RCL FOODS LIMITED
GROUP FINANCIAL RESULTS
AND CASH DIVIDEND DECLARATION
FOR THE 12 MONTHS ENDED 30 JUNE 2016

FINANCIAL HIGHLIGHTS

		12 months 30 June 2016	12 months 30 June 2015	% change
Revenue	(R billion)	**25,0**	23,4	up 6,8
EBITDA	(R billion)	**1,8**	2,2	down 20,6
Headline earnings from continuing operations	(R million)	**849,7**	964,5	down 11,9
Headline earnings per share from continuing operations	(cents)	**98,5**	112,2	down 12,2
Final dividend per share	(cents)	**15,0**	22,0	down 31,8
Cash generated by operations	(R billion)	**1,4**	2,1	down 30,3

PERFORMANCE HIGHLIGHTS

- **Major strides in transformation into "ONE RCL FOODS"** with first full year of operating under new structure and leadership
- **Strong Groceries growth** in Consumer Division and **solid performance from Logistics Division**
- Move towards a **stronger**, **more balanced portfolio** as a result of significant progress with our strategic thrusts, with **lowered dependency on the Chicken and Sugar business units**

INTRODUCTION

RCL FOODS is reporting its annual results on its new segments for the first time in this set of results. These segments are "Consumer" (which includes the Chicken and Groceries business units), "Sugar & Milling" (which includes the Sugar, Animal Feed and Millbake business units), while the Logistics division (Vector) is responsible for the Group's route-to-market.

RCL FOODS' headline earnings from continuing operations for the twelve months ended 30 June 2016 amounted to R849,7 million (2015: R964,5 million), which translates into headline earnings per share of 98,5 cents (2015: 112,2 cents). Excluding the once-off tax provision release and the profit on the exercise of the Zam Chick and Zamhatch put options as well as expressing the results on a pre-IAS 39 basis, headline earnings and headline earnings per share from continuing operations would be R625,5 million and 72,5 cents, a decline of 29,6% and 29,8% respectively when compared to the previous year.

The Board has declared a final dividend of 15,0 cents per share (2015: 22,0 cents).

Significant individual financial impacts in the current period include:

- An impairment loss of R642,8 million (goodwill R377,4 million and trademarks R265,4 million) relating to the Milling cash-generating unit in the Sugar & Milling division due to a combination of a competitive trading environment and increases in the 10-year government bond yield driving up the discount rate;
- The release of a R163,3 million provision for uncertain tax disputes raised in terms of IFRS 3 (Business Combinations) as part of the Foodcorp acquisition. This matter has now been finalised with the South African Revenue Service and consequently the income tax expense for the period has been reduced by R163,3 million;
- Recognition of R67,7 million profit after tax (headline earnings impact R118,9 million) relating to the exercise of the Zam Chick and Zamhatch put options; and
- An unrealised IAS 39 adjustment which reduced EBITDA by R80,6 million (2015: R106,2 million profit), relating to the Group's commodity procurement strategy. This is largely attributable to long foreign exchange positions entered into in the last quarter of the year and an appreciating rand exchange rate at year end.

The ongoing drought, which has impacted almost every aspect of our business, has had a significant impact on our financial results. The increase in commodity input prices has been exacerbated by the substantial deterioration in the value of the rand since the beginning of the financial year. Food inflation, which has averaged 6,5% between 2009 and 2016, increased to 10,8% in June this year as a result of the drought, further impacting an already weak consumer environment. While these external factors are mostly beyond our control and have negatively impacted our results, the strategic initiatives implemented over the past three years have managed to effectively limit the downside for the Group, and have also positioned the business for future growth.

STRATEGIC PROGRESS

We have made notable progress in the integration of the four businesses of Foodcorp, Rainbow, TSB and Vector into "One RCL FOODS" and have reached the end of our first full year under our new structure, with our three operating divisions and senior leadership in place. Our transformation into one company has been critical from a strategic perspective, producing a number of growth opportunities and synergies across the business. The Transformation Management Office (TMO), formed in early FY2016, has been a key resource in leading integration projects with a focus on creating the necessary systems and processes, enabling us to function as one company and deliver on some of these key synergies and opportunities. Further benefits from our move to "One RCL FOODS" are evidenced by increased sales and market shares, wide-ranging innovation, and improved customer management.

Having established the right structure to support our strategy, we are now in a position to maximise delivery on our business model. In South Africa our focus is on accelerating growth in higher-margin added value categories while maximising our core, which means that the commodity components of our basket will grow smaller over time on a relative basis – although they remain a key platform for growth into Africa. In line with this approach, we have made good progress in achieving a more balanced portfolio over the last financial year. Amidst tough trading conditions, strong growth in the Groceries category cluster (Grocery, Speciality, Pie and Beverage) not only safeguarded our profitability, but lowered our dependency on the Chicken and Sugar business units.

Progress made against each of our strategic thrusts is set out below:

GROW THROUGH STRONG BRANDS

Our brands performed strongly in the 2016 financial year, with our market share and margins increasing in a number of categories. The Groceries category cluster (Grocery, Speciality, Pie and Beverage) grew by 10,1% year-on-year to June 2016 against a 0,4% total market decline over the same period (ask'd – June 2016). Our brands remained strong, being either in top position or challenging for leadership in most categories. In FY2016 our focus has been on "brilliant basics" across the business, ensuring that we consistently deliver the right product in the right place and at the right price. Going forward, our brand building efforts will focus increasingly on strengthening and revitalising our brands through a range of initiatives including modernised packaging, stronger innovation, advertising, "premiumising" and/or augmenting our products with affordable value options.

PARTNER WITH STRATEGIC CUSTOMERS

In the foodservice industry, we have leveraged our expanded portfolio and strong customer relationships to both extend our basket of products in our existing quick-service restaurant (QSR) customer base and form new relationships (Starbucks, McDonalds and Burger King). We have also strengthened relationships in retail/wholesale channels where we have introduced a dedicated sales team per customer, which allows for better focus and increased trust with the customer.

EXTEND OUR LEADING VALUE CHAIN

Our Logistics division is central to “One RCL FOODS” and a key enabler in extending our leading value chain by providing and/or managing an effective route-to-market across our business. A R325,0 million expansion project almost doubled the division's storage capacity in Durban and Cape Town, while a new 7 500 pallet facility was constructed in Port Elizabeth. We invested R250,0 million in a new ultra-high temperature (UHT) beverage plant and an upgraded pet food plant in the Consumer division to enable us to extend our product ranges and markets in higher-margin, added value products. A further R150,0 million was invested in integrating information systems across the business to provide a common platform, better information and improved decision-making capabilities.

EXPAND INTO AFRICA

Although we made a number of infrastructural investments to improve the competitiveness of our existing Ugandan joint venture, HMH Rainbow Limited (HMH), we have not felt comfortable to proceed with any new opportunities this year in spite of considering numerous deals. In line with our cautious approach in this area, we are of the opinion that our joint venture and involvement with Zambeef would be better aligned with its shareholders if our indirect investments were exchanged for a direct interest in Zambeef (the listed holding company of the Zambeef group of companies). We are awaiting Zambeef’s decision on whether to settle our options in cash or shares. Going forward, we remain convinced of the growth opportunities in certain African markets and will continue with our low-risk expansion strategy while placing renewed focus on our export efforts.

INSPIRE GREAT PEOPLE

Creating a solid platform for "One RCL FOODS" from a people perspective, we have completed the higher levels of our organisational structure, provided more job security by converting most casual staff into permanent employees, enhanced employee relationships by implementing multi-year wage agreements and dealing with labour issues proactively by working with the unions, setting up national working forums and aligning our staff. We have also started to build "One RCL FOODS" in the hearts and minds of our people, rolling our corporate brand out to most of our 20 000 employees over the last six months.

DRIVE SUSTAINABLE BUSINESS

We are committed to doing business in a way that creates a positive future for RCL FOODS, South Africa and Africa. A major sustainability initiative this year has been the creation of our Energy Roadmap which includes key projects that will help bring us closer to energy self-sufficiency as a Group. One of these projects is our first Waste to Value plant which is being constructed in Worcester (Western Cape) and will produce enough energy from post-processing waste water to power our entire Speciality plant there.

FINANCIAL REVIEW

INCOME STATEMENT

RCL FOODS' revenue for the twelve months to June 2016 increased by 6,8% to R25,0 billion (2015: R23,4 billion). EBITDA declined by 20,6% to R1 766,5 million from R2 224,0 million, with the associated margin decreasing from 9,5% to 7,1%.

The table below depicts EBITDA from a statutory perspective and adjusted for unrealised gains and losses on financial instruments (pre-IAS 39) used in the Group's commodity procurement strategy. Reporting the financial effects of certain financial instruments used in the procurement strategy in terms of IAS 39, introduces volatility to the Group's financial results. For the year under review, the pre-tax impact on the Group's results of these unrealised positions is a negative impact of R80,6 million (2015: R106,2 million positive), which is largely attributable to long foreign exchange positions entered into in the last quarter of the year and an appreciating rand exchange rate at year end. The underlying EBITDA decline moderates to 12,8% on a pre-IAS 39 basis.

		12 months 30 June 2016	12 months 30 June 2015	% change
EBITDA				
– Pre-IAS 39	(Rmillion)	**1 847,1**	2 117,8	(12,8)
– Statutory	(Rmillion)	**1 766,5**	2 224,0	(20,6)
EBITDA margin				
– Pre-IAS 39	(%)	**7,4**	9,0	(1,6)
– Statutory	(%)	**7,1**	9,5	(2,4)

The Consumer division continued to be hindered by the Chicken business unit's performance resulting in pre-IAS 39 EBITDA for the period decreasing by 19,2% to R701,7 million (2015: R868,8 million) with a corresponding margin of 5,3% (2015: 7,2%). Excluding Chicken, the remaining business units showed strong growth achieving a pre-IAS 39 EBITDA of R543,6 million, a 19,9% growth on the prior year and a resulting margin of 10,7% (2015: 10,5%).

Sugar & Milling's pre-IAS 39 EBITDA decreased by 20,7% to R830,1 million (2015: R1 047,2 million) with a resulting margin of 5,6% (2015: 7,4%), driven largely by lower sugar volumes as a result of the drought.

EBITDA for the Logistics division increased by 26,4% to R260,7 million (2015: R206,2 million) with a margin of 13,1% (2015: 10,9%), despite modest growth in revenue. The comparative numbers were negatively impacted by R20,0 million of costs related to labour strikes.

The Group's tax charge has been materially impacted by the release of the R163,3 million provision for uncertain tax disputes, and the effect of the non-deductible loss resulting from the impairment of goodwill in the Milling cash-generating unit (R105,6 million tax impact). The effective tax rate is 30,1% excluding abnormal items.

STATEMENT OF FINANCIAL POSITION

The decrease in intangible assets and goodwill is mainly as a result of the impairment of goodwill (R377,4 million) and trademarks (R265,4 million) required in the Milling cash-generating unit within the Millbake business unit.

Investments in associates have increased largely due to the additional investment of R61,5 million in HMH Rainbow Limited, a poultry producer in Uganda. The purchase price allocation exercise has not yet been finalised.

The decrease in investments in joint ventures is mainly as a result of RCL FOODS exercising its Zam Chick and Zamhatch put options. In terms of the Shareholders' Agreements RCL FOODS, as a standard protection mechanism, negotiated put options that would require Zambeef to acquire all of the ordinary shares held by RCL FOODS in Zam Chick and Zamhatch. We are of the opinion that our joint venture and involvement with Zambeef would be better aligned with the shareholders of Zambeef if RCL FOODS' indirect investments were to be exchanged for a direct interest in Zambeef, the listed holding company of the Zambeef group of companies. We chose to exercise the put options prior to their expiry and await Zambeef's decision as to whether to settle them in cash or shares, or a combination of both, settlement date being 23 September 2016 at the latest.

The exercise of the put options resulted in a loss of joint control in the investments in Zam Chick and Zamhatch and consequently the investment was disposed of for accounting purposes. A net gain of R67,7 million profit after tax (headline earnings profit impact R118,9 million) was made.

The reduction in cash and cash equivalents by R507,3 million largely relates to the capital investment programme.

As reported at 30 June 2015, the majority of the interest rate exposure on the debt package was fixed for the first 24 months. During the period under review, RCL FOODS hedged the interest rates on R1,5 billion of the R3,35 billion debt package relating to years three and four through a collar structure. These hedges are proving valuable in the current volatile interest rate environment.

CASH FLOW AND WORKING CAPITAL

Cash from investing activities was distorted in the previous period as a result of a R446,0 million inflow from a money market account that was closed. In order to realign its cash resources, the Group disinvested from the money market account which, due to its maturity profile, was not classified as cash and cash equivalents. The remaining increase in investing activities mainly relates to the capital investment programme.

The increase in trade receivables is mainly attributable to increased sales on behalf of third party principals in the Logistics division. The increase in inventories is mainly due to the increased commodity stock holding which has arisen due to the maize import programme as a result of the drought and increased commodity pricing.

CAPITAL EXPENDITURE

Capital expenditure (excluding intangibles) for the year was R1 012,7 million (2015: R756,6 million). Significant spend includes the UHT project at the Beverage business unit, the upgrade to the pet food plant in the Grocery business unit and the expansion at the Logistics division's Peninsula and Thekweni sites. An amount of R323,3 million (2015: R461,7 million) has been contracted and committed, but not spent, whilst a further R227,2 million (2015: R460,7 million) has been approved, but not contracted. These projects mainly relate to continued investment in the projects above.

REVIEW OF OPERATIONS

CONSUMER DIVISION

Revenue increased by 10,1% to R13,3 billion (2015: R12,1 billion) whilst pre-IAS 39 EBITDA for the division declined by 19,2% to R701,7 million (2015: R868,8 million). The Chicken business unit (EBITDA down 62,0%) negated the performance of the balance of the business units (Groceries) where EBITDA increased by 19,9%. The payoff from the substantial increase in investment in brands and strong emphasis on marketing "brilliant basics" was evident from the significant inroads made in market share during the year. The Consumer division has made use of ask'd, an independent company that specialises in providing benchmarks that measure industry growth and trends, company performance and consumer dynamics for a defined group, which represents the majority of food manufacturers. For the 12 months ended 30 June 2016 the Consumer division's sales volumes, excluding Chicken, grew by a remarkable 10,1% despite the ask'd basket sales volumes declining by 0,4%.

CHICKEN

The Chicken business unit delivered a pre-IAS 39 EBITDA result of R158,1 million (2015: R415,5 million), down 62,0% on the comparable period. Within Chicken, gains were made in Quick Service Restaurant (QSR) share while chilled processed meat markets were more competitive as consumers traded down in tough times.

The biggest crisis facing the South African poultry industry remains the massively oversupplied market as a result of surplus domestic volumes as well as record levels of dumped imports. In line with its new business model, Chicken has continued to focus on reducing the cyclical nature and volatility of its business by increasing QSR business and steering away from the consequential commodity chicken market where most imports (i.e. dumped chicken) are targeted. Part of the strategy has been to deliberately reduce bird volumes to fit the demand profile. Over a period of 24 months, Chicken has more than halved the production of Individual Quick Frozen from 600 tons, to 260 tons a day. Without this action, the oversupply in the market would have been even greater and the impact on profitability more severe. During this period, QSR growth has been muted for some customers which required that overall bird numbers be reduced further to limit additional consequential volume.

The impact of the devastating drought, combined with the weakening of the rand and a recent spike in the soybean meal price due to flooding in Argentina is driving commodity prices to new highs. Whilst the substantial increases in yellow maize and other soft commodities used in poultry feed was to a large extent effectively hedged in the first half of the reporting period, the cost of feed was significantly affected in the second half of the reporting period. The successful reduction in Chicken's cost base, despite lower volume throughput and the achievement of excellent agriculture performance, was unable to outweigh the high feed prices.

The poultry industry remains exposed to two critical issues, dumping of leg quarters and the brining injection cap proposed by government.

- The African Growth and Opportunity Act (AGOA) between the United States and South Africa was renewed earlier this year, after protracted negotiations. The renewal of the agreement ultimately hinged on the lifting of the anti-dumping duty on chickens from the United States and culminated in an agreed 65 000 tons of United States chicken into South Africa, without anti-dumping duty. RCL FOODS supports the renewal of this trade agreement for reasons of national interest even though it is detrimental to the poultry industry and ongoing job preservation. The quota, relative to the total annual poultry consumption in South Africa is not substantial, yet it is a further source of supply in an extremely oversupplied market. The oversupply is substantially exacerbated by the dumping of the global surplus of leg quarters, a portion of the chicken that is not consumed in the northern hemisphere. Most African countries have banned chicken imports in order to protect their own industries whilst other countries around the world use non-trade phytosanitary barriers to achieve the same end. Together with the industry, we are working closely with the International Trade Administration Commission (ITAC) and have made application for a 37% import tariff on European Union (EU) bone in chicken products.

- Brining – RCL FOODS welcomed the announcement that injection brine in frozen chicken will be capped at 15% from October 2016. Currently poultry manufacturers inject brine up to 43% into frozen chicken portions. RCL FOODS is supportive of the cap on brine injection because South African levels of brine in frozen portions of chicken are unsupported by science, and excessive injection levels by the larger manufacturers has compromised the integrity of South African chicken and the poultry industry. RCL FOODS generally injects at least 10% less brine than its nearest competitors. The implementation of the proposed brining regulations will restore trust in the poultry industry, level the competitive playing field and benefit RCL FOODS' competitive position.

Impairment assessment

A restoration of normal trading conditions is required for the poultry industry in South Africa to survive. The RCL FOODS Board continues to assess the need for an impairment of assets. A return to adequate profitability is dependent on the local industry returning to relative supply/demand balance, of which the successful implementation of import tariffs is one part. An impairment will need to be raised should the supply/demand equilibrium not be restored or, despite the management interventions, there is no meaningful improvement in the Chicken business unit's profitability.

GROCERIES (GROCERY, SPECIALITY, PIE AND BEVERAGE)

Notwithstanding spiralling commodity prices and a very competitive environment, the remaining business units in the Consumer division achieved exceptional results driven by a revised pricing strategy, well executed marketing and sales plans and commitment to continuous cost savings and operational synergies. EBITDA was R543,6 million (2015: R453,3 million), up 19,9% on the comparable period.

Sound pricing strategies together with solid marketing and promotional activities have been successful in achieving robust volume growth and market share gains across a range of categories. These market share gains have not been secured by discounting. The dressings category is probably the greatest success story for the period. The broadening of our customer base has led to the mayonnaise category volume share growing by some 8,0% year-on-year. In the peanut butter category, despite aggressive competitor activity, Yum Yum has maintained its market share year-on-year. Good share gains have been seen in premium pet food, the key growth sector of pet food, with Canine Cuisine and Ultra Dog growing market share. All pet food brands will benefit from the ability to deliver world class innovations through the sizeable investment in the pet food plant which will be rolled out over the next 18 months.

The Speciality business unit has shown outstanding growth in this financial year both as a result of increased demand and through growth in its market share. Speciality is the biggest supplier of handmade food products such as cakes and desserts, speciality breads, sandwiches, salads, muffins and pizzas to Woolworths and the QSR industry. Despite the tough environment, Speciality delivered an improved result after excluding the base effect of the R23,0 million strike impact in the comparable period, however the Speciality margin remains below acceptable levels.

Whilst the Pie business unit has progressively reduced its cost base, it operates in a market experiencing declining volumes and increased commoditisation. Some of the initiatives underway to improve profitability in this business include an appropriate portfolio strategy, investment in the differentiation of our core range, exciting innovation in the form of our new range of "Mighty Fine" pies and the relentless focus on plant optimisation and cost saving initiatives.

The modernisation of the Mageu No. 1 brand through the launch of Smooth, together with a heatwave in most parts of South Africa during December 2015 contributed to a strong performance by Mageu No. 1. The completion of the UHT project which will enable the ability to deliver a long-life product will provide the opportunity to enter into new channels and access an entirely new range of customers that we have never been able to do before with a chilled product as well as creating exciting export opportunities.

REVIEW OF OPERATIONS CONTINUED

SUGAR & MILLING DIVISION

The Sugar & Milling division grew revenue by 5,6% to R14,9 billion (2015: R14,1 billion). Pre-IAS 39 EBITDA declined by 20,7% to R830,1 million (2015: R1 047,2 million).

SUGAR

The increases in the dollar-based reference price (DBRP) of sugar that were implemented to safeguard local production, afforded the sugar industry important protection against imports during this financial year. Imports were substantially down on the previous year which offered support for an industry that has been hard hit by the drought. The use of irrigation that offered Sugar a greater degree of protection than the rest of the industry during the first year of the drought, had to be moderated in the current financial year because of declining dam levels and rainfall that has been significantly below the long-term average. The cane crop decreased by 1 175 352 tons, resulting in some 152 980 tons less sugar produced than the comparable period. Despite damage caused to the standing cane crops as a result of the drought, the net amount of the year-on-year impact from crop valuations was a positive R4,8 million mainly due to the increase in sugar prices.

As a result of an expected decline in sugar availability in the country, the sugar industry reduced its exports in order to ensure sufficient sugar supply for the domestic market. The increased sales in the domestic market significantly changed the mix of retail, wholesale and industrial business for Sugar, which placed margins under pressure. The financial results were further impacted by higher cane costs, lower throughput and increased energy cost, resulting in EBITDA declining 42,5% to R235,4 million.

The South African Sugar Association (SASA) recovers its costs from industry members through an industrial levy on a R/ton basis. Despite the Sugar business units' lower manufacturing volumes, the significantly lower industry crop has resulted in a higher R/ton charge. This together with the Sugar business units' increase in share of South African sugar production has resulted in an overall increase in Sugar's share of industry costs. RCL FOODS is currently engaging with SASA, other millers and growers to review the level and costs of SASA's operations given the current economic and drought conditions.

Although weather conditions are expected to normalise in late 2016, 2017 volumes and profitability will still be impacted due to the effect of the drought on cane quality and yields. A return to acceptable profitability is only expected in the 2018 financial year.

For a number of reasons, Massingir, the greenfield sugar project in Mozambique has been terminated and a R13,0 million final impairment has been raised.

ANIMAL FEED

The merging of Epol and Molatek into one Animal Feed business unit has resulted in an entity which is a R6,0 billion business creating one of the largest Animal Feed companies in the country, increasing the sales footprint and product offering. It has also allowed for the rationalisation and related cost benefit of Epol and Molatek's sales and marketing efforts. "One RCL FOODS" synergies have led to Animal Feed increasing the utilisation of Millbake by-products such as bran, benefitting both business units.

Despite the business unit's continued focus of reducing exposure to "pure commodity" segments of the market and increased focus on the higher margin horse and game sector, substantial commodity price increases coupled with reduced volumes to the Chicken business resulted in pre-IAS 39 EBITDA decreasing by 6,4% to R322,4 million (2015: R344,6 million). The reduction in feed sales to the Chicken business unit is in line with Chicken's strategy to reduce bird volumes.

MILLBAKE (MILLING AND BAKING)

The Milling and Baking businesses were combined during the previous financial year recognising their highly integrated nature. An impairment in the Milling cash-generating unit was required due to the competitive trading environment and increases in the 10-year government bond yield driving up the discount rate. Operational challenges and consequently lower volumes in Baking combined with an inability to recover an 18,0% increase in the wheat price in Milling, resulted in the business unit achieving an EBITDA of R272,3 million (2015: R303,8 million).

Millbake is currently evaluating the opening of new sales channels through innovation and leveraging existing QSR relationships as well as revitalising the Sunbake brand.

The outlook for the Millbake business unit as a whole is for a substantial improvement in profitability as a result of fixing the operational issues in the Gauteng bakeries. More recently service levels have improved, lost customers regained and damages reduced, all of which bodes well for the new financial year.

LOGISTICS DIVISION

Despite revenue growth of only 5,5% to R1 986,9 million (2015: R1 883,7 million) after the loss of some less profitable customers, Logistics achieved a commendable EBITDA of R260,7 million (2015: R206,2 million). Excluding the impact of the labour disruptions (R20,0 million) in the comparable period, EBITDA increased by 15,3%. The results are mainly driven by sound cost control which has been a key focus area during the financial year. The business has been successful in gaining new business to replace most of the lost revenue, albeit in staggered intervals. Volumes in the foodservice industry remain resilient.

The new leased facility in Port Elizabeth (Coega) as well as the expansion at Peninsula was successfully commissioned during the current year. The expansion of the Thekwini depot will be commissioned subsequent to year end.

EQUITY ACCOUNTED INVESTMENTS

ROYAL SWAZILAND SUGAR CORPORATION ("RSSC")

RCL FOODS Sugar holds a 27,4% shareholding in RSSC. Results were impacted upon by similar conditions to the South African operations such that its after tax contribution to RCL FOODS declined by 18,6% to R68,5 million (2015: R84,2 million). The Group's share of the negative fair value biological asset valuation was an after tax amount of R5,8 million.

SENN FOODS LOGISTICS ("SENN FOODS")

RCL FOODS acquired 49% of Senn Foods in Botswana during 2014. Senn Foods continued to deliver pleasing results notwithstanding the challenging economic conditions with an after tax profit contribution of R8,4 million (2015: R7,6 million).

HMH RAINBOW LIMITED ("HMH")

RCL FOODS acquired 33,5% in HMH during the current financial year. The Ugandan poultry producer is in the start-up phase and as expected the Group made a small loss during the year. Profitability is dependent on increasing volumes. Capital projects are currently in progress to support the increased volumes required.

ZAM CHICK LIMITED ("ZAM CHICK") AND ZAMHATCH LIMITED ("ZAMHATCH")

As the Zam Chick and Zamhatch options were exercised at the end of March, the Group stopped equity accounting the results of Zam Chick. Due to differing year end periods, the Group has equity accounted Zam Chick's 12-month results to 31 March 2016. Zam Chick equity accounted earnings increased by 27,4% versus the comparable period to R13,5 million (2015: R10,6 million).

REVIEW OF OPERATIONS CONTINUED

CASH DIVIDEND DECLARATION

The directors have resolved to declare a final gross cash dividend (number 83) of 15,0 cents per share for the 12 months ended 30 June 2016 (2015: 22,0 cents). An interim dividend of 15,0 cents was declared and paid during the financial year.

The dividend has been declared from income reserves. Dividend tax, at the rate of 15%, will amount to 2,25 cents per share and consequently shareholders, who are not exempt from dividend tax, will receive a net dividend amount of 12,75 cents per share. The issued share capital as at 30 June 2016 is 934 409 773. The company's income tax reference number is 9950019712.

The salient dates of the declaration and payment of the final dividend are as follows:

Last date to trade ordinary shares *cum* dividend	Tuesday, 18 October 2016
Ordinary shares trade *ex* dividend	Wednesday, 19 October 2016
Record date	Friday, 21 October 2016
Payment date	Monday, 24 October 2016

Share certificates may not be dematerialised or rematerialised between Wednesday, 19 October 2016 and Friday, 21 October 2016 (both dates inclusive).

PROSPECTS

RCL FOODS believes that the local poultry industry is in a crisis. As a consequence the Board is forced to relook at all options in evaluating our Chicken business model.

The headwinds of low economic growth, a volatile currency, high commodity input costs and drought impacts are real and understood. However, the strong platform that we are establishing internally for our business will create even bigger and better opportunities for RCL FOODS. The Group is well-capitalised and we are investing extensively in our people, our brands, our assets and our systems to gain additional advantage and ensure a larger market share. The resulting scale, as well as strengthened product and service offerings, will culminate in a stronger and more robust business, providing future value and benefits to all stakeholders.

BASIS OF PREPARATION

The summary consolidated financial statements for the year ended have been prepared, under the supervision of the Chief Financial Officer, Robert Field CA(SA) in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports and the requirements of the Companies Act applicable to summary financial statements. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 (Interim Financial Reporting). The accounting policies applied in the preparation of the consolidated financial statements from which the summary consolidated financial statements were derived are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements.

RESTATEMENT

As a result of the Group changing its operating structure from the four operating subsidiaries, Foodcorp, Rainbow, TSB and Vector to three business divisions: Consumer, Sugar & Milling and Logistics, the Group has updated the disclosures of the previously disclosed segments to align with the information reviewed by the Group's Chief Operating Decision Maker for the purpose of allocating resources. The prior year segmental reporting has been restated and is presented on page 18.

These results are extracted from audited information, but are not themselves audited. The consolidated financial statements were audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The audited consolidated financial statements and the auditor's report thereon are available for inspection at the Company's registered office and shareholders are advised that, in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report together with the accompanying financial information. The directors take full responsibility for the preparation of these results and confirm that the financial information has been correctly extracted from the underlying consolidated financial statements. The Integrated Annual Report will be posted to shareholders and made available on RCL FOODS' website on or before 30 September 2016.

For and on behalf of the Board

JJ Durand
Non-executive Chairman

M Dally
Chief Executive Officer

Durban
30 August 2016

Directors: JJ Durand *(Non-executive Chairman)*, M Dally *(CEO)**, HJ Carse, RH Field*, PR Louw, NP Mageza, DTV Msibi, MM Nhlanhla, RV Smither, GM Steyn, GC Zondi.
** Executive Directors*

Company secretary: JMJ Maher

Registration number: 1966/004972/06

JSE share code: RCL

ISIN: ZAE000179438

Registered office: RCL Foods Limited, Six The Boulevard, Westway Office Park, Westville, 3629

Transfer secretaries: Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg 2001

Auditors: PricewaterhouseCoopers Inc.

Sponsor: RAND MERCHANT BANK (a division of FirstRand Bank Limited)

Bankers: ABSA Bank Limited, First National Bank, Standard Bank Limited

Website: www.rclfoods.com

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June 2016 R'000	30 June 2015 R'000
ASSETS		
Non-current assets		
Property, plant and equipment	**5 696 096**	5 193 089
Intangible assets	**2 283 999**	2 640 039
Biological assets	**624 917**	549 608
Investment in joint ventures	**206 036**	416 626
Investments in associates	**485 054**	406 250
Deferred income tax asset	**19 658**	8 320
Loan receivable	**1 555**	1 555
Trade and other receivables	**12 288**	
Goodwill	**2 658 493**	3 035 823
	11 988 096	12 251 310
Current assets		
Inventories	**2 940 337**	2 761 151
Biological assets	**611 760**	548 525
Trade and other receivables	**3 926 404**	3 156 670
Derivative financial instruments	**8 036**	10 438
Tax receivable	**30 210**	9 923
Loan receivable	**41 342**	5 239
Cash and cash equivalents	**744 639**	873 397
Assets of disposal group classified as held for sale		76 542
	8 302 728	7 441 885
Total assets	**20 290 824**	19 693 195
EQUITY		
Capital and reserves	**10 090 210**	10 113 499
LIABILITIES		
Non-current liabilities		
Deferred income	**734**	1 849
Interest-bearing liabilities	**3 598 846**	3 511 271
Deferred income tax liabilities	**1 370 009**	1 458 933
Retirement benefit obligations	**165 354**	187 656
Trade and other payables	**5 716**	8 567
	5 140 659	5 168 276
Current liabilities		
Trade and other payables	**4 514 392**	4 184 985
Deferred income	**3 928**	5 239
Interest-bearing liabilities	**112 402**	131 559
Derivative financial instruments	**38 828**	16 277
Tax payable	**8 966**	52 680
Bank overdraft	**381 439**	2 891
Liabilities of disposal group classified as held for sale		17 789
	5 059 955	4 411 420
Total liabilities	**10 200 614**	9 579 696
Total equity and liabilities	**20 290 824**	19 693 195

CONSOLIDATED INCOME STATEMENT

Continuing operations		Year ended 30 June 2016 R'000	Year ended 30 June 2015 R'000
Revenue		**25 025 159**	23 428 206
Operating profit before depreciation, amortisation and impairment (EBITDA)		**1 766 500**	2 224 045
Depreciation, amortisation and impairment		**(1 388 287)**	(771 654)
Operating profit		**378 213**	1 452 391
Finance costs		**(365 194)**	(373 607)
Finance income		**38 361**	52 056
Share of profits of joint ventures		**44 527**	38 004
Share of profit of associates		**64 796**	84 178
Profit before tax		**160 703**	1 253 022
Income tax expense		**65 892**	(359 160)
Profit after tax from continuing operations		**226 595**	893 862
Loss for the year from discontinued operation			(31 905)
Profit for the year		**226 595**	861 957
Attributable to:			
Equity holders of the company		**210 849**	848 121
Non-controlling interests		**15 746**	13 836
HEADLINE EARNINGS			
Continuing operations			
Profit for the year attributable to equity holders of the company		**210 849**	880 026
Profit on disposal of property, plant and equipment		**(6 473)**	(3 920)
Loss on disposal of biological assets		**6 796**	
Profit on sale of investment			(1 546)
Insurance proceeds		**152**	630
Recycling of foreign exchange translation reserve		**51 163**	
Impairment loss		**587 211**	89 269
Headline earnings from continuing operations		**849 698**	964 459
Discontinued operation			
Loss for the year attributable to equity holders of the company			(31 905)
Loss on disposal of discontinued operation			28 193
Impairment to fair value less cost to sell			11 424
Headline earnings from discontinued operation			7 712
Earnings per share from continuing and discontinued operations attributable to equity holders of the company			
Continuing operations			
Basic earnings per share	(cents)	**24,4**	102,4
Basic earnings per share – diluted	(cents)	**24,4**	101,7
Headline earnings per share	(cents)	**98,5**	112,2
Headline earnings per share – diluted	(cents)	**98,2**	111,5
Discontinued operation			
Basic earnings per share	(cents)		(3,7)
Basic earnings per share – diluted	(cents)		(3,7)
Headline earnings per share	(cents)		0,9
Headline earnings per share – diluted	(cents)		0,9

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 30 June 2016 R'000	Year ended 30 June 2015 R'000
Profit/(loss) for the year	226 595	861 957
Other comprehensive income		
Items that will not be reclassified to profit and loss		
Remeasurement of retirement medical obligations – net of tax	154	(4 299)
Share of associates other comprehensive income	(3 286)	854
Items that may be reclassified subsequently to profit and loss		
Share of associates other comprehensive income	(1 867)	
Cash flow hedges	(17 598)	28 114
Currency translation differences	18 668	(6 129)
Other comprehensive income for the year – net of tax	(3 929)	18 540
Total comprehensive income for the year	222 666	880 497
Total comprehensive income for the year attributable to:		
Equity holders of the company	206 920	866 661
Non-controlling interests	15 746	13 836
	222 666	880 497

CONSOLIDATED CASH FLOW INFORMATION

	Year ended 30 June 2016 R'000	Year ended 30 June 2015 R'000
Operating profit	**378 213**	1 452 391
Non-cash items	**943 591**	462 448
Operating profit before working capital requirements	**1 321 804**	1 914 839
Working capital requirements	**118 591**	151 276
Cash generated by operations	**1 440 395**	2 066 115
Net finance cost	**(325 470)**	(322 558)
Net cash flows from operating activities – discontinued operation		54 275
Tax paid	**(254 560)**	(280 896)
Cash available from operating activities	**860 365**	1 516 936
Dividends received	**68 595**	46 955
Dividends paid	**(320 091)**	(301 777)
Cash outflows from investing activities – continuing operations	**(993 993)**	(80 720)
Cash outflows from investing activities – discontinued operation		(17 510)
Cash outflows from financing activities – continuing operations	**(123 453)**	(1 320 625)
Cash outflows from financing activities – discontinued operation		(1 455)
Net movement in cash and cash equivalents	**(508 577)**	(158 196)
Cash and cash equivalents at the beginning of the year	**870 506**	1 026 717
Exchange rate translation	**1 271**	1 985
Cash and cash equivalents at the end of the year	**363 200**	870 506

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

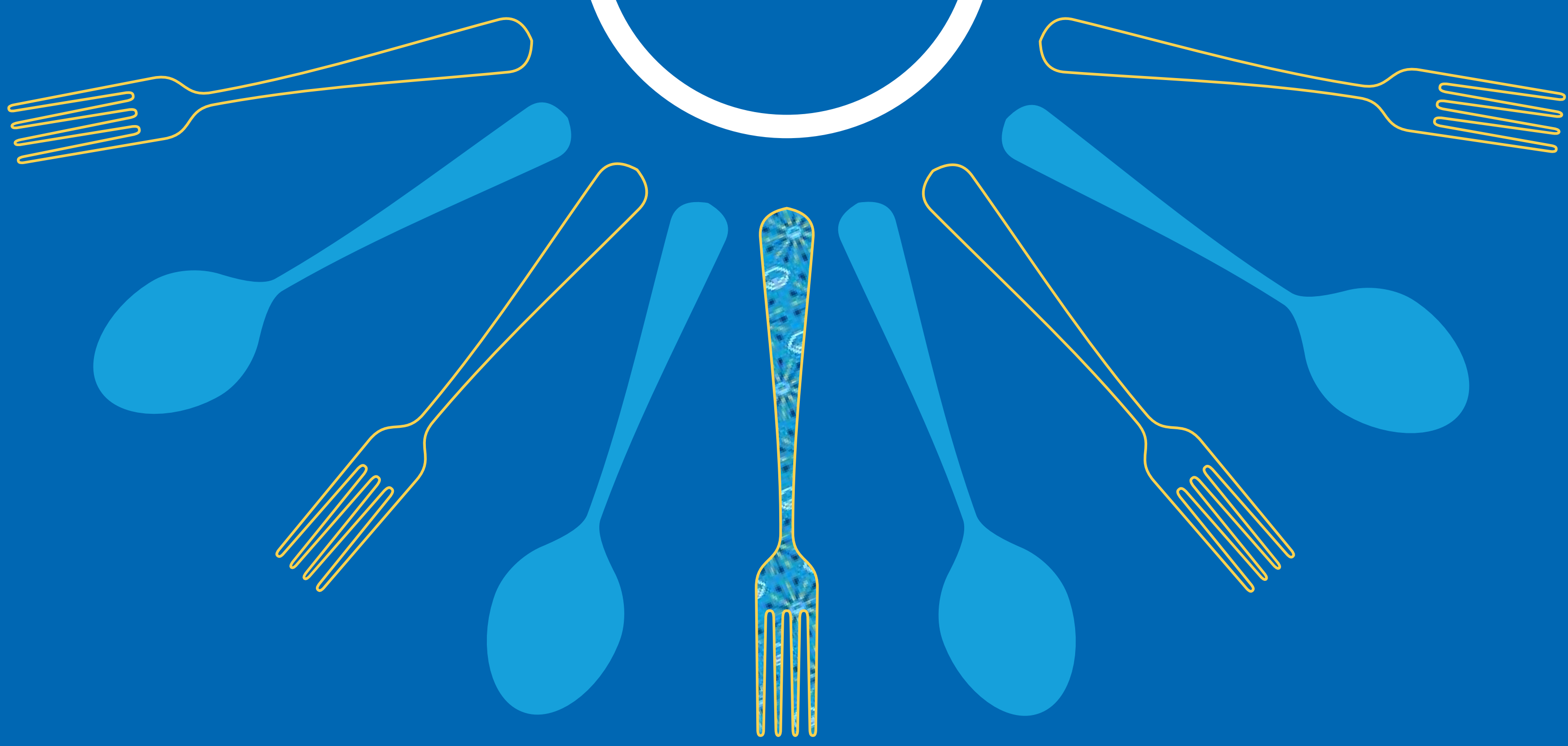
	Stated capital R'000	Other reserves R'000	Common control reserve R'000	Share-based payments R'000	Retained earnings R'000	Controlling interest total R'000	Non-controlling interest R'000	Total R'000
Balance at 1 July 2014	9 955 700	2 462	(1 919 832)	330 338	1 005 921	9 374 589	61 697	9 436 286
Profit for the year					848 121	848 121	13 836	861 957
Other comprehensive income		21 985			(3 445)	18 540		18 540
Ordinary dividends paid					(300 963)	(300 963)	(814)	(301 777)
Transfer of non-controlling interests to retained earnings					(4 063)	(4 063)	4 063	
BEE share-based payments charge				17 600		17 600		17 600
Employee share schemes:								
proceeds from shares issued	37 115					37 115		37 115
value of employee services				43 778		43 778		43 778
Balance at 30 June 2015	9 992 815	24 447	(1 919 832)	391 716	1 545 571	10 034 717	78 782	10 113 499
Profit for the year					**210 849**	**210 849**	**15 746**	**226 595**
Other comprehensive income		**1 070**			**(4 999)**	**(3 929)**		**(3 929)**
Ordinary dividends paid					**(319 092)**	**(319 092)**	**(999)**	**(320 091)**
BEE share-based payments charge				**17 600**		**17 600**		**17 600**
Employee share schemes:								
proceeds from shares issued	**30 989**					**30 989**		**30 989**
value of employee services				**55 259**		**55 259**		**55 259**
exercise of employee share options				**(29 712)**		**(29 712)**		**(29 712)**
Balance at 30 June 2016	**10 023 804**	**25 517**	**(1 919 832)**	**434 863**	**1 432 329**	**9 996 681**	**93 529**	**10 090 210**

SUPPLEMENTARY INFORMATION

		Year ended 30 June 2016 R'000	Year ended 30 June 2015 R'000
Capital expenditure contracted and committed		**323 299**	461 742
Capital expenditure approved but not contracted		**227 199**	460 658
STATISTICS			
Statutory ordinary shares in issue (includes BEE shares)	('000)	**934 410**	932 325
Ordinary shares in issue for accounting purposes	('000)	**863 651**	861 566
Weighted average ordinary shares in issue	('000)	**862 739**	859 611
Diluted weighted average ordinary shares in issue	('000)	**864 727**	865 355
Net asset value per share	(cents)	**1 168,3**	1 173,9
Ordinary dividends per share:			
– Interim dividend declared	(cents)	**15,0**	15,0
– Final dividend declared	(cents)	**15,0**	22,0
Total dividends	(cents)	**30,0**	37,0

SEGMENTAL ANALYSIS

	Year ended 30 June 2016 R'000	Restated Year ended 30 June 2015 R'000
Revenue	**25 025 159**	23 428 206
Consumer	**13 301 265**	12 084 157
Sugar & Milling	**14 914 754**	14 121 534
Logistics	**1 986 899**	1 883 664
Sales between segments:		
Consumer to Sugar & Milling	**(210 105)**	(213 331)
Sugar & Milling to Consumer	**(3 864 143)**	(3 484 062)
Logistics to Consumer	**(1 078 012)**	(950 309)
Logistics to Sugar & Milling	**(25 499)**	(13 447)
Operating profit before depreciation, amortisation and impairment (EBITDA) pre-IAS 39	**1 847 070**	2 117 833
Consumer	**701 653**	868 806
Sugar & Milling	**830 123**	1 047 177
Logistics	**260 662**	206 190
Unallocated group costs	**54 632**	(4 340)
IAS 39 adjustment	**(80 570)**	106 212
Operating profit before depreciation, amortisation and impairment (EBITDA)	**1 766 500**	2 224 045
Depreciation, amortisation and impairment	**(1 388 287)**	(771 654)
Operating profit/(loss)		
Consumer	**345 714**	513 712
Sugar & Milling	**(197 027)**	790 955
Logistics	**184 962**	153 570
Unallocated group costs	**44 564**	(5 846)
Operating profit	**378 213**	1 452 391
Finance costs	**(365 194)**	(373 607)
Finance income	**38 361**	52 056
Share of profit of joint ventures		
Sugar & Milling	**22 661**	19 815
Logistics	**8 359**	7 569
Zambian operations	**13 507**	10 620
Share of profit of joint ventures	**44 527**	38 004
Share of profit/(loss) of associates		
Sugar & Milling	**68 530**	84 178
Ugandan operation	**(3 734)**	
Share of profit/(loss) of associates	**64 796**	84 178
Profit before tax	**160 703**	1 253 022
ASSETS		
Consumer	**9 903 523**	9 259 852
Sugar & Milling	**9 214 874**	9 174 697
Logistics	**3 341 240**	2 609 742
Unallocated segment (treasury and consolidation entries)	**445 655**	370 641
Zambian operations		230 382
Ugandan operation	**66 599**	
Set-off of inter-segment balances	**(2 681 067)**	(1 952 119)
Total per statement of financial position	**20 290 824**	19 693 195
LIABILITIES		
Consumer	**3 368 466**	2 908 280
Sugar & Milling	**2 604 151**	2 793 750
Logistics	**3 089 711**	2 382 657
Unallocated segment (treasury and consolidation entries)	**3 819 353**	3 447 128
Set-off of inter-segment balances	**(2 681 067)**	(1 952 119)
Total per statement of financial position	**10 200 614**	9 579 696



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