RCL FOODS™

2017

RCL FOODS LIMITED ("RCL FOODS" OR "GROUP") UNAUDITED GROUP FINANCIAL RESULTS AND CASH DIVIDEND DECLARATION

FOR THE SIX MONTHS ENDED
31 DECEMBER 2016

FINANCIAL HIGHLIGHTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

REVENUE

R13,1 billion

↑ 1,6%

EBITDA

R900,4 million

↓ 21,9%

HEADLINE EARNINGS

R411,0 million

↓ 44,7%

HEADLINE EARNINGS PER SHARE

47,6 cents

↓ 44,8%

INTERIM DIVIDEND PER SHARE

10,0 cents

↓ 33,3%

CASH GENERATED BY OPERATIONS

R103,2 million

↓ 73,2%

KEY FEATURES

- Oversupplied retail chicken market largely due to dumped imports severely impacts profitability
- Impairments and restructure costs in Chicken
- Sugar recovers well
- Millbake improves due to turnaround of the Gauteng bakeries
- Commodity input prices impact volumes and margins in Animal Feed and Milling
- Logistics delivers acceptable growth
- Certain key Groceries brands grow market share

ABRIDGED CONSOLIDATED UNAUDITED RESULTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

FINANCIAL HIGHLIGHTS

		Six months 31 December 2016	Restated Six months 31 December 2015	% change
Revenue	(R billion)	**13,1**	12,9	1,6
EBITDA	(R million)	**900,4**	1 152,2	(21,9)
Headline earnings	(R million)	**411,0**	742,7	(44,7)
Headline earnings per share	(cents)	**47,6**	86,2	(44,8)
Interim dividend per share	(cents)	**10,0**	15,0	(33,3)
Cash generated by operations	(R million)	**103,2**	385,2	(73,2)

INTRODUCTION

RCL FOODS' EBITDA for the six months ended 31 December 2016 declined by 21,9% to R900,4 million (H1 2016: R1 152,2 million), with the related margin declining 2,0% to 6,9%.

The Group's result was severely impacted by the performance in the Chicken business unit with the widely reported poultry industry issues having decimated profits. RCL FOODS has initiated a number of strategies to ensure that its remaining Chicken operations will be more profitable and sustainable going forward.

The Group's pre-IAS 39 EBITDA, excluding the Chicken business unit, is up 8,4% to R973,6 million at a margin of 11,0% (H1 2016: R898,2 million at a margin of 10,3%) bolstered largely by the profit recovery in Sugar and good progress with the turnaround of the Gauteng bakeries.

Material financial impacts over the current and prior period include:

- R142,2 million impairment of plant and equipment related to the decision to reduce commodity chicken volumes;
- The recognition of a R51,9 million provision for restructuring costs and fair value adjustments on biological assets, also associated with the decision to reduce chicken volumes;
- A foreign exchange loss of R27,9 million relating to the settlement of the Zam Chick Limited ("Zam Chick") and Zamhatch Limited ("Zamhatch") options;
- A negative IAS 39 adjustment, relating to the Group's commodity raw material procurement strategy, which has reduced EBITDA by R35,3 million for the current period relative to an increase in EBITDA of R43,1 million in the comparable period. The R78,4 million negative movement from the comparative period is mainly due to the strengthening of the rand exchange rate; and
- The prior period included the release of a R163,3 million provision for uncertain taxation disputes raised in terms of IFRS 3 (Business Combinations) as part of the Foodcorp acquisition. This matter was finalised with the South African Revenue Service and consequently the income tax expense for the six months ended 31 December 2015 was reduced by R163,3 million.

During this period, the most prominent impact of the drought has been the sustained high price of soft commodities including maize, wheat, soya and sunflower. Some of the RCL FOODS product categories have been successful in maintaining margins through price increases and operational efficiencies, while in other areas reduced demand from cash-strapped consumers necessitated that price increases be balanced against the protection of market share. It is encouraging to note that rainfall in many of the affected areas has started to alleviate the distress and it is expected that commodity input prices will gradually subside over the next period, supported by more normalised rainfall patterns. As forecast, the drought also led to reduced production volumes in the Sugar operations. While these production volumes are only expected to normalise in the next financial year, strong sugar prices domestically and internationally, as well as tight cost control and sales mix enhancements, have translated into the Sugar business unit generating strong revenue and profit growth.

ABRIDGED CONSOLIDATED UNAUDITED RESULTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

STRATEGIC PROGRESS

RCL FOODS' strategy remains focused on building a food business of scale with a balanced portfolio of products moving towards higher margin, added value sectors of the market. Despite the significant challenges brought about by the drought and the crisis in the chicken industry, the Group has remained steadfast in its focus on implementing its strategic imperatives.

RCL FOODS FINANCIAL REVIEW

Income statement

RCL FOODS' revenue for the six months to December 2016 increased by 1,6% to R13,1 billion (H1 2016: R12,9 billion). EBITDA declined by 21,9% to R900,4 million from R1 152,2 million, with the associated margin decreasing to 6,9% from 8,9%.

The table below shows EBITDA from a statutory perspective and adjusted for unrealised gains and losses on financial instruments (pre-IAS 39) used in the Group's commodity raw material 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 period under review, the pre-taxation impact on the Group's results of these unrealised positions is a negative impact of R35,3 million (H1 2016: R43,1 million positive impact). The prior period positive impact was largely due to the depreciation of the Rand/Dollar exchange rate, with the current period negative impact mainly due to adverse maize positions.

	Six months 31 December 2016	Restated Six months 31 December 2015	% change
EBITDA (R million)			
– Statutory	**900,4**	1 152,2	(21,9)
– Pre-IAS 39	**935,7**	1 109,1	(15,6)
– Pre-IAS 39 – excluding Chicken	**973,6**	898,2	8,4
EBITDA margin (%)			
– Statutory	**6,9**	8,9	(2,0)
– Pre-IAS 39	**7,2**	8,6	(1,4)
– Pre-IAS 39 – excluding Chicken	**11,0**	10,3	0,7

The Consumer division's EBITDA declined by 55,2% to R224,9 million (H1 2016: R501,6 million). Excluding Chicken, the remaining Groceries business units' EBITDA declined by 9,6% to R262,7 million at a margin of 9,2% (H1 2016: 11,1%), largely due to challenges in the Speciality and Beverages business units.

The Sugar & Milling division's EBITDA increased by 20,7% to R578,2 million (H1 2016: R479,3 million) at a margin of 7,6% (H1 2016: 6,3%). This strong performance was attributable to the Sugar business unit's recovery and the operational turnaround of the Gauteng bakeries within the Millbake business unit.

The Logistics division's EBITDA increased by 7,7% to R145,2 million (H1 2016: R134,9 million) at a margin of 13,7% (H1 2016: 13,6%).

The Group's effective tax rate for the period of 30,7%, was largely impacted by the effect of the non-deductible foreign exchange loss resulting from the settlement of the Zam Chick and Zamhatch options.

Statement of financial position

The negligible increase in property, plant and equipment is due to the R142,2 million chicken impairment offsetting capital expenditure investments and depreciation charges.

Intangible assets have declined from December 2015 due to the 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 processed at June 2016.

The decrease in investments in joint ventures from December 2015 is mainly as a result of RCL FOODS exercising its Zam Chick and Zamhatch put options in March 2016. The exit from the Zambian operations was finalised in September 2016, with RCL FOODS receiving cash as settlement for its investment.

The increase in investment in associates is largely a result of the equity accounted earnings of The Royal Swaziland Sugar Corporation Limited ("RSSC").

Net working capital (excluding biological assets) has increased by R383,2 million over the comparative period, largely as a result of higher value stock balances on hand in the Sugar business unit, where despite an overall decrease of 10 094 tons on hand, a change in the stock mix has resulted in increased values at 31 December 2016. The impact of the drought has resulted in reduced cane volumes, which necessitated an earlier start to the off-crop season and placed pressure on the ability to meet the local market demand for refined sugar. As a result, raw sugar was drawn from existing stock balances and further processed, resulting in an increase of 50 246 tons of the higher margin refined sugar on hand at 31 December 2016, which is expected to realise in the local market in H2 2017.

Cash flow and working capital

Net working capital movements increased by 31,9%. This was mainly attributable to higher value inventory balances on hand at 31 December 2016, which increased by R416,1 million. An increase of R465,5 million in trade and other receivables was offset by a R498,4 million increase in trade and other payables. The large fluctuations in trade receivables and payables were due to the timing of receipts and payments over the December calendar year-end period.

The cash outflow from investing activities was reduced by cash received on the exit from the Zam Chick and Zamhatch investments of R289,5 million.

The cash inflow from financing activities of R67,7 million was due to the internal funding of the cane growers being replaced with external funding.

Included in the non-cash items of R805,3 million are depreciation and amortisation charges of R402,3 million, impairments of R142,7 million and fair value adjustments on biological assets within the Chicken and Sugar business units of R229,0 million.

Capital expenditure

Capital expenditure for the six-month period was R403,5 million (H1 2016: R544,4 million).

The upgrade to the pet food plant in the Grocery business unit and the expansion at the Logistics division's Thekwini site have progressed well during the period, with the Thekwini site being commissioned in September 2016. In addition, investments have been made in optimising the ERP platforms within the Group, with the Pies and Beverages business unit SAP implementations having gone live.

An amount of R354,6 million (H1 2016: R386,9 million) has been contracted and committed, but not spent, whilst a further R247,5 million (H1 2016: R254,5 million) has been approved but not contracted. These amounts mainly relate to ongoing replacement of critical infrastructure within the divisions.

Impairment assessment

RCL FOODS has assessed the need for impairments of assets and except for impairments processed in the current period, no further write-downs are required at 31 December 2016. This will be reassessed at June 2017.

REVIEW OF OPERATIONS

CONSUMER DIVISION

The Consumer division grew revenue by 5,4% to R7,1 billion (H1 2016: R6,7 billion). EBITDA for the division declined by 55,2% to R224,9 million (H1 2016: R501,6 million). The decline is mainly attributable to the Chicken business, where EBITDA is down R248,7 million to a loss of R37,8 million in H1 2017. Key brands within the Groceries' business units have continued to grow volumes in a competitive market environment. The dedicated sales force has settled in well and efforts to reduce costs have been successful. The innovation pipeline across categories is strong and advances in information technology are on track. Product costing systems have been implemented and profitability information can now be mined, which will continue to improve decision-making. SAP has also been successfully implemented in the Pies and Beverages business units and is being rolled out to the remaining business units.

Chicken

The local poultry market remains massively oversupplied, as a result of the substantial increase in dumped product that has occurred in recent years.

The Chicken business unit delivered a first-half EBITDA loss of R37,8 million (H1 2016 profit: R210,9 million), due to the oversupply, as a consequence of the dumping highlighted above, and an inability to recover cost pressure as a result. This was compounded by weak contractual demand as consumers traded down in a tough economic environment, with total volumes down 8,5% to 165 757 tons for the period.

In order to restore profitability, the business remains committed to reducing its exposure to consequential volume whilst continuing to grow the demand-driven portfolio, largely comprising the foodservice market. IQF ("Individually Quick Frozen") Mixed Portions, which are the primary source of consequential volume, have decreased 50% over a three-year timeframe which, if sold at current levels would have compounded losses by up to R100 million. The Chicken business unit has taken further steps to reduce consequential volumes in the current period, by initiating a programme to reduce its Hammarsdale operation to a single shift, thereby eliminating a portion of loss-making IQF product.
The total cost of implementing these strategic actions in the current period has been R194,1 million, comprising:

- a R142,2 million impairment to the fixed asset base as a consequence of the downsizing, predominantly in the IQF space;
- a R42,9 million provision for restructuring costs; and
- R9,0 million in biological assets write-downs, directly related to the reduction in the size of flocks and bird numbers at Hammarsdale in anticipation of moving to a single shift.

The unfortunate outcome of these actions, is that they will lead to a permanent contraction in production capacity and employment opportunities in this region. The situation will be monitored closely in the coming months and further cutbacks may become necessary should the market situation not improve.

In response to the crisis, Government and all other poultry stakeholders attended a meeting in January 2017, where the industry crisis was acknowledged and debated. A task team was established that would result in meaningful measures to save the industry. The local chicken industry is internationally competitive when trading on a level playing field, however the dumping of imported chicken leg quarters has materially distorted the market. RCL FOODS remains firmly of the view that legitimate phyto sanitary barriers which are widely used globally, should be core to these measures, as opposed to simply relying on duties and tariffs.

RCL FOODS is heartened that the crisis in the poultry industry is being recognised and that Government and industry players are starting to co-operate to find solutions to circumvent the increasing destruction of the industry and the related employment for large numbers of South Africans. We look forward to positive outcomes in this regard.

Regulations that limit brine injection to 15% for individual frozen portions of chicken and 10% for whole carcasses were implemented during the period. It is expected that it will take some time for the market to settle in terms of pack size and pricing points. The Quick Service Restaurant ("QSR") accounts experienced a slight volume decline during the period, in contrast to the high growth performance historically, which is a further indication of consumer pressure. The Rainbow added value portfolio generated an acceptable performance, with the Rainbow Freezer to Fryer category being a particular highlight, growing volumes and market share on the back of significant efforts to reignite the category. Polony has been a challenge in respect of market share, but the successful launch of a lower priced Rainbow polony has allowed us to recover market share in that sector.

Groceries
(Grocery, Beverages, Pies and Speciality)

Commodity input cost pressure and volume challenges impacted on most of the business units with volumes for the six months ended 31 December 2016 declining 1,3% relative to a depressed total market growth of

0,4% (Source: 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). Pre-IAS 39 EBITDA was R262,7 million (H1 2016: R290,7 million), down 9,6% on the comparable period.

The **Grocery** business unit achieved volume growth of 3,1% over the comparative period with increased market shares in most of its categories, most notably in Nola mayonnaise and Yum Yum peanut butter, whilst managing to maintain margins. These gains were further assisted by the launch of innovations in the form of Nola squeeze mayo and Ouma rusks in a minis format, amongst others. The recently won QSR sauce business continued to perform strongly. Competitor supply problems in pet food led to surplus demand for RCL FOODS' pet food brands, which resulted in short supply in certain cases. These problems have largely been resolved. The commissioning of the new pet food plant remains on track, with full production expected by December 2017 and, as a result, an exciting new range of products remains on track for roll-out.

In the **Beverages** business unit trading was tough, driven by colder summer temperatures which led to reduced category consumption. The total beverage category market has declined at double digit levels for the six months ended 31 December 2016, compounded by aggressive competitor activity resulting in share loss of up to 4% on the prior year's reading. The combined impact of these two issues has resulted in volume declining 10,2% over the prior year. Beverages also voluntarily withdrew its shelf-stable (Ultra-high temperature processing) Mageu innovation, due to a quality and consistency issue that did not meet our high standards. The intention is to relaunch the product once this issue has been resolved.

The turnaround plans for the **Pies** business unit remain on track and have been successful in stopping the decline in volumes. A range of initiatives designed to restore growth have been implemented, which include the successful launch of Mighty Fine, a lower-priced pie offering, increases in the quality and fill level in the Classic range and reductions in the cost base. Pies also has an innovation pipeline which will be rolled out over the short-term in order to drive profitability.

The performance of the **Speciality** business unit has not met our expectations, largely due to lower than expected orders from our key customer, substantial cream supply issues and higher than inflationary wage increases. Speciality remains a key priority for RCL FOODS and significant management attention is being invested to improve performance.

SUGAR & MILLING DIVISION

The Sugar & Milling division's revenue of R7,6 billion is in line with the comparative period due to strong pricing gains and a better channel mix being offset by a decline in volumes as a result of the impact of the drought. Despite the limited revenue growth, pre-IAS 39 EBITDA increased by 20,7% to R578,2 million (H1 2016: R479,3 million). The division made good progress strategically, with steady improvements in the sales mix towards higher margin channels and value added products. The Sugar & Milling executive team was restructured and a ONE RCL FOODS customer facing team was implemented to provide customers with a single contact point for all RCL FOODS categories. This has started to generate benefits in terms of improved customer focus, and enhanced commercial information which is improving decision-making around pricing and market mix.

Sugar

The drought conditions continued to impact production volumes in the Sugar business unit and, if good summer rains continue, this is expected to normalise towards the end of the 2018 financial year. Dam levels remain low, but are improving after some rain in the catchment areas, however, more rain is needed for normal irrigation to continue through winter. The cane crop decreased by 605 757 tons, resulting in some 64 992 tons less sugar produced than the comparable period, with a negative R40,0 million year-on-year impact from crop valuations. Overall sales volumes for the period declined 33,5% to 248 677 tons as a result of the lower production. The Sugar business unit benefited from more favourable sugar prices and reduced imports which provided the opportunity to sell almost the entire production in the local market. These factors culminated in a pleasing performance with EBITDA increasing by 69,6% to R288,4 million (H1 2016: R170,0 million).

The pending sugar tax remains a risk to volumes in the local market.

Animal Feed

The Animal Feed business unit experienced severe drought-related input cost pressure, as well as volume declines due to limited supply of molasses and smaller herds. Pre-IAS 39 EBITDA declined by 20,9% to R134,4 million (H1 2016: R169,9 million). As a supplier of product to the poultry industry, the current crisis in Chicken also presents a challenge for Animal Feed with lower volumes affecting profit. The focus will be on reducing the dependency on broiler feed and growing a more diversified product basket. The loss of feed volumes, as a result of the decision to reduce the Hammarsdale operations to a single shift, will impact the second half of the financial year.

Millbake (Milling & Baking)

The Millbake business unit's results improved despite the high commodity prices and margin pressure in Milling, achieving growth of 11,5% and a pre-IAS 39 EBITDA of R155,4 million (H1 2016: R139,4 million). Milling volumes were down and excess capacity in the industry is a significant challenge. Commodity prices should start easing as better rainfall improves the outlook for wheat and maize production with potential reductions in the wheat levy providing further impetus.

The Baking business has substantially improved profitability after resolving most of the operational issues experienced in the prior year at the Gauteng bakeries. Service levels, damages and returns in the Gauteng bakeries have all improved substantially resulting in increased bread volumes and higher margins.

LOGISTICS DIVISION

Logistics increased revenue for the six months by 6,2% to R1 056,3 million (H1 2016: R994,5 million). EBITDA increased 7,7% to R145,2 million (H1 2016: R134,9 million).

The performance has been mixed across the various business areas, with tough economic conditions remaining a key constraint. The poultry crisis and general trading conditions in the Retail sector have resulted in reduced volumes flowing through the network. The general performance of the **Foodservice** sector has been acceptable, despite certain customers experiencing volume pressures as consumers redirected their spend.

Customers' **bulk storage** requirements have reduced significantly over the prior year, influenced by both volume reductions in Chicken and lower requirements from various manufacturers who have reduced their stockholding to improve working capital or relocated stockholding to their own facilities. New business resulted in a pleasing six-month performance for Vector's **Sales and Merchandising** service. RCL FOODS' Grocery ambient distribution was successfully transitioned into the Vector network with effect from 1 July 2016, as part of the Group's strategy to optimise its route-to-market.

The decision to reduce the Hammarsdale chicken operation to a single shift will result in a loss of volumes through the network in the second half of the financial year.

EQUITY ACCOUNTED INVESTMENTS

RSSC

RCL FOODS' Sugar business unit holds a 27,4% shareholding in RSSC. RSSC's results for the six months ended 31 December 2016 improved significantly due to improved sugar prices and access to additional water for irrigation. The after-tax profit contribution was R139,5 million (H1 2016: R78,3 million).

Senn Foods Logistics ("Senn Foods")

RCL FOODS acquired 49% of Senn Foods in Botswana during 2014. Senn Foods continued to deliver satisfactory results with an after-tax profit contribution of R5,6 million (H1 2016: R3,9 million).

CASH DIVIDEND DECLARATION

The directors have resolved to declare an interim gross cash dividend (number 84) of 10,0 cents per share for the six months ended 31 December 2016 (H1 2016: 15,0 cents).

The dividend has been declared from income reserves. Dividend withholding tax, at the rate of 15,0%, will amount to 1,5 cents per share and consequently shareholders, who are not exempt from dividend tax, will receive a net dividend amount of 8,5 cents per share. The implications of the Minister of Finance's announcement of an increase in the tax from 15,0% to 20,0%, in his budget speech of 22 February 2017 will be evaluated and communicated to shareholders once clarity on implementation has been secured. The issued share capital as at 31 December 2016 is 934 747 677. The company's income tax reference number is 9950019712.

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

Last date to trade ordinary shares *cum* dividend	Tuesday, 18 April 2017
Ordinary shares trade *ex* dividend	Wednesday, 19 April 2017
Record date	Friday, 21 April 2017
Payment date	Monday, 24 April 2017

Share certificates may not be dematerialised or rematerialised between Wednesday, 19 April 2017 and Friday, 21 April 2017 (both dates inclusive).

PROSPECTS

We expect demand, and therefore volumes, to remain constrained. As a result, synergies, overhead savings and production efficiencies will continue to receive substantial focus. We have a good pipeline of innovations across a number of product categories, designed to drive further market share gains. Within the Sugar business unit, rainfall, industry pricing and import levels remain key drivers of profitability for H2 2017.

The outcome of the chicken industry's crisis remains uncertain, but we are satisfied that the South African Government is aware of the enormity of the matter, and we have taken substantial corrective action to safeguard the business. The Hammarsdale downsizing will impact on the Animal Feed and Logistics business units' second half results.

We remain confident in our strategy and are making steady progress towards our goal of a diversified portfolio, focused on adding higher margin, added value products and categories. This set of results was characterised by significant external pressures.

BASIS OF PREPARATION

The summary consolidated 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 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 amendments to IFRS effective 1 July 2016, which have had no effect on the results, apart from the amendments to IAS 16 (Property, plant and equipment) and IAS 41 (Agriculture) regarding bearer plants. The amendments to IAS 16 and IAS 41 require bearer plants to be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing.

The amendments to IAS 16 and IAS 41 has been applied retrospectively in accordance with the transitional provisions. Consequently, the Group has restated its reported results throughout the comparative periods presented.

The effect of the application of the amendments to IAS 16 and IAS 41 on the reported results for the six months ended 31 December 2015 and the year ended 30 June 2016 are as follows:

ABRIDGED CONSOLIDATED UNAUDITED RESULTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	31 December 2015 R'000	30 June 2016 R'000
Impact on profit for the period		
Increase/(decrease) in operating profit before depreciation, amortisation and impairment (EBITDA)	6 407	**(4 113)**
Increase in depreciation, amortisation and impairment	(27 557)	**(56 935)**
Decrease in income tax expense	5 922	**17 094**
Decrease in amount attributable to the equity holders of the company	(9 136)	**(28 827)**
Decrease in amount attributable to the non-controlling interests	(6 092)	**(15 127)**
Impact on the statement of financial position		
Increase in property, plant and equipment	243 810	**207 470**
Decrease in non-current biological assets	(457 652)	**(624 917)**
Increase in current biological assets	192 692	**356 399**
Decrease in equity	(15 228)	**(43 954)**
Decrease in deferred income tax liabilities	(5 922)	**(17 094)**

RESULTS WEBCAST AND CONFERENCE CALL

RCL FOODS will be hosting a webcast and conference call to discuss the interim results at 10:00 on Friday, 24 February 2017. A presentation will be available for download from the RCL FOODS website www.rclfoods.com during the evening of Thursday, 23 February 2017.

For and on behalf of the Board

JJ Durand
Non-executive Chairman

M Dally
Chief Executive Officer

Durban
23 February 2017

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

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JSE share code: RCL

ISIN: ZAE000179438

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Transfer secretaries

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Auditors

PricewaterhouseCoopers Inc.

Sponsor

Rand Merchant Bank
(a division of FirstRand Bank Limited)

Bankers

ABSA Bank Limited
First National Bank of Southern Africa Limited
Standard Bank Limited

Website

www.rclfoods.com

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	31 December 2016 R'000	Restated 31 December 2015 R'000	Restated 30 June 2016 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	**5 809 381**	5 784 565	5 903 566
Intangible assets	**2 229 186**	2 591 346	2 283 999
Investment in joint ventures	**216 538**	412 427	206 036
Investment in associates	**607 884**	533 777	485 054
Deferred income tax asset	**10 724**	21 488	19 658
Loans receivable	**1 555**	42 681	1 555
Trade and other receivables	**12 788**		12 288
Goodwill	**2 658 493**	3 035 823	2 658 493
	11 546 549	12 422 107	11 570 649
Current assets			
Inventories	**3 285 702**	2 869 626	2 940 337
Biological assets	**709 215**	732 972	968 159
Trade and other receivables	**4 238 687**	3 773 155	3 926 404
Derivative financial instruments	**2 052**	40 393	8 036
Tax receivable	**25 710**		30 210
Loan receivable	**15 330**		41 342
Cash and cash equivalents	**558 540**	765 150	744 639
	8 835 236	8 181 296	8 659 127
Total assets	**20 381 785**	20 603 403	20 229 776
EQUITY			
Capital and reserves	**10 221 640**	10 647 106	10 046 256
LIABILITIES			
Non-current liabilities			
Deferred income	**330**	3 127	734
Interest-bearing liabilities	**3 585 790**	3 640 094	3 598 846
Deferred income tax liabilities	**1 256 416**	1 448 135	1 352 915
Retirement benefit obligations	**142 394**	189 538	165 354
Trade and other payables			5 716
	4 984 930	5 280 894	5 123 565
Current liabilities			
Trade and other payables	**4 402 664**	3 904 256	4 514 392
Deferred income	**8 323**	4 178	3 928
Interest-bearing liabilities	**191 985**	127 948	112 402
Derivative financial instruments	**39 632**	14 208	38 828
Current income tax liabilities	**86 808**	72 629	8 966
Bank overdraft	**445 803**	552 184	381 439
	5 175 215	4 675 403	5 059 955
Total liabilities	**10 160 145**	9 956 297	10 183 520
Total equity and liabilities	**20 381 785**	20 603 403	20 229 776

CONSOLDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

		Six months 31 December 2016 R'000	Restated Six months 31 December 2015 R'000	Restated Year ended 30 June 2016 R'000
Revenue		**13 085 486**	12 875 309	25 025 159
Operating profit before depreciation, amortisation and impairment (EBITDA)		**900 437**	1 152 232	1 762 387
Depreciation, amortisation and impairment		**(544 981)**	(390 967)	(1 445 222)
Operating profit		**355 456**	761 265	317 165
Finance costs		**(194 385)**	(143 237)	(365 194)
Finance income		**13 213**	9 532	38 361
Share of profits of joint ventures		**24 376**	20 974	44 527
Share of profits of associates		**139 338**	76 244	64 796
Profit before tax		**337 998**	724 778	99 655
Income tax expense		**(70 426)**	(23 673)	82 986
Profit for the period		**267 572**	701 105	182 641
Attributable to:				
Equity holders of the company		**321 713**	736 710	182 022
Non-controlling interests		**(54 141)**	(35 605)	619
HEADLINE EARNINGS				
Profit for the period attributable to equity holders of the company		**321 713**	736 710	182 022
(Profit)/loss on disposal of property, plant and equipment		**(10 415)**	(9 853)	5 569
Loss on disposal of biological assets			6 795	6 796
Insurance proceeds		**(2 985)**	(2 880)	152
Recycling of foreign exchange translation reserve				51 163
Impairment loss		**102 724**	11 906	587 211
Headline earnings		**411 037**	742 678	832 913
Earnings per share attributable to equity holders of the company				
Basic earnings per share	(cents)	**37,2**	85,5	21,1
Basic earnings per share – diluted	(cents)	**37,1**	85,5	21,0
Headline earnings per share	(cents)	**47,6**	86,2	96,5
Headline earnings per share – diluted	(cents)	**47,4**	86,2	96,3

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	31 December 2016 R'000	Restated 31 December 2015 R'000	Restated 30 June 2016 R'000
Profit for the period	**267 572**	701 105	182 641
Other comprehensive income			
Items that will not be reclassified to profit and loss			
Remeasurement of retirement medical obligations – net of tax			154
Share of associates other comprehensive income			(3 286)
Items that may be reclassified subsequently to profit and loss			
Share of associates other comprehensive income			(1 867)
Cash flow hedges	**(1 635)**	(12 940)	(17 598)
Currency translation differences	**(3 455)**	384	18 668
Other comprehensive income for the period – net of tax	**(5 090)**	(12 556)	(3 929)
Total comprehensive income for the period	**262 482**	688 549	178 712
Total comprehensive income for the period attributable to:			
Equity holders of the company	**316 623**	724 154	178 093
Non-controlling interests	**(54 141)**	(35 605)	619
	262 482	688 549	178 712

CONSOLIDATED CASH FLOW INFORMATION
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	Six months 31 December 2016 R'000	Restated Six months 31 December 2015 R'000	Restated Year ended 30 June 2016 R'000
Operating profit	**355 456**	761 265	317 165
Non-cash items	**805 264**	425 797	1 026 605
Operating profit before working capital requirements	**1 160 720**	1 187 062	1 343 770
Working capital requirements	**(1 057 544)**	(801 821)	118 591
Cash generated by operations	**103 176**	385 241	1 462 361
Net finance cost	**(177 512)**	(161 570)	(325 470)
Tax paid	**(75 016)**	(180 769)	(254 560)
Cash available from operating activities	**(149 352)**	42 902	882 331
Dividend received	**28 004**	33 281	68 595
Dividends paid	**(130 664)**	(190 545)	(320 091)
Cash outflows from investing activities	**(66 107)**	(561 962)	(1 015 960)
Cash inflows/(outflows) from financing activities	**67 656**	18 784	(123 453)
Net movement in cash and cash equivalents	**(250 463)**	(657 540)	(508 578)
Cash and cash equivalents at the beginning of the period	**363 200**	870 506	870 506
Exchange rate translation			1 272
Cash and cash equivalents at the end of the period	**112 737**	212 966	363 200

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	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 interests R'000	Total R'000
Balance at 1 July 2015	9 992 815	24 447	(1 919 832)	391 716	1 545 571	10 034 717	78 782	10 113 499
Profit/(loss) for the period*					736 710	736 710	(35 605)	701 105
Other comprehensive income for the period		(12 556)				(12 556)		(12 556)
Ordinary dividend paid					(189 545)	(189 545)	(1 000)	(190 545)
BEE share-based payments charge				8 800		8 800		8 800
Employee share option scheme:								
Proceeds from shares issued	30 979					30 979		30 979
Value of employee services				25 526		25 526		25 526
Exercise of employee share options				(29 702)		(29 702)		(29 702)
Balance at 31 December 2015*	10 023 794	11 891	(1 919 832)	396 340	2 092 736	10 604 929	42 177	10 647 106
(Loss)/profit for the period*					(554 688)	(554 688)	36 224	(518 464)
Other comprehensive income for the period		13 626			(4 999)	8 627		8 627
Ordinary dividend paid					(129 547)	(129 547)	1	(129 546)
BEE share-based payments charge				8 800		8 800		8 800
Employee share option scheme:								
Proceeds from shares issued	10					10		10
Value of employee services				29 733		29 733		29 733
Exercise of employee share options				(10)		(10)		(10)
Balance at 30 June 2016*	10 023 804	25 517	(1 919 832)	434 863	1 403 502	9 967 854	78 402	10 046 256
Profit/(loss) for the period					321 713	321 713	(54 141)	267 572
Other comprehensive income for the period		(5 090)				(5 090)		(5 090)
Ordinary dividend paid					(129 598)	(129 598)	(1 066)	(130 664)
BEE share-based payments charge				8 800		8 800		8 800
Employee share option scheme:								
Proceeds from shares issued	4 733					4 733		4 733
Value of employee services				34 766		34 766		34 766
Exercise of employee share options				(4 733)		(4 733)		(4 733)
Balance at 31 December 2016	10 028 537	20 427	(1 919 832)	473 696	1 595 617	10 198 445	23 195	10 221 640

The prior year information has been restated for the impact of amendments to IAS 16 'Property, Plant and Equipment' and IAS 41 'Agriculture' regarding bearer plants.

SUPPLEMENTARY INFORMATION
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

		Six months 31 December 2016 R'000	Restated Six months 31 December 2015 R'000	Restated Year ended 30 June 2016 R'000
Capital expenditure contracted and committed		**354 612**	386 903	323 299
Capital expenditure approved but not contracted		**247 496**	254 480	227 199
STATISTICS				
Statutory ordinary shares in issue (includes BEE shares)	(000s)	**934 748**	934 409	934 410
Ordinary shares in issue for accounting purposes	(000s)	**863 989**	863 650	863 651
Weighted average ordinary shares in issue	(000s)	**863 844**	861 837	862 739
Diluted weighted average ordinary shares in issue	(000s)	**867 257**	861 844	864 727
Net asset value per share	(cents)	**1 183,1**	1 232,8	1 163,2
Ordinary dividends per share:				
Interim dividend declared	(cents)	**10,0**	15,0	15,0
Final dividend declared	(cents)			15,0
Total dividends	(cents)	**10,0**	15,0	30,0

SEGMENTAL ANALYSIS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	Six months 31 December 2016 R'000	Restated Six months 31 December 2015 R'000	Restated Year ended 30 June 2016 R'000
Revenue	**13 085 486**	12 875 309	25 025 159
Consumer	**7 072 804**	6 708 636	13 301 265
Sugar & Milling	**7 613 006**	7 612 137	14 914 754
Logistics	**1 056 302**	994 505	1 986 899
Sales between segments:			
Consumer to Sugar & Milling	**(133 241)**	(100 982)	(210 105)
Sugar & Milling to Consumer	**(1 981 292)**	(1 790 613)	(3 864 143)
Logistics to Consumer	**(527 995)**	(535 058)	(1 078 012)
Logistics to Sugar & Milling	**(14 098)**	(13 316)	(25 499)
Operating profit before depreciation, amortisation and impairment (EBITDA) pre-IAS 39	**935 716**	1 109 119	1 842 957
Consumer	**224 871**	501 621	701 653
Sugar & Milling	**578 233**	479 258	826 010
Logistics	**145 230**	134 866	260 662
Unallocated group costs	**(12 618)**	(6 626)	54 632
IAS 39 Adjustment	**(35 279)**	43 113	(80 570)
Operating profit before depreciation, amortisation and impairment (EBITDA)	**900 437**	1 152 232	1 762 387
Depreciation, amortisation and impairment	**(544 981)**	(390 967)	(1 445 222)
Operating profit/(loss)			
Consumer	**(113 196)**	328 911	345 714
Sugar & Milling	**382 986**	338 017	(258 075)
Logistics	**102 979**	101 653	184 962
Unallocated group costs	**(17 313)**	(7 316)	44 564
Operating profit	**355 456**	761 265	317 165
Finance costs	**(194 385)**	(143 237)	(365 194)
Finance income	**13 213**	9 532	38 361
Share of profits of joint ventures	**24 376**	20 974	44 527
Sugar & Milling	**18 795**	9 736	22 661
Logistics	**5 581**	3 850	8 359
Zambian operations		7 388	13 507
Share of profit of associates	**139 338**	76 244	64 796
Sugar & Milling	**139 504**	78 312	68 530
Ugandan Operation	**(166)**	(2 068)	(3 734)
Profit before tax	**337 998**	724 778	99 655