscal revenue
- Supporting the transformation agenda
- Operating our business ethically and ensuring good governance practices

HOW WE ENGAGE

- Direct engagement on key issues
- Joint planning sessions
- Meetings with local government
- Periodic reporting in the form of annual and interim reports

KEY ISSUES

- Ongoing compliance with regulatory frameworks
- Partnerships for joint solutions
- Employment creation and transformation
- International trade, level playing field for chicken and sugar industries

OUR RESPONSE

- We actively monitor all compliance requirements and engage extensively with government to understand any proposed changes

Chairman's Report from page 46

More information available in our Corporate Governance report

www.rclfoods.com/financial-results-and-investor-presentations-2018

- We have engaged extensively with government to highlight the plight of the chicken and sugar industries and find joint solutions

Chairman's Report from page 46

- With the support of the Department of Rural Development and Reform, our Sugar business unit partnered with small-scale growers in Mpumalanga to produce 510 000 tons of cane during the 2017/18 season

  More information available in the Sustainable Business Report

  www.rclfoods.com/financial-results-and-investor-presentations-2018

INVESTORS

HOW WE CREATE VALUE

We strive to provide our investors with value through:

- Consistent financial returns in the form of dividends and share price growth
- Effective management of our financial resources and appropriate capital allocation decisions

HOW WE ENGAGE

- Periodic investor briefings and site visits
- Regular engagement with investors, analysts and fund managers which includes stategy updates
- Direct engagement on proposed resolutions prior to annual and extraordinary general meetings
- AGM
- Dedicated investor section at www.rclfoods.com

KEY ISSUES

- Oversupply in the chicken and sugar markets and related regulatory environments
- Impact of sugar tax on sugary beverages
- Consumer demand

OUR RESPONSE

- Ongoing engagement with government and industry to find a suitable solution to excessive imports

Chairman's Report from page 46

- Moving towards a more balanced and diversified portfolio that incorporates higher-margin added-value components

CEO Report from page 50

- Hedging instruments purchased to manage exposure to raw material and currency fluctuations

CFO Report from page 56

MEDIA

HOW WE CREATE VALUE

We see the media as a partner in relaying relevant information to our broader stakeholder community

HOW WE ENGAGE

- Press releases
- Announcements
- Advertising
- Face-to-face and telephonic engagement
- Interviews with the CEO, CFO and other key executives
- Product launches
- Our website

KEY ISSUES

- RCL FOODS' operational and financial performance
- Current industry issues
- Corporate social investment initiatives
- Current consumer issues

OUR RESPONSE

- Enhanced media engagements through our dedicated communications department
- All queries are responded to within a specified period
- Access to the CEO and CFO for editors and journalists
- Increased participation in industry-related issues

SUPPLIERS

HOW WE CREATE VALUE

We strive to create value for our suppliers by promoting enterprise development through the purchase of goods and services from B-BBEE accredited suppliers

HOW WE ENGAGE

- Regular food safety audits at production facilities
- Regular review of suppliers in the market by performing analysis on spend categories and looking for new suppliers

KEY ISSUES

- Growth and development
- Business ethics
- Transformation and enterprise development
- Ability to supply to RCL FOODS

OUR RESPONSE

- Continued support to develop domestic farmers through interconnected business models

  Sustainable Business Report available on our website at

  www.rclfoods.com/financial-results-and-investor-presentations-2018
- R758 million goods and services purchased from B-BBEE suppliers

OUR STRATEGIC PERFORMANCE

PERFORMANCE HIGHLIGHTS

We remain focused on our key objective of building a profitable food business of scale, while staying conscious of our impact on society, our people, our shareholders and the environment. We aim to achieve our vision by continuously seeing and doing things differently; finding innovative and alternative models to achieve our goals in a competitive way; and implementing winning strategies across our six long-term strategic thrusts.

STRATEGIC THRUST	KEY ACHIEVEMENTS	
GROW THROUGH STRONG BRANDS	#1 MARKET LEAD POSITIONS (Bobtail, catmor, Canine Cuisine, Yum Yum, Pieman's, Number One, Nola, Ouma)	4.1% GROWTH IN RCL FOODS CONSUMER BASKET (AHEAD OF MARKET'S 1.6% GROWTH)
PARTNER WITH STRATEGIC CUSTOMERS	SUCCESSFULLY PARTNERED WITH PICK N PAY TO LAUNCH A DEDICATED FROZEN DISTRIBUTION NETWORK	10% GROWTH IN PIE VOLUMES
EXTEND OUR LEADING VALUE CHAIN	GOOD PROGRESS ON SAP ERP ROLLOUT	R136 MILLION NEW PET FOOD PLANT CAME INTO PRODUCTION
INSPIRE GREAT PEOPLE	R40 MILLION INVESTED IN TRAINING MORE THAN 11 000 PEOPLE	RECOGNISED BY THE COMMISSION FOR GENDER EQUALITY AS BEING A LEADER IN OUR SECTOR
EXPAND INTO THE REST OF AFRICA	FURTHER INFRASTRUCTURE INVESTMENTS WITHIN HMH RAINBOW IN UGANDA	CONTINUED TO PURSUE POSSIBLE OPPORTUNITIES IN THE REST OF AFRICA
DRIVE SUSTAINABLE BUSINESS	ACHIEVED 25% RATE OF ENERGY SELF-SUFFICIENCY THROUGH THE CO-GENERATION OF ENERGY	LAUNCH OF DO MORE FOUNDATION

OUR STRATEGIC PERFORMANCE

GROW THROUGH STRONG BRANDS

We own a large portfolio of leading brands in multiple product categories. Consistent investment in our brands to drive their market penetration and consumption enables us to grow our categories and market share even further. Our ability to produce product extensions and innovations to meet changing consumer needs further enhances our market leadership.

In the well-developed South African market, our strategy focuses on maximising the potential of our core categories and accelerating growth in added-value categories tailored for customer and consumer needs, in line with our business model. In this way we aim to grow ahead of the market in key categories while driving a steady and sustainable improvement in operating margin. We also look to acquire new brands and/or businesses to gain access to strategic new growth categories.

2018 ACHIEVEMENTS

- RCL FOODS' Consumer basket volumes grew at 4.1%, ahead of total market's 1.6% growth
- Our brand strategies and investment behind brands have strengthened our market share.
  - Nola, Yum Yum, Canine Cuisine and Catmor have grown their market share to become market leaders for the first time over a full 12-month period.
  - Bobtail, Ouma, Number One Mageu and Pieman's entrenched their leading status by remaining in the number one market position in their relevant categories
- Our pet food brands were a highlight for the year, with innovation driving strong gains.
  - 100 new SKUs were launched in pet food, including a range of exciting innovations such as treats, Bobtail's enhanced 2in1 kibble and our vet brand.
  - The commissioning of our new pet food plant has allowed us to introduce several varieties of products that were previously not available locally, including gravy-coated pellets, soft nuggets and pet food containing fresh meat. The offering is on par with the best internationally.
  - These new launches have been a great success, both from a marketing and execution perspective, culminating in market share increases of 2.1% and 6.0% across our dog and cat food categories respectively and pleasing volume growth of 3.5%.

2019 DELIVERABLES

- We will continue to focus on building strong brands across the portfolio.
- We maintain an intensive innovation programme and have invested in the technology and infrastructure to deliver a range of new products. Several product launches are planned for 2019 to entrench market positions and build momentum in groceries, beverages and pet food.
- Significant focus is being brought to digital transformation in the areas of: increased engagement through social platforms, stronger utilisation of data insights as well as e-commerce initiatives in partnership with Takealot and some of our key retail customers.

OUR STRATEGIC PERFORMANCE

PARTNER WITH STRATEGIC CUSTOMERS

We have mutually beneficial, strategic partnerships with customers in the foodservice industry – including Quick Service Restaurant (QSR) clients such as KFC, Nando's and Chicken Licken and retail customers such as Woolworths. Leveraging our expanded ONE RCL FOODS portfolio enables us to extend our existing foodservice customer relationships and to develop new ones.

We also have partnerships with various retail and wholesale customers for whom we produce and package customised, dealer-owned brands in categories such as sugar, chicken, mayonnaise, peanut butter and pet food. Here too we strategically pursue joint business partnerships with retailers in key categories where we have common growth and profitability ambitions.

2018 ACHIEVEMENTS

- Strong partnerships to grow our customers' businesses remained our key focus. We continued to drive growth by leveraging the capabilities of RCL FOODS to provide our customers with growing and profitable food solutions.
- The pie category has been a star performer and we have invested in turning this category around in a very competitive environment, with volumes growing by over 10% on 2017.
  - Understanding our customers' businesses and providing them with growth opportunities have been key drivers of our success.
  - Innovation, quality and customer profitability will continue to drive this momentum into 2019.
- The integration of our industrial sales team across RCL FOODS has been completed and we now have a strong basket of products, a national structure and capabilities to support the channel.
- Our Logistics division successfully partnered with Pick n Pay to launch a dedicated distribution network for the retailer's entire frozen basket of products, including the specialised ice-cream category.

2019 DELIVERABLES

- We will continue to work closely with key customers to find tailored solutions which will differentiate and grow their businesses. Our vast production facilities, investment in technology and service capabilities make us a significant partner in the retail channel.
- We have identified several new categories and technologies that we will be investing in during 2019. This will provide us with good growth, ensure that we remain market relevant and drive efficiency in our operations. This, in turn, will allow us to effectively support our customers' growth plans.
- Our partnerships with key customers will in the future extend to selectively participating in their online retailing platforms.
- We will continue to produce dealer-owned brands that make good business sense and promote winning partnerships with our customers.

OUR STRATEGIC PERFORMANCE

EXTEND OUR LEADING VALUE CHAIN

Our enhanced scale enables us to optimise resources and costs in key areas such as Finance, IT Resources and Systems, Strategic Sourcing, and People and Organisational Management. In addition, we leverage Vector's route-to-market capabilities (warehousing and distribution, call centres, sales and merchandising, and debtors and information management) across RCL FOODS with the intention of Vector influencing 100% of our route-to-market.

2018 ACHIEVEMENTS

- We maintained a continued focus on IT as a key driver in unlocking business value, through multi-year initiatives for integrating business platforms and profitability systems and aligning master data across all business units.
  - The programmes are all on schedule – SAP has been extended into the Speciality business unit during the financial year and further enhancements have been made to SAP in the Pies and Beverages business units.
  - Within Grocery, Enterprise Resource Planning (ERP) systems and processes have been aligned and improved.
  - We have made progress on our consolidated Baking ERP solution, which will continue into 2019.
  - The projects are delivering significant value by turning information into insights which are driving improved customer services and profitability.
- Our programme to align systems and structures in HR, Finance and back-office shared services, continued to deliver effeciences and sourcing benefits across the business.
- In our Consumer division, the new R136 million pet food plant in Randfontein came into production this year, enabling innovations that are helping grow our pet food category.
- New innovations in the Logistics fleet to transport super-frozen products (ice-cream) for Pick n Pay are positioning it well as the operator of choice in multi-temperature supply chain solutions.
- Within our Logistics division, we centralised all logistics activities into a single Control Tower which is expected to improve customer service and efficiencies.

2019 DELIVERABLES

- We will continue our focus on IT as a key driver to extract synergies and optimise the supply chain.
- Our ONE RCL FOODS journey will continue through enablement and transformation projects. These projects focus on entrenching and enhancing shared service centres and centres of excellence, utilising aligned systems and structures, and leveraging information and insights across the business.
- Our new asset care initiative that focuses on extracting value and protecting our assets through plant maintenance and effectiveness across all divisions will continue into 2019.
- Digital transformation opportunities will receive strong focus in coming years, with emphasis on employee engagement, consumer engagement and leveraging data insights to improve profitability.
- Logistics plays a pivotal role in delivering business benefits through "Extending our leading value chain". Several supply chain projects have been identified that will be work-in-progress in 2019 and we will continue to explore further initiatives in this regard.

OUR STRATEGIC PERFORMANCE

INSPIRE GREAT PEOPLE

Developing our internal talent and building leaders for tomorrow is crucial in achieving our growth ambitions and delivering on Our Passion. Our Leadership Standards capture the leadership attributes and behaviours we see as key in developing a performance-driven, organisation that combines excellence with a passion for innovation and inspires greatness in all its people.

2018 ACHIEVEMENTS

- Our continuous efforts to accelerate diversity in our business have earned us recognition from the Commission for Gender Equality for being a leader in our sector with a strong focus on development. We believe that transformation and diversity within our workforce are key drivers of sustainable operations. Highlights in 2018 were as follows:
  - The Women in Agriculture leadership development initiative continued to impact female leaders in the agricultural sector and encourage female advancement throughout the corporate structure.
  - Women with Drive, a programme providing driver training and practical experience to unemployed women, was implemented in the Logistics division.
- We continued to build our talent pipeline over the last three years:
  - 43% of our managers completed our Leadership Development Programme run in conjunction with GIBS
  - 130 graduates entered our Management Trainee Programme
  - 931 employees registered on SETA accredited learnerships, apprentices and internships
- R40 million was invested in training 11 000 people.
- Our relationships with our Union partners were strengthened further this year. There has been strong collaboration and partnerships between Unions and RCL FOODS to jointly fight issues and create awareness of factors such as dumping affecting the poultry and sugar industries.
- Multi-year wage agreements and continued conversion of casuals to permanent staff have been successful in bringing stability within our workforce.
- We have implemented our first large-scale employee survey, with high response rates and very positive feedback on our values and pride in RCL FOODS.
- We have made available a low-cost medical aid plan and health benefits to shop floor employees, with 1 080 people signing on during this financial year. We have also extended our health and wellness programmes with Financial Wellness awareness training.

2019 DELIVERABLES

- We will continue to focus on developing our home-grown, high-performing leaders for tomorrow and to build a strong and diverse talent pipeline with a focus on senior levels and critical roles.
- We will continue to work with our labour partners and employees to create strong relationships and stability through continuous, direct engagement and communication.
- We will continue to build an inclusive RCL FOODS culture – OUR WAY. We will continue to seek ways to bring OUR WAY to life and entrench our values and behaviours.
- Diversity and transformation are focus areas for senior levels within the organisation.

OUR STRATEGIC PERFORMANCE

EXPAND INTO THE REST OF AFRICA

Given the instability of the current political and economic environment in Africa, we have adopted a low-risk expansion strategy into the rest of Africa. This entails following our established customers into selected locations, entering into joint ventures with other established food and route-to-market players, and acquiring or establishing new businesses where appropriate to broaden ownership of our value chain.

2018 ACHIEVEMENTS

- We continue to pursue possible transactions in the rest of Africa, having narrowed our current geographical focus to mainly SADC countries. During the past year, we identified several potential transactions, some of which have not materialised and some which are still being pursued.
- We have restructured our activities within the rest of Africa, so that exports to these regions also fall within this strategic initiative. This has increased the alignment between our export efforts and potential transactions.
- As we enter new regions, we are placing specific emphasis on pursuing route-to-market acquisitions before making investments in other assets.
- In Uganda, we made further infrastructure investments within our associate, HMH Rainbow Limited (HMH), by constructing more chicken houses which will provide additional capacity.
- HMH has resumed exports into Kenya, mainly to supply South African customers as they enter the region.

2019 DELIVERABLES

- We will continue to pursue further opportunities in Africa, maintaining a cautious approach.
- We have acquired land in Botswana which will be utilised to build a distribution warehouse during the 2019 financial year.
- We are currently in the process of finalising the acquisition of a 45.0% shareholding in L&A Distribution (L&A). L&A is an FMCG distribution operation based in Lusaka, Zambia and will provide us with re-entry into the Zambian market.

OUR STRATEGIC PERFORMANCE

DRIVE SUSTAINABLE BUSINESS

To keep growing we need to stay relevant and keep providing solutions to the real needs of our people and environment. By finding new business models to meet the economic, social and environmental challenges that come our way, we will secure the future not just of RCL FOODS but of all our stakeholders.

Our work in this space is guided by our Sustainable Business Framework, which you can read more about in the Sustainable Business Report at www.rclfoods.com/financial-results-and-investor-presentations-2018.

2018 ACHIEVEMENTS

- We continue our journey towards energy self-sufficiency through our waste-to-value and other renewable energy projects.
  - We have achieved a 25% rate of energy self-sufficiency through the co-generation of energy at our Sugar plants, waste-to-value energy production in Chicken, and solar installations.
  - Our waste-to-value plant, which produces renewable energy from waste water at our Worcester Chicken processing plant, provided 30% of the entire manufacturing site's energy needs. Its waste water run-off was 90% cleaner and is being re-used for non-potable purposes on site.
  - The success of this project has prompted us to invest in a similar waste-to-value plant in Rustenburg in 2019, where we expect to provide 65% and 50% of the operation's energy and water requirements respectively.
- We are also focusing on becoming water smart by seeking new ways to reuse, reduce or create alternative water sources in our operations.
  - In order to improve resilience during times of drought and water shortage, our Sugar business unit is currently implementing a significant irrigation replacement programme, which aims to reduce our water usage by as much as 30%.
  - Logistics continued its focus on reducing water consumption with a R5,8 million investment in a combination of water saving measures to provide for all non-human water needs. The result has been a reduction of almost 50% in municipal water consumption at the Cape Town site.
- Our DO MORE FOUNDATION, a separate non-profit organisation was launched in July 2017.
  - The Foundation was established to enable participation of a broader group of stakeholders in our CSI agenda, which focuses on doing more for young children, easing hunger and supporting youth.
  - Since its launch, the Foundation's additional stakeholders' funding has significantly accelerated and amplified the impact on communities that we operate in.
- Through sustainable farming programmes and interconnected business models, we aim to empower our communities to support themselves while contributing to our leading value chain.
  - Our community-based joint venture (JV) companies delivered more than 846 000 tons of cane from more than 8 700 hectares of irrigated land.
  - More than R188 million was reinvested by 1 200 small-scale growers in their operations through our JV with Nkomazi small-scale growers (Akwandze Agricultural Finance).

2019 DELIVERABLES

- We will continue our journey towards energy self-sufficiency through our identified waste-to-value and other renewable energy projects.
- We will continue to explore alternative business models through new "disruptive" thinking and technology.
- We will continue to drive our DO MORE FOUNDATION, partnering with a variety of stakeholders to collectively "Do More".
- We believe that the food landscape will take a very different shape in the future, and we are preparing ourselves for this by actively looking into the future of food and the food technologies that are being developed.

OUR LEADERSHIP & REVIEWS

OUR LEADERS

JJ (Jannie) Durand (51)# **Non-executive Chairman** BAcc (Hons), MPhil (Oxon), CA(SA)

Appointed: June 2012
Directorships: Chief Executive Officer of Remgro Limited and currently a director of a number of companies including, Distell Group Limited, Mediclinic International Limited, RMI Holdings Limited and FirstRand Limited. Jannie is a Chartered Accountant and was previously the Chief Investment Officer of Remgro Limited. He was also previously the Financial Director and Chief Executive Officer of VenFin Limited. Prior to his appointment as Chairman, Jannie had served as a non-executive director of RCL FOODS since March 2010.

RV (Roy) Smither (73)*^# **Lead independent non-executive director** CA(SA)

Appointed: December 2008
Roy has a wealth of corporate experience, having served as a director and CEO of the ICS Group from 1987 to 1998 and as an executive director of Tiger Brands from 1998 to 2006. After leaving Tiger Brands he also served as a director on the board of many listed companies.

CJ (Cindy) Hess (42) *^ **Independent non-executive director** BCom (UWC), PGDA (UCT), CA(SA)

Appointed: February 2018
Directorships: Cindy has served as CFO at Media24 Holdings Proprietary Limited, Pioneer Food Group Holdings Proprietary Limited and Sea Harvest Holdings Proprietary Limited (now Sea Harvest Group Limited). She started her career at KPMG in 1999 and has since also held executive positions at Woolworths and within the Transnet Group and has served on several boards and committees. She also serves on the board of Sandown Capital Limited.

NP (Peter) Mageza (63)*# **Independent non-executive director** ACCA (UK)

Appointed: September 2009
Directorships: Anglo American Platinum Limited, MTN Group Limited, Remgro Limited, SAPPI Limited. Peter was formerly the Chief Operations Officer of the Absa Group. He is a Chartered Certified Accountant and a Fellow of The Association of Chartered Certified Accountants (ACCA) UK. He has gained extensive experience through holding various executive positions in the audit, financial services and the transport and logistics sectors.

DTV (Derrick) Msibi (49)* **Independent non-executive director** BBusSc (Hons), BCom (Hons), MCom, CA(SA)

Appointed: August 2013
Directorships: STANLIB Asset Management Proprietary Limited, STANLIB Wealth Proprietary Limited, STANLIB Collective Investments Proprietary Limited, Real People Investment Holdings Proprietary Limited, Real People Assurance Company Limited and Bakwena Platinum Concessionaire Company Proprietary Limited. Derrick is currently Chief Executive Officer of STANLIB Asset Management and Executive for the Asset Management Cluster of Liberty Group Holdings Limited.
He previously served as the Managing Director of Investment Solutions (now known as Alexander Forbes Investments) the investment services arm of the Alexander Forbes Group from 2009 to 2017. He was also joint head/leader of the Institutional Business Cluster of the Alexander Forbes Group. Derrick, a Chartered Accountant, serves on the boards and committees of entities forming the Asset Management Cluster of the Liberty Group. He is an Independent Investment Committee member of Trinitas Private Equity Fund and a board member of TSIBA Education, a scholarship-only tertiary institution registered with the Department of Higher Education.

MM (Manana) Nhlanhla (66)• **Independent non-executive director** BSc, MA (Information Science)

Appointed: May 2005
Directorships: Mion Holdings and all its subsidiaries, Vunani Fund Managers Proprietary Limited, Prospect Resources Proprietary Limited and Gold Circle Proprietary Limited. Manana's experience covers ten years of University Lectureship in Information Science, serving on various boards as non-executive director and currently as executive chairperson of Mion Holdings, a company she co-founded in 2003, based in KwaZulu-Natal.

GM (George) Steyn (59)^# **Independent non-executive director** BA (Law) LLB

Appointed: August 2013
Directorships: Du Toit Group Proprietary Limited (Chairman) and Kaap Agri Limited (Chairman). George has extensive experience in the retail sector, having joined the Pepkor Group in 1986 and has served as an Executive Director of Pep Retail Limited and Pepkor Retail Limited from 1991 to 2005 and as Managing Director from 2005 to 2011. He served as a non-executive director of Pepkor Retail Limited until 2015. George also farms in the Karoo and is actively involved in the broader community, and serves as Chairman of Stellenbosch University Council.

HJ (Hein) Carse (57) **Non-executive director** M Eng (US), MBA (UP)

Appointed: February 2013
Directorships: Air Products SA Proprietary Limited, eMedia Investments Proprietary Limited, Seacom Limited, Historical Homes of South Africa Limited. Hein joined Rupert International in 1996 and continued to serve the Remgro Group in the capacity of an Investment Executive of VenFin Limited until November 2009, when he assumed his current position as an Investment Executive of Remgro Limited. He has gained extensive knowledge through holding positions on various boards and committees during his career.

PR (Pieter) Louw (49) **Non-executive director** CA(SA)

Appointed: December 2008
Directorships: Various wholly-owned subsidiaries within the Remgro Group and Distell Group Holdings Limited. Pieter is a Chartered Accountant who qualified with PricewaterhouseCoopers Inc. in Stellenbosch before joining the Remgro Group in 2001. He is currently Head of Corporate Finance.

GC (Gcina) Zondi (45)^• **Non-executive director** BCompt (Hons), AGA (SA)

Appointed: July 2008
Directorships: Imbewu Capital Partners, Isegen South Africa, Container Conversions, Icon Construction, International Facilities Services (SA) and Hulamin Limited. Gcina is the founding Chief Executive and shareholder of Imbewu Capital Partners. He is a qualified General Accountant and is an associate of the South African Institute of Chartered Accountants. He has more than 18 years' experience in the private equity industry, of which six years were spent with Nedbank Capital Private Equity as a Private Equity Manager. Prior to joining Nedbank, Gcina completed his articles of clerkship at KPMG Durban and has also worked for Hulamin Limited in the finance division for two and a half years prior to joining KPMG.

M (Miles) Dally (61)^• **Executive director, Chief Executive Officer** BCom

Appointed: February 2003
Directorships: RCL Foods Limited and its subsidiary companies. Miles has over 30 years' experience in the consumer goods industry and served as Group Managing Director of Robertsons Holdings Proprietary Limited from 1995 to 2002. After the unbundling of Robertsons Holdings he accepted the position of Chief Executive Officer at RCL Foods Limited. Miles has previously served as the Non-executive Chairman of SC Johnson and Son South Africa Proprietary Limited as well as on the boards of the Consumer Goods Council of South Africa (CGCSA) and Umhlanga College.

RH (Rob) Field (47)^• **Executive director, Chief Financial Officer** CA(SA)

Appointed: July 2004
Directorships: RCL Foods Limited and its subsidiary companies. Rob is a Chartered Accountant who qualified with Deloitte & Touche in Durban. Prior to joining Rainbow in May 2003, he spent four years as Commercial Director of Robertsons Homecare Proprietary Limited.

* *Audit Committee (RV Smither, Chairman)*
# *Remuneration and Nominations Committee (NP Mageza, Chairman)*
^ *Risk Committee (GC Zondi, Chairman)*
• *Social and Ethics Committee (GC Zondi, Chairman).*

OUR LEADERSHIP & REVIEWS

CHAIRMAN'S REPORT

FINANCIAL PERFORMANCE

For the 2018 financial year, RCL FOODS reported EBITDA of R2 046,0 million (up 17.1%), headline earnings of R837,7 million (up 52.7%) or 96,8 cents per share (up 52.4%) and declared dividends of 40,0 cents per share (up 33.0%). Return on invested capital has improved to 8.1% (2017: 4.8%).

MARKET CONDITIONS

Weak domestic macro variables persisted throughout the 2018 financial year, manifesting in low economic growth and continued high levels of unemployment, indicating that economic recovery will be gradual. The 1% VAT (value-added tax) increase and higher fuel prices in the second half of the financial year have further impacted on disposable income and affected consumer demand. Some welcome relief came to the business in the form of lower input costs, as the effects of the 2016/2017 drought dissipated. This translated into lower revenue growth, but had a positive impact on margins. Competition remained vigorous across all our markets.

RCL FOODS lost approximately 5% of its breeding stock to Avian Influenza (AI) in the winter months. Whilst AI continues to pose a risk for all producers, we have mitigated future risk to volumes by further increasing bio-security and carrying surplus flocks.

The outbreak of Listeriosis in South Africa, which tragically resulted in more than 180 deaths earlier in 2018, was a major crisis for the local food industry and our country, and it remains so. RCL FOODS was drawn into the crisis amidst widespread public panic, uncertainty regarding the regulatory framework and pressure on government to identify the source of the outbreak. No trace of the ST6 "outbreak strain" of listeria was present at our Wolwehoek plant and since being cleared, we have introduced a variety of initiatives to restore consumer confidence in the Rainbow brand and the chilled processed meats category. Our Quality and Food Safety team together with our Processing team have implemented a raft of additional safety measures at our production facilities over and above the international food safety standards already followed. We are working closely with government and key experts to ensure that appropriate regulations are put in place to safeguard consumers going forward.

REGULATORY ENVIRONMENT

The local poultry and sugar industries have been exposed to unmitigated dumping of excess supply from foreign markets, which is destabilising these industries and threatening employment and their ongoing sustainability. The oversupply tends to come out of subsidised industries in these foreign markets, which makes it difficult to compete despite the efficient cost of local production. Finding alternative markets for local products is challenging, given that most markets protect their local industries against imports. Measures to safeguard these industries against unfair trade practices have been at the forefront of engagements between government and industry. We are also forced to look at a number of diversification options to lessen exposure to these commodity categories.

These events have a broader impact on society, besides the loss of employment and local industries. Nine years ago, in partnership with government, we put in place a very progressive land distribution programme with small-scale sugar growers as the beneficiaries. These small-scale growers have been successfully farming for us ever since. Sadly, declines in the sugar price this year of more than 20%, straight after a significant drought, imply that large areas of agriculture are currently not sustainable and our small-scale growers are key constituents of this group. These projects directly support between 2 000 and 3 000 family units in rural areas and they are vulnerable and under serious financial pressure. Alternative uses of sugarcane, such as in the co-generation of energy or the production of value-added products such as ethanol or bio-degradable plastics, are constantly being evaluated. However, these require an enabling regulatory environment in order to be economically viable.

We continue to participate in the fight against dumping, driving constructive engagement with government in a bid to find acceptable solutions to save the local sugar industry. The increased engagement and understanding among industry players and government, and the dialogue around the appropriate level of protection necessary to create a level playing field, are encouraging steps towards resolution of these issues.

The Health Promotion Levy – previously known as a tax on sugary beverages – came into effect in April 2018. It provides for a levy of 2,1 cents per gram of sugar in excess of 4 grams per 100 millilitres of sugary beverages. The market volatility created by the high sugar imports has obscured any impact from the levy. New sugary drink formulations and reduced size offerings may have a bearing on demand over the longer term, but the direct impact of the levy remains unclear to date.

Government introduced a 1% increase in the VAT rate from 1 April 2018. The Minister of Finance has instituted a review of zero rated items in order to relieve the resulting financial distress on low-income households. The Group is participating in this review process through its involvement with The Chamber of Milling and the South African Poultry Association.

DRIVING SUSTAINABLE BUSINESS

We are mindful that our long-term financial performance is dependent on doing business sustainably and that sound risk and governance structures are an essential foundation for the long-term success of RCL FOODS. We appreciate that to create a secure future in which we have a competitive advantage, we have to manage and protect our large and diverse value chain which extends from raw material production to our consumers and the communities within which we operate. We do this through Our Sustainable Business Drive which sets out our response to the most critical social and environmental challenges we face. It ensures that sustainable development considerations are integrated into our decision-making processes and that an appropriate balance is maintained between RCL FOODS' financial performance, its environmental responsibilities and the broad social benefit for the communities in which we operate.

Our Sustainable Business Drive is achieving success on many fronts. From an environmental perspective, our efforts to reduce our dependence on scarce natural resources by moving towards less energy and water-intensive operations and finding ways to reuse our waste are yielding great results. Our waste-to-value plant in Worcester is generating enough renewable energy to considerably reduce the plant's reliance on coal-based power. We are looking to expand on this success at other plants. Our Logistics operation in Cape Town has implemented measures to more than halve its water consumption, while water saving initiatives at our Sugar operations are continuing to make a significant positive impact.

On the social side, the DO MORE FOUNDATION, an independent non-profit organisation which we founded in July 2017 to drive our corporate social investment (CSI) agenda, has been making significant inroads. Through its facilitation of multi-stakeholder projects focusing on early childhood development, nutritional stunting and economic development in the areas around our operations, we are having a greater impact in addressing key social challenges and building stronger, more resilient communities.

CHAIRMAN'S REPORT CONTINUED

For more information on our broad range of social investments and environmental projects, refer to the Strategic performance section of the Sustainable Business Report on www.rclfoods.com/financial-results-and-investor-presentations-2018

INCREASING ENGAGEMENT WITH STAKEHOLDERS

We are part of a complex ecosystem and need to remain responsive to the needs of our various stakeholders. To do this, it is important for us to understand the issues affecting them and engage with them regularly on matters of mutual concern.

A resilient partnership between government, labour and industry is particularly important to ensure stronger local industries, and to protect and enhance employment wherever possible. Engagements between these participants have increased further over the past year as issues such as anti-dumping measures, sugar taxes, Listeriosis, job losses and the continued sustainability of local industries demanded inputs from all role players.

Building good relationships with our stakeholders enables us to anticipate and proactively respond to economic, social, environmental and regulatory issues. It is also key to strengthening RCL FOODS' position as a trusted and compelling corporate brand. To help us do this, we recently embarked on a project to source feedback from a broad range of stakeholders to understand how they see us currently and how they expect us to perform as a business. These insights will assist us to position RCL FOODS in the best way, strengthen the corporate brand and build trust with both our internal and external stakeholders.

For more information on our stakeholder engagement initiatives, refer to the stakeholder engagement section from page 24.

DIVIDEND DECLARATION

The directors have resolved to declare a final gross cash dividend (number 87) of 25,0 cents per share, which brings the total dividend for the year ended June 2018 to 40,0 cents per share (2017: 30,0 cents).

CHANGES TO THE BOARD

Ms Cindy Joy Hess was appointed as a non-executive director of RCL FOODS with effect from 23 February 2018. No other changes were made to the Board during the period.

PROSPECTS

The political and economic environment in South Africa remains uncertain and demand is expected to remain constrained. Our strong market share performance in key brands will continue to be supported by a solid pipeline of new product launches and extensions. We are more confident of our new Chicken model and expect continued growth, albeit off a depressed base. Our Sugar results will be dependent on the impact of the revised tariff implemented post year-end and the restoration of supply/demand balance in the local market.

The lack of clarity on land expropriation and equitable compensation, and consequently the effects thereof on the agricultural sector and RCL FOODS, adds to the complexity of our operating environment. We have a very successful history in this area, in partnership with government, through the land distribution programme of our Sugar business.

We believe that we are on track to establish a diversified food business of scale. We are confident with what we have achieved to date in terms of the establishment of RCL FOODS and in setting ourselves up for future success. Over recent years we have experienced a range of external impacts, ranging from a severe drought, to product dumping and disease. Despite these major influences, we have managed to put significant building blocks in place in our quest to build a platformed food business, providing a diverse range from commodity to highly specialised added-value products. Each of these external impacts have forced us to think differently, find alternatives, drive efficiencies and reduce costs. While there continue to be important forces such as lack of adequate protection that remain out of our control, our businesses have developed agility and adaptability, as well as resilience and a lean infrastructure. This positions us well to benefit from any improvements in our operating environment.

ACKNOWLEDGEMENTS

In conclusion I would like, on behalf of the Board, to extend our appreciation to our management team, employees, customers, government, suppliers and investors for their ongoing support. The commitment, dedication and loyalty of our employees and management team have made it possible for us to perform under challenging conditions and we recognise and thank them for that. We thank our shareholders who continue to put their trust in us. We also express gratitude to all members of the Board for their valuable input and guidance during the year.

JJ Durand
Non-executive Chairman

OUR LEADERSHIP & REVIEWS

CEO'S REPORT

INTRODUCTION

Despite continued challenging trading conditions and significant external impacts, RCL FOODS performed well to increase EBITDA by 17.1% to R2 046,0 million and return on invested capital increased to 8.1% (2017: 4.8%).

Guided by our Passion to provide "more food to more people, more often", RCL FOODS began a significant journey four years ago to build a business of scale by creating food brands that matter. Despite unfavourable macroeconomic conditions – including the prolonged drought, high levels of chicken and sugar imports, currency fluctuations and a depressed local economy – we have pursued our Ambition by steadfastly implementing our strategy of moving towards a more balanced portfolio with strong added-value categories and reduced exposure to commodity product lines. Our efforts in this regard resulted in us creating a strong foundation for growth during our first three years, putting us in a position to pursue our growth agenda more vigorously in the next chapter of RCL FOODS.

OUR FIRST THREE YEARS: BUILDING A FOUNDATION FOR GROWTH

Our first step towards realising Our Ambition was to consolidate our four separate businesses (Rainbow Chicken, Foodcorp, TSB Sugar and Vector Logistics) into a single, integrated food business of scale. Alongside this, we focused on putting in place the right strategy, organisational structure, leadership, people, culture, brand identity and systems to enable us to operate as "ONE RCL FOODS". In support of our growth agenda we also invested in developing our people, our leadership and our infrastructure, while realising opportunities and synergies across the business.

As we actively pursued our strategy of moving towards a more balanced portfolio with strong added-value categories and reduced exposure to commodity product lines, we also stabilised each of our category clusters to create a solid foundation for growth. This included restructuring our Chicken business unit to minimise its consequential chicken component (mainly IQF and other commodity lines); investing in pet food and beverages infrastructure to enhance our manufacturing capabilities in value-added products; resolving operational issues in Millbake, improving efficiencies in Sugar, consolidating our two animal feeds businesses into one business unit – becoming one of the largest animal feed businesses in South Africa; and enhancing our multi-temperature storage capacity in Logistics to facilitate a move to a customer-led model. The work we did in our first three years laid a solid foundation on which to grow further, in line with our strategy.

THE NEXT CHAPTER: FOCUSING ON SUSTAINABLE QUALITY OF EARNINGS

The next chapter of RCL FOODS' growth agenda focuses on sustainable quality of earnings off the more stable base we have created. This will require us to not only grow our profitability but to secure our future by remaining relevant and safeguarding the resources we use to create value.

Profitable growth starts with meeting the needs of our consumers and staying relevant in their lives. In this context, volume and market share increases are valuable indicators of how well we are doing. Having established a firm foundation for our brands in our first three years, solid brand strategies, strong customer partnerships and investment drove significant gains in the Groceries cluster during the 2018 financial year. The RCL FOODS Consumer basket grew 2.5% ahead of the total market in the last 12 months, according to a report by Ask'd (an independent research company that measures industry growth and trends, company performance and consumer dynamics) with our Nola mayonnaise, Yum Yum peanut butter, Canine Cuisine in premium dog food and Catmor in cat food becoming market leaders for the first time measured on a 12-month moving average basis to June 2018. Now that we have key infrastructure in place in all three of our divisions, we are exploring opportunities to drive further innovation in order to differentiate ourselves and increase our relevance in a competitive market. We also continue to explore the possibility of bolt-on-acquisitions that will further increase our relevance and expand our reach.

Our volume growth agenda is supported by our operations continuously focusing on working smarter and delivering efficiency improvements. Over the last year, we have delivered meaningful cost savings through specific initiatives in Logistics which included network redesign and hub and transport optimisation. Across the business, our many IT enabling projects have resulted in our doing business in a more connected, streamlined and intelligent way, providing insights into opportunities for better portfolio mix, cost savings across the value chain and better asset management. All of these initiatives will further assist us to maximise our return on invested capital.

To ensure that the above growth and earnings are sustainable over the long-term, significant attention is being paid to securing our future by making the best possible use of our resources whilst establishing and maintaining our competitive advantage. On the environmental front, we are ensuring that we reduce our dependence on scarce natural resources by moving towards less energy and water-intensive operations and finding ways to reuse our waste (including waste water). Examples of these include our new waste-to-value plant in Worcester which is reducing our dependence on coal-based power, and the innovative water-saving measures that have more than halved our municipal water consumption at our Logistics facility in Cape Town.

On the social front, we continue to drive meaningful development in the most vulnerable communities around our operations through the DO MORE FOUNDATION, an independent non-profit organisation that we founded a year ago to undertake our CSI agenda. Due to its ability to attract greater external buy-in and catalyse multi-stakeholder partnerships, the Foundation has significantly increased our ability to drive sustainable change in the areas of nutrition, early childhood development and youth. In monetary terms alone, this has resulted in a 50% increase in funds directed to key projects including the Leave No Young Child Behind initiative in Mpumalanga and the DoMore4Hammarsdale initiative in KwaZulu-Natal.

PEOPLE, THE KEY TO OUR FUTURE

With all this focused output geared to create a secure future for RCL FOODS, our people remain our key asset. Our recent employee engagement survey highlighted a strong resonance with our values as an organisation, as well as our CSI agenda, which provides a strong foundation for us to deliver on Our Passion as a strong, unified team. We are focusing on driving engagement in other key areas such as diversity, growth and development. Our continuous efforts to accelerate a diverse workforce has earned us Gender Commission recognition as a leader in our sector, with a strong focus on development. We are also placing an emphasis on growing a diverse pipeline of future leaders in the business through our highly successful Management Trainee Programme which has seen 130 trainees begin their leadership journey with us over the last three years. Across the board, we are also driving new ways of engaging with our people and entrenching our unique RCL FOODS culture through various channels and platforms.

All these initiatives are contributing to our efforts to maximise the potential of our assets, our people and our reach. The following section will deal in more detail with the financial aspects of our performance over the past year, but is to be read against the broader picture described above – our next chapter as ONE RCL FOODS.

For more information on our strategic initiatives, refer to the section on Our Strategic Thrusts from page 30.

CEO'S REPORT CONTINUED

OUR FINANCIAL PERFORMANCE

RCL FOODS' headline earnings for the year ended June 2018 increased 52.7% to R837,7 million (2017: R548,5 million). The improvement was driven by the recovery in the Chicken business unit, strong volume performances in the Dressings, Pet Food and Pies categories, lower interest costs and a tax credit related to an energy efficiency allowance in the Sugar business unit.

RCL FOODS measures its efficiency and effectiveness of capital allocation through return on invested capital (ROIC). ROIC for the period under review increased 3.3% to 8.1% (2017: 4.8%), largely driven by the improvement in underlying profitability. Significant focus is being placed on driving an improved return.

The 2018 financial year has presented significant challenges such as the impact of the Listeriosis crisis and AI on the Chicken business unit, and the impact of dumped imports on the Sugar business unit. Whilst these external factors have constrained what would have been an even more encouraging year, they have forced us to think differently, resulting in a more resilient RCL FOODS.

For more details regarding our financial performance please refer to the CFO's report, from page 59.

REVIEW OF OPERATIONS

CONSUMER

The Consumer division generated revenue of R12,8 billion (2017: R13,5 billion), down 5.4%. Despite the decrease in revenue, EBITDA increased by 94.5% to R985,2 million at a margin of 7.7% (2017: R506,5 million at a margin of 3.8%), benefitting from a R69,0 million improvement in the Groceries cluster and a R409,7 million improvement in the Chicken business unit.

GROCERIES (GROCERY, BEVERAGES, PIES AND SPECIALITY BUSINESS UNITS)

Groceries EBITDA rose 15.4% to R518,4 million at a margin of 9.0% (2017: R449,4 million at a margin of 8.2%). The result includes a R62,0 million provision for retrenchment costs in the Speciality business unit (related to the exit from the Prepared lines at the Bronkhorstspruit site) as well as gains on commodity procurement positions of R19,1 million (2017: R14,3 million loss) stemming from favourable sunflower and currency positions relative to the prior year. Excluding these two items, Groceries EBITDA would have increased 21.0% to R561,3 million at a margin of 9.7% (2017: R463,7 million at a margin of 8.5%).

The Groceries cluster had a solid year with excellent volume and market share growth. Apart from Sorghum and Beverages, all categories contributed strongly, benefitting from favourable commodity pricing and appropriate pricing strategies to enable growth in a subdued market. Despite a poor Beverages performance and a muted Speciality result, margins improved across the board, due to lower input costs, innovation, higher volumes and production savings.

The strong branded groceries performance was a highlight this year, given the deflationary environment, strong competition and no growth in the market. Our larger categories of Dressings, Pet Food and Pies managed market share gains and improved margins which is considered an excellent result, especially given the already high base in 2017. Key brands such as Nola mayonnaise, Yum Yum peanut butter, Canine Cuisine and Catmor have grown to become market leaders in their respective categories measured on a 12-month moving average basis to June 2018, whilst existing number one brands, such as Bobtail and Ouma, grew their market share further and entrenched their leading status.

Ask'd, reported in its June 2018 analysis that, even with the impact of the Listeriosis outbreak on the Chicken added-value range, the RCL FOODS Consumer basket growth was ahead of the Ask'd industry basket on the six- and 12-month rolling average basis. Volume growth over 12 months for the RCL FOODS Consumer total basket was 4.1%, relative to market growth of just 1.6%.

Pet Food volumes were a big driver following a strong innovation roll-out from the newly commissioned pet food facility. The facility has allowed us to introduce several varieties of products that were previously not available locally, including gravy-coated pellets, soft nuggets and pet food containing fresh meat. The offering is on par with the best internationally. The new products have not materially influenced the numbers for the financial year, given that the launch was in April 2018. Consumer acceptance to date of the new ranges has been very promising and we are optimistic about its prospects for the 2019 financial year.

Pies generated strong volume growth due to the successful execution of a range of initiatives implemented. In addition, effective cost savings initiatives have increased margins pleasingly. The business is rapidly gaining traction in the market and, together with what is now regarded as an appropriate cost structure, is well down the track in terms of improved performance.

Speciality's performance was disappointing, with both volume declines and under-recovery in price, especially in the Prepared lines. We are working closely with customers to restore the profitability and performance of this business unit. We have entered discussions with various stakeholders aimed at reorganising our manufacturing capabilities to allow for a more focused and sustainable approach going forward. We have decided, in consultation with our customers, to focus on our expertise to drive growth in the Bakery categories and to exit the Prepared lines. The restructuring will result in a disposal of the assets related to the Prepared lines in the 2019 financial year and move of the remaining operations at the Bronkhorstspruit facility to other Speciality sites. By refocusing the manufacturing capabilities, the smaller business will deliver a better return and be a more sustainable business going forward. A retrenchment provision of R62,0 million was raised in the current year.

Beverages remains a challenge, with profits down mainly due to volume pressure and lower prices arising from strong competition. Whilst new launches have been driving consumer interest in our brands, strong competition and an unfavourable mix weighted towards bigger packs have depressed margins. The business is receiving significant attention and a comprehensive plan of differentiation and innovation has been developed to extract value from our unique Ultra-High Temperature (UHT) capability.

CHICKEN

Chicken's EBITDA for the year improved 717.5% to R466,8 million at a margin of 6.7% (2017: R57,1 million at a margin of 0.7%). Chicken benefitted from the revised business model, improved pricing in the consequential chicken category, a decrease in input costs and a R101,4 million profit on sale of dormant farms resulting from the February 2017 Chicken restructure. The improvement in Chicken's underlying profitability was particularly pleasing considering weak consumer demand, the negative impact of AI and, significantly, the Listeriosis outbreak which had an estimated negative impact of R158,2 million for the period, of which R78,2 million related to once-off costs.

The changed Chicken business model has performed well and is on track to deliver what it set out to achieve – a more consistent profitable business with much less reliance on commodity cycle pricing. The changes have been significant, with production reduced from 4,8 million birds to 3,4 million birds per week and a substantial proportion of low margin consequential chicken being removed from the system as a result. Chicken's average margins have also improved since the implementation of the revised model. These changes, together with the related positive impact on consequential category pricing and lower input feed costs, have assisted to negate to some extent two major external impacts over the past year, those being AI and Listeriosis. RCL FOODS lost approximately 5% of its breeding stock to AI in the winter months, with a total financial impact estimated at R69 million. The estimated financial impact of the Listeriosis crisis of R158,2 million, is attributable to once-off costs of R78,2 million (net of insurance recoveries of R9,3 million) associated with the recall of our products and restoration of the Rainbow brand, with the remaining R80,0 million estimated as lost contribution. We are continuing to engage with insurers regarding our assets and business interruption policies response to the financial losses suffered due to the outbreak. It is worth noting that dumped imports remain a significant component of and issue for the local poultry market.

For more detail regarding the Listeriosis outbreak, please refer to the Chairman's Report from page 46.

SUGAR & MILLING

The Sugar & Milling division generated revenue of R13,6 billion (2017: R14,5 billion), down 6.2%, and an EBITDA of R869,0 million at a margin of 6.4% (2017: R1 036,1 million at a margin of 7.2%), a decline of 16.1%. The decline in profitability was mainly attributable to lower prices and adverse channel mix in Sugar, as well as operational challenges at Baking.

SUGAR

Despite a 6.3% increase in revenue, on the back of higher volumes post the drought, Sugar's EBITDA declined 44.0% to R284,1 million at a margin of 5.2% (2017: R507,0 million at a margin of 9.9%) driven by two price decreases in the local market and lower margins. The prior year result benefitted from the R138,1 million insurance receipt related to the Pongola silo, excluding which the EBITDA decline moderates to 23.0%. The Sugar operations experienced challenging market conditions in the period under review. Pleasing increases in production (volumes up 35.8% to 594 850 tons) and improved efficiencies were more than offset by low international prices, a relatively strong currency, and a significant volume of dumped imports. The abnormally high level of imports was initially triggered by a period without appropriate import tariff protection, though even after being rectified, the new tariff remains insufficient to stem imports. The imports are mainly due to surplus global stocks, as well as the effective subsidisation of sugar industries in competing world markets which enables dumping at reduced prices in South Africa. Locally, the need to establish import parity to quell imports and excess supply drove significant price decreases of more than 20% during the period. Imports displaced local production volumes forcing a change in the sales channel mix towards higher exports at lower international prices and hence margins.

Higher sugar yields and commensurate improved performance of the factories bode well for a profit recovery, should sugar prices and sales mix normalise. Adequate water supplies will also ensure that the recovery in sugar production is sustained into the next season. A recent acquisition in the sweetener category will give us the ability to extend our product range into the expanding low-carb and low-calorie segment.

World sugar surpluses are expected to continue for the foreseeable future, with significant potential overhang of stock from India, Europe and Brazil. In South Africa, after significant interaction with government, the Dollar-Based Reference Price, a component of the existing local market tariff, was updated in August 2018 (post year-end) which will provide the local market with additional protection from imports. A significant amount of imported stocks have built up during the period of inadequate protection, which still needs to work its way through the local market before any improvement in profitability can be expected in the Sugar business unit. There is a strong focus within Sugar to ensure the continued sustainability of the business and the industry. In addition, alternative products and uses are being considered, with a simultaneous focus on improving productivity and efficiency to reduce costs further.

CEO'S REPORT CONTINUED

ANIMAL FEED

Animal Feed remains a stable business with sound results. EBITDA of R319,5 million at a margin of 7.0% (2017: R245,4 million at a margin of 4.3%) increased by 30.2% driven by gains on our commodity raw material procurement positions during the year of R61,7 million (2017: R23,0 million loss). The R84,7 million improvement over the prior year was a result of gains on maize and currency positions due to higher maize prices and the weakening of the Rand relative to our positions. Excluding the impact of the above, Animal Feed's EBITDA declined 3.9% to R257,8 million at a margin of 5.6% (2017: R268,4 million at a margin of 4.7%).

This performance should be viewed against the substantial reduction in internal volumes due to the revised Chicken model and the temporary loss of key bulk external customers. We are pleased that these customers have since returned because of our superior product performance. A relentless focus on reducing costs as well as more favourable commodity input costs, assisted to partially counter the lower volumes.

The merger of Molatek and Epol created one of South Africa's largest animal feed businesses. Post the merger, Animal Feed is a well-settled business with a diversified product basket. There is a continuous focus on developing tailormade feed solutions to attract new customers, improve profitability and strengthen the brands. A clear strategy is in place to diversify and grow more animal feed categories and expand into new markets and geographies. A recent post year-end acquisition of a horse and game feed business, Driehoek Voere, will complement the existing product range. The business has a single mill in Vaalwater, Limpopo, and produces high roughage animal feed for a variety of domestic and wild animals under the well-known Driehoek, Equus, Lotmix and Winterveld brands.

MILLBAKE (MILLING AND BAKING)

The Millbake business unit generated an EBITDA of R265,4 million at a margin of 7.3% (2017: R283,7 million at a margin of 7.5%), down 6.5%. The business had a leadership change during this financial year and has set a clear recovery plan going forward.

The South African milling industry continues to be challenged by overcapacity and margins remain tight as a result. Our well-regarded brand, as well as targeted interventions, delivered increased Milling volumes, which also benefitted from lower commodity prices. However, we continue to run below optimal capacity and the focus remains on increasing volumes to improve efficiencies.

Baking's results were disappointing. Operational challenges including prolonged strike action as well as competitor pressure impacted volumes and margins. Rural bakeries have performed well while urban bakeries experienced strong competition. Quality issues have been resolved and efficiency and productivity issues are being fixed. More work needs to be done to position this business unit for the right level of growth and profitability.

We remain committed to the category and are evaluating options to grow volumes which will better utilise the excess capacity within Milling.

LOGISTICS

Logistics continued to trade in a tough environment over the past year, with substantially reduced internal volumes, specifically due to the Chicken restructure, which was further impacted by the Listeriosis outbreak. Foodservice's revenue has grown, with improved results across customer groups.

Gains in new business, as well as a concerted effort to right-size the business by taking out costs, resulted in a financial performance that is ahead of expectation and in line with the prior year. Logistics generated revenue of R2,0 billion, marginally down on the prior year, and EBITDA of R204,3 million at a margin of 10.3% (2017: R203,1 million at a margin of 10.0%), an improvement of 0.6%.

A key long-term contract with Pick n Pay was signed in the latter half of 2018 for their frozen category, including ice-cream. This assisted to partially offset the decline in Chicken volumes, as well as enhanced our capabilities to include super-frozen solutions going forward.

Cost containment initiatives, which resulted in meaningful cost reductions, were implemented spanning network redesign, hub and transport optimisation, as well as an investment in a consolidated supply chain Control Tower aimed at further improving customer service and operational efficiencies.

Logistics is well positioned to offer customers a multi-temperature route-to-market supply chain solution, including chilled, frozen and super-frozen temperature solutions. Further new business and strategic cost right-sizing opportunities are being pursued, to further mitigate the revised Chicken business model volume impact in the 2019 financial year.

CAPITAL PROJECTS

Investment in our assets and brands is key to support sustainable growth. Major planned projects in the 2019 financial year include a new waste-to-value plant in Rustenburg (R300,0 million), the relocation of the chilled cake and desserts operation within the Speciality business unit (R60,0 million) and investments behind the ERP implementations across the Group.

OUTLOOK

Whilst we are expecting the recent modest recovery in market volumes to continue, we acknowledge that trading conditions will continue to be challenging and the fight for market share will remain fierce.

The Consumer division will continue to drive its groceries brands and keep the momentum in market share growth through strong innovation and brand investment. Speciality is expected to become a smaller but more sustainable business. The revised Chicken model has delivered per expectation and substantial focus will be centred around restoring consumer confidence in the Rainbow brand following the Listeriosis challenge.

Government have responded to industry concerns in the local sugar market by implementing a revised Dollar-Based Reference Price, a component of the existing tariff. The positive impact of the tariff will only become evident once the excessive import stocks that have built up prior to the increased tariff being implemented have been sold through the market and the supply/demand balance restored in the local market. The Sugar business unit will continue to focus on ways to reduce costs as well as investigate alternative applications to ensure the business' long-term sustainability. We expect volume recovery at Milling to continue and for initiatives implemented at Baking to start bearing fruit.

Logistics will continue to seek new business and reduce costs. The various innovations in the business are positioning it favourably to recover from the volumes lost through Chicken's restructure.

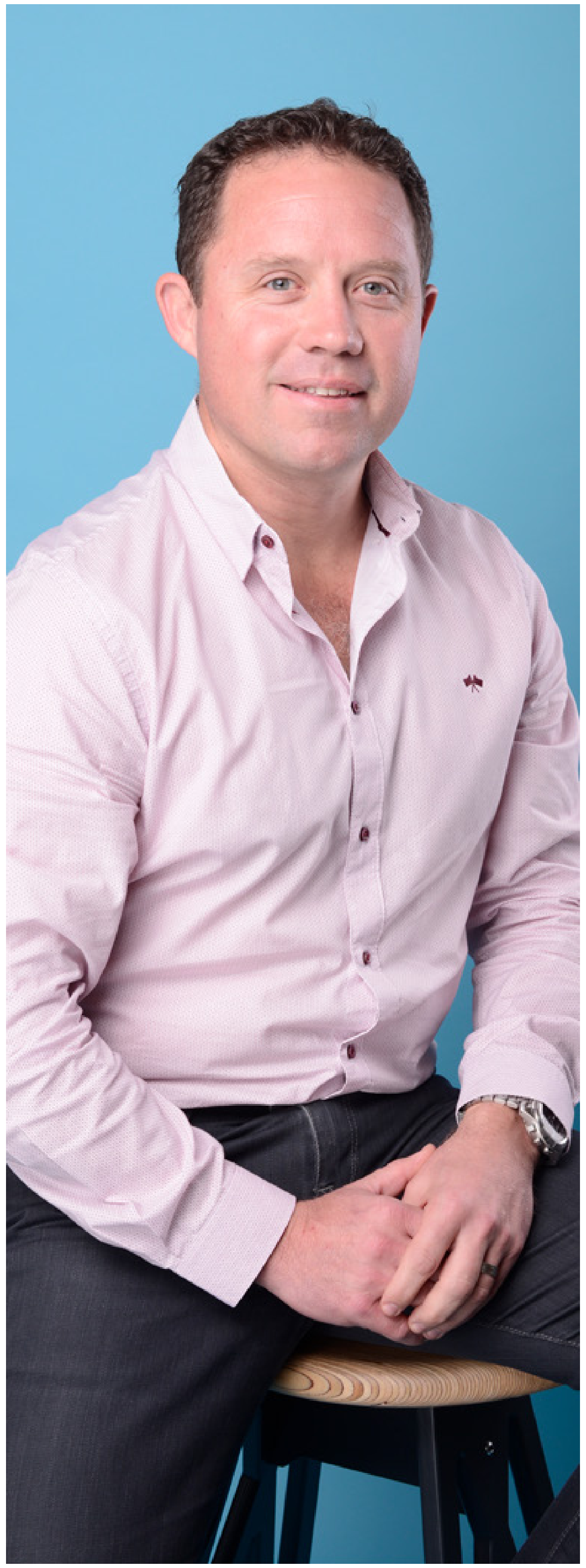
Our transformation into ONE RCL FOODS and the shared vision and commitment it has brought across all our businesses, has presented a host of synergies and opportunities that have exceeded our expectations. It has given us a solid platform from which to create value on our journey to building a food business with brands that matter.

I express my appreciation and gratitude to every ONE RCL FOODS employee, as well as all other stakeholders that continue to support our company, which will ultimately ensure that we all emerge from these challenging times with a stronger and more rewarding partnership.

Miles Dally
Chief Executive Officer

OUR LEADERSHIP & REVIEWS

CFO'S REPORT



OVERVIEW OF MARKET CONDITIONS

The global economic environment is challenging with geopolitical tensions (particularly between the US and its trading partners) setting the backdrop over the past 12 months. Despite this uncertainty, the global economy grew by more than 3% in calendar 2017 (the highest since 2011) and global growth remained steady into the first half of 2018.

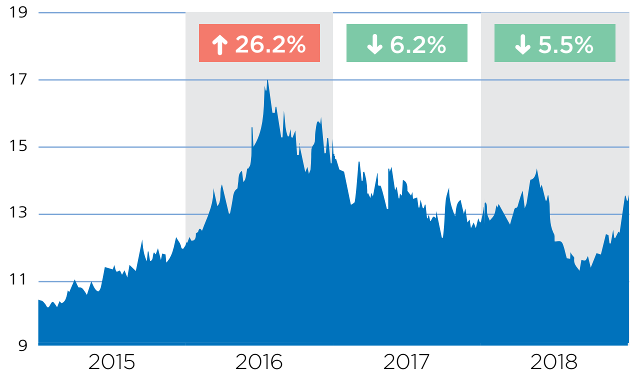
The Eurozone exhibited stability over the period and has staged a healthy recovery after years of uncertainty. American President Trump's corporate tax deal fuelled a boom in global stock markets as US-based companies improved profitability and produced better returns for shareholders. The Dow Jones Industrial index increased by 25% in 2017, whilst in Britain, the FTSE 100 (constituted largely by companies that earn most of their profit in foreign currencies) also surged on the back of stronger global growth. The US Federal Reserve's hiking cycle is under way with US treasury yields tracking higher and this has impacted on currency markets, particularly emerging market currencies. The Bank of England raised interest rates to a 10-year high in an attempt to curtail inflationary pressures post-Brexit. China has managed to maintain its economic expansion, reducing fears around a possible sharp slowdown as its economy settles after years of brisk growth. Concerns remain, however, around a Chinese adverse impact, as debt levels continue to rise.

Closer to home domestic inflationary pressures have eased with Consumer Price Index (CPI) reaching a low of 3.8% for the period under review. Much of the relief to the consumer has come from softer energy prices and lower food costs, as agricultural commodity prices eased after one of the worst droughts South Africa has experienced. The 2017 GDP figure was higher than expected at 1.5% despite the economy having started the year in a technical recession amidst bleak economic forecasts and an uncertain political climate. The fourth quarter of the 2017 calendar year experienced the highest growth rate of the year, with the economy expanding by 3.1% quarter-on-quarter. The strengthening in economic activity over the period was partly driven by the agricultural industry rebounding, rising by 17.7% in 2017.

The South African economy appears to be heading in a positive direction since the beginning of 2018, buoyed by a wave of positive local and international sentiment following the election of Cyril Ramaphosa. Credit ratings agencies, for now, appear satisfied that Ramaphosa's cabinet is committed to reducing corruption, curtailing unnecessary spending and improving revenue collection. The recent increase in VAT has been viewed as a necessary step in the right direction by many and

the re-constitution of State-Owned Enterprise boards has also been noted as a demonstration of an urgent commitment to action. Higher VAT and energy prices in the first half of 2018 have resulted in the CPI ticking up off the recent lows, however, the South African Reserve Bank (SARB) has kept rates unchanged and is expected to remain accommodative in the medium term. The Rand traded a little over a R3,00 range to the US Dollar through the course of the period in review, with local politics providing much of the impetus. Into 2018 and post the ANC elective conference the Rand has exhibited a welcomed degree of stability, trading largely between R11,50 and R12,50 to the US dollar over the first four months of 2018. Risks to the Rand include a surging US dollar and low local GDP. The pace of the US Federal Reserve's rate hikes will be a key determinant for emerging markets, impacting both currency and interest rates. The average Rand/Dollar exchange rate for this reporting period was R12,85 compared to the previous period of R13,59, an improvement of 5.5%.

EXCHANGE RATE (RAND/USD)



Source: Reuters

SOFT COMMODITY PROCUREMENT

Global soft commodity markets continue to be volatile with weather being the key driver of price. The demand and focus on crops for biofuel production is expected to both promote production and support prices going forward, whilst technological advancements in crop science will assist price stability.

The raw material volumes procured by the Group remained fairly consistent year-on-year. The Animal Feed business unit maize usage volumes reached 500 000 tons and soybean meal 180 000 tons. In the Millbake business unit, a total of 91 000 tons of white maize and 432 000 tons of wheat was milled. Approximately 90 000 tons of sunflower seed is used by the Grocery's business unit. Additional insights on these soft commodities for the period under review and into the new financial year are provided below.

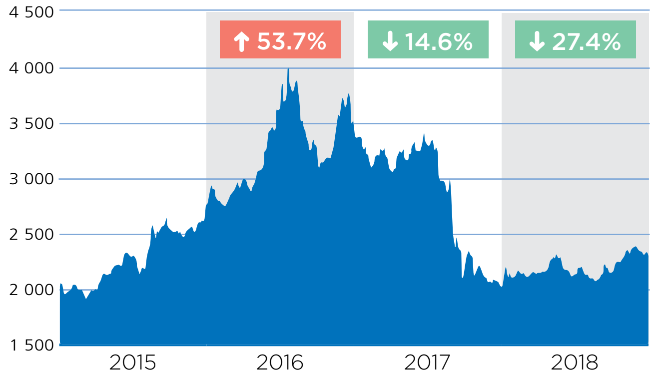
MAIZE (CORN)

After another record setting crop in the US, Chicago corn prices declined from $3,94 per bushel ($155/ton) to as low as $3,28 ($129/ton) during late August 2017. After remaining largely flat until the end of December 2017, the corn price rose, buoyed by higher crude oil prices (leading to higher input costs for upcoming planting seasons) as well as dry conditions in the South Americas. The price peaked at $4,12 ($162/ton) at the end of May 2018 following fears of delayed plantings in the US.

South Africa reaped a record maize crop of 16.8 million tons during the 2017 winter, after a near perfect growing season. The country was left with ample closing stocks, despite exports of more than two million tons during the 2017/2018 marketing season. After a concerning start to the 2018 growing season due to delayed rainfall, the climatic situation in the summer growing areas turned positive and another large crop of close to 13 million tons is expected.

The average SAFEX yellow maize price for this reporting period was R2 014/ton compared to the previous period of R2 773/ton, a decrease of 27.4%.

YELLOW MAIZE (R/TON)



Source: Reuters

SOYBEAN MEAL

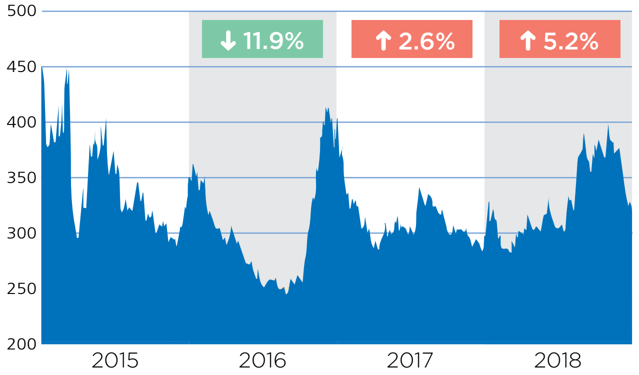
For the six-month period from July 2017 to December 2017, the spot price of soybean meal on the Chicago Mercantile Exchange (CME) remained in the relatively narrow range of $290 to $360 per short ton (pst) that extended back to the beginning of the 2017 financial year. The price subsequently rose rapidly to touch on $400 pst as the extent of the devastating drought in Argentina became apparent. Argentina typically dominates world soymeal trade at almost 50% of global supply. With over 80% of world soybean production being concentrated in the US, Brazil and Argentina, the crop failure in Argentina indicates upside price risk

CFO'S REPORT CONTINUED

should the upcoming US crop experience any adverse conditions. Another concern into 2019 is the tightening world and US maize stocks, giving support to soybean prices as the crops compete for planting area. The past two years has seen world demand for both maize and soybeans outstripping production.

The local soybean scenario has been favourable with the record crop of over 1.3 million tons in 2016/17 resulting in substantial substitution of imported soymeal with discounted local material helping to partially offset the increased import parity prices. The current harvest looks set to be another record at over 1,4 million tons which should continue to provide local crushers the opportunity to further displace imported soymeal. Despite the improvement in local crop production, we expect the positive local impact to be more than offset by global concern regarding soybean prices, particularly if we see a weaker Rand/Dollar exchange rate. The average Chicago soymeal price for this reporting period was $338/ton compared to the previous period of $321/ton, an increase of 5.2%.

CME SOYBEAN MEAL PRICE ($/TON)



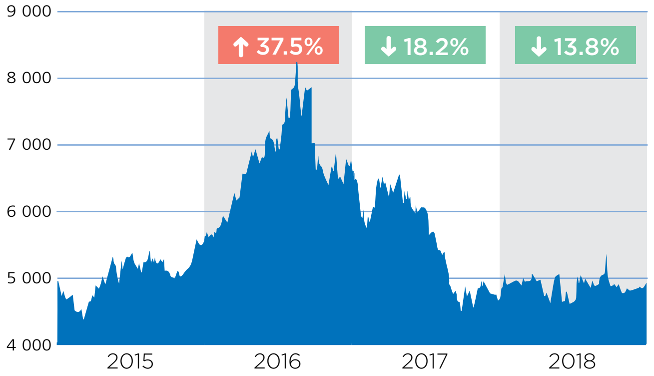
Source: Reuters

SUNFLOWER SEED

The local sunflower seed crop for 2017/18 was the highest since the record crop of 1999/2000, resulting in a substantial decline in local sunflower seed prices into the 2018 financial year. This positively impacted the season-ending stock, which was over 20% of domestic requirements. The 2018/19 crop is set to decline by 10% on prior year due to lower planting and stressed yields. The impact will result in tighter local stocks as the current seasons demand is likely to exceed production. We thus expect local sunflower seed prices to rise through the 2019 financial year, dependent on the projections for the next crop.

World sunseed production for 2017/18 was steady with the 2018/19 crop projected at a record 50 million tons mainly due to increased plantings in Ukraine and Russia. Imports into South Africa are likely to remain limited for the current season. The average sunflower seed price for this reporting period was R4 657/ton compared to the previous period of R5 404/ton, a decrease of 13.8%.

SUNSEED (R/TON)



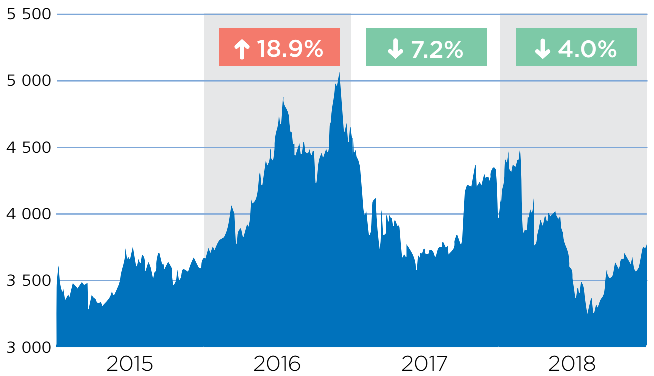
Source: Reuters

WHEAT

Local wheat prices were volatile and dramatically impacted by seven wheat tariff changes during the period under review, with wheat tariffs varying from a high of R947/ton to a low of R293/ton. The wheat tariff remains contentious due to uncertainty regarding the implementation date post the triggering of a new tariff. This creates market confusion as to what the applicable tariff is in the derived import parity calculation. The strengthening of the Rand also directly impacted wheat prices which peaked at R4 717/ton when the Rand/Dollar was R13,55 and bottomed at a SAFEX price of R3 545/ton when the Rand/Dollar was R11,54.

South Africa is a net importer of wheat and prices are therefore correlated to imported international wheat prices, the exchange rate and the derived inland import parity price (inclusive of the wheat tariff). Of the total supply, approximately 56% or 1,9 million tons of imports are required this season to balance the demand. The average SAFEX wheat price for this reporting period was R4 000/ton compared to the previous period of R4 168/ton, a decrease of 4.0%.

SAFEX WHEAT (R/TON)



Source: Reuters

SORGHUM

The decline in the sorghum hectares being planted over the past three years are reflected in a change to the market dynamics of the sorghum industry. The sorghum market competes directly with that of the maize meal market and with a price difference of over R1 000/ton, it is a challenging environment. The development of more drought and disease tolerant cultivars has also been slow when compared to maize. The local price has been trading close to import parity for most of the year. For the 2018/19 season South Africa will remain a net importer of some 80 000 tons of sorghum, most likely sourced from the US, as Australian sorghum is relatively more expensive.

PEANUTS

After the drought, the local peanut market produced one of the best years from a tonnage as well as a quality perspective. Compared to maize and other oilseeds, peanut prices remain favourable with above average hectares being planted in the 2017 year. Production estimates have been lowered recently and this is reflective of the less than perfect conditions to produce. South Africa is thus likely to remain a net importer for the 2018/19 season. Internationally the Argentine peanut crop was negatively impacted by the worst drought conditions in 40 years leading to their withdrawal from the international market.

FINANCIAL REVIEW

RCL FOODS' headline earnings for the year ended June 2018 increased 52.7% to R837,7 million (2017: R548,5 million). The improvement was driven by the recovery in the Chicken business unit, strong volume performances in the Dressings, Pet Food and Pies categories, lower interest costs and a tax credit related to a section 12L energy efficiency allowance in the Sugar business unit.

The second half of the 2018 year was negatively impacted by the Listeriosis crisis in the Chicken business unit, the second market price decrease of the year in the Sugar business unit and a R62,0 million provision for retrenchment costs in Speciality. Despite this, headline earnings for the second half of 2018 grew 40.4% to R193,0 million (2017: R137,5 million). Headline earnings for the first half of 2018 increased 56.9% to R644,7 million (2017: R411,0 million).

The current year includes positive adjustments on the Group's commodity raw material procurement positions, which improved EBITDA by R80,8 million (2017: R32,4 million loss). The gains arose in the Animal Feed (R61,7 million) and Grocery (R19,1 million) business units and stem mainly from gains on maize, due to higher maize prices, currency due to the weakening of the Rand relative to our positions and favourable sunflower positions.

Consumer's EBITDA for the period rose 94.5% to R985,2 million at a margin of 7.7% (2017: R506,5 million, at a margin of 3.8%). The result was driven by a recovery in the Chicken business unit, and gains in key grocery categories.

Groceries EBITDA rose 15.4% to R518,4 million at a margin of 9.0% (2017: R449,4 million at a margin of 8.2%). Despite slow market growth, the Grocery business unit grew volumes and improved margins on the back of lower commodity input costs and gains on commodity positions. Whilst Beverages remained under volume pressure, the Pies business unit focus on restoring volumes yielded an excellent result for the year. Speciality's result was impacted by volume pressure, particularly in the Prepared lines, with a decision to dispose of these lines taken in the 2018 financial year and a R62,0 million provision for retrenchment costs raised. The disposal is expected to be finalised in the 2019 financial year, and as such the assets relating to the Prepared lines have been classified as held for sale.

Chicken's EBITDA of R466,8 million at a margin of 6.7% (2017: R57,1 million at a margin of 0.7%) was up 717.5%. The result was driven by lower commodity input prices, higher consequential prices, the impact of their revised business model and a R101,4 million profit on sale of dormant farms (R88,8 million post-tax).

During the prior financial year, the Group took steps to further reduce its exposure to consequential chicken lines by reducing its Hammarsdale plant to a single shift from 1 February 2017, and took the decision to dispose of its Tzaneen chicken operation. The sale of the Tzaneen operation was completed in the current year.

FINANCIAL HIGHLIGHTS		2018	2017	%
Revenue	Rm	**24 426,0**	24 950,7	(2.1)
EBITDA	Rm	**2 046,0**	1 747,6	17.1
EBITDA margin	%	**8.4**	7.0	1.4
Operating profit	Rm	**1 270,3**	776,5	63.6
Operating profit margin	%	**5.2**	3.1	2.1
Net finance cost	Rm	**252,5**	332,7	(24.1)
Headline earnings	Rm	**837,7**	548,5	52.7
Headline earnings per share	cents	**96.8**	63.5	52.4
Capital expenditure (including intangibles)	Rm	**849,1**	834,5	1.7
Return on invested capital	%	**8.1**	4.8	3.3
Cash generated by operations	Rm	**1 784,6**	2 293,7	(22.2)

CFO'S REPORT CONTINUED

Sugar & Milling's EBITDA decreased 16.1% to R869,0 million at a margin of 6.4% (2017: R1 036,1 million at a margin of 7.2%) mainly due to the decline in the Sugar business unit and challenges experienced in Baking.

Sugar's EBITDA of R284,1 million at a margin of 5.2% was 44.0% lower than prior year (2017: R507,0 million at a margin of 9.9%). The decline stemmed from lower realisations, due to the two price decreases in the year and higher volumes of sugar being exported at lower margins, both arising in response to the impact of dumped imports in the local market. In addition, the prior year base included a R138,1 million insurance receipt related to the Pongola silo. Despite two industry price decreases during the financial year, the year-on-year net fair value adjustment on the sugar biological assets increased R19,3 million to a positive R6,3 million driven by improved cane quality and yields post the drought. The Sugar business unit shares in the sugar industry costs through an industry levy payable to SASA. Due to the significant decline in profitability in 2018 stemming from the sugar price decreases and sugar imports impact, SASA have reduced the industry levy fee payable by industry participants, as a form of assistance and funded the industry costs through short-term borrowings. The short-term borrowings will be repaid once the reduced levies are recouped from industry participants in the 2018/2019 sugar industry season. As such, the Sugar business unit still has an obligation for the 2017/2018 industry levies and have accrued for these costs in their 2018 results.

The Animal Feed business units' EBITDA increased 30.2% to R319,5 million at margin of 7.0% (2017: R245,4 million at a margin of 4.3%) due mainly to gains on commodity positions. The Animal Feed division has acquired a feed mill in Vaalwater post year-end, with the acquisition effective 2 July 2018. Refer to note 34 of the consolidated annual financial statements available on our website www.rclfoods.com/financial-results-and-investor-presentations-2018

There was a contrast in the performance of the Millbake operations, with an improved Milling result being offset by a decline in Baking, resulting in EBITDA decreasing 6.5% to R265,4 million at a margin of 7.3% (2017: R283,7 million at a margin of 7.5%). Higher volumes following targeted initiatives, combined with improved margins on the back of lower commodity prices drove a good Milling result. Baking experienced a challenging year, with a strike at the Rustenburg bakery, higher damages and returns as well as fierce competition contributing to the decline.

Logistics' EBITDA of R204,3 million, at a margin of 10.3% for the year was 0.6% ahead of last year (2017: R203,1 million at a margin of 10.0%). The muted growth was impacted by the restructure effected on 1 February 2017 within the Chicken business unit with the 2018 financial year representing the first complete year post the restructure. Despite this, Logistics mitigated the lost volumes from the Chicken business unit through cost saving initiatives and the conclusion of a long-term contract with Pick n Pay, which resulted in additional frozen food volumes through the network.

During the current year, the Group completed the acquisition of a 50% stake in Matzonox Proprietary Limited (Matzonox) for R56,3 million, a waste-to-value operation based at our Worcester chicken site. Matzonox's main operations include the processing of waste water from the chicken plant to generate electricity and to reduce effluent charges and it forms part of the Group's overall sustainability drive. Matzonox has been consolidated from October 2017 and contributed R9,1 million to EBITDA.

FINANCE COSTS

Net finance costs declined to R252,5 million (2017: R332,7 million) due mainly to an improved cash position driven by the favourable commodity positions and higher underlying profitability. In addition, in January 2017 the Group repaid its revolving credit facility (RCF) portion of the term-funded debt package of R498,0 million from available cash resources, with the 2018 year benefitting from a full 12 months without any RCF interest cost.

The Group's primary debt relates to the term-funded debt package implemented in February 2015. During the financial year, the Group paid interest at floating interest rates linked to JIBAR on R1 352 million of the package, with the remaining R1 500 million of the R2 852 million debt package hedged by an interest rate collar. A positive fair value adjustment on the collar of R2,0 million was recorded in the current year (2017: R7,7 million negative adjustment).

NON-CONTROLLING INTERESTS

The Group's non-controlling interests relate mainly to minority shareholding in the Sugar cane grower companies. As a result of price decreases in the local sugar market, the cane grower companies have posted consecutive losses with the minority shareholders share of losses added back in deriving the profit attributable to the equity holders.

The cane grower's companies are operated in partnership with growers in the local Nkomazi community as part of the sustainable land reform drive. These companies rely on funding for working capital, replant and fixed asset investment in order to operate, with the proceeds from the sale of their harvested cane being used to repay the funds advanced. The recent drought and low world sugar prices have placed significant strain on the profitability and liquidity of these entities. Management continue to engage with government on the implementation of a long-term funding solution for the cane growers and an appropriate tariff structure for the local industry to curb dumped imports, both of which are critical to ensuring the sustainability of these growers going forward.

EQUITY ACCOUNTED INVESTMENTS

ROYAL SWAZILAND SUGAR CORPORATION (RSSC) (SWAZILAND)

RCL FOODS' Sugar business unit increased its shareholding in RSSC from 27.4% to 29.2% in the 2018 financial year. RSSC's results for the year ended June 2018 were down due to conditions similar to those in the Sugar business unit. The after-tax contribution was R50,9 million (2017: R110,6 million). Imports negatively impacted on local market sales, while the sugar price decrease also significantly impacted the fair value adjustment on biological assets, with our share of the fair value adjustment being a negative R15,2 million in 2018 (2017: R30,7 million fair value gain).

AKWANDZE AGRICULTURAL FINANCE (AKWANDZE) AND MANANGA SUGAR PACKERS (MANANGA) (SWAZILAND)

Sugar & Milling's Akwandze and Mananga investments contributed a combined after-tax profit of R16,6 million for the 12 months to June 2018 (2017: R38,6 million), with the decline driven by the prevailing conditions in the sugar market.

SENN FOODS LOGISTICS (SENN) (BOTSWANA)

RCL FOODS has a joint venture with Senn in Botswana. Senn delivered another sound performance, with good growth in Nando's, new business from Famous Brands coupled with successful cost containment efforts in transport costs. Its after-tax profit contribution was R11,7 million (2017: R9,9 million). Senn has delivered consistent performance since the acquisition in 2014.

HMH RAINBOW (HMH) (UGANDA)

RCL FOODS has a 33.5% shareholding in HMH. HMH is a poultry producer operating a feed mill, broiler farms and processing plant in Uganda. The business delivered an improved performance over the period, with higher volumes stemming from the investment in additional chicken houses and increased exports to Kenya. Its after-tax profit contribution was R0,9 million (2017: R1,1 million loss).

TAX

RCL FOODS' effective tax rate for the period, excluding joint ventures and associates was 21.2% (2017: 27.4%). The 2018 effective rate was reduced by the R64,0 million tax credit received in respect of a section 12L energy efficiency allowance and dormant farm sale profits which were taxed on a capital gains tax basis.

STATEMENT OF FINANCIAL POSITION

Key statement of financial position items are highlighted below.

NON-CURRENT ASSETS

PROPERTY, PLANT AND EQUIPMENT (PP&E)

PP&E increased by R202,5 million with capital expenditure totalling R814,4 million for the year, which was partially offset by depreciation charges of R651,7 million.

CAPITAL EXPENDITURE

Capital expenditure (including intangibles) for the year ended June 2018 was R849,1 million (2017: R834,5 million).

Major spend items in the current period include:

- restoration of the damaged Pongola silo (R66,5 million);
- investments in the ERP systems across RCL FOODS (R49,2 million);
- investments in the Logistics fleet to accommodate the Pick n Pay frozen business (R28,5 million); and
- investments in plant and equipment related to the new pet food plant (R21,9 million).

An amount of R327,3 million (2017: R155,5 million) has been contracted and committed, but not spent, whilst a further R586,1 million (2017: R354,9 million) has been approved but not contracted. Major items included in these amounts relate to:

- investment in a waste-to-value plant at our Rustenburg Chicken site (R300,0 million);
- investments behind the ERP implementations across RCL FOODS (R60,9 million); and
- spend to move the remaining Bronkhorstspruit operations to other Speciality sites (R60,0 million).

IMPAIRMENT

The Group has completed its annual impairment review on goodwill and indefinite useful life trademarks and no further impairments were required in the current financial year. Key assumptions used in these calculations and a sensitivity analysis are provided in note 2 of the consolidated annual financial statements available on our website www.rclfoods.com/financial-results-and-investor-presentations-2018

INVESTMENT IN ASSOCIATES AND JOINT VENTURES

Investment in associates increased by R13,1 million driven mainly by movements in RSSC. Included in the RSSC movement is an additional investment of R26,4 million made in December 2017 (which increased our shareholding by 1.8% to 29.2%), profits capitalised of R50,9 million, offset by dividends received of R59,8 million

CFO'S REPORT CONTINUED

HELD-FOR-SALE ASSETS AND LIABILITIES

Assets held for sale relate mainly to the assets of the Prepared lines (which consists primarily of the deli snacks, sandwiches, salads, biltong and pizza lines) at the Speciality Bronkhorstspruit site, and includes goodwill of R130,0 million allocated to the Prepared lines from the Speciality cash-generating unit. Included in the 2017 assets and liabilities held for sale was the Tzaneen chicken operation, which was disposed of in the 2018 financial year.

CURRENT ASSETS AND CURRENT LIABILITIES

Biological assets were largely in line with the prior year. The lower sugar price as a result of the price decreases in the local market were offset by higher sugar volumes resulting in a fair value of the sugarcane plants that was in line with the 2017 balance.

Net working capital (including biological assets) has increased by R359,6 million over the comparative period and from 10.1% to 11.8% as a percentage of revenue. The increase was mainly due to higher inventory balances (up R260,1 million) and lower revenue as a result of the reduced consequential category chicken sales post the February 2017 restructure. The increase in inventory was mainly driven by a 26.5% increase in sugar tons on hand at year-end, driven by higher production volumes post the drought, with the stock to be realised in the 2019 financial year. Whilst there has been a 1.7% increase in net working capital as a percentage of revenue, we are comfortable that our investment remains appropriate.

Trade and other receivables and payables balances at June 2018 were both influenced by the timing of the year-end cut-off being over a weekend. This resulted in material receipts from customers and payments to suppliers being deferred to the week following year-end close. A total of R542,7 million receipts and R277,7 million payables were received/paid late, post the year-end cut-off. Trade and other receivables increased by R801,7 million, whilst trade and other payables increased by R718,1 million.

Cash on hand net of overdrafts, has increased from R1 053,8 million in 2017 to R1 263,4 million in 2018 mainly driven by the improvement in underlying profitability.

LONG- AND SHORT-TERM INTEREST-BEARING LIABILITIES

Interest-bearing liabilities of R3 248,7 million are R56,5 million lower than last year (2017: R3 305,2 million), with the decrease due mainly to the replacement of loans granted to the Sugar cane grower companies from Akwandze, with internal funding. Included in the balance is the R2 852,0 million term-funded debt package of which R1 097,0 million is due in February 2019 and as a result has been reclassified as a short-term liability in the current period.

OTHER NON-CURRENT LIABILITIES

Deferred tax of R1 253,6 million (2017: R1 248,1 million) arises from numerous temporary differences across the Group.

The post-retirement medical obligation of R135,1 million (2017: R136,7 million) arises from the actuarial valuation of the Group's potential liability resulting from post-retirement medical aid contributions in respect of current and future retirees. This liability is unfunded. The obligation of the Group to pay medical aid benefits after retirement is no longer part of the conditions of employment of the Group.

CASH FLOW AND WORKING CAPITAL

Cash generated by operations decreased to R1 784,6 million, a decrease of 22.2%. The prior year benefitted from a R827,5 million release of working capital off a high 2016 base. The working capital base has been stable in the current period, with a minimal change, despite rising sugar stock levels over year-end. As a result of the significant working capital release in 2017, the cash conversion ratio decreased to 87% from 131% in the prior year.

Included in the non-cash items of R512,7 million are add-backs of depreciation, amortisation and impairment charges of R775,6 million and non-cash IFRS 2 and BEE charges of R151,9 million. These were offset by deductions of positive fair value adjustments on biological assets within the Chicken and Sugar business units of R39,7 million and R330,1 million respectively. Within the Sugar business unit, the entire biological assets balance is capitalised using a fair value adjustment, with the realisation of the prior year's biological assets expensed through cost of sales and reflected under working capital movements (R334,3 million), resulting in a net R4,2 million decrease in Sugar biological assets for the year.

Investing activities spend has increased by R351,7 million. The prior year included the R289,5 million receipt on settlement of the Zam Chick and Zamhatch options. Included in the current year spend is capital expenditure (including intangibles) of R849,1 million (2017: R834,5 million), cash paid for the acquisition of Matzonox of R56,3 million and proceeds on disposal of fixed assets of R115,5 million (2017: R34,6 million).

Financing activities spend in the current year relates mainly to the repayment of the Akwandze loans granted to the community-based joint venture cane growers. The prior year included the early repayment of the revolving credit facility of R498,0 million.

SUMMARISED CASH INFORMATION	2018 R million	2017 R million
Opening balance*	1 053,8	363,2
Operating profit adjusted for non-cash flow items	1 783,0	1 466,2
Working capital changes	1,6	827,5
Net finance costs paid	(257,9)	(325,1)
Tax paid	(180,4)	(262,0)
Dividends paid	(304,6)	(217,1)
Dividends received	62,4	93,5
Capital expenditure (including intangibles)	(849,1)	(834,5)
Proceeds on disposal of Zambian operations		289,5
Acquisition of Matzonox	(56,3)	
Investment in associate	(26,4)	
Proceeds on sale of PP&E	115,5	34,6
Interest-bearing liabilities	(56,5)	(406,0)
Other	(21,7)	24,0
Closing balance*	1 263,4	1 053,8

** Net of overdrafts*

RETURN ON INVESTED CAPITAL (ROIC)

The Group makes use of ROIC to assess the efficiency in allocating the capital under its control to profitable operations. The ratio is calculated by dividing net operating profit after tax by invested capital (which excludes net cash, investments in joint ventures and associates and other non-operating assets). The Group monitor's ROIC at a business unit level and it is a key metric used in allocating resources between business units as part of the annual budget process, in order to optimise the use of funding and maximise returns to shareholders and debt providers. The 2018 Group ROIC has increased 3.3% from 4.8% to 8.1%, with the increase largely driven by the underlying improvement in profitability.

	2018 %	2017 %
Group	8.1	4.8
Consumer	9.1	(0.1)
Sugar & Milling	7.8	9.8
Logistics	13.0	14.6

Despite the improvement in Group ROIC, it remains below our weighted average cost of capital. Significant focus is being placed on driving an improved return.

The published ROIC is materially impacted by the goodwill and intangible assets that arose on acquisition of Foodcorp in 2014. Excluding the goodwill and intangible assets from the asset base (and related amortisation from the income statement), would improve Group ROIC to 13.7% from 8.1%, Consumer ROIC to 22.9% and Sugar & Milling ROIC to 11.3%.

ACCOUNTING POLICIES

The Group's accounting policies are governed by International Financial Reporting Standards (IFRS). Guidance has been obtained from the International Financial Reporting Interpretations Committee (IFRIC) and circulars.

The Group maintains the view that the standards set the minimum requirements for financial reporting. The financial statements in the Integrated Annual Report have been prepared with the aim of exposing the reader to a detailed view of the results, using a simplified approach, in the hope of facilitating a deeper and more informed understanding of the Group's performance.

CHANGE IN PRESENTATION DATE OF RESULTS

From the previous financial year, the Group has reported its results on the retail calendar of trading weeks which treats each financial year as an exact 52-week period, incorporating trade from Monday to Sunday each week. This treatment effectively results in the loss of a day (or two in a leap year) per calendar year. These days are brought to account approximately every six years by including a 53rd week.

This change has improved efficiency over the year-end close period by eliminating the need for manual adjustments outside of the accounting system and reducing audit time.

The financial statements and results for 2018 are presented for a 364-day period, ended 1 July 2018, compared to a 367-day period in the previous financial year.

CFO'S REPORT CONTINUED

CASH DIVIDEND DECLARATION

It is the Board's intention to continue paying dividends, subject to the Group's underlying profit delivery.

The directors have resolved to declare a final gross cash dividend (number 87) of 25,0 cents per share bringing the total dividend declared for the year ended June 2018 to 40,0 cents per share (2017: 30,0 cents). Dividend tax will amount to 5,0 cents per share and consequently shareholders, who are not exempt from dividend tax, will receive a net dividend amount of 20,0 cents per share.

FINANCIAL STRATEGY

Post the acquisitions of Foodcorp and TSB, the Group embarked on a journey of integration to align our ways of working, with the ONE RCL FOODS philosophy. In the Finance space, this involved implementing the most appropriate team structures and systems, to support the Group and drive consistency in information availability and delivery.

An update on the progress of our journey is provided below.

ONE SHARED SERVICES

In the prior financial year we engaged a leading consulting firm to perform a shared services maturity assessment for our Finance function. The outputs of this process have been reviewed and a roadmap toward our future shared services state created. In the current financial year, the accounting functions that would form part of the "single RCL FOODS shared services hub" were identified, and the roles and responsibilities to support the new structure defined. The structure will allow for a single point of oversight and control for key accounting functions that are standard across the Group and will improve efficiency through consistent financial processes. The benefits of improved financial information and freed up management time to perform more insightful analysis remains key to being able to adapt in our ever-changing markets. The Finance team has identified the role that Artificial Intelligence can play, particularly in the automation of repetitive and time-consuming tasks within shared services, and will make use of the technology where practical.

ERP SYSTEMS IMPLEMENTATION

The Group commenced with its programme to roll-out SAP ERP systems to all business units in the 2016 financial year. As part of the take-on, key processes have been centralised, such as fixed assets, creditors, rebates and pricing as well as overall oversight of the general ledger. In addition the Group has leveraged its Business Intelligence systems and the capabilities of SAP to improve profitability and cost reporting as part of the roll-outs. The systems have provided greater insight to management which is leading to faster, better decision-making.

SAP was successfully rolled out to the Animal Feed business unit in October 2017 and the Speciality business unit in July 2018, in addition to the Pies and Beverages roll-outs in the 2017 financial year. Post-implementation reviews of Pies and Beverages have shown good adoption with notable improvement in stock management during the year.

The project to consolidate all bakeries within the Baking operations onto a single Syspro instance has progressed well during the 2018 year. Implementation has been put on hold as a result of focus being shifted to addressing the challenges experienced within the operations as mentioned in the CEO report from page 50.

STRATEGIC SOURCING

Group Strategic Sourcing works with the various business units to identify spend opportunities and has been able to achieve significant spend leverage and savings over the past few years. For business units on SAP ERP, SAP Contract Management systems have been implemented with 85% of the value spend now contract managed. Alternative manual contract management systems are relied on where the existing ERP Systems have not been replaced with SAP ERP contract management. Group Master Data has been working with these non-SAP ERP business units to help align their spend materials to the Group listed SAP materials, so that the Group will still be able to analyse spend by material irrespective of what ERP system it transacts on. Contract management has assisted the Group in driving cost savings through leveraging consolidated purchasing power, optimising the number of vendors and reducing non-contracted spend.

INFORMATION SECURITY

The risks relating to a loss of data and the leaking of sensitive information have become more prevalent in recent years with cyber-attacks across the world causing financial and reputation damage to many companies. The Group is committed to protecting the interests of its investors and stakeholders and ensuring that it fully complies with the provisions of the Protection of Personal Information Act. As a Group we are aware of the importance of safeguarding our information and currently have in place well-designed information systems and policies to control our data.

In response to the heightened level of information security risk, the Group established a project team in the prior financial year to perform a holistic review and assessment of information security across the Group. A review of all business processes in which information is produced, shared and stored was performed, coupled with a risk assessment, which highlighted areas requiring improvement. Additional controls to mitigate risk in certain higher risk areas have been implemented, including the distribution of sensitive financial information by making use of secure portals, the implementation of access controlled board reporting software and better use of shared intranet points. Access controls to IT infrastructure are reviewed on an ongoing basis to ensure that information is restricted to appropriate users. The review process has culminated in a formal Group-wide information security policy which encompasses our information security approach and strategy and ensures compliance with the Protection of Personal Information Act.

The Group recognises that in a technologically advanced age, the financial loss that would result from an information security breach would be significant. To mitigate this potential impact, the Group has put in place cyber insurance cover effective from the 2018 financial year.

INSURANCE

The Group applies an umbrella approach to insurance, and aims to insure all Group companies under the same insurance structure.

The Group strategy is to keep insurance to a minimum without exposing the Group's assets or profitability to unacceptable financial loss which could materially affect either trading results or cash flow. RCL FOODS' stronger balance sheet has allowed more scope to self-insure predictable losses and less material risks which are not administratively cost effective to transfer to insurers. The level of self-insurance is determined based on the recommendations of RCL FOODS' broker, given the levels of policy deductibles and general risk environment.

The increased scale of the Group's assets has also allowed the underwriting to be broadened to include international insurance markets. A balanced placement of underwriting between local and international underwriters is considered to be more cost effective over the long term, as it protects the Group should the market experience excessive claims.

The property insurance markets have suffered in recent years, with high loss rates and significant underwriting losses being reported, stemming from worldwide disaster events which have temporarily placed strain on reserves. The Listeriosis outbreak in South Africa and resulting product liability claims has heightened insurance risk in local markets as well.

As a result, insurance costs for the Group have increased, with the impact expected to continue into the 2019 financial year, until such time as insurance markets stabilise.

Major insurance events in the 2018 financial year included a fire the at the Speciality Centurion site for which proceeds of R25,6 million were received, and a fire at the Chicken Hammarsdale site, for which the claim is still in progress. The Listeriosis crisis resulted in the institution of a product liability claim, for which we have recovered the recall costs to date (R9,3 million). We will continue to pursue further insurance recoveries in the 2019 year in relation to losses that stemmed from Listeriosis.

In response to the challenges experienced and heightened risk stemming from the events mentioned above, the Group has planned investments of R28,5 million in additional fire protection equipment and R40,0 million in additional food safety equipment. The Group is undergoing a detailed review of insured values at major sites, which includes obtaining external replacement cost valuations and reassessing the financial impact of business interruption at major sites to ensure that insured values remain appropriate.

The Group has comprehensive risk management processes in place and continues to work in conjunction with insurers in maintaining acceptable levels of insurance cover. Refer to page 16 for a discussion over our material risks and responses.

CENTRAL TREASURY AND DEBT REFINANCE

The inheritance of significant debt levels through the Foodcorp acquisition led to an increased focus on gearing and cash flow management and the subsequent establishment of a centralised treasury function. The treasury function is our single point of reference with funders and is tasked with minimising our cost of funding across the Group. Monthly management reporting and incentive structures across the Group also include a direct link to free cash flow generation and return on invested capital managed.

The objective of the centralised treasury function is to:

- ensure that sufficient cash resources are available to meet working capital requirements across the Group;
- ensure that excess cash is pooled and invested optimally;
- reduce risk related to changes in asset values, interest rates and foreign currency holdings by the use of hedging and netting strategies;
- determine and implement an optimal level of debt financing; and
- minimise transaction costs.

In order to optimise the achievement of the above objectives, the Group implemented a cash and treasury management system (Kyriba) in June 2018. The system will improve the efficiency of transactional treasury processing, allow for more effective utilisation of cash and forecasting and provide a central repository for recording all of our foreign currency transactions and foreign exchange hedging transactions across the Group. This will provide greater oversight over our foreign currency cash flows, improve the natural hedging of imports and exports, and as a result reduce costs associated with external hedges going forward.

CFO'S **REPORT** CONTINUED

OUR DEBT HISTORY

The Group acquired R5,5 billion in Euro-denominated debt through the Foodcorp acquisition in 2013. In the 2015 financial year, the Euro debt was replaced with a R4,5 billion bridging loan, before being replaced with a R3,35 billion long-term term-funded debt package, across three-, four- and five-year terms.

The Group's cash flow for the current financial year improved on the back of profitability gains. Refer to page 63 for the summarised cash flow information.

The R498,0 million revolving credit facility was repaid in January 2017, 13 months ahead of the required payment date. In February 2019, R1 097,0 million will become due and payable. The Group is expected to repay the loan from existing resources, although options to refinance the loan are being evaluated in light of maintaining an optimal balance of debt and equity in our capital structure.

A summary of the remaining construct of the term-funded debt package:

<table>
<tr><th>Term</th><th>Value Rm</th><th>Year 1 (Feb 16)</th><th>Year 2 (Feb 17)</th><th>Year 3 (Feb 18)</th><th>Year 4 (Feb 19)</th><th>Year 5 (Feb 20)</th></tr>
<tr><td>5 Year</td><td>1 355</td><td>Fixed Interest</td><td>Fixed Interest</td><td colspan="2" rowspan="4">Partial Hedge
(R1,5 billion, 53% hedged)</td><td>Variable</td></tr>
<tr><td></td><td>400</td><td>Variable</td><td>Variable</td><td>Variable</td></tr>
<tr><td>4 Year</td><td>847</td><td>Fixed Interest</td><td>Fixed Interest</td><td></td></tr>
<tr><td></td><td>250</td><td>Variable</td><td>Variable</td><td></td></tr>
<tr><td>3 Year – RCF</td><td>498</td><td colspan="3"></td><td></td><td></td></tr>
</table>

The fixed interest rate period on the R1 355,0 million and R847,0 million portions of the debt came to an end in February 2017, with the Group entering into two interest rate collar options to hedge R1,5 billion of the debt package in years three and four.

The interest rate collar consists of a "cap" rate of 8.5% and a "floor" rate of 7.0% for a notional R1,0 billion and a further "cap" rate of 8.0% and a "floor" rate of 6.5% for a further notional R500,0 million. The collar became effective on expiry of the fixed interest rate in February 2017.

Interest rates traded largely between the "cap" and "floor" rates on the collar options for most of the financial year. Whilst the Group has not benefitted from the hedge in the current financial year, its implementation reduces our exposure should the base JIBAR on the debt package increase above the "cap" rate.

Key covenants on the debt package are net interest-bearing senior debt/pre-IAS 39 EBITDA cover ratio of less than 2.75 and a senior interest cover ratio of greater than 3.5, which have become more stringent post the expiry of the revolving credit facility. All covenants have been met with a significant safety margin in the 2018 financial year.

CONCLUSION

The 2018 financial year delivered a pleasing result, despite the difficulty experienced in the sugar market, impact of Listeriosis, and overall depressed market growth, which highlights the positive impact of our diversified portfolio in delivering consistent results.

Sound management of cash, working capital and capital expenditure drove a strong liquidity position throughout the year, as reflected in the reduction in net finance costs.

Our exposures to market volatilities remain well managed through our procurement strategies and treasury processes which limit uncertainty where appropriate.

We continue to make good progress in equipping the Finance function with the most appropriate team structures and systems to be able to respond to the demands of the constantly changing market environment.

Rob Field
Chief Financial Officer

DEFINITIONS & RATIOS

SHAREHOLDER RATIOS

EARNINGS PER SHARE
Profit for the year attributable to equity holders of the company divided by weighted average ordinary shares in issue

DILUTED EARNINGS PER SHARE
Profit for the year attributable to equity holders of the company divided by diluted weighted average ordinary shares in issue

HEADLINE EARNINGS PER SHARE
Headline earnings divided by weighted average ordinary shares in issue

DIVIDEND COVER
Headline earnings per share divided by dividends per share

NET ASSET VALUE PER SHARE
Ordinary shareholders' equity divided by ordinary shares in issue at year-end

RESULTS RATIOS

EBITDA MARGIN
Operating profit before depreciation, amortisation and impairment expressed as a percentage of revenue

OPERATING PROFIT MARGIN
Operating profit expressed as a percentage of revenue

RETURN ON NET ASSETS
Profit before tax, expressed as a percentage of net assets

NET ASSET TURN
Revenue divided by net assets

RETURN ON INVESTED CAPITAL
Net operating profit after tax divided by invested capital

STATEMENT OF FINANCIAL POSITION

TOTAL ASSETS
Non-current and current assets

TOTAL LIABILITIES
Non-current and current liabilities

NET ASSETS
Total assets less total liabilities

INVESTED CAPITAL
Total equity and interest-bearing liabilities less non-operating assets, cash and investments

INCOME STATEMENT

OPERATING PROFIT (EBIT)
Earnings before interest and tax

RETURN ON EQUITY
Profit attributable to equity holders of the company expressed as a percentage of average total equity

SHARE INFORMATION

PE RATIO
Market share price at year-end divided by headline earnings per share

DEBT RATIOS

NET SENIOR DEBT
Total unsubordinated debt less cash and cash equivalents

SENIOR LEVERAGE RATIO
Net senior debt divided by pre-IAS 39 headline earnings before interest, tax, depreciation, amortisation and impairment.

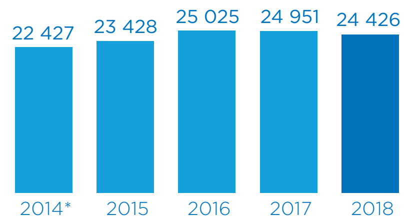
SENIOR INTEREST COVER RATIO
Pre-IAS 39 headline earnings before interest, tax, depreciation, amortisation and impairment divided by senior net finance charges.

SENIOR NET FINANCE CHARGES
Finance charges on unsubordinated debt less interest income

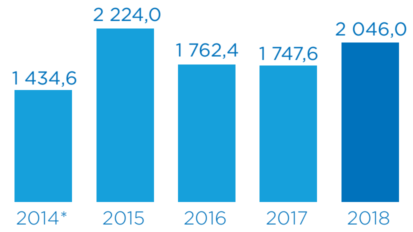
GEARING RATIO
Total interest-bearing liabilities as a percentage of shareholders' equity

FIVE-YEAR REVIEW

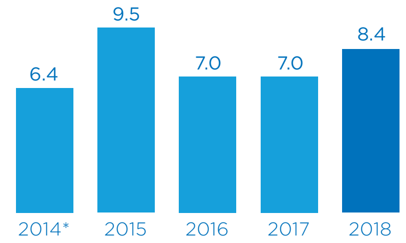
REVENUE (R million)



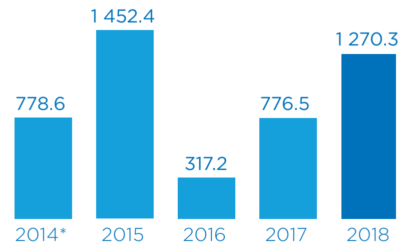
EBITDA (R million)



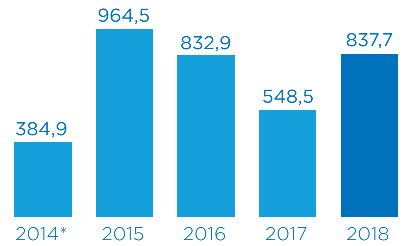
EBITDA MARGIN (%)



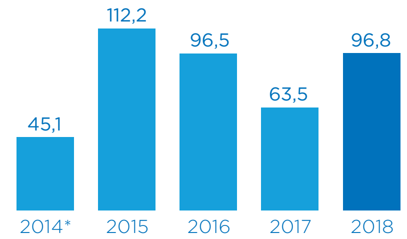
EBIT (R million)



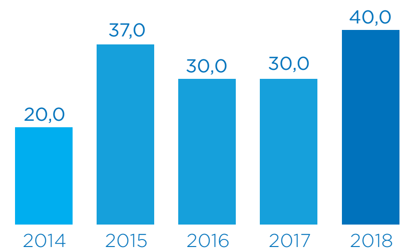
HEADLINE EARNINGS from continuing operations attributable to equity holders of the company (R million)



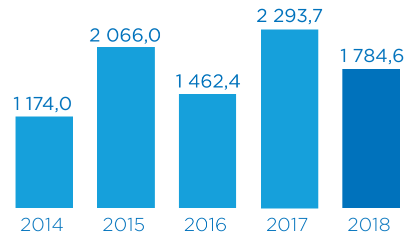
HEADLINE EARNINGS PER SHARE from continuing operations attributable to equity holders of the company (cents)



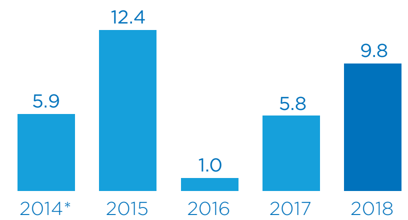
DIVIDENDS PER SHARE (cents)



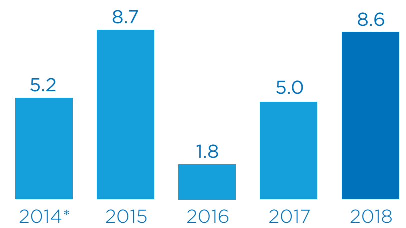
CASH GENERATED BY OPERATIONS (R million)



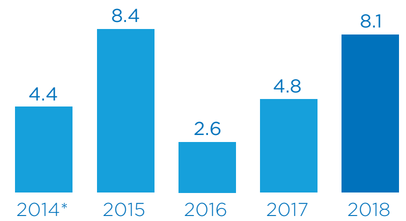
RETURN ON NET ASSETS (%)



RETURN ON EQUITY (%)



RETURN ON INVESTED CAPITAL (%)



* *2014 results have been normalised to exclude the impact of corporate transactions as disclosed in the 2014* pro forma *consolidated income statement.*

FIVE-YEAR REVIEW CONTINUED

	2018 R'000	2017 R'000	2016 R'000	2015 R'000	2014* R'000
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION					
ASSETS					
Property, plant and equipment	**5 922 829**	5 720 285	5 903 566	5 461 690	5 347 188
Intangible assets	**4 695 990**	4 881 405	4 942 492	5 675 862	5 776 041
Investment in joint ventures	**248 570**	227 366	206 036	416 626	347 819
Investment in associates	**526 437**	513 323	485 054	406 250	356 013
Deferred income tax asset	**28 448**	6 876	19 658	8 320	8 678
Loans receivable	**35 920**	1 555	1 555	1 555	1 555
Trade and other receivables	**58 010**	12 788	12 288		
Current assets	**9 475 093**	8 144 716	8 659 127	7 722 892	8 073 466
Total assets	**20 991 297**	19 508 314	20 229 776	19 693 195	19 910 760
EQUITY AND LIABILITIES					
Equity	**11 179 703**	10 386 753	10 046 256	10 113 499	9 436 286
Deferred income	**22**	141	734	1 849	5 153
Interest-bearing liabilities	**1 965 983**	3 078 822	3 598 846	3 511 271	367 556
Deferred income tax liabilities	**1 253 584**	1 248 056	1 352 915	1 458 933	1 362 670
Retirement benefit obligations	**135 072**	136 668	165 354	187 656	225 776
Trade and other payables	**6 410**	3 157	5 716	8 567	35 260
Current liabilities	**6 450 523**	4 654 717	5 059 955	4 411 420	8 478 059
Total equity and liabilities	**20 991 297**	19 508 314	20 229 776	19 693 195	19 910 760
CONSOLIDATED INCOME STATEMENTS					
Continuing operations					
Revenue	**24 425 996**	24 950 655	25 025 159	23 428 206	22 426 607
Operating profit before depreciation, amortisation and impairment (EBITDA)	**2 045 984**	1 747 633	1 762 387	2 224 045	1 434 561
Depreciation, amortisation and impairment	**(775 640)**	(971 125)	(1 445 222)	(771 654)	(655 992)
Operating profit	**1 270 344**	776 508	317 165	1 452 391	778 569
Finance costs	**(315 104)**	(373 741)	(365 194)	(373 607)	(403 500)
Finance income	**62 624**	40 999	38 361	52 056	65 233
Share of profits of joint ventures	**28 268**	48 577	44 527	38 004	21 207
Share of profits of associates	**51 834**	109 516	64 796	84 178	95 560
Profit before tax	**1 097 966**	601 859	99 655	1 253 022	557 069
Income tax expense	**(219 589)**	(125 552)	82 986	(359 160)	(160 381)
Profit for the year from continuing operations	**878 377**	476 307	182 641	893 862	396 688
(Loss)/profit for the year from discontinued operation				(31 905)	29 755
Profit for the year	**878 377**	476 307	182 641	861 957	426 443
Profit/(loss) for the year attributable to:					
Equity holders of the company	**922 439**	515 657	182 022	848 121	428 404
Non-controlling interests	**(44 062)**	(39 350)	619	13 836	(1 961)

** Pro forma financial information to reflect a normalised view before corporate transactions.*

		2018	2017	2016	2015	2014*
KEY STATISTICS						
Earnings per share from continuing operations	cents	**106,6**	59,7	21,1	102,4	46,7
Diluted earnings per share from continuing operations	cents	**104,1**	59,2	21,0	101,7	46,6
Headline earnings per share from continuing operations	cents	**96,8**	63,5	96,5	112,2	45,1
Dividends per share	cents	**40,0**	30,0	30,0	37,0	20,0
Dividend cover	times	**2,4**	2,1	3,2	3,0	2,3
Cash generated by operations	R million	**1 785**	2 294	1 462	2 066	1 174
Capital expenditure (excluding intangibles)	R million	**815**	793	1 035	757	654
Net assets	R million	**11 180**	10 387	10 046	10 113	9 436
Net asset value per share	cents	**1 289,0**	1 201,0	1 163,2	1 173,9	1 098,8
RESULTS RATIOS						
EBITDA margin	%	**8.4**	7.0	7.0	9.5	6.4
Operating profit margin	%	**5.2**	3.1	1.3	6.2	3.5
Return on net assets	%	**9.8**	5.8	1.0	12.4	5.9
Net asset turn	times	**2,2**	2,4	2,5	2,3	2,4
Return on equity	%	**8.6**	5.0	1.8	8.7	5.2
Return on invested capital	%	**8.1**	4.8	2.6	8.4	4.4
DEBT RATIOS						
Senior leverage ratio	times	**1,1**	1,4	1,8	1,3	
Senior interest cover ratio	times	**7,4**	5,0	5,8	6,6	
Gearing ratio	%	**29.1**	31.8	36.9	34.7	3.9
SHARE INFORMATION						
Number of ordinary shares						
– weighted average in issue**	000	**865 649**	864 167	862 739	859 611	853 924
– diluted weighted average in issue**	000	**886 486**	870 908	864 727	865 355	856 264
– at year-end (statutory, includes BEE shares)	000	**938 087**	935 566	934 410	932 325	929 569
– at year-end (for accounting purposes)**	000	**867 328**	864 807	863 651	861 566	858 810

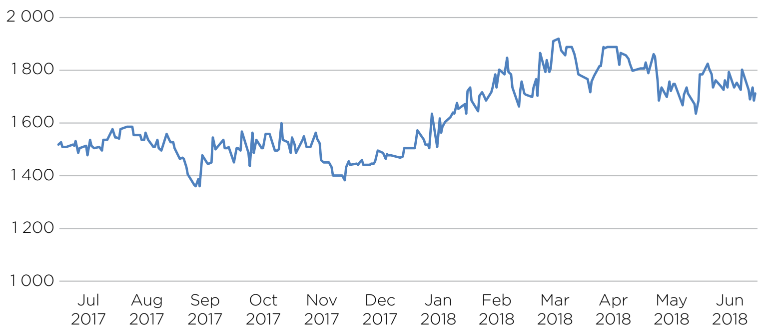
** Pro forma financial information to reflect a normalised view before corporate transactions.*
*** Excludes shares issued in terms of the BEE schemes, refer to note 31 of the consolidated financial statements.*

For further details pertaining to shareholder information refer to note 11 of the consolidated financial statements.

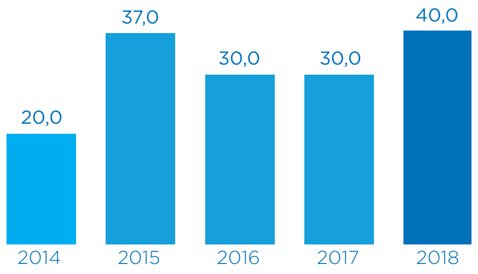
The consolidated financial statements are part of the Annual Financial Statements available on our website www.rclfoods.com/financial-results-and-investor-presentations-2018

SHAREHOLDER INFORMATION

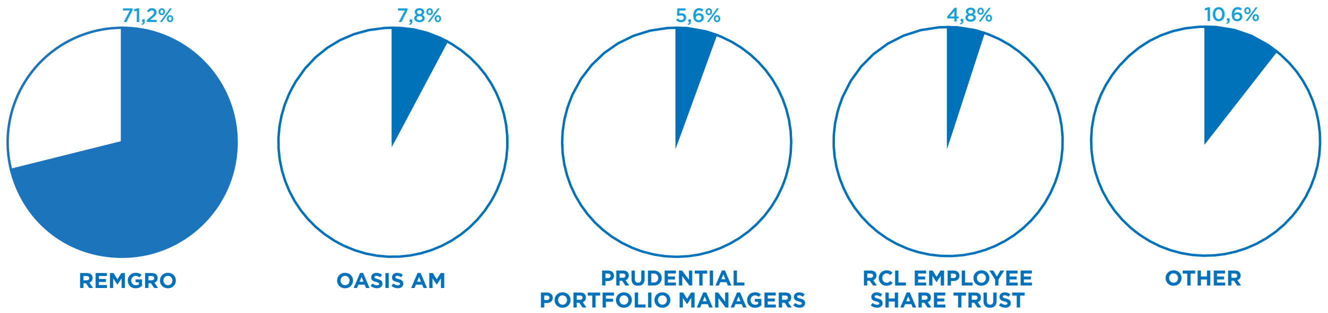
RCL FOODS SHARE PRICE (cents)



DIVIDENDS PER SHARE (cents)



SHAREHOLDERS



STOCK EXCHANGE PERFORMANCE

12 months		**2018**	2017
Share price			
– lowest	cents	**1 363**	1 150
– highest	cents	**1 995**	1 720
– at year-end	cents	**1 728**	1 524
Number of shares traded	million	**77,6**	33,5
Value traded	R million	**1 210,9**	472,8
Number of shares in issue at year-end	'000	**938 087**	935 566
PE ratio at year-end	ratio	**17,9**	24,0
Market capitalisation	R billion	**16,2**	14,3

LISTING INFORMATION

JSE share code: RCL
Sector: Consumer Goods – Food & beverages
Subsector: Food Producers

REPORTING DATES

Interim results: February 2019
Year-end results: August 2019
Annual Report published: September 2019
Annual General Meeting: November 2019

ENVIRONMENTAL AND SOCIAL REVIEW

		June 2018	June 2017
ENVIRONMENTAL PERFORMANCE INDICATOR			
Water consumption	Mℓ	**5 972**	6 527
Energy consumption:			
– electricity (Eskom)*	GWh	**526**	513
– electricity (own generation)	GWh	**178**	138
– coal	tons	**173 455**	203 468
– gas	kℓ	**3 126**	3141
– diesel*	kℓ	**16 456**	16 967
Recycled waste products:			
– cardboard waste	tons	**1 529**	462
– plastic waste	tons	**654**	194
– scrap metal and timber	tons	**319**	121
– treated water discharged to municipality	kℓ	**2 508 360**	2 033 560
– treated water as a percentage of total water consumption	%	**42**	31
Non-compliance, prosecution and fines	R'000	**1 392**	642
SOCIAL PERFORMANCE INDICATORS			
Full-time employees		**20 581**	20 111
Net full-time employment (decrease)/increase		**470**	(961)
Bargaining unit employees	%	**76**	74
Training expenditure	Rm	**39,9**	40,0
Disabling incident frequency rate:			
– Consumer		**1,16**	1,01
– Sugar & Milling		**1,10**	1,71
– Logistics		**1,80**	1,86
Number of working days lost through strike action**		**8**	Nil

** 2017 numbers restated due to enhanced reporting availability in 2018.*
*** Refers to the number of production days lost at a production facility due to strike action.*

ABRIDGED FINANCIAL STATEMENTS 2018

RCL FOODS LIMITED
Ten The Boulevard
Westway Office Park
Westville
3629

Dear shareholder,

Kindly note that the information contained in this printed version of the Abridged Integrated Annual Report represents a summary of the information contained in the full Integrated Annual Report published on the RCL FOODS website at www.rclfoods.com/financial-results-and-investor-presentations-2018 on 28 September 2018.

Any investment decisions by investors and/or shareholders should be based on a consideration of the full Integrated Annual Report as a whole and shareholders are encouraged to review the full Integrated Annual Report which is available for viewing on the company's website set out above.

Investors and/or shareholders may request copies of the full Integrated Annual Report by contacting the company secretary at john.maher@rclfoods.com or on 087 362 8501.

Yours faithfully

JJ Durand
Non-executive Chairman

CHAIRMAN JJ Durand **CHIEF EXECUTIVE OFFICER** M Dally
DIRECTORS HJ Carse, RH Field, CJ Hess, PR Louw, NP Mageza, DTV Msibi, MM Nhlanhla, RV Smither, GM Steyn, GC Zondi
HEAD OFFICE Ten The Boulevard • Westway Office Park • Westville • 3629 • PO Box 2734 • Westway Office Park • 3635 • KZN • South Africa
TEL +27 31 242 8600 **RCL FOODS LIMITED REGISTRATION NUMBER** 1966/004972/06

REPORT OF THE AUDIT COMMITTEE

FOR THE YEAR ENDED JUNE 2018

This report sets out how the Audit Committee discharged its responsibilities during the financial year ended June 2018 as required in terms of section 94 of the Companies Act of South Africa.

MANDATE AND TERMS OF REFERENCE

The responsibilities of the Audit Committee are incorporated into the Committee's charter which is reviewed annually and approved by the Board. The Committee has conducted its affairs in compliance with this charter and has discharged its responsibilities contained therein.

A copy of the charter can be found on our website www.rclfoods.com/node/rcl-foods-charters

AUDIT COMMITTEE MEMBERSHIP AND RESOURCES

The Audit Committee consists of four independent non-executive directors. All members of the Committee have the requisite financial knowledge and commercial skills and experience to contribute effectively to Committee deliberations.

The committee met three times during the year as per the Audit Committee charter. A representative of the Chairman of the Board, Chief Executive Officer (CEO), Chief Financial Officer (CFO), Group Services Audit and Risk Director (GARD) and representatives from the external auditors attend meetings by invitation. Other members of the Board and management team attend as required. The committee meets separately with the external auditors and internal auditors at least once a year without management present, to ensure that all relevant matters have been identified and discussed without undue influence.

Members		Appointed	28/08/2017	22/02/2018	20/06/2018
CJ Hess*	BCom (UWC), PGDA (UCT), CA(SA)	June 2018	N/A	N/A	N/A
NP Mageza	ACCA (UK)	September 2009	Present	Present	Present
DTV Msibi	BBusSc, BCom (Hons), MCom, CA(SA)	August 2013	Present**	Present	Present
RV Smither	(Committee Chairman), CA(SA)	December 2008	Present	Present	Present

* *Appointed 21 June 2018.*

** *Via teleconference.*

ELECTION OF COMMITTEE MEMBERS

In terms of section 94 (2) of the Companies Act, it was resolved at the Annual General Meeting, held on 8 November 2017, that RV Smither, NP Mageza and DTV Msibi be re-appointed as members of the Audit Committee until the next Annual General Meeting on 20 November 2018. CJ Hess was appointed as a member of the Audit Committee during the Board meeting held on 21 June 2018.

ROLES AND RESPONSIBILITIES

The Audit Committee's roles and responsibilities include its statutory duties per the Companies Act of South Africa and the responsibilities assigned to it by the Board. The Audit Committee fulfils an oversight role regarding financial reporting risks, internal financial controls and fraud risk and Information Technology (IT) risks as it relates to financial reporting.

The Audit Committee has discharged its key responsibilities as follows:

- Reviewed the interim results, period-end financial statements, sustainability disclosure and integrated report, culminating in a recommendation to the Board. In the course of its review, the Committee:
  - took appropriate steps to ensure that the financial statements are prepared in accordance with International Financial Reporting Standards (IFRS);
  - considered and, when appropriate, made recommendations on financial statements, accounting practices and internal financial controls;
- Confirmed the Internal Audit charter and audit plan;
- Evaluated the effectiveness of risk management, controls and governance processes and satisfied itself about the adequacy and effectiveness of the Group's system of internal financial controls;
- Reviewed the appropriateness of the combined assurance model in addressing all significant risks facing the Group;
- Considered and recommended to the Board the appointment and retention of external auditors;
- Approved the audit fees and engagement terms of the external auditors; and
- Determined the nature and extent of allowable non-audit services and approved the terms for the provision of non-audit services by the external auditors.

In addition, in fulfilling its key responsibilities, the Audit Committee placed specific focus on the following areas in the 2018 financial year:

- Review of the annual impairment testing of indefinite useful life intangible assets, which remains an area of significant judgement. Refer to note 2 of the consolidated Annual Financial Statements for the results of the testing available on our website at www.rclfoods.com/financial-results-and-investor-presentations-2018; and
- In light of the recent drought and imports impact in the local sugar market, the Audit Committee placed focus on the financial standing of the small-scale cane growers that we operate in partnership with.

The role of the Audit Committee applies to all the divisions of the Group.

EXPERTISE AND EXPERIENCE OF THE CFO AND FINANCE FUNCTION

The Audit Committee performed an assessment of the CFO, Robert Field and the Finance function. Based on the 2018 assessment, the Audit Committee is satisfied that Robert Field and his management team have the appropriate expertise and experience to service the Group's finance function. It further considered and satisfied itself of the overall appropriateness of the expertise and adequacy of resources of the Group's finance function. The Annual Financial Statements were compiled under the supervision of Robert Field, CA(SA).

EXTERNAL AUDIT

PricewaterhouseCoopers Inc. (PwC) are the incumbent auditors for all the Group companies. The Committee continually monitors the independence and objectivity of the external auditors and satisfied itself with the ethical requirements regarding independence, and were considered independent with respect to the Group as required by the Codes endorsed and administered by the Independent Regulatory Board for Auditors and the South African Institute of Chartered Accountants. The Committee has satisfied itself that the external auditors' appointment and the reappointment of Sharalene Randelhoff as the audit partner complies with the JSE Listing's Requirements and that the designated registered auditor is within their tenure and rotation requirements.

The Committee has reviewed the audit process and has satisfied itself with the performance of the external auditors.

During the period, PwC provided certain non-audit services, including tax services and agreed-upon procedures compliance audits. Total fees incurred during the 2018 financial year to PwC were R21,7 million of which R2,1 million related to non-audit services.

The Group has defined levels of authority which require final approval for all non-audit services by the Audit Committee.

The Audit Committee has nominated, for election at the Annual General Meeting, PwC as the external audit firm responsible for performing the functions of auditor for the 2019 financial year. The Audit Committee has satisfied itself that the audit firm and designated auditor are accredited as such on the JSE list of auditors.

INTERNAL AUDIT

The Audit Committee is responsible for ensuring that the RCL FOODS' Internal Audit function is independent and has the necessary resources and authority to enable it to discharge its duties.

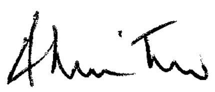
Internal Audit comprises a dedicated team of appropriately qualified and technically experienced personnel. Where necessary, certain audits are outsourced to consultants with appropriate skills and technical expertise. The activities of the Internal Audit function are co-ordinated by the GARD. To ensure independence, the GARD reports functionally to the Audit Committee and, only from an administrative perspective, to the CEO. The Committee reviewed the performance of the GARD and was satisfied that he has the necessary expertise and experience to fulfil this role and that he had performed appropriately during the year under review.

INTERNAL FINANCIAL CONTROLS

The Committee is satisfied that the system of internal financial controls is effective and forms a basis for the preparation of reliable financial statements, which is based on the review of the design, implementation and effectiveness of the Group's system of internal financial controls conducted by the Internal Audit function during the year under review, and reports made by the independent external auditors on the results of their audit and management reports. No findings have come to the attention of the Committee to indicate that any material breakdown in internal controls has occurred during the past financial year.

GOING CONCERN ASSESSMENT

The Audit Committee reviewed a documented assessment by management of the going concern premise of the Group before concluding to the Board that the company will be a going concern in the foreseeable future.



RV Smither
28 August 2018

ABRIDGED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT

	1 July 2018 R'000	2 July 2017 R'000
ASSETS		
Non-current assets		
Property, plant and equipment	5 922 829	5 720 285
Intangible assets	2 162 828	2 222 912
Investment in joint ventures	248 570	227 366
Investment in associates	526 437	513 323
Deferred income tax asset	28 448	6 876
Loans receivable	35 920	1 555
Trade and other receivables	58 010	12 788
Goodwill	2 533 162	2 658 493
	11 516 204	11 363 598
Current assets		
Inventories	2 926 748	2 666 622
Biological assets	807 331	791 469
Trade and other receivables	4 254 014	3 452 331
Derivative financial instruments	5 031	1 339
Tax receivable	32 953	70 410
Loans receivable	29 072	17 200
Cash and cash equivalents	1 263 364	1 056 660
	9 318 513	8 056 031
Assets of disposal group classified as held for sale	156 580	88 685
Total assets	20 991 297	19 508 314
EQUITY		
Capital and reserves	11 179 703	10 386 753
LIABILITIES		
Non-current liabilities		
Deferred income	22	141
Interest-bearing liabilities	1 965 983	3 078 822
Deferred income tax liabilities	1 253 584	1 248 056
Retirement benefit obligations	135 072	136 668
Trade and other payables	6 410	3 157
	3 361 071	4 466 844
Current liabilities		
Trade and other payables	5 116 615	4 398 538
Deferred income	7 835	8 338
Interest-bearing liabilities	1 282 673	226 383
Derivative financial instruments	31 056	12 995
Current income tax liabilities	12 344	4 190
Bank overdraft		2 878
	6 450 523	4 653 322
Liabilities of disposal group classified as held for sale		1 395
Total liabilities	9 811 594	9 121 561
Total equity and liabilities	20 991 297	19 508 314

ABRIDGED CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED JUNE 2018

		June 2018 R'000	June 2017 R'000
Revenue		24 425 996	24 950 655
Operating profit before depreciation, amortisation and impairment (EBITDA)		2 045 984	1 747 633
Depreciation, amortisation and impairment		(775 640)	(971 125)
Operating profit		1 270 344	776 508
Finance costs		(315 104)	(373 741)
Finance income		62 624	40 999
Share of profits of joint ventures		28 268	48 577
Share of profits of associates		51 834	109 516
Profit before tax		1 097 966	601 859
Income tax expense		(219 589)	(125 552)
Profit for the period		878 377	476 307
Attributable to:			
Equity holders of the company		922 439	515 657
Non-controlling interests		(44 062)	(39 350)
HEADLINE EARNINGS			
Profit for the period attributable to equity holders of the company		922 439	515 657
Profit on disposal of property, plant and equipment		(77 583)	(3 423)
Gain on disposal of subsidiary			(4 512)
Insurance proceeds		(11 931)	(87 735)
Impairments		6 107	128 554
Insurance proceeds included in equity-accounted earnings of associates		(2 344)	
Loss on disposal of property, plant and equipment included in equity-accounted earnings of associates		1 047	
Headline earnings		837 735	548 541
Earnings per share attributable to equity holders of the company			
Basic earnings per share	(cents)	106,6	59,7
Basic earnings per share – diluted	(cents)	104,1	59,2
Headline earnings per share	(cents)	96,8	63,5
Headline earnings per share – diluted	(cents)	94,5	63,0

ABRIDGED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 2018

	June 2018 R'000	June 2017 R'000
Profit for the period	**878 377**	476 307
Other comprehensive income		
Items that will not be reclassified to profit and loss		
Remeasurement of retirement medical obligations – net of tax	**9 041**	7 713
Share of associates other comprehensive income	**(664)**	(2 090)
Items that may subsequently be reclassified to profit and loss		
Cash flow hedges – net of tax	**(467)**	(9 194)
Currency translation differences	**(10 011)**	(11 651)
Other comprehensive income for the period – net of tax	**(2 101)**	(15 222)
Total comprehensive income for the period	**876 276**	461 085
Total comprehensive income for the period attributable to:		
Equity holders of the company	**920 338**	500 435
Non-controlling interests	**(44 062)**	(39 350)
	876 276	461 085

ABRIDGED CONSOLIDATED CASH FLOW INFORMATION

FOR THE YEAR ENDED JUNE 2018

	June 2018 R'000	June 2017 R'000
Operating profit	**1 270 344**	776 508
Non-cash items	**512 686**	689 669
Operating profit before working capital requirements	**1 783 030**	1 466 177
Working capital requirements	**1 587**	827 506
Cash generated by operations	**1 784 617**	2 293 683
Net finance cost	**(257 901)**	(325 081)
Tax paid	**(180 351)**	(262 030)
Cash available from operating activities	**1 346 365**	1 706 572
Dividends received	**62 394**	93 522
Dividends paid	**(304 610)**	(217 147)
Cash outflows from investing activities	**(838 018)**	(486 322)
Cash outflows from financing activities	**(56 549)**	(406 043)
Net movement in cash and cash equivalents	**209 582**	690 582
Cash and cash equivalents at the beginning of the period	**1 053 782**	363 200
Cash and cash equivalents at the end of the period	**1 263 364**	1 053 782

ABRIDGED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 2018

	Attributable to the equity holders of the company							
	Stated capital R'000	Share-based payments reserve R'000	Other reserves R'000	Common control reserve R'000	Retained earnings R'000	Total R'000	Non-controlling interests R'000	Total R'000
Balance at 1 July 2016	10 023 804	434 863	25 517	(1 919 832)	1 403 502	9 967 854	78 402	10 046 256
Profit/(loss) for the year					515 657	515 657	(39 350)	476 307
Other comprehensive income			(20 845)		5 623	(15 222)		(15 222)
BEE share-based payments charge		17 600				17 600		17 600
Employee Share Incentive Scheme:								
- proceeds from shares issued	17 886					17 886		17 886
- value of employee services		78 959				78 959		78 959
- exercise of employee share schemes		(17 886)				(17 886)		(17 886)
Ordinary dividends paid					(216 079)	(216 079)	(1 068)	(217 147)
Balance at 2 July 2017	10 041 690	513 536	4 672	(1 919 832)	1 708 703	10 348 769	37 984	10 386 753
Profit/(loss) for the year					922 439	922 439	(44 062)	878 377
Other comprehensive income			(10 478)		8 377	(2 101)		(2 101)
Acquisition of subsidiary*							56 349	56 349
BEE share-based payments charge		17 600				17 600		17 600
Employee Share Incentive Scheme:								
- proceeds from shares issued	45 551					45 551		45 551
- value of employee services		134 330				134 330		134 330
- equity component of deferred tax on share-based payments		13 005				13 005		13 005
- exercise of employee share schemes		(45 551)				(45 551)		(45 551)
Ordinary dividends paid					(303 068)	(303 068)	(1 542)	(304 610)
Balance at 1 July 2018	**10 087 241**	**632 920**	**(5 806)**	**(1 919 832)**	**2 336 451**	**11 130 974**	**48 729**	**11 179 703**

SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 2018

		June 2018 R'000	June 2017 R'000
Capital expenditure contracted and committed		**327 259**	155 492
Capital expenditure approved but not contracted		**586 140**	354 869
Additions due to replacement of property, plant and equipment		**521 798**	401 882
Additions due to expansion of property, plant and equipment		**293 150**	391 333
Intangible asset additions		**34 108**	41 326
Amount expensed as write-down to net realisable value		**65 026**	35 015
Statistics			
Statutory ordinary shares in issue (includes BEE shares)	(000)	**938 087**	935 566
Ordinary shares in issue for accounting purposes	(000)	**867 328**	864 807
Weighted average ordinary shares in issue	(000)	**865 649**	864 167
Diluted weighted average ordinary shares in issue	(000)	**886 486**	870 488
Net asset value per share	(cents)	**1 289,0**	1 201,0
Ordinary dividends per share:			
Interim dividend paid	(cents)	**15,0**	10,0
Final dividend declared/paid	(cents)	**25,0**	20,0
Total dividends	(cents)	**40,0**	30,0

ABRIDGED SEGMENTAL ANALYSIS

FOR THE YEAR ENDED JUNE 2018

	June 2018 R'000	June 2017 R'000
Revenue	**24 425 996**	24 950 655
Consumer	**12 752 874**	13 474 031
Sugar & Milling	**13 566 850**	14 467 407
Logistics	**1 979 958**	2 033 102
Sales between segments:		
Consumer to Sugar & Milling	**(136 392)**	(230 274)
Sugar & Milling to Consumer	**(2 727 031)**	(3 713 778)
Logistics to Consumer	**(977 755)**	(1 050 894)
Logistics to Sugar & Milling	**(32 508)**	(28 939)
Operating profit before depreciation, amortisation and impairment (EBITDA)		
Consumer	**985 205**	506 485
Sugar & Milling	**869 037**	1 036 072
Logistics	**204 341**	203 117
Unallocated Group (losses)/gains*	**(12 599)**	1 959
Operating profit before depreciation, amortisation and impairment (EBITDA)	**2 045 984**	1 747 633
Depreciation, amortisation and impairment	**(775 640)**	(971 125)
Operating profit/(loss)		
Consumer	**654 055**	(7 404)
Sugar & Milling	**521 204**	669 184
Logistics	**131 054**	121 776
Unallocated Group (losses)/gains	**(35 969)**	(7 048)
Operating profit	**1 270 344**	776 508
Finance costs	**(315 104)**	(373 741)
Finance income	**62 624**	40 999
Share of profits of joint ventures	**28 268**	48 577
Sugar & Milling	**16 576**	38 628
Logistics	**11 692**	9 949
Share of profits/(loss) of associates	**51 834**	109 516
Sugar & Milling	**50 889**	110 590
Ugandan operations	**945**	(1 074)
Profit before tax	**1 097 966**	601 859
Assets		
Consumer	**8 426 106**	8 363 089
Sugar & Milling	**8 918 780**	8 208 674
Logistics	**3 748 581**	3 307 004
Unallocated Group assets**	**1 062 404**	833 157
Ugandan operation	**53 535**	58 146
Set-off of inter-segment balances	**(1 218 109)**	(1 261 756)
Total per statement of financial position	**20 991 297**	19 508 314
Liabilities		
Consumer	**2 783 814**	2 693 566
Sugar & Milling	**2 788 927**	2 484 827
Logistics	**2 499 840**	2 235 929
Unallocated Group liabilities**	**2 957 122**	2 968 995
Set-off of inter-segment balances	**(1 218 109)**	(1 261 756)
Total per statement of financial position	**9 811 594**	9 121 561

* *The unallocated Group (losses)/gains include the operating costs of RCL Foods Limited and RCL Group Services Proprietary Limited, losses on the Group's self insurance arrangement as well as a foreign exchange loss on settlement of the Zambian option in the prior year.*

** *Includes assets and liabilities of the Group treasury company, Matzonox and consolidation entries.*

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 2018

1. BASIS OF PREPARATION

The Abridged Consolidated Annual Financial Statements have been extracted from the Audited Annual Financial Statements for the year ended June 2018, available at www.rclfoods.com/financial-results-and-investor-presentations-2018. The Abridged Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the information required by IAS 34 "Interim Financial Reporting", IFRIC interpretations, SAICA financial reporting guides and circulars and in compliance with the Companies Act of South Africa and the Listings Requirements of the JSE Limited, under the supervision of the Chief Financial Officer, Robert Field CA(SA). The accounting policies comply with IFRS and are consistent with those applied in the previous year, except for the adoption of the disclosure amendments to IAS 7 effective 3 July 2017, which have had no effect on the Abridged Financial Statements.

2. DIRECTORS' EMOLUMENTS

	Basic salary R'000	Pension contribution R'000	Bonus* R'000	Other benefits** R'000	Total R'000
2018					
M Dally	8 445	509	8 225	352	17 531
RH Field	4 263	463	3 737	322	8 785
	12 708	972	11 962	674	26 316
2017					
M Dally	7 954	569	3 114	182	11 819
RH Field	3 939	434	1 519	335	6 227
	11 893	1 003	4 633	517	18 046

** Bonus payments relate to the prior financial year. An amount of R5,5 million has been accrued for the 2018 financial year.*

*** Other benefits include company contributions to disability insurance, medical aid and UIF.*

	2018 R'000	2017 R'000
Non-executives (for services as a director)		
HJ Carse***	342	282
JJ Durand***	447	368
CJ Hess	113	
PR Louw***	342	282
NP Mageza	654	538
DTV Msibi	425	400
MM Nhlanhla	363	342
RV Smither	733	690
GM Steyn	553	455
GC Zondi****	775	638
Total	4 747	3 995

**** Paid to Remgro Management Services Limited.*

***** Paid to Imbewu Capital Partners Management Services Proprietary Limited.*

2. DIRECTORS' EMOLUMENTS CONTINUED

Interests of directors of the company in share appreciation rights awarded in terms of the RCL FOODS Share Appreciation Rights Scheme

Share appreciation rights awarded to executive directors and unexpired or unexercised as at June 2018 are as follows:

	Award price Rand	Rights at June 2017	Rights awarded during the year	Rights exercised during the year	Rights at June 2018	Fair value of rights awarded* R'000	Rights exercisable at June 2018	Gain on rights exercised during the year R'000
M Dally	16,45	714 572		(714 572)				664
	13,20	768 117		(768 117)				4 277
	16,54	1 240 943			1 240 943	4 054	819 022	
	15,93	1 014 820			1 014 820	2 760	334 890	
	15,92	540 869			540 869	1 698		
	14,05	1 962 930			1 962 930	6 007		
	15,36		1 284 422		1 284 422	4 367		
		6 242 251	1 284 422	(1 482 689)	6 043 984	18 886	1 153 912	4 941
RH Field	16,45	364 999		(364 999)				373
	13,20	374 505		(123 586)	250 919	649	250 919	687
	16,54	621 765			621 765	2 031	410 364	
	15,93	559 397			559 397	1 522	184 601	
	15,92	319 448			319 448	1 003		
	14,05	1 087 325			1 087 325	3 327		
	15,36		669 653		669 653	2 277		
		3 327 439	669 653	(488 585)	3 508 507	10 809	845 884	1 060
Total		9 569 690	1 954 075	(1 971 274)	9 552 491	29 695	1 999 796	6 001

Interests of directors of the company in share appreciation rights awarded in terms of the RCL FOODS Share Appreciation Rights Scheme

Share appreciation rights awarded to executive directors and unexpired or unexercised as at June 2017 are as follows:

	Award price Rand	Rights at June 2016	Rights awarded during the year	Rights exercised during the year	Rights forfeited during the year	Rights at June 2017	Fair value of rights awarded* R'000	Rights exercisable at June 2017	Gain on rights exercised during the year R'000
M Dally	14,27	908 945		(279 074)	(629 871)				137
	14,73	929 256		(929 256)					883
	16,45	714 572				714 572	2738	714 572	
	13,20	768 117				768 117	1984	506 957	
	16,54	1 240 943				1 240 943	4054	409 511	
	15,93	1 014 820				1 014 820	2 760		
	15,92	540 869				540 869	1 698		
	14,05		1 962 930			1 962 930	6 007		
		6 117 522	1 962 930	(1 208 330)	(629 871)	6 242 251	19 241	1 631 040	1 020
RH Field	14,27	427 702		(427 702)					210
	14,73	431 618		(431 618)					747
	16,45	364 999				364 999	1 399	364 999	
	13,20	374 505				374 505	968	247 173	
	16,54	621 765				621 765	2 031	205 182	
	15,93	559 397				559 397	1 522		
	15,92	319 448				319 448	1 003		
	14,05		1 087 325			1 087 325	3 327		
		3 099 434	1 087 325	(859 320)		3 327 439	10 250	817 354	957
Total		9 216 956	3 050 255	(2 067 650)	(629 871)	9 569 690	29 491	2 448 394	1 977

** Fair value of rights awarded represents the total fair value of all rights outstanding at the end of the year. This cost will be expensed over the rights' vesting period.*

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 2018

2. DIRECTORS' EMOLUMENTS CONTINUED

Interests of directors of the company in conditional shares awarded in terms of the RCL Foods Conditional Share Plan

	Conditional shares at June 2017	Conditional shares at June 2018	Fair value of rights awarded* R'000
June 2018			
M Dally	4 485 987	4 485 987	51 250
RH Field	2 097 293	2 097 293	23 599
Total	6 583 280	6 583 280	74 849

	Conditional shares at June 2016	Conditional shares awarded during the year	Conditional shares at June 2017	Fair value of rights awarded* R'000
June 2017				
M Dally	865 422	3 620 565	4 485 987	51 250
RH Field	649 067	1 448 226	2 097 293	23 599
Total	1 514 489	5 068 791	6 583 280	74 849

** Fair value of rights awarded represents the total fair value of all rights outstanding at the end of the year. This cost will be expensed over the rights' vesting period.*

Interests of directors of the company in stated capital

The aggregate beneficial holdings as at June of those directors of the company holding issued ordinary shares are detailed below:

	2018 Direct beneficial	2018 Indirect beneficial	2017 Direct beneficial	2017 Indirect beneficial
Executive directors				
M Dally	1 250 997		1 212 372	
RH Field	487 271		511 971	
Non-executive directors				
NP Mageza		386		386
MM Nhlanhla**		229 559		229 559
GC Zondi**		2 932 004		2 932 004
	1 738 268	3 161 949	1 724 343	3 161 949

*** Assumes 100% vesting in terms of BEE transaction.*

There has been no change in the interest of the directors in the stated capital of the company since the end of the financial year to the date of this report.

2. DIRECTORS' EMOLUMENTS CONTINUED

Directors' emoluments paid by Remgro Limited

	Fees R'000	Salaries R'000	Retirement fund R'000	Other benefits* R'000	Total R'000
June 2018					
Executive					
HJ Carse		2 160	428	272	2 860
JJ Durand	345	10 482	2 147	349	13 323
PR Louw		2 585	513	361	3 459
Subtotal	345	15 227	3 088	982	19 642
Non-executive					
NP Mageza	533				533
Subtotal	533				533
Total	878	15 227	3 088	982	20 175
June 2017					
Executive					
HJ Carse		1 972	391	258	2 621
JJ Durand	321	10 506	2 147	344	13 318
PR Louw		2 399	476	339	3 214
Subtotal	321	14 877	3 014	941	19 153
Non-executive					
NP Mageza	455				455
Subtotal	455				455
Total	776	14 877	3 014	941	19 608

** Other benefits include medical aid contributions and vehicle benefits.*

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 2018

2. DIRECTORS' EMOLUMENTS CONTINUED

Variable pay – long-term incentive plans

Remgro Equity Settled Share Appreciation Right's Scheme (SARs) – 2018

Participant	Balance of SARs accepted as at June 2017	SARs accepted during the period	Offer date	Offer price Rand	Balance of SARs accepted as at June 2018	Fair value of SARs granted* R'000
Executive						
HJ Carse	18 062			92,83		
	7 546			142,04	7 546	299
	11 767			185,07	11 767	640
	17 775			245,53	17 775	1 219
	8 273			262,77	8 273	669
	9 988			209,11	9 988	699
		16 972	2017/12/14	206,35	16 972	1 245
JJ Durand	157 262			92,83		
	271 258			142,04	271 258	10 763
	93 128			185,07	93 128	5 064
	108 468			245,53	108 468	7 442
	192 676			262,77	192 676	15 591
	150 872			209,11	150 872	10 553
		132 309	2017/12/14	206,35	132 309	9 705
PR Louw	27 432			92,83		
	22 646			142,04	22 646	899
	12 944			185,07	12 944	704
	5 952			245,53	5 952	408
	9 497			262,77	9 497	768
	91 120			209,11	91 120	6 374
		20 301	2017/12/14	206,35	20 301	1 489
	1 216 666	169 582			1 183 492	74 531

* *Fair value of rights awarded represents the total fair value of all rights outstanding at the end of the year. This cost will be expensed over the rights' vesting period.*

2. DIRECTORS' EMOLUMENTS CONTINUED

Remgro Equity Settled Share Appreciation Right Scheme (SARs) – 2017

Participant	Balance of SARs accepted as at June 2016	SARs accepted during the period	Offer date	Offer price Rand	Balance of SARs accepted as at June 2017	Fair value of SARs granted* R'000
Executive						
H Carse	18 062			92,83	18 062	602
	7 546			142,04	7 546	299
	11 767			185,07	11 767	640
	17 775			245,53	17 775	1 219
	8 273			262,77	8 273	669
		9 988	2016/12/01	209,11	9 988	699
JJ Durand	157 262			92,83	157 262	5 245
	271 258			142,04	271 258	10 763
	93 128			185,07	93 128	5 064
	108 468			245,53	108 468	7 442
	192 676			262,77	192 676	15 591
		150 872	2016/12/01	209,11	150 872	10 553
PR Louw	27 432			92,83	27 432	915
	22 646			142,04	22 646	899
	12 944			185,07	12 944	704
	5 952			245,53	5 952	408
	9 497			262,77	9 497	768
		91 120	2016/12/01	209,11	91 120	6 374
	964 686	251 980			1 216 666	68 855

* *Fair value of rights awarded represents the total fair value of all rights outstanding at the end of the year. This cost will be expensed over the rights' vesting period.*

	2018 R'000	2017 R'000
3. FINANCE COSTS		
Interest – financial institutions	285 987	306 689
Fair value adjustment on interest rate collar option	355	7 661
Transaction costs on term-funded debt	3 392	4 031
Foreign exchange losses		2 334
Interest – Group companies	16 279	36 598
Interest – other	9 091	16 428
	315 104	373 741

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 2018

	2018 R'000	2017 R'000
4. INTEREST-BEARING LIABILITIES		
Long-term		
Institutional borrowings	37 593	43 452
Finance lease liabilities	163 131	169 962
Term-funded debt package	1 755 000	2 852 000
Loan from Ingwenyama Simhulu Trust	8 000	8 000
Loans from Akwandze Agricultural Finance Proprietary Limited	2 259	5 408
	1 965 983	3 078 822
Short-term		
Institutional borrowings	5 859	5 859
Finance lease liabilities	11 739	9 652
Current portion of term-funded debt package	1 097 000	
Current portion of long-term loan from Akwandze Agricultural Finance Proprietary Limited	5 547	18 023
Short-term loans from Akwandze Agricultural Finance Proprietary Limited	162 528	192 849
	1 282 673	226 383

Bank borrowings

Institutional borrowings are loans from Futuregrowth Asset Management Proprietary Limited with a carrying value in non-current liabilities of R37,6 million (2017: R43,5 million) and an amount of R5,9 million included in short-term institutional borrowings (2017: R5,9 million). These loans were used to fund new contract grower operations in the Chicken business unit. These loans bear interest at the three month JIBAR with a margin of between 1.5% and 4.25% per annum (2017: 1.5% and 4.25% per annum). The outstanding loan together with the accrued interest is required to be repaid in instalments based on the contract growers operating cycle at intervals of between 40 to 50 days between payments.

The carrying amount of bank borrowings approximates their fair values.

Finance lease liabilities

The finance lease liabilities bear interest at a rate between 7.0% and 10.0% per annum (2017: 7.0% and 10.0% per annum).

Finance lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

The carrying amount of the finance lease liabilities approximates their fair values.

Term-funded debt package

During the 2015 financial year, the RMB bridging loan was replaced with a term-funded debt package.

The loans bear interest at a floating rate (JIBAR) plus a margin of between 1.80% and 2.25% per annum (2017: between 1.65% and 2.25%).

The details of the loans and the effective interest rate for the year is shown below:

	Amount R'000	Term years	Effective interest rate	Repayment Date
Type				
Bullet loan (A)	1 755 000	5	9.30%	February 2020
Bullet loan (B)	1 097 000	4	9.11%	February 2019
Total	2 852 000			

The term-funded debt package requires that the Group comply with the following financial covenants:

	June 2018	June 2017
Senior leverage ratio	<2,75:1	< 2,75:1
Senior interest cover ratio	>3,5:1	> 3,5:1

4. INTEREST-BEARING LIABILITIES CONTINUED

In the event that the Net Senior Debt to EBITDA ratio exceeds 2,7 times on a measurement date, the applicable interest rate will be increased by 0.25% until the cover is restored. Net Senior Debt represents all unsubordinated debt less cash and cash equivalents and any investment in money market fund.

The terms of the term-funded debt package require lender pre-approval for the following specified events:

- Any acquisition funded from internally generated cash in excess of R250,0 million per annum;
- Any loan or investment in a joint venture in excess of R600,0 million over the period of the debt package;
- More than two dividends paid in the financial year;
- Entering into acquisitions and the payment of dividends requires the Group to meet the financial covenants specified in the term-funded debt package agreement both immediately after the proposed transaction and on a look forward basis for the next interim and year-end reporting date after the proposed transaction; and
- In addition, there are various transactions in the normal course of business which require that the Group remain within the specified financial covenants.

The obligation in respect of the debt package discussed above has been guaranteed by each of Foodcorp Proprietary Limited, RCL FOODS Limited, New Foodcorp Holding Proprietary Limited, RCL FOODS Sugar & Milling Proprietary Limited, RCL FOODS Consumer Proprietary Limited, Rainbow Farms Investments Proprietary Limited, RCL Group Services Proprietary Limited and Vector Logistics Proprietary Limited. The debt package is held through RCL FOODS Treasury Proprietary Limited.

The above loans of the term-funded debt package are unsecured.

The fair value of the term-funded debt package at June 2018 amounted to R2,85 billion (2017: R2,98 billion). The fair value is calculated using cash flows discounted at a rate based on the ZAR Swap Curve over the period of the loan and are within level 3 of the fair value hierarchy.

Loans from Ingwenyama Simhulu Trust

Libuyile Farming Services Proprietary Limited is a 50% held subsidiary of the Group, which farms sugarcane.

Libuyile Farming Services Proprietary Limited obtained a shareholder loan from Ingwenyama Simhulu Trust during the 2016 financial year. No interest is payable within the first three years. A rate of 4% interest will be charged from years three to five. A prime less 1% interest will be charged after year five. The repayment of the shareholder loan will be considered after year five at a Libuyile Farming Services Proprietary Limited board meeting.

Loans from Akwandze Agricultural Finance Proprietary Limited

Akwandze Agricultural Finance Proprietary Limited is a joint venture of the Group, which provides production finance and management services to Sugar cane growers. Certain funding has been channelled through the Group to small scale growers.

The long-term loans from Akwandze Agricultural Finance Proprietary Limited, amounting to R7,8 million, are repayable annually, over a maximum remaining period of three years. These loans bear interest at a fixed rate of 4% per annum and are secured by a cession over Libuyile Farming Services Proprietary Limited, Mgubho Farming Services Proprietary Limited and Sivunosetfu Proprietary Limited rights and interest in the gross revenue accruing to these companies from all sugar cane cut and delivered to any mill, including revenue from any seed cane sold or disposed otherwise. These loans have been guaranteed by RCL FOODS Sugar & Milling Proprietary Limited.

Various short-term loans amounting to R128,6 million from Akwandze Agricultural Finance Proprietary Limited are repayable within one year. These loans bear interest at prime less 3.75% per annum and are secured by a cession over Libuyile Farming Services Proprietary Limited, Mgubho Farming Services Proprietary Limited and Sivunosetfu Proprietary Limited rights and interest in the gross revenue accruing to these companies from all sugar cane cut and delivered to any mill, including revenue from any seed cane sold or disposed otherwise. These loans have been guaranteed by RCL FOODS Sugar & Milling Proprietary Limited.

The remaining short-term loans from Akwandze Agricultural Finance Proprietary Limited, amounting to R33,9 million, are unsecured, payable on demand and bear interest at a variable rate of 9.0% (2017: 9.5%) per annum.

The carrying amount of these loans approximates their fair values.

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 2018

	2018 R'000	2017 R'000
5. NON-CURRENT ASSETS HELD FOR SALE		
Non-current assets held for sale relate to the following segments		
Assets		
Consumer	156 580	71 102
Logistics		1 647
Sugar & Milling		15 936
	156 580	88 685
Liabilities		
Consumer		1 221
Logistics		174
		1 395

Current Year – Consumer

Prepared Lines Operation

Due to declines in profitability within the Speciality business unit, particularly within the Prepared lines, a decision was taken in the current year to exit the Prepared lines and focus on driving growth in the Bakery lines. The assets relating to the Prepared category have been classified as held for sale as the disposal is expected to be completed in the 2019 financial year.

	2018 R'000	2017 R'000
Assets		
Property, plant and equipment	12 806	
Goodwill*	129 979	
Inventory	12 283	
Total assets	155 068	

** Goodwill has been allocated from the Speciality CGU, based on the relative fair values of the Prepared lines operation and the remaining operations.*

The Prepared lines operation did not represent a separate major line of business or geographical area and hence were not been presented separately as a discontinued operation.

Chicken Farms

During the 2017 financial year a decision was taken to reduce commodity chicken volumes, which resulted in certain chicken farms becoming dormant. These farms are being marketed for sale and are expected to be sold in the 2019 financial year. The carrying value is as follows:

	2018 R'000	2017 R'000
Assets		
Property, plant and equipment	1 512	
Total assets	1 512	

Prior year

Tzaneen Operation

During the previous financial year, a decision was taken to dispose of our Tzaneen operation in its entirety. The sale of the operation was concluded in the current financial year. The carrying values of the assets and liabilities disposed of, which belonged to the Consumer and Logistics segments, are as follows:

	2018 R'000	2017 R'000
Assets		
Property, plant and equipment		55 306
Biological assets		14 758
Inventory		2 685
Total assets		72 749

	2018 R'000	2017 R'000
5. NON-CURRENT ASSETS HELD FOR SALE CONTINUED		
Liabilities		
Trade and other payables		1 395
Total liabilities		1 395

The Tzaneen operation did not represent a separate major line of business or geographical area and hence were not been presented separately as a discontinued operation.

	2018 R'000	2017 R'000
Reconciliaton of carrying amount of Tzaneen operation		
Proceeds*	71 354	
Carrying amount of disposal group	(71 354)	
Profit/(loss) recognised on sale of disposal group		

** Consists of cash received during the year of R24,7 million and amounts still to be received reported in non-current trade and other receivables (R42,2 million) and current trade and other receivables (R4,4 million).*

Sugar & Milling

During the previous financial year, the Group replaced its existing corporate plane. The existing plane was subsequently classified as held for sale. The sale of the plane was concluded in the current financial year.

In addition, certain cane trucks and a premix plant within the Sugar & Milling segment were also classified as held for sale. The sale of these assets was concluded in the current financial year.

Details of the assets classified as held for sale were as follows:

	2018 R'000	2017 R'000
Assets		
Property, plant and equipment		15 936
Total assets		15 936
Reconciliation of carrying amount of Sugar & Milling assets classified as held for sale		
Proceeds	16 857	
Additions to disposal group	(554)	
Carrying amount of disposal group	(15 936)	
Transferred to Property, plant and equipment	750	
Profit recognised on sale of disposal group	1 117	

6. RELATED PARTY TRANSACTIONS

Related party relationships exist between RCL Foods Limited, its subsidiaries, associates, joint ventures and Remgro Limited and its subsidiaries, associates and joint ventures. Remgro Management Services Limited provides treasury services to the Group.

The ultimate controlling party of the Group is Remgro Limited.

Group

The following transactions were concluded with related parties:

	2018 R'000	2017 R'000
Transactions and balances with ultimate holding company		
Interest paid	1 405	16 336
Administration and other fees paid	21 471	20 496
Amounts owing included in trade and other payables	5 155	103
Directors' fees	1 131	931
Purchase of property, plant and equipment		41 400
Purchases	3 179	
Transactions and balances with associates of the holding company		
Bank charges paid	2 787	3 492
Bank balances included in cash and cash equivalents	106 893	220 277
Interest paid	86 652	95 490
Interest received	382	4 185
Amounts owing included in trade and other payables	46 311	16 586
Amounts owing by associates of the holding company included in trade and other receivables	1 982	
Interest payable included in trade and other payables	476	
Commitment, settlement and facility fees paid	5 708	2 677
Amount owing included in short-term interest bearing liabilities	369 196	497
Amount owing included in long-term interest bearing liabilities	587 000	954 000
Purchases	292 358	153 268
Sales	21 048	52
Transactions with associate and joint ventures within the Group		
Interest paid	11 096	20 262
Interest received	1 896	9 533
Management fees received	1 448	1 366
Service fees received		2 382
Service fees paid	8 661	8 473
Commitment, settlement and facility fees paid	1 170	
Dividends received	62 394	89 093
Sales	61 379	4 206
Purchases	932 323	843 864
Amounts owing by associates and joint ventures within the Group included in trade and other receivables	8 388	1 132
Amounts owing to associates and joint ventures within the Group included in interest-bearing liabilities	170 334	157 683
Amounts owing to associates and joint ventures within the Group included in trade and other payables	107 694	86 428
Key management of RCL Foods Limited		
The following transactions were carried out with key management individuals within the Group:		
In terms of IAS24: Related party disclosures, key management are considered to be related parties.		
Executive management and the senior leadership team are classified as key management:		
– short-term employment benefits	550 097	434 022
– post-employment benefits	37 435	26 592
– termination benefits	3 117	2 477
– share-based payments	134 330	78 959
Total	724 979	542 050

RCL FOODS LIMITED
(Incorporated in the Republic of South Africa)
Registration number: 1966/004972/06
Share code: RCL
ISIN: ZAE000179438
("RCL FOODS" or "the company" or "the Group")

In terms of section 59(1)(a) of the South African Companies Act, No 71 of 2008, as amended, ("the Companies Act") the record date for the purpose of determining which shareholders of the company are entitled to receive notice of the Annual General Meeting is Friday, 21 September 2018. In terms of section 59(1)(b) of the Companies Act, the record date for the purpose of determining which shareholders of the company are entitled to participate in and vote at the Annual General Meeting is Friday, 9 November 2018. Accordingly, the last day to trade in order to be registered in the register of members of the company and therefore be eligible to participate in and vote at the Annual General Meeting is Tuesday, 6 November 2018.

Notice is hereby given that the 52nd Annual General Meeting of shareholders of RCL FOODS will be held at Ten The Boulevard, Westway Office Park, Westville, KwaZulu-Natal on Tuesday, 20 November 2018 at 08:30 to consider and, if deemed fit, to pass the following ordinary and special resolutions with or without modification and to transact such other business as may be transacted at an annual general meeting.

ORDINARY RESOLUTIONS

1. ADOPTION OF ANNUAL FINANCIAL STATEMENTS

ORDINARY RESOLUTION NUMBER 1

Resolved that the Audited Annual Financial Statements of the company and the Group, including the directors' report, report of the Audit Committee and independent auditor's report, for the year ended June 2018 be received and adopted.

2. ELECTION AND RE-ELECTION OF DIRECTORS

ORDINARY RESOLUTION NUMBER 2.1

Resolved that Mr RV Smither, having retired and been re-appointed in accordance with the company's retirement policy since the last Annual General Meeting, be re-elected as a director of the company.

ORDINARY RESOLUTION NUMBER 2.2

Resolved that Ms CJ Hess, having been appointed since the last Annual General Meeting, be elected as a director of the company.

ORDINARY RESOLUTION NUMBER 2.3

Resolved that Mr HJ Carse, who retires by rotation in accordance with the Memorandum of Incorporation of the company and who, being eligible, has offered himself for re-election, be re-elected as a director of the company.

ORDINARY RESOLUTION NUMBER 2.4

Resolved that Mrs MM Nhlanhla, who retires by rotation in accordance with the Memorandum of Incorporation of the company and who, being eligible, has offered herself for re-election, be re-elected as a director of the company.

ORDINARY RESOLUTION NUMBER 2.5

Resolved that Mr NP Mageza, who retires by rotation in accordance with the Memorandum of Incorporation of the company and who, being eligible, has offered himself for re-election, be re-elected as a director of the company.

ORDINARY RESOLUTION NUMBER 2.6

Resolved that Mr GC Zondi, who retires by rotation in accordance with the Memorandum of Incorporation of the company and who, being eligible, has offered himself for re-election, be re-elected as a director of the company.

Biographical details of the above directors can be found on pages 44 and 45 of this Abridged Integrated Annual Report, of which this notice forms part.

NOTICE TO SHAREHOLDERS CONTINUED

FOR THE YEAR ENDED JUNE 2018

3. RE-APPOINTMENT OF EXTERNAL AUDITORS

ORDINARY RESOLUTION NUMBER 3

Resolved that the re-appointment of PricewaterhouseCoopers Incorporated as the company's auditors, as nominated by the company's Audit Committee, be approved, and to note that the individual registered auditor who will undertake the audit during the financial year ending June 2019 is Mrs S Randelhoff.

4. ELECTION OF MEMBERS OF THE AUDIT COMMITTEE

ORDINARY RESOLUTION NUMBER 4.1

Resolved that, subject to election under ordinary resolution 2.2, Ms CJ Hess, an independent non-executive director of the company, be elected as a member of the Audit Committee until the next Annual General Meeting.

ORDINARY RESOLUTION NUMBER 4.2

Resolved that, subject to re-election under ordinary resolution 2.5, Mr NP Mageza, an independent non-executive director of the company, be elected as a member of the Audit Committee until the next Annual General Meeting.

ORDINARY RESOLUTION NUMBER 4.3

Resolved that, Mr DTV Msibi, an independent non-executive director of the company, be elected as a member of the Audit Committee until the next Annual General Meeting.

ORDINARY RESOLUTION NUMBER 4.4

Resolved that, subject to re-election under ordinary resolution 2.1, Mr RV Smither, an independent non-executive director of the company, be elected as a member of the Audit Committee until the next Annual General Meeting.

5. CONTROL OF AUTHORISED BUT UNISSUED SHARES

ORDINARY RESOLUTION NUMBER 5

Resolved that the authorised but unissued ordinary shares in the capital of the company remain under the control of the directors who shall be authorised to issue these shares at such times and on such terms as they may determine, subject to the Companies Act, the company's Memorandum of Incorporation and the Listings Requirements of the JSE Limited ("JSE").

Explanation

This general authority once granted authorises the board of directors to issue ordinary no par value shares from time to time as may be required. The directors have decided to seek annual renewal of this authority in accordance with best practice. The directors wish to ensure that, by having this authority in place, the company has the necessary flexibility in managing the Group's capital resources and to enable the company to take advantage of any business opportunity that may arise in the future. It is noted that the authority granted under this resolution excludes an issue as contemplated in sections 41(1) and (3) of the Companies Act, which must first be approved by way of a special resolution of shareholders.

6. ENABLING RESOLUTION

ORDINARY RESOLUTION NUMBER 6

Resolved that any director of the company and/or the Company Secretary be and is hereby authorised to do all such things and sign all such documents as may be necessary for or incidental to the implementation of special resolution number 1 and special resolution number 2.

7. NON-BINDING ADVISORY VOTE IN RESPECT OF THE REMUNERATION POLICY

ORDINARY RESOLUTION NUMBER 7

Resolved that the Remuneration Policy, as described in the Remuneration Report available on our website at www.rclfoods.com/financial-results-and-investor-presentations-2018, is hereby approved by way of a non-binding advisory vote, as recommended in the King IV Report on Corporate Governance for South Africa 2016, commonly referred to as King IV.

8. NON-BINDING ADVISORY VOTE IN RESPECT OF THE REMUNERATION IMPLEMENTATION REPORT

ORDINARY RESOLUTION NUMBER 8

Resolved that the Implementation Report contained in the Remuneration Report available on our website at www.rclfoods.com/financial-results-and-investor-presentations-2018, is hereby approved by way of a non-binding advisory vote, as recommended in the King IV Report on Corporate Governance for South Africa, 2016, commonly referred to as King IV.

SPECIAL RESOLUTIONS

1. FINANCIAL ASSISTANCE IN TERMS OF SECTIONS 44 AND 45 OF THE COMPANIES ACT

SPECIAL RESOLUTION NUMBER 1

Resolved as a special resolution that the Board may, subject to sections 44 and 45 of the Companies Act, the Memorandum of Incorporation of RCL FOODS and the JSE Listings Requirements, authorise RCL FOODS to provide direct or indirect financial assistance as contemplated by sections 44 and 45 of the Companies Act:

(i) by way of loan, guarantee, the provision of security or otherwise to any person for the purpose of, or in connection with, the subscription for any option, or any securities, issued or to be issued by RCL FOODS, or any related or inter-related company, or for the purchase of any securities of RCL FOODS, or any related or inter-related company; and/or

(ii) to a director or prescribed officer of RCL FOODS or of a related or inter-related company, or to a related or inter-related company or corporation, or to a member of a related or inter-related corporation, or to a person related to any such company, corporation, director, prescribed officer or member,

provided that no such financial assistance may be provided at any time in terms of this authority after the expiry of two years from the date of the adoption of this special resolution.

Explanation

On a regular basis, and in the ordinary course of business, the company provides loan financing, guarantees, and other support to the related and inter-related companies/legal entities in the Group.

Sections 44 and 45 of the Companies Act empower the board of a company to provide direct or indirect financial assistance to a related or inter-related company or corporation pursuant to a special resolution of the shareholders of the company adopted within the previous two years.

The reason for and effect of special resolution number 1 is to grant the directors of the company the authority to cause the company to provide financial assistance to any company or other legal entity which is related or inter-related to the company, in accordance with the Companies Act. This authority is necessary to enable the company to provide financial assistance in appropriate circumstances. The financial assistance will be provided where the board of directors of the company is satisfied that immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test, and that the terms under which the financial assistance is proposed to be given are fair and reasonable to the company. In the circumstances and in order to, *inter alia,* ensure that the company's subsidiaries and other related and inter-related companies and corporations have access to financing, it is necessary to obtain the approval of shareholders, as set out in special resolution number 1.

2. APPROVAL OF NON-EXECUTIVE DIRECTORS' REMUNERATION

SPECIAL RESOLUTION NUMBER 2

Resolved as a special resolution that, unless otherwise determined by the company in a general meeting, the annual fees payable by the company to its non-executive directors, with effect from 1 October 2018, be approved as follows:

Rands per annum	Current	Proposed
Board		
Chairman	303 398	**321 602**
Members	303 398	**321 602**
Audit Committee		
Chairman	253 266	**268 462**
Members	127 257	**134 892**
Remuneration and Nominations Committee		
Chairman	149 714	**158 697**
Members	93 571	**99 185**
Risk Committee		
Chairman	149 714	**158 697**
Members	93 571	**99 185**
Social and Ethics Committee		
Chairman	107 295	**113 733**
Members	64 876	**68 769**

Explanation

Section 66(9) of the Companies Act requires that a company may pay remuneration to its directors for their services as directors only in accordance with a special resolution approved by the shareholders within the previous two years.

The reason for and effect of special resolution number 2 is to grant the company the authority to pay fees to its non-executive directors for their services as directors.

NOTICE TO SHAREHOLDERS CONTINUED

APPROVALS REQUIRED FOR RESOLUTIONS

Ordinary resolutions numbers 1 to 6 contained in this notice require the approval of more than 50% (fifty percent) of the voting rights exercised on the resolution by members present or represented by proxy at the Annual General Meeting.

Ordinary resolutions numbers 7 and 8 are required to be endorsed, through a non-binding advisory vote, by members present or represented by proxy at the Annual General Meeting. In the event of the resolutions being voted against by 25% (twenty-five percent) or more of the votes exercised on them, the company shall engage with members as to the reasons therefor, as set out in the Remuneration Report, available on our website at www.rclfoods.com/financial-results-and-investor-presentations-2018

Special resolutions numbers 1 to 2 contained in this notice require the approval of more than 75% (seventy-five percent) of the voting rights exercised on the resolutions by members present or represented by proxy at the Annual General Meeting.

ATTENDANCE AND VOTING BY MEMBERS OR PROXIES

Ordinary members who have not dematerialised their ordinary shares or who have dematerialised their ordinary shares with own name registration, are entitled to attend and to vote at the meeting. Any such member may appoint a proxy/proxies to attend, speak and vote in their stead (on a poll) at the meeting. A proxy need not be a member of the company. Forms of proxy should be completed and returned to the transfer secretaries Computershare Investor Services Proprietary Limited at Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, or posted to PO Box 61051, Marshalltown, 2107, to be received by 08:30 on Friday, 16 November 2018 for administrative purposes, or alternatively handed to the Company Secretary of the company or the Chairperson of the Annual General Meeting prior to its commencement at 08:30 on Tuesday, 20 November 2018.

Any shares held by a share trust or scheme will not have their votes at the Annual General Meeting taken into account for the purposes of resolutions proposed in terms of the JSE Listings Requirements. In terms of section 48(2)(b)(ii) of the Companies Act, no voting rights may attach to any shares held in treasury.

On a show of hands, every member of the company present in person or represented by proxy shall have one vote only. On a poll, every member of the company shall have one vote for every share held in the company by such member.

Ordinary members who have dematerialised their ordinary shares other than with "own name" registration, should contact their Central Securities Depository Participant (CSDP) or broker in the manner and time stipulated in their agreement:

- to furnish them with their voting instructions, or
- in the event that they wish to attend the meeting, to obtain the necessary authority to do so.

Shareholders or their proxies may participate, but not vote, by electronic communication in all or part of the meeting and, if they wish to do so:

- must contact the Company Secretary (by email at the address: John.Maher@rclfoods.com) by no later than 08:30 on Tuesday, 13 November 2018 in order to facilitate participation; and
- the electronic communication is at the expense of the shareholders or proxy.

PROOF OF IDENTIFICATION REQUIRED

The Companies Act requires that any person who wishes to attend or participate in a shareholders' meeting must present reasonably satisfactory identification at the meeting. Any shareholder or proxy who intends to attend or participate at the Annual General Meeting must be able to present reasonably satisfactory identification at the meeting for such shareholder or proxy to attend and participate at the meeting. A green bar coded identification document issued by the South African Department of Home Affairs, a driver's licence or a valid passport will be accepted as sufficient identification.

JMJ Maher
Company Secretary

31 August 2018

Registered office
Ten The Boulevard Westway Office Park Westville
3629

FORM OF PROXY

RCL FOODS LIMITED
Incorporated in the Republic of South Africa
Registration number: 1966/004972/06
Share code: RCL
ISIN: ZAE000179438 ("the company")

This form of proxy is only for use by:

1. Registered shareholders who have not yet dematerialised their ordinary shares
2. Registered shareholders who have already dematerialised their ordinary shares and registered them in their own name*
   ** See explanatory note 3 overleaf*

I/We (name in block letters)

Of (address)

Telephone number Cellphone number

being a member/members of RCL Foods Limited (registration number 1966/004972/06)

and the registered holder/s of ordinary shares in the company, hereby appoint (see instruction 1 overleaf)

1. or failing him/her

2. or failing him/her

3. the Chairman of the Annual General Meeting,

as my/our proxy to attend, speak and vote for me/us and on my/our behalf or to abstain from voting at the Annual General Meeting of the company to be held at Ten The Boulevard, Westway Office Park, Westville, KwaZulu-Natal on Tuesday, 20 November 2018 at 08:30 and at any adjournment thereof as follows:

	ORDINARY RESOLUTIONS	For	Against	Abstain
1.	Adoption of annual financial statements			
2.	Election and re-election of directors			
2.1	Mr RV Smither			
2.2	Ms CJ Hess			
2.3	Mr HJ Carse			
2.4	Mrs MM Nhlanhla			
2.5	Mr NP Mageza			
2.6	Mr GC Zondi			
3.	Re-appointment of external auditors			
4.	Election of members of the Audit Committee			
4.1	Ms CJ Hess			
4.2	Mr NP Mageza			
4.3	Mr DTV Msibi			
4.4	Mr RV Smither			
5.	Control of authorised but unissued shares			
6.	Enabling resolution			
7.	Non-binding advisory vote in respect of the Remuneration Policy			
8.	Non-binding advisory vote in respect of the Remuneration Implementation Report			
	SPECIAL RESOLUTIONS			
1.	Financial assistance in terms of sections 44 and 45			
2.	Approval of non-executive directors' remuneration			

(Indicate instructions to proxy by way of a cross in the space provided).

Unless otherwise instructed, my/our proxy may vote as he/she thinks fit.

Signed this day of 2018.

Signature

(Please read the notes and instructions overleaf)

NOTES TO THE FORM OF PROXY

FOR THE YEAR ENDED JUNE 2018

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a registered member of the company. Satisfactory identification must be presented by any person wishing to attend the Annual General Meeting, as set out in the notice.
2. Every member present in person or by proxy and entitled to vote at the Annual General Meeting of the company shall, on a show of hands, have one vote only, irrespective of the number of shares such member holds. In the event of a poll, each member shall be entitled to one vote in respect of each ordinary share held in the company by him/her.
3. Members registered in their own name are members who elected not to participate in the Issuer-Sponsored Nominee Programme and who appointed Computershare Custodial Services as their Central Securities Depository Participant (CSDP) with the express instruction that their uncertified shares are to be registered in the electronic sub-register of members in their own names.

Instructions on signing and lodging the form of proxy:

1. A member may insert the name of a proxy or the names of two alternative proxies of the member's choice in the space/s provided overleaf, with or without deleting "the Chairman of the Annual General Meeting", but any such deletion must be initialled by the member. Should this space be left blank, the proxy will be exercised by the Chairman of the Annual General Meeting. The person whose name appears first on the form of proxy and who is present at the Annual General Meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. A member's voting instructions to the proxy must be indicated by the insertion of an "X", or the number of votes exercisable by the member, in the appropriate spaces provided overleaf. Failure to do so shall be deemed to authorise the proxy to vote or to abstain from voting at the Annual General Meeting, as he/she thinks fit in respect of all the member's exercisable votes. A member or his/her proxy is not obliged to use all the votes exercisable by him/her or by his/her proxy, but the total number of votes cast, or those in respect of which abstention is recorded, may not exceed the total number of votes exercisable by the member or by his/her proxy.
3. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries.
4. To be valid, the completed forms of proxy should be completed and returned to the transfer secretary Computershare Investor Services Proprietary Limited at Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, or posted to PO Box 61051, Marshalltown, 2107, to be received by 08:30 on Friday, 16 November 2018 for administrative purposes, or alternatively handed to the Company Secretary of the company or the Chairperson of the Annual General Meeting prior to its commencement at 08:30 on Tuesday, 20 November 2018.
5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the transfer secretaries or waived by the Chairman of the Annual General Meeting.
6. The completion and lodging of this form of proxy shall not preclude the relevant member from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such member wish to do so.
7. The completion of any blank spaces overleaf need not be initialled. Any alterations or corrections to this form of proxy must be initialled by the signatory/ies.
8. The provisions of the Companies Act in relation to the revocation of the appointment of a proxy apply. A member may accordingly revoke a proxy appointment by cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of such revocation to the proxy and the company.
9. The Chairman of the Annual General Meeting may reject or accept any form of proxy which is completed other than in accordance with these instructions provided that he is satisfied as to the manner in which a member wishes to vote.

SHAREHOLDERS' DIARY

Financial year-end	June
Annual general meeting	November
FINANCIAL REPORTS	
Announcement of results for the year	August
Annual financial statements posted	September
Interim report for the half year to December	March
FUTURE ORDINARY DIVIDENDS	
Interim dividend	
Declaration	March
Payment	April
Final dividend	
Declaration	August
Payment	October

CORPORATE INFORMATION

Company registration number	1966/004972/06
JSE share code	RCL
ISIN code	ZAE000179438
Registered office/street address	Ten The Boulevard Westway Office Park Westville 3629
Postal address	PO Box 2734 Westway Office Park 3635
Transfer secretaries	Computershare Investor Services Proprietary Limited Rosebank Towers 15 Biermann Avenue Rosebank 2196
Company secretary	JMJ Maher
Auditors	PricewaterhouseCoopers Incorporated
Listing	JSE Securities Exchange South Africa
Sector	Food Producers
Sponsor	Rand Merchant Bank (a division of FirstRand Bank Limited)
Bankers	ABSA Bank Limited, First National Bank Limited, Standard Bank Limited Investec Bank Limited, HSBC Bank plc.
Website	www.rclfoods.com

ince

MORE FOOD
TO MORE
PEOPLE
MORE OFTEN

www.rclfoods.com