RCL FOODS™

2017

RCL FOODS LIMITED

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 2017

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APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The directors are responsible for the preparation and integrity of the annual financial statements of the company and the Group and other information included in this report which has been prepared in accordance with International Financial Reporting Standards. The directors are also responsible for the systems of internal control.

The directors, supported by the Audit Committee, are of the opinion, based on the information and explanations given by management and the internal auditors and on comment by the independent external auditors on the results of their statutory audit, that the Group's internal accounting controls are adequate, so that the financial records may be relied upon for preparing the financial statements and maintaining accountability for assets and liabilities. The directors believe that the Group's assets are protected and used as intended in all material respects with appropriate authorisation. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the period.

In preparing the annual financial statements, the Group has used appropriate accounting policies, supported by reasonable judgements and estimates, and has complied with all applicable accounting standards. The directors are of the opinion that the annual financial statements present fairly the financial position of the company and the Group at June 2017 and the results of its operations for the year then ended. The directors are also of the opinion that the Group will continue as a going concern in the year ahead.

The annual financial statements set out on pages 12 to 103, which have been prepared on the going concern basis, were approved by the Board of directors on 29 August 2017 and are signed on its behalf by:

JJ Durand
Non-executive Chairman

M Dally
Chief Executive Officer

29 August 2017

CERTIFICATE BY THE COMPANY SECRETARY

I hereby certify that in respect of the year ended June 2017, the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of section 88(2) of the Companies Act of South Africa and that all such returns are true, correct and up to date.

JMJ Maher
Company Secretary

29 August 2017

REPORT OF THE AUDIT COMMITTEE

This report sets out how the Audit Committee discharged its responsibilities during the financial year ended June 2017 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

AUDIT COMMITTEE MEMBERSHIP AND RESOURCES

The Audit Committee consists of three 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 four times during the year, once more than stipulated in the Audit Committee charter. The Chairman of the Board, Chief Executive Officer, Chief Financial Officer, Group Services Finance Director, Group 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.

Board members	Appointed	29/08/2016	07/11/2016	22/02/2017	21/06/2017
NP Mageza					
ACCA(UK)	September 2009	Present	Present	Present	Present
DTV Msibi					
BBusSc, BCom (Hons), MCom, CA(SA)	August 2013	Present	Apology	Present	Present
RV Smither (Committee Chairman)					
CA(SA)	December 2008	Present	Present	Present	Present

ELECTION OF COMMITTEE MEMBERS

In terms of section 94 (2) of the Companies Act, it is proposed in the notice of the Annual General Meeting that was held on 8 November 2016 that RV Smither, NP Mageza and DTV Msibi were re-appointed as members of the Audit Committee until the next Annual General Meeting on 8 November 2017.

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, Annual 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); and
  - considered and, when appropriate, made recommendations on financial statements, accounting practices and internal financial controls.
- Confirmed the Internal Audit charter and audit plan and revised structure;
- 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.

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

REPORT OF THE AUDIT COMMITTEE CONTINUED

EXPERTISE AND EXPERIENCE OF THE CFO AND FINANCE FUNCTION

The Audit Committee performed an assessment of the Chief Financial Officer (CFO), Robert Field and the Finance function. Based on the 2017 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.

During the period, PwC provided certain non-audit services, including tax services and a review of the Group commodity procurement process. Total fees incurred during the 2017 financial year to PwC were R20,5 million of which R1,4 million related to non-audit services.

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 2018 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.

INTERNAL FINANCIAL CONTROLS

The committee is satisfied that the company's 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 financial 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

29 August 2017

REPORT OF THE DIRECTORS

NATURE OF BUSINESS

RCL Foods Limited's ("RCL FOODS") ambition is to build a profitable business of scale by creating food brands that matter.

It is the holding company of three principal operating subsidiaries, RCL FOODS Consumer Proprietary Limited, RCL FOODS Sugar & Milling Proprietary Limited and Vector Logistics Proprietary Limited.

STATED CAPITAL

The issued share capital increased by 1 156 309 (2016: 2 085 188) ordinary shares during the year due to share appreciation rights being exercised. At the reporting date unexercised share appreciation rights totalling 79 920 965 (2016: 69 162 282) had been granted to participants. At the reporting date the unexercised rights relating to the Conditional Share Plan was 23 831 071 (2016: 6 326 704). These rights are granted at the discretion of the Remuneration and Nominations Committee.

Refer below for impact of BEE transactions on stated capital.

Shareholders will be asked to consider an ordinary resolution at the forthcoming Annual General Meeting for the unissued shares of the company to remain under the control of the directors until the following Annual General Meeting.

PRESENTATION DATE OF FINANCIAL RESULTS

The results for the current year have been reported on the retail calendar of trading weeks, which treats each financial year as an exact 52-week period. Due to the transition to the new reporting period in the current financial year, the results for the year under review are for the period ended 2 July 2017, a 367-day period compared to a 366-day period in the previous financial year. This treatment will be applied prospectively and the impact on the current period is not considered material.

FINANCIAL RESULTS

The profit for the year attributable to owners of the parent amounted to R515,7 million (2016: 182,0 million). This translates into a headline earnings per share of 63,5 cents (2016: 96,5 cents) based on the weighted average shares in issue during the year.

DIVIDENDS

Ordinary dividends declared in respect of the year under review are as follows:

Interim dividend

Number 84 amounting to 10,0 cents per ordinary share declared on 23 February 2017 and paid on 24 April 2017.

Final dividend

Number 85 amounting to 20,0 cents per ordinary share declared on 29 August 2017 and payable on 23 October 2017.

The salient dates of the declaration and payment of dividend number 85 are as follows:

Last date to trade ordinary shares "cum dividend"	Tuesday, 17 October 2017
Ordinary shares trade "ex dividend"	Wednesday, 18 October 2017
Record date	Friday, 20 October 2017
Payment date	Monday, 23 October 2017

BEE TRANSACTIONS

RCL FOODS' BEE transactions were concluded during the 2014 financial year resulting in the issues of 44 681 162 shares to the RCL Employee Share Trust, 19 149 069 shares to Business Venture Investments 1763 (RF) Proprietary Limited and 6 928 406 shares to Malongoana Investments (RF) Proprietary Limited.

These transactions are treated as options and therefore have no impact on the per share calculations. The above transactions have impacted the current financial year, through the recurring employee portion of the option charge. Refer to note 31 of the consolidated financial statements for further details.

SUBSIDIARIES

Details of RCL FOODS' interest in its subsidiaries are set out in note 33 of the notes to the consolidated financial statements.

HOLDING COMPANY

Remgro Limited is the ultimate holding company of RCL FOODS.

DIRECTORS

The names of the directors are listed on pages 52 and 53 of the Abridged Integrated Annual Report, available at www.rclfoods.com.

DIRECTORS' SHAREHOLDINGS

At the date of this report, the directors in aggregate held direct beneficial interests in 1 724 343 (2016: 1 651 753) ordinary shares in the company and had indirect beneficial interests in 3 161 949 (2016: 4 481 038) ordinary shares. Details of directors' shareholdings are set out in note 30 of the notes to the consolidated financial statements.

SUBSEQUENT EVENTS

No material change has taken place in the affairs of the Group between the end of the financial year and the date of this report.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of RCL Foods Limited

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

OUR OPINION

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of RCL Foods Limited (the Company) and its subsidiaries (together the Group) as at 2 July 2017, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

RCL Foods Limited's consolidated and separate financial statements set out on pages 12 to 103 comprise:

- the consolidated and separate statements of financial position as at 2 July 2017;
- the consolidated income statement for the year then ended;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate cash flow statements for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

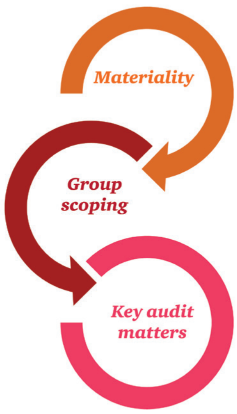
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the *Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B).

OUR AUDIT APPROACH

Overview



Overall Group materiality

- *Overall Group materiality: R74 850 000, which represents 0,3% of the Group's revenue.*

Group audit scope

- *The Group financial statements are a consolidation of 28 subsidiaries, 4 joint ventures and 2 associates. For these entities full scope audits were carried out with the exception of one associate where analytical procedures were performed.*

Key audit matters

- *Goodwill and indefinite-life intangible asset impairment assessments*
- *Impairment test of property, plant and equipment in the Chicken business unit*

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT CONTINUED

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall Group materiality	***R74 850 000***
How we determined it	*0,3% of the Group's revenue*
Rationale for the materiality benchmark applied	*We have selected revenue as our materiality benchmark because, in our view, it is a benchmark against which the performance of the Group can be consistently measured in circumstances of volatile year-on-year earnings. This benchmark has remained a stable and key driver of the Group's business in a year in which earnings has been impacted by severe drought, record high chicken imports and the general economic downturn. We chose 0,3%, which is lower than the normal quantitative materiality rule of thumb used for profit-orientated companies (1%). This is based on our professional judgement and after consideration of a number of factors, in particular the significant level of third party debt and the existence of financial covenants.*

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group financial statements comprise the Group's operating divisions in the Consumer, Sugar & Milling and Logistics sectors, and centralised functions. Each operating division is an aggregation of a number of business units. The Group operates predominantly within South Africa, but also within Botswana, Namibia, Swaziland and Uganda.

The Group's accounting processes are structured around finance functions within the operating divisions which report to the Group through a consolidation system.

To support the Group opinion, full scope audits were carried out for all entities, in line with statutory requirements, with the exception of one associate, HMH Rainbow Limited, where analytical procedures were performed by the Group engagement team.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed by the Group engagement team, component auditors from the local PwC network firm, other PwC network firms and one non-PwC firm operating under our instruction. The Group engagement team was directly responsible for the audit of the Group consolidation, the Consumer operating division and the centralised functions. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

We had various interactions with our component teams in which we discussed and evaluated recent developments, the scope of audits, audit risks, materiality and our audit approaches. We discussed the reports of the component teams, the findings of their procedures and other matters which could be of relevance for the consolidated financial statements. In the current year the Group engagement leader visited the component audit teams responsible for the audit of the Sugar & Milling and Logistics operating divisions.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We communicate the key audit matters that relate to the audit of the consolidated financial statements of the current period in the table below. We have determined that there are no key audit matters to communicate in our report with regard to the audit of the separate financial statements of the Company of the current period.

Key audit matter	How our audit addressed the key audit matter
Goodwill and indefinite-life intangible asset impairment assessments	
Refer to note 2 to the consolidated financial statements for the related disclosures.	Our audit procedures included, among others, testing of the principles and integrity of the Group's discounted cash flow models.
The Group's net assets include a significant amount of Goodwill (R2.7 billion) and indefinite-life intangible assets (R1.5 billion) within the Grocery, Pies, Speciality, Beverages, Milling, Baking and Logistics cash-generating units (CGU's).	We tested the accuracy of the calculation for each model and we challenged key inputs in the calculations, such as revenue growth, discount rate, perpetuity growth rate and working capital assumptions by reference to the board approved business plan and market data, which consists of data external to the Group.

INDEPENDENT AUDITOR'S REPORT CONTINUED

Key audit matter	How our audit addressed the key audit matter
As required by the applicable accounting standards, management conducts annual impairment tests to assess the recoverability of the carrying value of goodwill and indefinite-life intangible assets. This is performed using a discounted cash flow model. Resulting from the assessment, the Group has not recognised any impairment charge as management determined that all CGUs have sufficient headroom. Management performed a sensitivity analysis by varying the key assumptions used (discount rate and perpetuity growth rate) to assess the impact on the valuations. Refer to note 2 to the consolidated financial statements for the results of management's sensitivity analysis. We considered this area to be a matter of most significance to our audit due to the size of the related goodwill and intangible asset balances, the extensive applicable disclosure requirements and the judgement involved in management's assessment.	We utilised our valuation experts when considering the appropriateness of the discount rate. In assessing management's forecasts, we considered the historical accuracy of forecasts to assess the reliability thereof by comparing the actual results for the year with the original forecasts. Management provided appropriate explanations for significant variances. We performed independent sensitivity calculations on the impairment assessments, to determine the degree by which the key assumptions needed to change in order to trigger an impairment. We discussed these with management and based on the evidence obtained we accepted management's conclusion that the key assumptions applied in the model were reasonable. We assessed the basis of management's impairment testing, as disclosed in note 2 to the consolidated financial statements, against the requirements of the relevant accounting standards and deemed it to be appropriate.
Impairment test of property, plant and equipment in the Chicken business *Refer to note 1 to the consolidated financial statements for the related disclosures.* The applicable accounting standards require an impairment test of non-financial assets to be performed when there are indicators that these may be impaired. During the current year the poultry industry was impacted by an oversupply in the local market and inflated feed prices due to the drought experienced in South Africa. This resulted in management implementing a new business model for the Chicken business unit to eliminate a significant portion of the loss making Individually Quick Frozen ("IQF") product. To achieve the revised business model management reduced the Hammarsdale operations to a single shift, decided to dispose of the Tzaneen operations and make redundant a significant number of assets supporting the previous business model. This revised model resulted in the identification of a separate IQF CGU. This restructure and poor trading performance during the current year for the Chicken business unit was an indicator that the assets within the Chicken business unit may be impaired. Management therefore impaired the specific assets that became redundant, impaired the Tzaneen operations held-for-sale to its recoverable amount and then performed impairment tests of the IQF and Chicken CGUs to determine their recoverable amounts based on the higher of value in use and fair value less cost of disposal. To determine the value in use and test for impairment, management used the five-year business plan as approved by the board to determine future cash flows for the CGUs. These cash flows were then discounted using the business unit's weighted average cost of capital determined using the capital asset pricing model.	Our audit procedures included, among others, testing the appropriateness of the methodology applied by management in calculating the impairment charges and the judgements applied in determining the CGUs of the Chicken business unit. We tested the accuracy of the calculation for each model and we challenged key inputs in the calculations, such as revenue growth, discount rate, perpetuity growth rates and working capital assumptions, by reference to the board approved business plan and market data, which consists of data external to the Group. We utilised our valuation experts when considering the appropriateness of the discount rate. In assessing management's forecasts we considered the historical accuracy of forecasts to assess the reliability thereof by comparing the actual results for the year with the original forecasts. Management provided appropriate explanations for significant variances. We performed independent sensitivity calculations on the impairment assessments, to determine the degree by which the key assumptions needed to change in order to trigger an impairment. We discussed these with management and based on the evidence obtained we accepted management's conclusion that the key assumptions applied in the model were reasonable. We assessed the basis of management's impairment testing, as disclosed within note 1 to the consolidated financial statements, against the requirements of the relevant accounting standards and deemed it to be appropriate.

INDEPENDENT AUDITOR'S REPORT CONTINUED

Key audit matter	How our audit addressed the key audit matter
Management's impairment tests indicated the recoverable amount to be lower than the carrying amount of the assets within the IQF CGU only. Management recognised an impairment charge of R171.8 million within the Consumer segment. We considered this area to be a matter of most significance to our audit due to the size of the related property, plant and equipment balances, the extensive applicable disclosure requirements and the judgement involved in management's assessment.	

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the RCL Foods Limited Integrated Annual Report, which includes the Report of the Directors, the Report of the Audit Committee and the Certificate by the Company Secretary as required by the Companies Act of South Africa. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITOR'S REPORT CONTINUED

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of RCL Foods Limited for 13 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: SF Randelhoff
Registered Auditor

Durban

29 August 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at

	Note	2 July 2017 R'000	Restated* 30 June 2016 R'000	Restated* 1 July 2015 R'000
ASSETS				
Non-current assets				
Property, plant and equipment	1	**5 720 285**	5 903 566	5 461 690
Intangible assets	2	**4 881 405**	4 942 492	5 675 862
Investment in joint ventures	3	**227 366**	206 036	416 626
Investment in associates	4	**513 323**	485 054	406 250
Deferred income tax asset	17	**6 876**	19 658	8 320
Loan receivable	5	**1 555**	1 555	1 555
Trade and other receivables	8	**12 788**	12 288	
		11 363 598	11 570 649	11 970 303
Current assets				
Inventories	6	**2 666 622**	2 940 337	2 761 151
Biological assets	7	**791 469**	968 159	829 532
Trade and other receivables	8	**3 452 331**	3 926 404	3 156 670
Derivative financial instruments	9	**1 339**	8 036	10 438
Tax receivable		**70 410**	30 210	9 923
Loan receivable	5	**17 200**	41 342	5 239
Cash and cash equivalents		**1 056 660**	744 639	873 397
		8 056 031	8 659 127	7 646 350
Assets of disposal group classified as held-for-sale	10	**88 685**		76 542
Total assets		**19 508 314**	20 229 776	19 693 195
EQUITY				
Stated capital	11	**10 041 690**	10 023 804	9 992 815
Share-based payments reserve	12	**513 536**	434 863	391 716
Other reserves	13	**4 672**	25 517	24 447
Common control reserve		**(1 919 832)**	(1 919 832)	(1 919 832)
Retained earnings		**1 708 703**	1 403 502	1 545 571
Equity attributable to the equity holders of the company		**10 348 769**	9 967 854	10 034 717
Non-controlling interests		**37 984**	78 402	78 782
Total equity		**10 386 753**	10 046 256	10 113 499
LIABILITIES				
Non-current liabilities				
Deferred income	19	**141**	734	1 849
Interest-bearing liabilities	15	**3 078 822**	3 598 846	3 511 271
Deferred income tax liabilities	17	**1 248 056**	1 352 915	1 458 933
Retirement benefit obligations	14	**136 668**	165 354	187 656
Trade and other payables	16	**3 157**	5 716	8 567
		4 466 844	5 123 565	5 168 276
Current liabilities				
Trade and other payables	16	**4 398 538**	4 514 392	4 184 985
Deferred income	19	**8 338**	3 928	5 239
Interest-bearing liabilities	15	**226 383**	112 402	131 559
Derivative financial instruments	9	**12 995**	38 828	16 277
Current income tax liabilities		**4 190**	8 966	52 680
Bank overdraft		**2 878**	381 439	2 891
		4 653 322	5 059 955	4 393 631
Liabilities of disposal group classified as held-for-sale	10	**1 395**		17 789
Total liabilities		**9 121 561**	10 183 520	9 579 696
Total equity and liabilities		**19 508 314**	20 229 776	19 693 195

* *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. Refer to note 34 for further details.*

CONSOLIDATED INCOME STATEMENT

for the year ended June 2017

	Note	2017 R'000	Restated* 2016 R'000
Revenue		**24 950 655**	25 025 159
Operating profit before depreciation, amortisation and impairment (EBITDA)		**1 747 633**	1 762 387
Depreciation, amortisation and impairment		**(971 125)**	(1 445 222)
Operating profit	18	**776 508**	317 165
Finance costs	20	**(373 741)**	(365 194)
Finance income	21	**40 999**	38 361
Share of profits of joint ventures	3	**48 577**	44 527
Share of profit of associates	4	**109 516**	64 796
Profit before tax		**601 859**	99 655
Income tax (charge)/credit	22	**(125 552)**	82 986
Profit after tax		**476 307**	182 641
Profit for the year		**476 307**	182 641
Profit for the year attributable to:			
Equity holders of the company		**515 657**	182 022
Non-controlling interests		**(39 350)**	619
		476 307	182 641
Earnings per share from profit for the year attributable to equity holders of the company	23		
Basic earnings per share	(cents)	**59,7**	21,1
Diluted earnings per share	(cents)	**59,2**	21,0

* *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. Refer to note 34 for further details.*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended June 2017

	Note	2017 R'000	Restated* 2016 R'000
Profit for the year		**476 307**	182 641
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurement of retirement medical aid obligations		**7 713**	154
Share of associates other comprehensive income	4	**(2 090)**	(3 286)
Items that may subsequently be reclassified to profit or loss:			
Cash flow hedges	13	**(9 194)**	(17 598)
Currency translation differences	13	**(11 651)**	18 668
Share of associates other comprehensive income	4		(1 867)
Other comprehensive income for the year net of tax		**(15 222)**	(3 929)
Total comprehensive income for the year		**461 085**	178 712
Total comprehensive income for the year attributable to:			
Equity holders of the company		**500 435**	178 093
Non-controlling interests		**(39 350)**	619
		461 085	178 712

Items in the statement above are disclosed net of tax. The income tax relating to cash flow hedges and currency translation differences is disclosed in note 13 to the consolidated financial statements. The tax relating to the remeasurement of medical aid obligations was R2 999 360 (2016: R59 889).

* *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. Refer to note 34 for further details.*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended June 2017

	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 2015	9 992 815	391 716	24 447	(1 919 832)	1 545 571	10 034 717	78 782	10 113 499
Profit for the year*					182 022	182 022	619	182 641
Other comprehensive income			1 070		(4 999)	(3 929)		(3 929)
BEE share-based payments charge		17 600				17 600		17 600
Employee Share Incentive Scheme:								
– proceeds from shares issued	30 989					30 989		30 989
– value of employee services		55 259				55 259		55 259
– exercise of employee share schemes		(29 712)				(29 712)		(29 712)
Ordinary dividends paid					(319 092)	(319 092)	(999)	(320 091)
Balance at 30 June 2016*	10 023 804	434 863	25 517	(1 919 832)	1 403 502	9 967 854	78 402	10 046 256
Profit 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**

* *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. Refer to note 34 for further details.*

CONSOLIDATED CASH FLOW STATEMENT

for the year ended June 2017

	Note	2017 R'000	Restated* 2016 R'000
Cash flows from operating activities			
Cash generated by operations	A	**2 293 683**	1 462 361
Finance income received		**40 999**	38 361
Finance costs paid		**(366 080)**	(363 831)
Tax paid	B	**(262 030)**	(254 560)
Cash available from operating activities		**1 706 572**	882 331
Dividends received		**93 522**	68 595
Dividends paid		**(217 147)**	(320 091)
Net cash inflow from operating activities		**1 582 947**	630 835
Cash flows from investing activities			
Replacement property, plant and equipment		**(401 882)**	(473 683)
Expansion property, plant and equipment		**(391 333)**	(561 010)
Intangible asset additions		**(41 326)**	(14 608)
Acquisition of associate			(61 549)
Advances of interest-bearing assets		**(5 293)**	
Receipts of interest-bearing assets		**29 435**	
Proceeds on disposal of Fishing division			25 000
Proceeds on disposal of non-current assets held-for-sale			26 406
Proceeds on disposal of Zambian operations		**289 468**	
Proceeds on disposal of property, plant and equipment and intangible assets		**34 609**	43 484
Net cash outflow from investing activities		**(486 322)**	(1 015 960)
Cash flows from financing activities			
Repayment of interest-bearing liabilities		**(639 329)**	(88 773)
Advances of interest-bearing liabilities		**233 286**	
Advances of interest-bearing assets			(36 102)
Issue of shares			1 422
Net cash outflow from financing activities		**(406 043)**	(123 453)
Net movement in cash and cash equivalents		**690 582**	(508 578)
Cash and cash equivalents at the beginning of the year		**363 200**	870 506
Exchange rate translation			1 272
Cash and cash equivalents at the end of the year (net of overdrafts)	C	**1 053 782**	363 200

* *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. Refer to note 34 for further details.*

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

for the year ended June 2017

	2017 R'000	Restated* 2016 R'000
A. CASH GENERATED BY OPERATIONS		
Operating profit	**776 508**	317 165
Adjusted for:		
Depreciation, amortisation and impairment	**971 125**	1 445 223
Deferred income	**3 817**	(2 426)
Loss on disposal of property, plant and equipment and intangible assets	**1 879**	9 694
Loss on disposal of assets held-for-sale		7 479
Movement in retirement benefit obligations	**(17 972)**	(22 088)
Movement in derivative financial instruments – non-cash flow hedges	**(28 381)**	25 282
Gain on Zambian option exercise		(126 097)
Fair value adjustment in biological assets**	**(363 993)**	(412 100)
Foreign currency translation reserve released	**(1 414)**	51 163
Unrealised foreign exchange gains		(2 443)
Unrealised foreign exchange losses	**2 713**	7 192
Realised foreign exchange losses	**26 951**	
Share-based payments – BEE charge	**17 600**	17 600
Share-based payments – Employee Share Incentive Scheme	**78 959**	55 114
Cash flow hedges and other reserves released	**(11 187)**	(26 135)
Lease smoothing – non-cash accounting adjustment	**9 585**	
Other non-cash flow items	**(13)**	(853)
	1 466 177	1 343 770
Working capital changes:		
Movement in inventories	**271 030**	(179 186)
Movement in biological assets**	**525 924**	273 463
Movement in trade and other receivables	**157 175**	(465 605)
Movement in trade and other payables	**(126 623)**	489 919
	827 506	118 591
	2 293 683	1 462 361

* *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. Refer to note 34 for further details.*

** *The movement in biological assets is represented by the non-cash fair value adjustment on biological assets and the movement included in working capital changes.*

	2017 R'000	Restated* 2016 R'000
B. TAX PAID		
Amount refundable/(payable) at the beginning of the year	**21 244**	(42 757)
Charged to the income statement	**(217 054)**	(34 584)
Normal tax	**(250 002)**	(194 512)
Prior year over/(under) provision	**32 948**	(3 366)
Release of provision for uncertain tax position (refer to note 22)		163 294
Release of provision for uncertain tax position and tax on hedging reserve – non-cash flow item		(155 975)
Amount refundable at the end of the year	**(66 220)**	(21 244)
	(262 030)	(254 560)

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT CONTINUED

C. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are reported net of bank overdrafts of R2,9 million (2016: R381,4 million) on the cash flow statement. The bank overdraft relates to overdrafts obtained from ABSA (current and prior year), Standard Bank (prior year) and FNB (prior year) for the purpose of working capital, which are unsecured and payable on demand. The overdrafts bear interest at prime.

Cash and cash equivalents include restricted balances of R60,1 million (2016: R208,7 million). Restricted cash balances consist of initial margin balances with the JSE Limited and SAFEX deposits with various financial institutions which serve as collateral for derivative positions held at year-end. This cash will only be accessible by the Group when the related derivative positions are closed.

Restricted cash balances also consist of funds received of R0,9 million (2016: R1,0 million) from the National Department of Rural Development and Land Reform in terms of a mentorship agreement which is required to be administered and spent for the benefit of third party beneficiaries in terms of the mentorship agreement.

The carrying amount of cash and cash equivalents approximates their fair value.

Cash and cash equivalents include amounts denominated in the following currencies:

	2017 R'000	2016 R'000
Rand	**1 034 370**	316 675
USD	**10 864**	21 131
GBP	**7**	13 608
Euro	**345**	
Namibian dollar	**8 141**	9 100
Mozambique metical		709
Indonesian rupee		1 950
Other currencies	**55**	27
Total	**1 053 782**	363 200

ACCOUNTING POLICIES

BASIS OF PREPARATION

The Group and company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), IFRIC interpretations, SAICA Financial Reporting guides, the requirements of 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) and were authorised for issue on 29 August 2017 by the Board of directors. The financial statements have been prepared using the historical cost convention except for biological assets and financial instruments at fair value through profit or loss. The accounting policies comply with IFRS and have been consistently applied to all years presented, with the exception of the amendments to IAS 16 "Property, plant and equipment" and IAS 41 "Agriculture" regarding bearer plants.

Amendments to IAS 16 "Property, plant and equipment" and IAS 41 "Agriculture" regarding bearer plants, effective 1 July 2016, were adopted during the year. 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 have been applied retrospectively in accordance with the transitional provisions. Bearer plants were valued at their respective fair values (equating net book value) on 1 July 2016 and reclassified to property, plant and equipment. Consequently, the Group has restated its reported results throughout the comparative periods presented, refer to note 34.

For the current financial year, the Group has reported 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. Accordingly the results for the financial year-ended June 2017, and all references thereto within the results, are presented for the period ended 2 July 2017, a 367-day period compared to a 366-day period in the previous financial year. This treatment will be applied prospectively.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity or where assumptions and estimates are significant to the consolidated financial statements are disclosed on page 29.

BASIS OF CONSOLIDATION

Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a charge to other comprehensive income. Any contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred over the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of all the identifiable assets and liabilities and contingent liabilities acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised in profit or loss.

Acquisitions by the Group of entities which are under common control are accounted for using predecessor accounting. The assets and liabilities of the acquired entity are recognised at the predecessor values; therefore no restatement of the acquiree's assets and liabilities to fair value is required. The difference between the consideration transferred and the carrying value of the net assets is recorded in equity in a common control reserve; as a result no goodwill is recognised on acquisition. The consolidated financial statements incorporate the acquired entity's results from the first day of the month in which the transaction took place. Consequently, the consolidated financial statements do not reflect the results of the acquired entity for the period before the transaction occurred. The corresponding amounts for the prior period are also not restated.

ACCOUNTING POLICIES CONTINUED

BASIS OF CONSOLIDATION (CONTINUED)

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Changes in ownership in subsidiaries without change in control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions, that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains and losses on disposals to non-controlling interests are also recorded in equity.

Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purpose of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Associates

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the after-tax profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of the post-acquisition after-tax profit or loss is recognised in the income statement, and its share of post-acquisition after-tax movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the associate is impaired. If this is the case, the Group calculates the amount of the impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to share of profit/loss of associates in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

Joint arrangements

The Group applies IFRS 11 to all joint arrangements. Investments in joint arrangements are classified as either joint operations or joint ventures, depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains/losses on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Accounting treatment for subsidiaries in company financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

Dividend income from subsidiaries is recognised in the income statement when the right to receive payment is established.

ACCOUNTING POLICIES CONTINUED

FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in rands, which is the Group's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges. Foreign exchange gains and losses that relate to borrowings, cash and cash equivalents, remeasurement of forward exchange contracts and participation hedges are presented in the income statement within "finance income or cost". All other foreign exchange gains and losses are presented in the income statement within operating profit.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss, are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) Assets and liabilities for each statement of financial position presented is translated at the closing rate at the date of that statement of financial position.

(b) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions).

(c) All resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at historical cost less accumulated depreciation less accumulated impairment losses, except for land which is shown at cost less impairment. Cost includes expenditure that is directly attributable to the acquisition of the assets. Costs may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

The Group's sugarcane roots, litchi trees and banana plants qualify as bearer plants under the definition in IAS 41 Agriculture and are therefore accounted for under the rules for property, plant and equipment.

Depreciation is provided on property, plant and equipment at rates that reduce the cost thereof to estimated residual values over the expected useful lives of the asset on a straight-line basis. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Where assets are identified as being impaired, that is when the recoverable amount has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value.

Gains or losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the income statement as part of operating profit.

Depreciation is calculated over the following estimated useful lives:

Buildings	15 to 50 years
Leasehold improvements	Shorter of useful life of 20 years or period of lease
Plant and equipment – Capitalised and owned	3 to 40 years
Vehicles – Capitalised and owned	3 to 8 years
Furniture	6 to 20 years
Aircraft	8 to 20 years
Bearer plants	10 years

Capital work in progress is not depreciated until such time as the asset is available for use.

Land is not depreciated.

ACCOUNTING POLICIES CONTINUED

PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to prepare for its intended use is added to the cost of the asset, until such time as the asset is substantially complete. A substantial period of time is considered to be a period exceeding 12 months. Capitalisation is suspended during extended periods in which active development is interrupted. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

INTANGIBLE ASSETS

Trademarks and customer relationships

Separately acquired trademarks are shown at historical cost. Trademarks and customer relationships acquired in a business combination are recognised at fair value at the acquisition date.

The useful lives of trademarks are assessed to be either finite or indefinite. The useful lives of customer relationships are considered to be finite. Trademarks with finite lives and customer relationships are amortised over the useful life on a straight-line basis and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation periods and amortisation methods are reviewed annually.

The useful lives of intangible assets are as follows:

Trademarks	Indefinite/15 to 20 years
Customer relationships	10 to 20 years

Trademarks with indefinite lives are not amortised but are reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment to a finite life is made on a prospective basis.

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree. It is reported in the statement of financial position as a non-current asset and carried at cost less accumulated impairment losses. Goodwill is allocated to each of the cash-generating units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at a CGU level. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Computer software

Costs associated with maintaining computer software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product to use;
- There is an ability to use or sell the software product;
- The software product will generate probable future economic benefits;
- Adequate technical, financial and other resources are available to complete the development and to use the software product; and
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development, employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which do not exceed 20 years and are stated at cost less accumulated amortisation.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life, for example goodwill and certain trademarks, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that were impaired, are reviewed for possible reversal of the impairment at each reporting date.

ACCOUNTING POLICIES CONTINUED

DISPOSAL GROUPS HELD-FOR-SALE

Disposal groups are classified as assets and liabilities held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

INVENTORIES

Finished goods, raw materials, ingredients and consumables are valued at the lower of cost and net realisable value. Finished goods are determined on a first-in first-out basis for all Group divisions except for the Sugar business unit, within Sugar & Milling, and the Speciality business unit, within Consumer, where inventory is valued at weighted average cost. Raw materials, ingredients and consumables are determined on a weighted average cost basis.

Costs include expenditure incurred in acquiring the inventories and bringing them to their present location and condition, all direct production costs and an appropriate portion of overheads based on normal capacity. Slaughtered chickens and sugar are transferred to inventory at fair value less estimated point-of-sale costs. Net realisable value is the estimated selling price in the ordinary course of business, less estimated selling expenses.

BIOLOGICAL ASSETS

The fair value of the biological assets is determined on the following basis:

Consumable biological assets, comprising standing sugarcane, litchi fruits and bananas, are measured at their fair value, determined on current estimated market prices less estimated harvesting, transport, packing and point-of-sales costs;

- Standing cane is valued at estimated sucrose content, age and market price.
- Growing fruit is valued at estimated yield, quality standard, age and market price.

The sugarcane roots, litchi trees and banana plants are bearer plants and are therefore presented and accounted for as property, plant and equipment. However, the standing cane and fruit growing on the plants are accounted for as biological assets until the point of harvest. Sugarcane, litchi fruit and bananas are transferred to inventory at fair value less costs to sell when harvested. Changes in fair value of sugarcane, litchi fruit and bananas on trees are recognised in the statement of profit or loss.

Live broiler birds and breeding stock are measured at fair value less estimated point-of-sale costs at reporting dates. Fair value is determined based on market prices.

The fair values of biological assets are level 3 fair values as defined in note 27.

Breeding stock includes the Cobb grandparent breeding and the parent rearing and laying operations. Broiler hatching eggs are included in breeding stock.

Gains and losses arising on the initial recognition of biological assets at fair value less estimated point-of-sale costs and from a change in fair value less estimated point-of-sale costs are recognised in the income statement in the period in which they arise.

STATED CAPITAL

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Treasury shares

Shares in the company held by Group companies are classified as treasury shares and are held at cost. These shares are treated as a deduction from the issued number of shares and taken into account in the calculation of the weighted average number of shares. The cost price of the shares is deducted from the Group's equity.

CURRENT AND DEFERRED TAX

The tax expense for the period comprises current and deferred tax.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the company and the company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation, and establishes provisions where appropriate on the basis of amounts expected to be paid to tax authorities.

Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively. Interest and penalties are included as part of other payables.

ACCOUNTING POLICIES CONTINUED

CURRENT AND DEFERRED TAX (CONTINUED)

Deferred tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date in the countries where the company and the company's subsidiaries operate and generate taxable income, and that are expected to apply to the period when the liability is settled or asset realised. Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax value used in the computation of taxable income. Deferred tax assets are raised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

A deferred tax liability is recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates, unless there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

CAPITAL GAINS TAX (CGT)

CGT is levied when capital assets are disposed of or deemed to be disposed of. CGT is levied on the difference between the proceeds on the sale of capital assets and the base cost (tax value) of the capital asset. The capital gain is included at a rate of 80,0% in the taxable income of the company. Capital losses are ring-fenced.

EMPLOYEE BENEFITS

Retirement funds

The Group operates defined contribution plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The assets of the plans are held in separate trustee-administered funds. These plans are funded by payments from the employees and the Group, taking into account recommendations of independent qualified actuaries.

The Group's contributions to the defined contribution pension plans are charged to the income statement in the period to which they relate. The Group has no defined benefit pension plans in operation.

Post-retirement medical benefits – Defined benefit plan

For RCL FOODS Consumer Proprietary Limited and Vector Logistics Proprietary Limited employees engaged pre-October 2003 and January 1997 respectively, the Group provides post-retirement medical benefits to its retirees. Foodcorp Proprietary Limited and RCL FOODS Sugar & Milling Proprietary Limited provide post-retirement medical benefits to certain retired employees. The entitlement to post-retirement medical benefits is based on the employees remaining in service up to retirement age. The projected unit credit method of valuation is used to calculate the liability for post-retirement medical benefits and is calculated annually by independent actuaries.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recorded immediately in other comprehensive income, in the financial year in which they arise. Past service costs are recognised immediately in the income statement.

Incentive plan

The Group recognises a liability where contractually obliged or where there is past practice that has created a constructive obligation. Management participates in an incentive plan whereby bonuses are paid in respect of out-performance against targets. All bonuses are authorised by the Remuneration and Nominations Committee.

Share-based payments

The Group operates share-based compensation plans under which the Group receives services from employees as consideration for equity instruments (rights) of the Group. The fair value of the employees' services received in exchange for the grant of the rights is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the rights granted:

- including any market performance conditions,
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

ACCOUNTING POLICIES CONTINUED

EMPLOYEE BENEFITS (CONTINUED)

Non-market performance and service conditions are included in assumptions about the number of rights that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are satisfied.

The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity, and is based on the Group's estimate of rights that will eventually vest. Fair value is measured by the use of a binomial model excluding non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of rights that are expected to vest.

At each reporting date, the Group revises its estimates of the number of rights that are expected to vest based on non-market vesting conditions. The Group recognises the impact on the original estimates, if any, in the income statement with a corresponding adjustment to equity.

When the rights are exercised, the company issues new shares. The proceeds received, net of any directly attributable transaction costs, are credited to share capital when the rights are exercised.

The grant by the Group of rights over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

BEE TRANSACTIONS

BEE transactions where the Group receives or acquires goods or services as consideration for the issue of equity instruments of the Group are treated as share-based payment transactions.

BEE transactions where employees are involved are measured and accounted for on the same basis as share-based payments, as disclosed above.

Transactions in which share-based payments are made to parties other than employees are measured by reference to the fair value of equity instruments granted if no specific goods or services are received. Vesting of the equity instrument occurs immediately and an expense and related increase in equity is recognised on the date that the instrument is granted. No further measurement or adjustments are required as it is presumed that the BEE credentials are received upfront. Incremental costs that are directly associated with the BEE transaction are expensed immediately in the determination of profit or loss.

LEASES

Leases of property, plant and equipment where the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. Finance leased assets are capitalised at the lease's commencement at the lower of the fair value of the leased asset and the present value of the future minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in non-current liabilities. The assets are depreciated over the shorter of the period of the lease or the period over which the particular category of asset is otherwise depreciated.

Leases where the lessor retains a significant portion of the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

The Group ensures that the following two requirements are met in order for an arrangement transacted by the Group to be classified as a lease:

- Fulfilment of the arrangement is dependent on the use of an asset or assets, and this fact is not necessarily explicitly stated by the contract but rather implied.
- The arrangement in substance conveys a right to use the asset.

The Group's assessment of whether an arrangement contains a lease is made at the inception of the arrangement, with reassessment occurring in the event of limited changes in circumstances.

Where the Group concludes that it is impracticable to separate payments for the lease from other payments required by the arrangement:

- In the case of a finance lease, the Group recognises an asset and a liability at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate of interest.
- In the case of an operating lease, all payments under the arrangement are treated as lease payments.

ACCOUNTING POLICIES CONTINUED

REVENUE

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is disclosed net of value added tax, returns, rebates and discounts and after eliminating sales within the Group.

Sales of goods comprise the sale of milling, agricultural produce and consumer goods. Sales of services comprise logistics and distribution services where the Group acts as an agent on behalf of a principal and earns commission, as well as consulting services.

Revenue is recognised when a Group entity has delivered products to the customer (in the case of services when the underlying products have been delivered), the customer has accepted the products, the amount of revenue can be reliably measured, and collectability of the related receivable is reasonably assured. Consulting services are recorded in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

The Group bases its estimates of incentive rebates and settlement discounts on historical results.

Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate. Interest income is disclosed under finance income in the income statement.

Dividend income

Dividend income is recognised when the right to receive payment is established. Dividend income is included in operating profit in the income statement as part of other income.

FINANCIAL INSTRUMENTS

Financial instruments recognised on the statement of financial position include investments, long-term loans and receivables, derivative instruments, trade and other receivables, cash and cash equivalents, trade and other payables and interest-bearing debt.

The Group classifies its financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. The Group classifies its financial liabilities apart from derivatives as other financial liabilities. Derivative financial liabilities are classified as financial liabilities at fair value through profit or loss.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise derivative instruments, unless designated as hedges, are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets. Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss are recognised in the income statement in the period in which they arise.

Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise long-term loans, trade and other receivables and cash and cash equivalents in the statement of financial position.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise derivative instruments unless designated as hedges. Gains or losses arising from changes in the fair value of the derivatives at fair value through profit or loss are recognised in the income statement in the period in which they arise.

Financial liabilities carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

Other financial liabilities

Other financial liabilities consist of trade and other payables and interest-bearing borrowings. These represent financial liabilities which are not classified as financial liabilities at fair value through profit or loss. They are included in current liabilities, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current liabilities.

ACCOUNTING POLICIES CONTINUED

FINANCIAL INSTRUMENTS (CONTINUED)

Derecognition

Financial assets (or a portion thereof) are derecognised when the rights to receive cash flows from the asset have expired or have been transferred and the Group has substantially transferred all risks and rewards of ownership. On derecognition, the difference between the carrying amount of the financial asset and the proceeds receivable is included in the income statement.

Financial liabilities (or a portion thereof) are derecognised when the obligation specified in the contract is discharged, cancelled or expires. On derecognition, the difference between the carrying amount of the financial liability, and any amount paid is included in the income statement.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets and liabilities at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and other financial liabilities are carried at amortised cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the income statement in the period in which they arise. Dividend income from these assets is recognised in the income statement when the Group's right to receive payment is established.

Accounting for derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either a) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); b) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in notes 9 and 27. Movements on the hedging reserve are recorded in other comprehensive income.

Trading derivatives are classified as a current asset or liability. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group applies fair value hedge accounting for hedging foreign currency risk on certain foreign currency denominated balances. The gain or loss relating to the effective and ineffective portion is recognised in the income statement under foreign exchange gains/losses. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedge item, for which the effective interest rate method is used, is amortised to profit or loss over the period to maturity.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are reclassified in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a liability, the gains and/or losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory or in depreciation in the case of fixed assets. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting and are accounted for at fair value through profit or loss. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement. Changes in the fair value of derivatives that are utilised for financing activities are recorded in finance costs.

ACCOUNTING POLICIES CONTINUED

FINANCIAL INSTRUMENTS (CONTINUED)

Impairment of financial assets

Assets carried at amortised cost

The Group assesses at the end of each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

Fair value estimation

The fair value of financial instruments and non-financial assets traded in active markets (such as publicly traded derivatives) is based on quoted market prices at the statement of financial position date. The quoted market price used for assets held by the Group is the current market price; the appropriate quoted market price for liabilities is the current ask price. These comprise level 1 fair values. The Group did not have any level 1 financial instruments or non-financial assets in the current and previous financial year.

The fair value of financial instruments and non-financial assets that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group used a variety of methods and makes assumptions that are based on market conditions existing at each statement of financial position date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. The fair value of forward exchange contracts is determined using forward exchange market rates at the statement of financial position date. These comprise level 2 fair values.

Other financial instruments and non-financial assets are valued using other techniques, such as estimated discounted cash flows. This relates to the fair values of the Group's biological assets which are level 3 fair values.

Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Trade receivables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest rate method, less accumulated impairment losses. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are included in current liabilities on the statement of financial position.

Trade and other payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not they are presented as non-current liabilities.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of economic resources will be required to settle the obligation, and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

ACCOUNTING POLICIES CONTINUED

FINANCIAL INSTRUMENTS (CONTINUED)

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

DEFERRED INCOME

Deferred income represents interest income not yet earned on loans received from the Land Bank as a result of the interest rate charged being below market-related rates. The deferred income is recorded in the income statement over the period of the loan in the same manner that the effective interest expense on the loan is charged to the income statement.

DIVIDEND DISTRIBUTION

Dividend distribution to the company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the company's Board.

OPERATING SEGMENTS

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. The Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer.

STATEMENT OF COMPREHENSIVE INCOME LINE ITEMS

The following additional line items, headings and subtotals are presented on the face of the statement of comprehensive income as management believes them to be relevant to the understanding of the Group's financial performance:

Operating profit before depreciation, amortisation and impairment being the trading income of the Group.

NORMALISED HEADLINE EARNINGS PER SHARE

Normalised headline earnings per share is one of the measuring bases which the chief operating decision maker uses in assessing performance and in deciding how to allocate resources. The calculation of normalised headine earnings per share is based on headline earnings of the Group excluding abnormal or non-recurring gains and losses, divided by the weighted average number of ordinary shares in issue during the year. The presentation of normalised headline earnings is not an IFRS requirement and may not be directly comparable with similar measures disclosed by other companies.

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions and sources of estimation uncertainty at the reporting date that could have significant risk of causing material adjustment to the carrying amounts of the assets and liabilities within the new financial year are listed below:

Useful lives and residual values of assets

Items of property, plant and equipment and intangible assets are depreciated over their useful lives taking into account residual values. Useful lives and residual values are reviewed annually, taking into account factors such as the expected usage, physical output, market demand for the output of the assets and legal or similar limits on the assets.

Impairment of assets other than goodwill and trademarks

Due to the restructure of the Chicken business unit an indicator of impairment was present. In accordance with IAS 36 an impairment assessment was performed and as a result, assets within RCL FOODS Consumer Proprietary Limited were impaired. Further details on the impairment and underlying assumptions are provided in note 1 to the financial statements. For the year ended June 2017 the indicators were assessed and no further impairments were considered necessary.

Goodwill and trademarks

Goodwill and indefinite life trademarks are considered for impairment at least annually.

Determining whether goodwill is impaired requires an estimation of the value-in-use of the CGUs to which goodwill has been allocated. The value-in-use calculation requires the entity to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value of future cash flows. Management estimates the discount rate using pre-tax rates that reflect current market assessments of the time value of money and risks specific to the CGUs. The growth rates are based on industry and customer growth forecasts.

Determining whether trademarks are impaired requires an estimation of the value-in-use of the trademark. The value-in-use calculation requires the entity to estimate the future cash flows expected to arise from the trademark and a suitable discount rate in order to calculate the present value of future cash flows. Management estimates the discount rate using pre-tax rates that reflect current market assessments of the time value of money and risks specific to the CGUs. The growth rates are based on industry and customer growth forecasts.

The key assumptions used in the calculations and a sensitivity analysis are disclosed in note 2 to the financial statements.

ACCOUNTING POLICIES CONTINUED

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Fair value assessment of biological assets
The key assumptions used in the calculation of the fair value of chicken, banana and cane stock and a sensitivity analysis are disclosed in note 27 to the financial statements.

Liability for post-retirement medical benefits
The liability is determined by annual actuarial assumptions. The key assumptions relating to the actuarial calculation and a sensitivity analysis are disclosed in note 14 to the financial statements.

Share-based payments and BEE share-based payment awards
The key assumptions used in the calculation of the fair value of grant date share appreciation rights, conditional share plans and options awarded in terms of the Group BEE transaction is disclosed in note 11 and note 31 to the financial statements.

Valuation of financial instruments
The value of the derivative instruments fluctuates on a daily basis and the actual amounts realised may differ materially from their value at the statement of financial position date.

IMPACT OF FUTURE AMENDMENTS TO ACCOUNTING STANDARDS AND INTERPRETATIONS

Management has considered all standards, interpretations and amendments that are in issue but not yet effective. Management has considered that these standards do not, with the exception of IFRS 16, "Leases", have a significant impact on the Group's financial statements. Management have identified all leases within the Group which will be impacted by IFRS 16, "Leases" and are assessing enterprise resource planning systems which will be able to assist in implementing and managing the requirements of IFRS 16, "Leases". Management have assessed the impact of IFRS 15, "Revenue from contracts with customers" and concluded that there will be no material impact on the financial results of the Group. The impact of IFRS 9, "Financial instruments", apart from the implications of the expected credit loss model which is still to be fully assessed, is not expected to have a material impact on the Group's financial results.

The standards, interpretations and amendments that are relevant to the Group but which the Group has not early adopted are as follows:

IFRS 9 Financial instruments
The complete version of IFRS 9 replaces most of the guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets; amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39.

For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss.

IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the "hedged ratio" to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.

The standard is effective 1 January 2018.

IFRS 15 Revenue from contracts with customers
This is the converged standard on revenue recognition. It replaces IAS 11, "Construction contracts", IAS 18, "Revenue" and related interpretations.

Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

IFRS 15 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The standard is effective 1 January 2018.

ACCOUNTING POLICIES CONTINUED

IMPACT OF FUTURE AMENDMENTS TO ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

IFRS 16 Leases
IFRS 16 replaces IAS 17, "Leases" and has a significant impact on the accounting treatment of leases for lessees.

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the term is 12 months or less or the underlying asset has a low value.

IFRS 16's approach to lessor accounting remains substantially unchanged from IAS 17, "Leases".

IFRS 16 provides disclosure requirements to allow for information to be provided in the notes that, together with information in the statement of financial position, statement of profit or loss and the statement of cash flows, gives a basis for users to assess the effect that leases have.

The standard is effective 1 January 2019.

Amendments to IAS 7 Cash Flows
The amendments introduce additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The amendments are effective for annual periods beginning on/after 1 January 2017.

Amendments to IFRS 10, Consolidated financial statements and IAS 28, Investments in associates and joint ventures
The amendments affect how an entity should determine andy gain or loss it recognises when assets are sold or contributed between an entity and an associate or joint venture in which it invests.

The amendments are not yet effective and have been postponed.

IFRIC 22 Foreign currency transactions and advance consideration
The interpretation provides guidance for when a single payment/receipt is made as well as for situation where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

The amendments are effective for annual periods beginning on/after 1 July 2017.

Improvements to IFRS 2014 – 2016
The amendments below is effective for the annual period beginning 1 July 2017.

Amendments to IFRS 12, "Disclosure of interests in other entities"

The amendments clarify disclosure requirements that apply when an entity's interests in other entities are classified as held-for-sale or discontinued operations. Although there is some relief, where interests in othe entities are classified as held-for-sale or discontinued operations, IFRS 12 disclosure must still be provided.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. PROPERTY, PLANT AND EQUIPMENT

June 2017 Cost	Land and buildings R'000	Plant, equipment and furniture R'000	Aircraft R'000	Vehicles R'000	Capitalised leased assets: Plant R'000	Capitalised leased assets: Vehicles R'000	Capitalised leased assets: Buildings R'000	Leasehold improvements R'000	Bearer Plants R'000	Capital work-in-progress R'000	Total R'000
At the beginning of the year*	2 688 917	6 011 055	25 341	751 589	69 619	4 514	119 138	25 496	264 405	452 266	10 412 340
Transfers between categories and intangible assets	108	26 992		4 514	(27 100)	(4 514)				(14 661)	(14 661)
Additions**	113 796	466 909	50 926	73 688	15 119			52 543	72 933	(52 699)	793 215
Disposals	(6 891)	(130 198)		(34 049)				(5 565)	(22 426)	(2 541)	(201 670)
Transferred to held-for-sale	(50 958)	(108 254)	(34 867)	(22 869)							(216 948)
Exchange differences on translation of foreign operations		(1 050)									(1 050)
At the end of the year	2 744 972	6 265 454	41 400	772 873	57 638		119 138	72 474	314 912	382 365	10 771 226
Accumulated depreciation											
At the beginning of the year*	893 154	3 063 581	6 316	362 819	12 061	2 254	7 988	7 949	56 935	95 717	4 508 774
Transfers between categories and intangible assets	31	13 513	5 000	(2 746)	(13 544)	(2 254)					
Impairment loss	4 961	167 324	8 468	896							181 649
Impairment loss reversed		(3 100)									(3 100)
Transferred to held-for-sale	(7 396)	(97 141)	(21 827)	(19 341)							(145 705)
Disposals	(3 795)	(117 464)		(25 183)				(5 533)	(13 208)		(165 183)
Depreciation	93 984	418 063	2 963	81 551	11 977		8 310	5 426	53 231		675 505
Exchange differences on translation of foreign operations		(999)									(999)
At the end of the year	980 939	3 443 777	920	397 996	10 494		16 298	7 842	96 958	95 717	5 050 941
Net book amount	1 764 033	2 821 677	40 480	374 877	47 144		102 840	64 632	217 954	286 648	5 720 285

* *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. Refer to note 34 for further details.*

** *Transfers out of capital work-in-progress have been disclosed within additions of each of the appropriate individual categories.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1. PROPERTY, PLANT AND EQUIPMENT (continued)

June 2016* Cost	Land and buildings R'000	Plant, equipment and furniture R'000	Aircraft R'000	Vehicles R'000	Capitalised leased assets: Plant R'000	Capitalised leased assets: Vehicles R'000	Capitalised leased assets: Buildings R'000	Leasehold improvements R'000	Bearer Plants R'000	Capital work-in-progress R'000	Total R'000
At the beginning of the year	2 453 669	5 374 607	25 341	666 399	38 888	43 950		26 632	268 601	519 641	9 417 728
Transfers between categories and intangible assets	10 782	(21 193)		38 645		(39 894)		(86)		(2 677)	(14 423)
Additions**	237 358	743 676		92 072	38 649	901	119 138	1 260	21 967	(63 137)	1 191 884
Disposals	(12 892)	(86 389)		(46 146)	(7 918)	(443)		(2 310)	(26 163)	(1 561)	(183 822)
Transferred from held-for-sale				619							619
Exchange differences on translation of foreign operations		354									354
At the end of the year	2 688 917	6 011 055	25 341	751 589	69 619	4 514	119 138	25 496	264 405	452 266	10 412 340
Accumulated depreciation											
At the beginning of the year	801 477	2 737 483	5 132	307 937	8 947	7 331		7 253		80 478	3 956 038
Transfers between categories	8 264	(10 995)		8 208		(9 470)		(81)			(4 074)
Impairment loss		4 537								15 239	19 776
Impairment loss reversed		(19)									(19)
Transferred from held-for-sale				285							285
Disposals	(11 422)	(71 361)		(37 601)	(7 915)	(232)		(2 194)			(130 725)
Depreciation	94 835	403 661	1 184	83 990	11 029	4 625	7 988	2 971	56 935		667 218
Exchange differences on translation of foreign operations		275									275
At the end of the year	893 154	3 063 581	6 316	362 819	12 061	2 254	7 988	7 949	56 935	95 717	4 508 774
Net book amount	1 795 763	2 947 474	19 025	388 770	57 558	2 260	111 150	17 547	207 470	356 549	5 903 566

* *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. Refer to note 34 for further details.*

** *Transfers out of capital work-in-progress have been disclosed within additions of each of the appropriate individual categories.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1. PROPERTY, PLANT AND EQUIPMENT (continued)

Capital commitments:

Continuing operations	2017 R'000	2016 R'000
Contracted and committed	**155 492**	323 299
Approved but not contracted	**354 869**	227 199

Capital commitments include all projects for which specific Board approval has been obtained up to reporting date. The capital expenditure will be financed from available resources.

A register of land and buildings is available for inspection at the registered office of RCL Foods Limited.

The Group leases various plant and machinery, vehicles and buildings under finance lease arrangements. The lease terms are between 3 and 15 years. The net book value of the assets leased amounts to R150,0 million (2016: R171,0 million).

Impairments

During the current financial year, the RCL FOODS Board took further steps to implement the revised business model in the Chicken business unit. On 1 February 2017, the Hammarsdale operations were reduced to a single shift, thereby eliminating a significant portion of IQF (Individually Quick Frozen) products. In addition, a decision was taken to dispose of the Tzaneen operation, the sale of which is expected to be completed within the 2018 financial year. The decision to implement the revised business model resulted in the identification of a separate IQF cash-generating unit (CGU). The Chicken business unit has historically been accounted for as a single CGU.

Specific assets, which became redundant as a result of the restructure, were identified separately from the IQF CGU. These assets were impaired to their recoverable amounts and management do not expect these assets to generate any future economic benefits.

The assets relating to the Tzaneen operation were impaired to their recoverable amounts and subsequently classified as held-for-sale, refer to note 10.

The IQF CGU was tested for impairment and the assets were fully impaired. The key assumptions used are presented below. The recoverable amount of the IQF CGU has been determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management, which include assumptions on profit before tax, depreciation, working capital and capital maintenance expediture. Cash flows beyond the five-year period are extrapolated using the long term projected growth rate of 6,0%.

		2017
Discount rate – Pre-tax	(%)	**16,2**
Perpetuity growth rate	(%)	**6,0**
Period	(years)	**5**

As a result of the above, a total impairment of R171,8 million was recognised within the Consumer segment.

The Chicken business CGU was tested for impairment with the key assumptions presented below. No further impairments were required.

The recoverable amount of the remaining Chicken business CGU has been determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management, which include assumptions on profit before tax, depreciation, working capital and capital maintenance expenditure. Cash flows beyond the five-year period are extrapolated using the long term projected growth rate of 6%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1. PROPERTY, PLANT AND EQUIPMENT (continued)

Key assumptions used in the impairment test are as follows:

		2017	2016
Discount rate – Pre-tax	(%)	**14,2**	15,9
Perpetuity growth rate	(%)	**6,0**	6,0
Period	(years)	**5**	5
Sensitivity analysis of assumptions used in the impairment test:			
Discount rate			
– Movement	(%)	**+2**	+2
– Impairment	(Rm)	**Nil**	Nil
Perpetuity growth rate			
– Movement	(%)	**(0,5)**	(0,5)
– Impairment	(Rm)	**Nil**	Nil

In addition to the amounts above, net impairment losses of R6,7 million (2016: R19,7 million) were recognised due to assets becoming redundant. The impairment loss of R6,7 million has been allocated, Rnil (2016: R1,8 million) to Consumer segment and R6,7 million (2016: R17,9 million) allocated to the Sugar & Milling segment. It is expected that no future economic benefits will be derived from these assets. Included in the Sugar & Milling segment's impairment in the prior year was a R10,2 million final impairment relating to Massingir, the greenfield sugar project in Mozambique.

2. INTANGIBLE ASSETS

	Software R'000	Trademarks R'000	Customer relationships R'000	Goodwill R'000	Capital work-in-progress R'000	Total R'000
June 2017						
Opening net book amount	**80 869**	**1 521 505**	**681 625**	**2 658 493**		**4 942 492**
Additions	**28 167**				**13 159**	**41 326**
Disposals	**(2)**					**(2)**
Transfers from property, plant and equipment	**2 440**				**12 221**	**14 661**
Amortisation charge	**(22 047)**	**(50)**	**(94 975)**			**(117 072)**
Closing net book amount	**89 427**	**1 521 455**	**586 650**	**2 658 493**	**25 380**	**4 881 405**
Cost	**205 191**	**1 838 259**	**941 027**	**3 035 822**	**25 380**	**6 045 679**
Accumulated amortisation and impairment	**(115 764)**	**(316 804)**	**(354 377)**	**(377 329)**		**(1 164 274)**
Net book amount	**89 427**	**1 521 455**	**586 650**	**2 658 493**	**25 380**	**4 881 405**
June 2016						
Opening net book amount	76 451	1 786 989	776 600	3 035 822		5 675 862
Additions	14 608					14 608
Disposals	(76)					(76)
Transfers from property, plant and equipment	10 345					10 345
Amortisation charge	(18 776)	(50)	(94 975)			(113 801)
Impairment charge	(1 683)	(265 434)		(377 329)		(644 446)
Closing net book amount	80 869	1 521 505	681 625	2 658 493		4 942 492
Cost	178 297	1 838 259	941 027	3 035 822		5 993 405
Accumulated amortisation and impairment	(97 428)	(316 754)	(259 402)	(377 329)		(1 050 913)
Net book amount	80 869	1 521 505	681 625	2 658 493		4 942 492

The remaining useful lives on intangible assets is between 1 and 18 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2. INTANGIBLE ASSETS (continued)

	2017	2016
SOFTWARE		
Finite life		
Amortisation period	**3 – 20 years**	3 – 20 years
Method of amortisation	**Straight-line**	Straight-line
Is intangible title restricted in any way	**No**	No

	2017 R'000	2016 R'000
TRADEMARKS		
The carrying value of trademarks are included in the following cash-generating units (CGU's), within the Consumer and Sugar & Milling segments.		
CGU		
Grocery	**438 600**	438 600
Beverages	**176 540**	176 540
Pies	**260 000**	260 000
Total Consumer Segment	**875 140**	875 140
Sugar	**154**	204
Milling	**315 141**	315 141
Baking	**331 020**	331 020
Total Sugar & Milling Segment	**646 315**	646 365
Total Trademarks	**1 521 455**	1 521 505
Finite life		
Amortisation period	**15 – 20 years**	15 – 20 years
Method of amortisation	**Straight-line**	Straight-line
Is intangible title restricted in any way	**No**	No

Trademarks comprise Farmer Brown, Bonny Bird, FarmFare and Epol, all of which were acquired on acquisition of Bonny Bird Farms Proprietary Limited and Epol Proprietary Limited in 1991 and Selati which was acquired on acquisition of TSB Sugar RSA Proprietary Limited in 2014.

Indefinite life		
Is intangible title restricted in any way	**No**	No

Significant trademarks comprise Ouma, Nola, Yum Yum, Nutso, Bobtail, Catmor, Dogmor, Sunbake, Ultra dog, Canine Cuisine, Mageu Number 1, Monati, Optimizer, 5 Star, Mnandi, Supreme, Tafelberg, Safari, Piemans, Feline Cusine and A1 acquired on the acquisition of New Foodcorp Holdings Proprietary Limited (indirectly Foodcorp) in 2013.

The above trademarks are considered to have an indefinite useful life as there is no foreseeable limit to the period over which they are expected to generate cash inflows for the respective CGUs. The assessment was based on a consideration of the underlying products that these trademarks represent which are not subject to obsolescence.

CUSTOMER RELATIONSHIPS

Finite life

Amortisation period	**5 – 20 years**	5 – 20 years
Method of amortisation	**Straight-line**	Straight-line
Is intangible title restricted in any way	**No**	No

Customer relationships arose on the acquisition of New Foodcorp Holdings Proprietary Limited in the 2013 financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2. INTANGIBLE ASSETS (continued)

GOODWILL

Goodwill relates to the acquisition of Vector Logistics Proprietary Limited in 2005, New Foodcorp Holdings Proprietary Limited in 2013 and purchased goodwill which arose on the common control acquisition of RCL FOODS Sugar & Milling Proprietary Limited in the 2014 financial year.

	2017 R'000	2016 R'000
Goodwill is made up as follows:		
Goodwill arising from a business combination	2 645 163	2 645 163
Acquired goodwill	13 330	13 330
Total	**2 658 493**	2 658 493

The recoverable amount decreased due to the competitive trading environment, restricting forecasted cash flows and the impact of recent political instability driving up the discount rate. The impairment test conducted in the current year did not require further impairments.

2017	Opening and Closing R'000
Grocery	191 205
Pies	588 615
Speciality	631 110
Beverages	258 689
Sugar	13 330
Baking	688 100
Logistics	287 444
Total	**2 658 493**

2016	Opening R'000	Impairment R'000	Closing R'000
Grocery	191 205		191 205
Pies	588 615		588 615
Speciality	631 110		631 110
Beverages	258 689		258 689
Sugar	13 330		13 330
Milling	377 329	(377 329)	
Baking	688 100		688 100
Logistics	287 444		287 444
Total	3 035 822	(377 329)	2 658 493

IMPAIRMENT TEST FOR INDEFINITE LIFE INTANGIBLE ASSETS AND GOODWILL

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by the Board, which include assumptions on profit before interest and tax, depreciation, working capital movements and capital maintenance expenditure. Cash flows beyond a five-year period are extrapolated using the estimated growth rates stated below.

During the prior financial year an impairment charge of R642,7 million was recognised on the intangible assets and goodwill associated with the Milling CGU which forms part of the Sugar & Milling segment.

2. INTANGIBLE ASSETS (continued)

2017	Discount rate pre-tax %	Perpetuity growth rate %	Period Years
Grocery	**15,0**	**6**	**5**
Pies	**14,8**	**6**	**5**
Speciality	**14,7**	**6**	**5**
Beverages	**14,4**	**6**	**5**
Sugar	**13,8**	**5**	**5**
Milling	**14,4**	**6**	**5**
Baking	**14,2**	**6**	**5**
Logistics	**17,8**	**5**	**5**

2016	Discount rate Pre-tax* %	Perpetuity growth rate %	Period Years
Grocery	14,3	6	5
Pies	14,3	6	5
Speciality	14,2	6	5
Beverages	14,1	6	5
Sugar	13,0	6	5
Milling	14,7	6	5
Baking	14,1	6	5
Logistics	19,2	5	5

The perpetuity growth rate is consistent with long-term industry growth forecasts.

* *The pre-tax discount rate has been restated to include a more accurate reflection of the rate used. This had no impact on the results of the impairment assessments, including the sensitivity analysis, for the previous year.*

Sensitivity analysis of assumptions used in the indefinite life intangible assets and goodwill impairment test:

	Discount rate		Perpetuity growth rate	
2017	**Movement (%)**	**Impairment (Rm)**	**Movement (%)**	**Impairment (Rm)**
Grocery	**+2,0**	**Nil**	**(0,5)**	**Nil**
Pies	**+2,0**	**43,4**	**(0,5)**	**Nil**
Speciality	**+2,0**	**61,1**	**(0,5)**	**Nil**
Beverages	**+2,0**	**Nil**	**(0,5)**	**Nil**
Sugar	**+2,0**	**Nil**	**(0,5)**	**Nil**
Milling	**+2,0**	**211,8**	**(0,5)**	**14,9**
Baking	**+2,0**	**Nil**	**(0,5)**	**Nil**
Logistics	**+2,0**	**Nil**	**(0,5)**	**Nil**

	Discount rate		Perpetuity growth rate	
2016	Movement (%)	Impairment (Rm)	Movement (%)	Impairment (Rm)
Grocery	+2,0	Nil	(0,5)	Nil
Pies	+2,0	180,1	(0,5)	Nil
Speciality	+2,0	Nil	(0,5)	Nil
Beverages	+2,0	Nil	(0,5)	Nil
Sugar	+2,0	Nil	(0,5)	Nil
Milling	+2,0	Nil	(0,5)	Nil
Baking	+2,0	Nil	(0,5)	Nil
Logistics	+2,0	Nil	(0,5)	Nil

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

	2017 R'000	2016 R'000
3. INVESTMENT IN JOINT VENTURES		
Opening balance	**206 036**	416 626
Share of profit of joint ventures	**48 577**	44 527
Dividends received from joint ventures	**(24 405)**	(14 927)
Exchange differences on translation of joint ventures	**(2 842)**	(41 362)
Disposal of investments in Zambian operations		(198 828)
Balance at June	**227 366**	206 036

On 23 March 2016 the Group exercised the put option held as part of the Group's investment in the Zambian joint ventures, Zamhatch and Zam Chick. The exercise of the put options resulted in a loss of joint control resulting in a disposal for accounting purposes. Consequently the foreign currency translation reserve was recycled from other reserves to profit or loss, refer to note 13.

Set out below are the joint ventures of the Group as at June 2017. The joint ventures listed below have share capital consisting solely of ordinary shares, which is held directly by the Group in the ownership percentages indicated below.

Name of entity	Place of business/country of incorporation	% Ownership interest	Nature of relationship
Akwandze Agricultural Finance Proprietary Limited (Akwandze)	South Africa	50,0*	note 1
Mananga Sugar Packers Proprietary Limited (Mananga)	Swaziland	50,0*	note 2
Senn Foods Logistics Proprietary Limited (Senn Foods)	Botswana	49,0*	note 3
TSGRO Farming Service Proprietary Limited (TSGRO)	South Africa	50,0*	note 4

Note 1: Akwandze's main activities are to provide production finance and management services to sugar cane growers. This is a strategic partnership for the Group as it allows the Group to manage the process with sugar cane growers more effectively. The year-end date of Akwandze is June 2017.

Note 2: Mananga is a sugar packaging and selling company which sells sugar under the First brand in Swaziland as well as in South Africa. Its primary business activity is to purchase sugar from the Swaziland Sugar Association, pack it and sell it as a branded product. This is a strategic partnership for the Group as it allows the Group to access the Swaziland sugar market. The year-end date of Mananga is June 2017.

Note 3: Senn Foods is involved in the trading and distribution of dry, frozen and chilled food. This is a strategic partnership for the Group as the investment extends the Group's footprint into Botswana's distribution market. The year-end of Senn Foods is March 2017. The use of the different date in applying the equity method is due to the practicality of obtaining the audited June 2017 results timeously.

Note 4: TSGRO's main activities are to provide farm management, development, engineering and procurement services to the small-scale sugar cane farmers in the Nkomazi area. The year-end of TSGRO is June 2017.

There are no quoted market prices available for the joint ventures listed above.

There are no significant restrictions on the ability of the joint ventures to transfer funds to the Group.

There are no contingent liabilities or commitments relating to the Group's interest in the joint ventures.

* *In accordance with the agreements under which the relationships are established, parties to the agreement share control of the joint venture through equal contractual representation and voting rights for decisions made by the board of directors.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3. INVESTMENT IN JOINT VENTURES (continued)

Set out below is the summarised financial information for the joint ventures on which equity accounting is applied:

2017 **Summarised statement of financial position**	**Akwandze June 2017 R'000**	**Mananga June 2017 R'000**	**Senn Foods March 2017 R'000**	**TSGRO June 2017 R'000**	**Total 2017 R'000**
Current					
Cash and cash equivalents	**61 177**	**38 164**	**48 097**	**1 391**	**148 829**
Other current assets	**253 326**	**209 982**	**79 481**	**15 338**	**558 127**
Total current assets	**314 503**	**248 146**	**127 578**	**16 729**	**706 956**
Financial liabilities (excluding trade payables)	**241 790**		**1 058**	**2**	**242 850**
Other current liabilities (including trade payables)	**10 420**	**106 616**	**61 859**	**7 410**	**186 305**
Total current liabilities	**252 210**	**106 616**	**62 917**	**7 412**	**429 155**
Non-current					
Assets (including customer relationships)	**32 359**	**64 222**	**36 143**	**5 101**	**137 825**
Financial liabilities	**46 671**			**17 219**	**63 890**
Other liabilities		**8 907**	**89**		**8 996**
Total non-current liabilities	**46 671**	**8 907**	**89**	**17 219**	**72 886**
Net assets	**47 981**	**196 845**	**100 715**	**(2 801)**	**342 740**

2016 **Summarised statement of financial position**	Akwandze June 2016 R'000	Mananga June 2016 R'000	Senn Foods March 2016 R'000	TSGRO June 2016 R'000	Total 2016 R'000
Current					
Cash and cash equivalents	36 558	47 106	58 731	1 174	143 569
Other current assets	150 382	177 502	70 840	10 466	409 190
Total current assets	186 940	224 608	129 571	11 640	552 759
Financial liabilities (excluding trade payables)	138 973	39	32 757	2	171 771
Other current liabilities (including trade payables)	13 784	107 702	33 483	7 703	162 672
Total current liabilities	152 757	107 741	66 240	7 705	334 443
Non-current					
Assets (including customer relationships)	75 072	66 912	31 917	4 837	178 738
Financial liabilities	75 893			11 929	87 822
Other liabilities		9 618		179	9 797
Total non-current liabilities	75 893	9 618		12 108	97 619
Net assets	33 362	174 161	95 248	(3 336)	299 435

The above reflects the amounts presented in the financial statements of the joint ventures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3. INVESTMENT IN JOINT VENTURES (continued)

2017 **Summarised statement of comprehensive income**	**Akwandze June 2017 R'000**	**Mananga June 2017 R'000**	**Senn Foods March 2017 R'000**	**TSGRO June 2017 R'000**	**Total 2017 R'000**
Revenue	**33 256**	**967 617**	**388 024**	**36 766**	**1 425 663**
Depreciation and amortisation	**(39)**	**(4 916)**	**(2 548)**	**(559)**	**(8 062)**
Finance costs	**(36 443)**			**(1 562)**	**(38 005)**
Finance income	**18 950**	**2 497**	**124**	**800**	**22 371**
Profit before tax	**23 949**	**83 365**	**27 342**	**694**	**135 350**
Income tax expense	**(6 705)**	**(23 354)**	**(7 038)**	**(159)**	**(37 256)**
Profit after tax	**17 244**	**60 011**	**20 304**	**535**	**98 094**
Total comprehensive income	**17 244**	**60 011**	**20 304**	**535**	**98 094**
Dividends received from joint ventures	**1 312**	**18 664**	**4 429**		**24 405**

2016 **Summarised statement of comprehensive income**	Akwandze June 2016 R'000	Mananga June 2016 R'000	Senn Foods March 2016 R'000	TSGRO June 2016 R'000	Total 2016 R'000
Revenue	17 820	846 577	273 974	28 987	1 167 358
Depreciation and amortisation	(53)	(4 863)	(2 000)	319	(6 597)
Finance costs	(10 551)	(171)	115	(789)	(11 396)
Finance income	33 976	2 477	(2)	360	36 811
Profit/(loss) before tax	12 151	50 961	22 853	(1 416)	84 549
Income tax expense	(3 402)	(14 392)	(5 795)	435	(23 154)
Profit/(loss) after tax	8 749	36 569	17 058	(981)	61 395
Other comprehensive income				(129)	(129)
Total comprehensive income	8 749	36 569	17 058	(1 110)	61 266
Dividends received from joint ventures	1 372	10 092	3 463		14 927

The above reflects the amounts presented in the financial statements of the joint ventures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3. INVESTMENT IN JOINT VENTURES (continued)

2017 **Reconciliation of summarised financial information presented to the carrying amount of the joint ventures**		Akwandze June 2017 R'000	Mananga June 2017 R'000	Senn Foods March 2017 R'000	TSGRO June 2017 R'000	Total 2017 R'000
Opening net assets		33 362	174 161	95 248	(3 336)	299 435
Profit/(loss) for the period		17 244	60 011	20 304	535	98 094
Dividends paid		(2 625)	(37 327)	(9 038)		(48 990)
Exchange differences on translation of joint venture				(5 799)		(5 799)
Closing net assets		47 981	196 845	100 715	(2 801)	342 740
Interest in joint venture	%	50	50	49	50	
Losses deferred to future reporting periods*					628	628
Goodwill		4 937	93	50 572	773	56 375
Carrying value		28 928	98 516	99 922		227 366

* *The carrying amount of the investment in TSGRO is Rnil (2016: Rnil).*

2016 **Reconciliation of summarised financial information presented to the carrying amount of the joint ventures**		Akwandze June 2016 R'000	Mananga June 2016 R'000	Senn Foods March 2016 R'000	TSGRO June 2016 R'000	Total 2016 R'000
Opening net assets		27 357	157 777	77 706	(2 226)	260 614
Profit/(loss) for the period		8 749	36 569	17 058	(1 110)	61 266
Dividends paid		(2 744)	(20 185)	(7 065)		(29 994)
Exchange differences on translation of joint venture				7 549		7 549
Closing net assets		33 362	174 161	95 248	(3 336)	299 435
Interest in joint venture	%	50	50	49	50	
Losses deferred to future reporting periods					895	895
Goodwill		4 937	93	50 572	773	56 375
Carrying value		21 618	87 174	97 244		206 036

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

	2017 R'000	2016 R'000
4. INVESTMENT IN ASSOCIATES		
Opening balance	**485 054**	406 250
Initial investment in HMH Rainbow Limited		61 549
Share of profit of associates	**109 516**	64 796
Dividends received from associate	**(69 117)**	(53 669)
Share of associates other comprehensive income	**(2 090)**	(5 153)
Exchange differences on translation of associates	**(10 040)**	11 281
Balance at June	**513 323**	485 054

Set out below are the associates of the Group as at June 2017. The associates listed below have share capital consisting solely of ordinary shares, which are held directly by the Group in the ownership percentages indicated below.

Name of entity	Place of business/country of incorporation	% ownership Interest	Nature of relationship
The Royal Swaziland Sugar Corporation Limited (RSSC)	Swaziland	27,42	note 1
HMH Rainbow Limited (HMH)	Uganda	33,50	note 2

Note 1: RSSC's principal activities are the growing and milling of sugarcane, the manufacture of sugar and the manufacture of ethanol from molasses. RSSC is a strategic partnership for the Group as it provides access into the Swaziland market.

The year-end date of RSSC is March 2017, however, the Group has equity accounted the results for the year ended June 2017.

As at June 2017 the shares had a fair value of E13,70 (2016: E13,55) per share on the Swaziland Stock Exchange, at a total market value for the Group's investment in RSSC of R361,9 million (2016: R358,0 million). The fair value of the share is a Level 1 input.

Note 2: HMH's principal activities are the rearing and processing of chicken and the production of feed used in the rearing process. HMH is a strategic partnership of the Group as it provides access into the Ugandan market.

There are no quoted market prices available for the investment in HMH.

There are no significant restrictions on the ability of the associate to transfer funds to the Group.

There are no contingent liabilities or commitments relating to the Group's interest in associates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

4. INVESTMENT IN ASSOCIATES (continued)

	2017 R'000	2016 R'000
As part of the banking facilities, RSSC and its subsidiary company are liable for the following guarantees:		
Customs and Excise	10 000	10 000
Swaziland Government – Labour	60	60
Swaziland Government – Sales Tax	275	775
Swaziland Government – General Bond	70	70
South African Revenue Service – VAT	550	550
European Union	69 248	

The RSSC is defending a number of actions brought by former employees and suppliers. Liability is not admitted and the RSSC will defend itself against the actions. Due to the nature of the claims a realistic estimate of the potential liability and legal costs is not practical. The directors of the RSSC are of the opinion that the total costs, if any, would not be material.

The RSSC's bank overdraft facilities are secured by cross guarantees for an unlimited amount between the RSSC, Mhlume (Swaziland) Sugar Company Limited and Royal Swazi Distillers Proprietary Limited, who are wholly-owned subsidiaries of RSSC.

RSSC issued a financing guarantee in favour of the European Union for the repayment of grant funds received for managing the development of approximately 930 hectares of irrigated sugar fields on behalf of two farm organisations. A cash receipt of 4,7 million Euro was received from the European Union with RSSC being obligated to repay the funds if no proof is submitted that the funds have been utilised for the purposes as defined in the grant agreement.

Set out below is the summarised financial information for associates:

2017 **Summarised statement of financial position**	RSSC June 2017 R'000	HMH June 2017 R'000	Total June 2017 R'000
Current			
Cash and cash equivalents	294 577	4 490	299 067
Other current assets	893 252	18 120	911 372
Total current assets	1 187 829	22 610	1 210 439
Financial liabilities (excluding trade payables)	172 598	14 895	187 493
Other current liabilities (including trade payables)	336 984	12 572	349 556
Total current liabilities	509 582	27 467	537 049
Non-current			
Assets	1 412 248	115 905	1 528 153
Total non-current assets	1 412 248	115 905	1 528 153
Financial liabilities	8 571		8 571
Other liabilities	421 846	7 395	429 241
Total non-current liabilities	430 417	7 395	437 812
Net assets	1 660 078	103 653	1 763 731

The above reflects the amounts presented in the financial statements of the associates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

4. INVESTMENT IN ASSOCIATES (continued)

Set out below is the summarised financial information for associates:

2016 **Summarised statement of financial position**	RSSC June 2016 R'000	HMH* June 2016 R'000	Total* June 2016 R'000
Current			
Cash and cash equivalents	169 468	22 443	191 911
Other current assets	719 924	13 982	733 906
Total current assets	889 392	36 425	925 817
Financial liabilities (excluding trade payables)	169 189	26 348	195 537
Other current liabilities (including trade payables)	253 511	11 340	264 851
Total current liabilities	422 700	37 688	460 388
Non-current			
Assets	1 472 115	139 137	1 611 252
Total non-current assets	1 472 115	139 137	1 611 252
Financial liabilities	23 518		23 518
Other liabilities	389 197	8 941	398 138
Total non-current liabilities	412 715	8 941	421 656
Net assets	1 526 092	128 933	1 655 025

2017 **Summarised statement of comprehensive income**	**RSSC** **June 2017** **R'000**	**HMH** **June 2017** **R'000**	**Total** **June 2017** **R'000**
Revenue	**2 952 355**	**112 480**	**3 064 835**
Depreciation and amortisation	**(178 174)**	**(7 918)**	**(186 092)**
Finance expense	**(6 786)**	**(2 341)**	**(9 127)**
Finance income	**35 248**		**35 248**
Profit/(loss) before tax	**560 644**	**(3 204)**	**557 440**
Income tax expense	**(157 327)**		**(157 327)**
Profit/(loss) after tax	**403 317**	**(3 204)**	**400 113**
Other comprehensive income	**(7 620)**		**(7 620)**
Total comprehensive income	**395 697**	**(3 204)**	**392 493**
Dividends received from associate	**69 117**		**69 117**

The above reflects the amounts presented in the financial statements of the associates.

* *Restated for the finalisation of the purchase price allocation.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

4. INVESTMENT IN ASSOCIATES (continued)

2016 **Summarised statement of comprehensive income**	RSSC June 2016 R'000	HMH* June 2016 R'000	Total* June 2016 R'000
Revenue	2 669 125	76 457	2 745 582
Depreciation and amortisation	(137 855)	(5 226)	(143 081)
Finance expense	(7 130)	(2 045)	(9 175)
Finance income	19 614		19 614
Profit/(loss) before tax	345 780	(10 883)	334 897
Income tax expense	(95 855)		(95 855)
Profit/(loss) after tax	249 925	(10 883)	239 042
Other comprehensive income	(11 985)	(5 571)	(17 556)
Total comprehensive income	237 940	(16 454)	221 486
Dividends received from associate	53 669		53 669

The above reflects the amounts presented in the financial statements of the associates.

* *Restated for the finalisation of the purchase price allocation.*

Reconciliation of summarised financial information presented to the carrying amount of the associate		**RSSC** **June 2017** **R'000**	**HMH** **June 2017** **R'000**	**Total** **June 2017** **R'000**
Opening net assets		**1 526 092**	**128 933**	**1 655 025**
Total comprehensive income for the year		**395 697**	**(3 204)**	**392 493**
Exchange differences on translation of associates		**(9 642)**	**(22 076)**	**(31 718)**
Dividends paid		**(252 069)**		**(252 069)**
Closing net assets		**1 660 078**	**103 653**	**1 763 731**
Interest in associate	%	**27,42**	**33,5**	
Goodwill*			**23 406**	**23 406**
Carrying value		**455 193**	**58 130**	**513 323**

Reconciliation of summarised financial information presented to the carrying amount of the associate		RSSC June 2016 R'000	HMH* June 2016 R'000	Total* June 2016 R'000
Opening net assets		1 481 581		1 481 581
Acquisition of associate			113 861	113 861
Total comprehensive income for the year		237 940	(16 715)	221 225
Exchange differences on translation of joint ventures		2 568	31 787	34 355
Dividends paid		(195 997)		(195 997)
Closing net assets		1 526 092	128 933	1 655 025
Interest in associate	%	27,42	33,5	
Goodwill			23 406	23 406
Carrying value		418 455	66 599	485 054

* *Restated for the finalisation of the purchase price allocation*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

5. LOANS RECEIVABLE

Non-current:	2017 R'000	2016 R'000
Loans at the beginning and end of the year	**1 555**	1 555

Secured loans in the amount of R1,6 million (2016: R1,6 million) were made to black owned medium-scale growers which bear interest at the prime rate of interest. The loans are recoverable over periods of 1 to 15 years, with no fixed repayment terms. The Group holds the following cession agreements as security for the recoverability of these loans:

- Cession on sale of shares of Siyathuthuka Sugar Estate Proprietary Limited.
- Cession on sale of claims of the shareholders of Siyathuthuka Sugar Estate Proprietary Limited with a value of R5,3 million (2016: R5,3 million).

Current:

Loans at the beginning of the year	**41 342**	5 239
Loans advanced during the year	**5 293**	36 103
Loans repaid during the year	**(29 435)**	
Loans at the end of the year	**17 200**	41 342

Included in the year-end loan balance of R17,2 million are loans granted to TSGRO Farming Service Proprietary Limited during the current and previous financial year. The loans are unsecured and accrue interest at 9,5% per annum. A subordination agreement is in place over the loan, hence the loan is repayable after all other claims relating to TSGRO are settled.

No amounts included above are past due or impaired.

6. INVENTORIES

	2017 R'000	2016* R'000
Finished goods	**1 770 160**	1 876 031
Work-in-progress	**18 115**	22 328
Raw materials and ingredients	**576 576**	803 327
Consumables and maintenance spares	**301 771**	238 651
At the end of the year	**2 666 622**	2 940 337
Carrying value of inventory written down to net realisable value	**102 937**	248 561
Amount expensed as write-down to net realisable value	**35 015**	76 069

* *The prior year numbers have been restated for the reclassifications of raw meat from work-in-progress to raw materials, packaging from raw materials to consumables and feed stock from raw materials to finished goods.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

7. BIOLOGICAL ASSETS

2017

	Breeding stock R'000	Broiler stock R'000	Sugarcane plants R'000	Banana fruit R'000	Total 2017 R'000
At the beginning of the year at fair value	348 983	262 777	352 695	3 704	968 159
Gains arising from cost inputs	914 841	3 828 769			4 743 610
Decrease due to harvest	(1 016 404)	(3 897 877)			(4 914 281)
Fair value adjustments recorded in profit or loss	25 844	13 221	318 050	6 878	363 993
Transferred to cost of sales			(351 550)	(3 704)	(355 254)
Transferred to assets held-for-sale		(14 758)			(14 758)
At the end of the year at fair value	273 264	192 132	319 195	6 878	791 469

2016*

	Breeding stock R'000	Broiler stock R'000	Sugarcane plants R'000	Banana fruit R'000	Total 2016 R'000
At the beginning of the year at fair value	307 911	240 614	276 035	4 972	829 532
Gains arising from cost inputs	1 024 731	4 025 344			5 050 075
Decrease due to harvest	(1 033 139)	(4 014 949)			(5 048 088)
Fair value adjustments recorded in profit or loss	49 480	11 768	347 148	3 704	412 100
Transferred to cost of sales			(270 488)	(4 972)	(275 460)
At the end of the year at fair value	348 983	262 777	352 695	3 704	968 159

* *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. Refer to note 34 for further details.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

	2017 R'000	2016 R'000
8. TRADE AND OTHER RECEIVABLES		
Non-current:		
Other receivables	**12 788**	12 288
Total	**12 788**	12 288

Included in other receivables is a deposit made on a finance lease which is only receivable on termination of the lease. The period of the lease is 15 years.

		2017 R'000	2016 R'000
Current:			
Trade receivables		**2 829 908**	2 984 363
Less: provision for impairment of trade receivables		**(40 000)**	(59 233)
Net trade receivables		**2 789 908**	2 925 130
Prepayments		**64 448**	46 040
Other receivables*		**597 975**	955 234
At the end of the year		**3 452 331**	3 926 404
A summary of the Group's trade receivables covered by insurance or secured by collateral is as follows:			
Terms	(days)	**7 to 120****	7 to 120**
Collateral held/insurance		**Yes**	Yes
Debtors covered by Lombard insurance***		**2 463 155**	1 981 185
Mortgage bonds – registered value		**48 800**	48 000
Notarial bonds – registered value		**1 950**	1 950
Cessions – book value		**950**	950
Bank guarantees – actual value		**2 900**	2 900
Total		**2 517 755**	2 034 985

* *Other receivables include receivables in respect of certain distribution contracts in the Logistics division of R354,4 million (2016: R389,5 million). The prior year also included consideration receivable relating to the disposal of the Zambian investment of R316,9 million which was settled in the current year.*

** *Credit terms of 120 days are given to certain pre-season Animal Feed customers. The value of these debtors amounts to R1,4 million (2016: R0,5 million). The remaining average debtors credit terms approximates 30 days.*

*** *The maximum claim as a result of default on any single claim is R1,32 billion (2016: R1,27 billion).*

	2017 R'000	2016 R'000
Provision for impairment movement		
At the beginning of the year	**(59 233)**	(59 773)
Receivables impaired	**(12 153)**	(7 189)
Impairments utilised	**983**	1 253
Unused amounts reversed	**12 526**	6 878
Disposal of subsidiary	**14 699**	
Exchange differences	**3 178**	(402)
At the end of the year	**(40 000)**	(59 233)
The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:		
Rand	**3 429 162**	3 578 318
USD	**207**	319 112
Namibian dollar	**22 383**	24 915
GBP	**579**	4 059
Total	**3 452 331**	3 926 404

All current trade and other receivables are due within one year of the reporting date.

The carrying amount of trade and other receivables approximates their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

	Assets 2017 R'000	**Liabilities 2017 R'000**	Assets 2016 R'000	Liabilities 2016 R'000
9. DERIVATIVE FINANCIAL INSTRUMENTS				
Derivative financial assets and liabilities				
Soya oil options			17	
Soyabean meal options		**757**		
Diesel hedge			801	
Maize options				24 927
Wheat options				4 899
Forward exchange contracts			9	2 212
Forward exchange contracts – cash flow hedge	**1 339**	**693**	2 315	85
Embedded derivative rentals		**8 779**		6 705
Interest rate collar option		**2 766**	4 894	
Total	**1 339**	**12 995**	8 036	38 828

The amounts above represent the fair value of the derivative instruments which represent the maximum exposure to credit risk at June 2017.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

10. NON-CURRENT ASSEST HELD FOR SALE (continued)

	2017 R'000
Tzaneen operation	
In line with RCL FOODS' revised business model for its Chicken business unit, a decison was taken during the financial year to dispose of our Tzaneen operation in its entirety. This model entails continuously increasing RCL FOODS' focus on added-value and food service categories, whilst substantially reducing exposure to commodity chicken (such as Individually Quick Frozen (IQF) portions). A buyer has been located for the operation and the sale is expected to be finalised in the 2018 financial year. The carrying value of the assets were written down to their recoverable amount in terms of IAS 36 prior to classification as held-for-sale. The carrying values of the assets and liabilities to be disposed of, which belong to the Consumer and Logistics segments, are illustrated below:	
Assets	
Property, plant and equipment	55 306
Biological assets	14 758
Inventory	2 685
Total assets	**72 749**
Liabilities	
Trade and other payables	1 395
Total liabilities	**1 395**

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

Sugar & Milling

During the financial year, the Group replaced its existing corporate plane. The existing plane is in the process of the being sold. A buyer has been located, and the sale is expected to be completed in the 2018 financial year. The carrying value of the plane was written down to its recoverable amount in terms of IAS 36 prior to classification as held-for-sale.

A decision was taken to dispose of cane trucks and a premix plant within the Sugar & Milling segment. The cane trucks are being actively marketed for sale whilst an agreement of sale has already been entered into with a buyer as at year-end for the premix plant. The plant consists of the current building and all internal parts and equipment. The sale of both the trucks and the plant is expected to be completed within 12 months from year-end.

Details of the assets classified as held-for-sale are as follows:

	2017 R'000
Assets	
Property, plant and equipment	15 936
Total assets	**15 936**

No assets were classified as held-for-sale in the 2016 financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

11. STATED CAPITAL

Authorised

2 000 000 000 (2016: 2 000 000 000) ordinary shares of no par value.

Issued ordinary shares of no par value:

	Number of shares	2017 R'000	2016 R'000
At the beginning of the year	863 651 136	**10 023 804**	9 992 815
Shares issued in terms of share incentive schemes	1 156 309	**17 886**	30 989
At the end of the year	864 807 445	**10 041 690**	10 023 804
Shares in issue for accounting purposes – June 2017	864 807 445		
Add: shares issued in terms of BEE scheme*	70 758 637		
Statutory shares in issue – June 2017	935 566 082		

* *On 26 May 2014, 44 681 162 shares were issued to the RCL Employee Share Trust, 19 149 069 to Business Venture Investments 1763 (RF) Proprietary Limited and, on 3 April 2014, 6 928 406 shares were issued to Malongoana Investments (RF) Proprietary Limited in terms of a BEE transaction. For accounting purposes these shares are not treated as issued (refer to note 31 for further details).*

The unissued ordinary shares are under the control of the directors until the forthcoming annual general meeting.

Issued shares have been fully paid up.

RCL FOODS Share Appreciation Rights Scheme

Details of share appreciation rights awarded under this scheme are as follows:

Issue price (cents)	Date rights awarded	Rights at June 2016	Rights awarded during the year	Rights exercised during the year	Rights forfeited during the year	Rights at June 2017	Rights exercisable at June 2017
1 427	1 August 2009	**3 939 168**		**(2 669 999)**	**(1 269 169)**		
1 473	2 June 2010	**4 701 478**		**(4 219 857)**	**(481 621)**		
1 645	1 June 2011	**5 160 175**				**5 160 175**	**5 160 175**
1 415	1 December 2011	**117 047**				**117 047**	**117 047**
1 400	1 January 2012	**178 529**				**178 529**	**178 529**
1 436	1 April 2012	**287 328**				**287 328**	**287 328**
1 320	5 September 2012	**5 246 811**		**(531 288)**		**4 715 523**	**2 923 978**
1 458	27 February 2013	**126 961**				**126 961**	**83 793**
1 612	1 June 2013	**967 742**				**967 742**	**638 709**
1 654	4 September 2013	**7 900 933**			**(281 634)**	**7 619 299**	**2 514 336**
1 738	1 December 2013	**379 747**				**379 747**	**125 316**
1 404	1 March 2014**	**5 803 163**		**(243 350)**	**(681 428)**	**4 878 385**	**1 765 022**
1 593	4 September 2014***	**18 010 215**			**(1 454 410)**	**16 555 805**	**758 520**
1 796	1 March 2015	**3 025 442**			**(587 270)**	**2 438 172**	
1 592	9 September 2015	**11 682 974**			**(355 559)**	**11 327 415**	**78 165**
1 366	2 March 2016	**1 634 569**				**1 634 569**	
1 405	7 September 2016		**19 971 462**		**(288 323)**	**19 683 139**	**16 355**
1 556	3 March 2017		**3 028 754**			**3 028 754**	
		69 162 282	**23 000 216**	**(7 664 494)**	**(5 399 414)**	**79 098 590**	**14 647 273**

** *Includes rights awarded to Foodcorp management who joined the scheme for the first time.*

*** *Includes rights awarded to TSB management who joined the scheme for the first time.*

11. STATED CAPITAL (continued)

The RCL FOODS Share Appreciation Rights Scheme provides executive directors and selected employees with conditional rights to receive RCL FOODS ordinary shares, referred to as Share Appreciation Rights (SAR).

Within the limits imposed by the company's shareholders and the JSE Limited, the Remuneration and Nominations Committee approves and awards SAR on an annual basis, as well as periodically when either an employee is promoted or a new appointment is made to an appropriate management position. Recipients of SAR become entitled to RCL FOODS shares having a value equal to the increase in the market value of a number of notional RCL FOODS shares. The market value of RCL FOODS shares for the purposes of determining award prices and exercise prices is the volume-weighted average price of RCL Foods shares traded on the JSE for the five business days immediately preceding the award dates and exercise dates approved by the Remuneration and Nominations Committee.

SAR awards vest after stipulated periods and are exercisable up to a maximum of seven years from the award dates.

SAR awards vest as follows:

- First third – third anniversary of award date
- Second third – fourth anniversary of award date
- Final third – fifth anniversary of award date.

On resignation, SAR awards which have not yet vested will lapse and SAR awards which have vested may be exercised before the last day of employment. On retirement, unvested SAR awards vest immediately and all SAR awards may be exercised within 12 months from the date of retirement. On death, unvested SAR awards vest immediately and all SAR awards may be exercised by beneficiaries within 12 months from the date of death.

The weighted average fair value of rights awarded during the year was R3,13 (2016: R3,12).

	2017 Rand	2016 Rand
Weighted average issue price of rights in issue at the beginning of the year	15,52	15,46
Weighted average issue price of rights in issue at the end of the year	15,27	15,52
Weighted average issue price of rights exercised during the year	14,44	13,20
Weighted average issue price of rights forfeited during the year	15,35	15,11
Weighted average issue price of rights awarded during the year	14,25	15,65
Weighted average share price at date rights exercised during the year	15,60	15,17

RCL FOODS Conditional Share Plan

Details of the conditional shares awarded under this scheme are as follows:

Date conditional shares awarded	Conditional shares at June 2016	Conditional shares awarded during the year	Conditional shares settled during the year	Conditional shares at June 2017	Conditional shares exercisable at June 2017
4 September 2013	238 619		(238 619)		
1 March 2014	359 837		(359 837)		
4 September 2014	246 484			246 484	
14 December 2015	5 481 764			5 481 764	
1 March 2017		18 102 823		18 102 823	
Total	6 326 704	18 102 823	(598 456)	23 831 071	

The weighted average fair value of conditional shares awarded during the year was R15,40 (2016: R10,23).

The RCL FOODS Conditional Share Plan (CSP) operates in conjunction with the current Share Appreciation Rights Scheme (SARs). The company only uses CSP to make adhoc allocations as and when deemed necessary and in exceptional circumstances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

11. STATED CAPITAL (continued)

Under the CSP, participants will receive a conditional award of shares on the award date at Rnil strike price, provided that they remain in the employment of the company over the vesting period and meet certain performance conditions attached to the award. Shares will be settled to the participants on the vesting date. Participants will have no shareholder or dividend rights before the vesting date.

The fair values of the SAR's and CSP's were calculated using the binomial options pricing model. The inputs into the model were as follows:

		2017	2016
Expected volatility	(%)	**22,8 – 27,2**	22,8 – 27,2
Risk-free rate	(%)	**7,6 – 8,3**	7,6 – 8,3
Expected dividend yield	(%)	**4,0**	4,0
Contractual life	(years)	**7,0**	7,0
Weighted average contractual life – rights	(years)	**4,5**	4,5

	2017 R'000	2016 R'000
12. SHARE-BASED PAYMENTS RESERVE		
Employee share scheme		
At the beginning of the year	**223 964**	198 417
Settlement of exercised rights	**(17 886)**	(29 712)
Value of employee services expensed during the year	**78 959**	55 259
At the end of the year	**285 037**	223 964
BEE transaction		
At the beginning of the year	**210 899**	193 299
Employee portion – recurring*	**17 600**	17 600
At the end of the year	**228 499**	210 899
Total at the end of the year	**513 536**	434 863

*Refer to Note 31 for further details.

	2017 R'000	2016 R'000
13. OTHER RESERVES		
Cash flow hedges		
At the beginning of year	**9 661**	27 259
Recycling of cash flow hedges	**(11 183)**	(26 135)
Revaluation of cash flow hedges	**(1 583)**	1 693
Taxation impact	**3 572**	6 844
At the end of year	**467**	9 661
Foreign currency translation reserve		
At the beginning of year	**15 856**	(2 812)
Currency translation on foreign subsidiary	**(10 237)**	(32 495)
Recycling of foreign currency translation reserve (notes 33 and 4)	**(1 414)**	51 163
At the end of year	**4 205**	15 856
Total at the end of the year	**4 672**	25 517

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

	2017 R'000	2016 R'000
14. RETIREMENT BENEFIT OBLIGATIONS		
Post-retirement medical benefits	**136 668**	165 354
Post-retirement medical obligation		
The obligation of the Group to pay certain medical aid benefits after retirement is no longer part of the conditions of employment. A number of pensioners and current employees, however, remain entitled to this benefit. The entitlement to this benefit is dependent upon the employee remaining in service until retirement age. The Group also provides certain medical aid benefits to certain retired employees of Foodcorp Proprietary Limited and RCL FOODS Sugar & Milling Proprietary Limited. The last valuation date was June 2017. The unfunded liability for post-retirement medical aid benefits is determined actuarially each year and comprises:		
At the beginning of the year	**165 354**	187 656
Recognised as (income)/expense in the current year	**(11 264)**	(11 521)
Interest costs	**16 141**	16 856
Past service credit and settlements*	**(30 547)**	(31 388)
Current service costs	**3 142**	3 011
Remeasurements:	**(10 712)**	(216)
Gain from change in financial assumptions	**(2 998)**	(526)
Experience gain/(loss) recognised	**(7 714)**	310
Benefits paid	**(6 710)**	(10 565)
At the end of the year (and balance per actuarial valuation)	**136 668**	165 354

**During the current and previous financial year, the obligation relating to certain pensioners were transferred to an insurer resulting in a settlement reduction of the post-retirement medical aid liability through a voluntary buy-out process.*

The principal actuarial assumptions are:		2017	2016
Discount rate**	(%)	**8,9 to 9,8**	9,5 to 10,2
Health care cost inflation**	(%)	**8,3 to 9,1**	9,2 to 9,7
Mortality – pre-retirement		***	***
Mortality – post-retirement		****	****
Expected contributions for the years ending June 2018 and June 2017		**5 208**	7 540

** *The prior year information has been restated to more accurately reflect the inputs used in the actuarial valuations.*

*** *SA85/90 (light) ultimate.*

**** *PA(90) ultimate table rated down two years plus 1,0% improvement per annum from 2006.*

The weighted average duration of the liability is between 5 and 16 years (2016: 7 and 16 years).

The sensitivity of the obligation to changes in the principal assumptions is:

	Impact on obligation		
	Change in assumption	R'000 Increase in assumption	R'000 Decrease in assumption
Discount rate	**0,5%**	**(8 475)**	**9 401**
Health care cost inflation	**1,0%**	**20 150**	**(16 657)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

14. RETIREMENT BENEFIT OBLIGATIONS (continued)

Retirement contribution plans

Pension and provident fund schemes

The Group contributes towards retirement funds for all permanent employees who are required to be a member of a Group implemented scheme. These schemes, detailed below are governed by the Pension Funds Act, 1956. Their assets consist primarily of listed shares, fixed income securities, property investments and money market instruments and are held separately from those of the Group. Each of the schemes' assets are administered by a Board of trustees, each of which includes elected employee representatives. The Pension Funds Second Amendment Bill was enacted with effect 7 December 2001. This Bill requires that the actuarial valuations at 31 March 2004, together with a plan for the apportionment on a fair basis to past and current members of the funds of any surplus established by this valuation date, must be approved by the Financial Services Board (FSB). The FSB has approved a Nil Surplus Apportionment for both the RCL FOODS Pension and Provident Funds and the Foodcorp Provident fund.

Defined contribution pension and provident fund schemes

The latest audited financial information of the schemes that are administered by the Group all reflect a satisfactory state of affairs. Amounts charged to the income statement are as follows:

Defined contribution pension and provident schemes:

	2017 R'000	2016 R'000
– RCL FOODS Pension Fund	**42 277**	40 210
– RCL FOODS Provident Fund	**100 815**	85 342
– Namflex Pension Fund	**568**	550
– TSB ABSA Retirement Fund	**20 564**	18 661
– SATAWU Provident Fund	**3 220**	4 025
– TSB Agricultural Provident Fund	**3 566**	3 635
– TSB ABSA Pension Fund	**9 925**	9 001
– TSB NBC Provident Fund	**23 387**	22 018
– Foodcorp Provident Fund*	**17 195**	17 640
– Foodcorp Provident Fund – disability*	**1 167**	1 205
– Momentum Employee Benefits	**2 165**	2 621
– Sanlam (TSB Pension Fund)	**15**	31
– Alexander Forbes*	**20 054**	29 972
– Borwa	**412**	393
– Liberty Life	**492**	705
– Old Mutual – SACCAWU	**7 496**	7 421
– Setshaba	**1 606**	1 144
– FAWU	**3 015**	3 419
– Sanlam Group Life	**33**	34
Total	**257 972**	248 027

* *The prior year disclosure has been restated for the reallocation of amounts between funds.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

	2017 R'000	2016 R'000
15. INTEREST-BEARING LIABILITIES		
Long-term		
Institutional borrowings	**43 452**	49 310
Finance lease liabilities	**169 962**	168 185
Term-funded debt package	**2 852 000**	3 350 000
Loan from Ingwenyama Simhulu Trust	**8 000**	8 000
Loans from Akwandze Agricultural Finance Proprietary Limited	**5 408**	23 351
Total	**3 078 822**	3 598 846
Short-term		
Institutional borrowings	**5 859**	5 859
Finance lease liabilities	**9 652**	10 055
Current portion of long-term loan from Akwandze Agricultural Finance Proprietary Limited	**18 023**	19 427
Short-term loans from Akwandze Agricultural Finance Proprietary Limited	**192 849**	77 061
Total	**226 383**	112 402

Institutional borrowings

Long-term institutional borrowings are loans from Futuregrowth Asset Management Proprietary Limited with a carrying value of R43,5 million (2016: R49,3 million) with an amount of R5,9 million included in short-term institutional borrowings (2016: 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* (2016: 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 and 50 days between payments.

The carrying amount of institutional borrowings approximate their fair values.

Finance lease liabilities

The finance lease liabilities bear interest at a rate between 7,0% and 10,0% *per annum* (2016: 7,0% and 10,5% *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 1,65% and 2,25% *per annum*(2016: 1,65% and 2,25% *per annum*).

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

Type	Amount R'000	Term	Effective interest rate
Bullet loan (A)	**1 755 000**	**5 years**	**9,03%**
Bullet loan (B)	**1 097 000**	**4 years**	**8,81%**
Revolving credit facility	**498 000**	**3 years**	**8,91%**
Total	**3 350 000**		

The R498,0 million Revolving Credit Facility was repaid in January 2017 from available cash resources and has remained undrawn since.

15. 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 R500,0 million over the period of the debt package;

- More than two dividends paid in a 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 term-funded debt package requires that the Group comply with the following financial covenants:

	June 2017	June 2016
Senior leverage ratio	**<2,75:1**	<3:1
Senior interest cover	**>3,5:1**	>3:1

The obligations in respect of the debt package discussed above, have been guaranteed by each of Foodcorp Proprietary Limited, RCL Foods Limited, New Foodcorp Holdings 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 2017 amounted to R2,98 billion (2016: R3,47 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 2 of the fair value hierarchy.

Loans from Ingwenyama Simhulu Trust

Libuyile Farming Services 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 4,0% interest will be charged from years three to five. A prime less 1,0% 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. Akwandze 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 are repayable annually, over a maximum remaining period of three years. These loans bear interest at a fixed rate between 8,5% to 9,0% *per annum* and are secured by a cession over Libuyile Farming Services Proprietary Limited, Mgubho Farming Services Proprietary Limited and Sivunosetfu Proprietary Limited's rights and interest in the gross revenue accruing to these companies from all sugarcane 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.

Included in the short-term loans from Akwandze Agricultural Finance Proprietary Limited of R192,8 million is an amount of R134,3 million relating to loans which are repayable within one year. These loans bear interest at a fixed rate of 10,5% *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 sugarcane 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 R58,5 million, are unsecured, payable on demand and bear interest at a variable rate of 9,5% *per annum*.

The carrying amount of these loans approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

	2017 R'000	2016 R'000
16. TRADE AND OTHER PAYABLES		
Long-term		
Other payables	**3 157**	5 716
Total	**3 157**	5 716
Short-term		
Trade payables	**2 313 836**	2 609 100
Accruals	**1 097 384**	1 073 947
Other payables	**987 318**	831 345
Total	**4 398 538**	4 514 392
Other long-term payables relate to various deferred bonus and retention schemes within the Group.		
The carrying amount of trade and other payables approximate their fair values.		
Included in accruals and other payables above are non-financial instruments of R384,5 million (2016: R342,5 million).		
The carrying amounts of the Group's trade and other payables are denominated in the following currencies:		
Rand	**4 384 419**	4 468 956
USD	**573**	13 079
Namibian dollar	**12 879**	17 280
GBP	**278**	12 041
EUR	**389**	1 356
Meticais		1 680
Total	**4 398 538**	4 514 392

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

	2017 R'000	Restated* 2016 R'000
17. DEFERRED INCOME TAX		
Deferred income tax liability movement:		
At the beginning of the year	1 352 915	1 458 933
Credit for the year – income statement	(129 070)	(81 753)
Credit for the year – other		(319)
(Credit)/charge for the year – other comprehensive income	(863)	484
Prior year under/(over) provision	25 074	(24 430)
At the end of the year	1 248 056	1 352 915
Deferred income tax liability comprises:		
Trademarks, property, plant and equipment	1 411 488	1 454 988
Inventories and biological assets	221 769	322 454
Provisions	(197 901)	(155 559)
Derivative financial instruments	(2 390)	(10 216)
Investment in associate	21 410	17 471
Losses available for set-off against future taxable income	(179 420)	(250 853)
Other	(26 900)	(25 370)
Total	1 248 056	1 352 915
Deferred tax liability due after 12 months	1 171 960	1 239 181
Deferred tax liability due within 12 months	76 096	113 734
Total	1 248 056	1 352 915
Deferred income tax asset movement:		
At the beginning of the year	19 658	8 320
(Charge)/credit for the year – income statement	(10 866)	10 989
Charge for the year – other comprehensive income	(288)	(49)
Prior year (over)/under provision	(1 628)	398
At the end of the year	6 876	19 658
Deferred income tax asset comprises:		
Provisions	18 536	19 281
Derivative financial instruments	2 787	1 618
Trademarks, property, plant and equipment	(7 637)	716
Losses available for set-off against future taxable income	216	4 255
Other	(7 026)	(6 212)
	6 876	19 658
Deferred tax assets due after 12 months	19 443	14 931
Deferred tax assets due within 12 months	(12 567)	4 727
Total	6 876	19 658

Deferred tax is calculated on all temporary differences under the liability method using a principal tax rate of 28,0% (2016: 28,0%) and 33,0% (2016: 33,0%) for Vector Namibia.

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable.

No deferred tax asset has been recognised for assessed losses amounting to R1,2 million (2016: R348,9 million) and capital losses of R74,0 million (2016: Rnil) as it is not envisaged that the asset will be recovered in the foreseeable future. The assessed losses do not have an expiry date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

	2017 R'000	Restated* 2016 R'000
18. OPERATING PROFIT		
Revenue	**24 950 656**	25 025 159
Cost of sales	**(19 328 356)**	(19 377 288)
Gross profit	**5 622 300**	5 647 871
Administration expenses	**(1 703 954)**	(1 421 859)
Selling and marketing expenses	**(1 010 749)**	(1 116 777)
Distribution expenses	**(2 808 030)**	(2 986 690)
Impairment of trademark and goodwill		(642 763)
Other income	**676 941**	837 383
Operating profit	**776 508**	317 165
Material and disclosable items – other income:		
Profit on disposal of property, plant and equipment	**14 812**	30 434
Profit on disposal of subsidiary	**4 512**	
Fair value adjustment on biological assets	**363 993**	412 100
Fair value adjustment on derivatives	**411**	113 982
Fair value adjustment on recognition of put option		126 097
Bagasse and electricity income	**62 529**	79 389
Foreign exchange gains	**12 051**	22 804
Impairment loss reversed	**3 100**	
Insurance proceeds	**162 388**	
Rental income	**15 326**	10 346
Material and disclosable items – expenses:		
Operating lease and rental charges	**413 795**	471 574
– land and buildings	**227 648**	245 591
– plant, machinery and equipment	**74 632**	78 772
– vehicles	**46 440**	77 550
– office equipment	**12 907**	19 872
– computer equipment	**16 912**	17 961
– other	**35 256**	31 828
Arrangements containing an operating lease**	**685 404**	664 228
– contract grower fees	**281 095**	283 497
– outsourced transport	**404 309**	380 731
Technical consultants' and legal fees	**92 128**	100 234
Fair value adjustment on derivatives	**328 957**	31 630
Impairment of property, plant and equipment	**181 649**	19 776
Impairment of trademark and goodwill		642 763
Impairment of software		1 683
Foreign exchange losses	**34 142**	26 860
Foreign currency translation reserve recycled		51 163
Inventory expense	**14 585 076**	15 274 836
Utilities	**1 235 838**	1 218 267
Repairs and maintenance expense	**791 106**	784 292
Loss on disposal of assets classified as held-for-sale		7 479
Loss on disposal of property, plant and equipment	**16 692**	40 128

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

18. OPERATING PROFIT (continued)

	2017 R'000	Restated* 2016 R'000
Directors' remuneration	**22 041**	28 196
– executive	**18 046**	24 471
– non-executive	**3 995**	3 725
Staff costs	**4 184 550**	3 816 695
– salaries and wages	**3 514 028**	3 201 903
– share-based payments	**78 959**	55 229
– retirement benefit costs	**256 970**	248 027
– other post-employment benefits	**21 136**	16 210
– retrenchment costs***	**58 022**	9 128
– other***	**255 435**	286 198
BEE expense	**17 600**	17 600
Administration fee paid to Group holding company	**20 066**	18 754
Auditors' remuneration	**20 305**	21 325
– fees for the audit	**18 488**	18 422
– prior year (over)/under provision	**(195)**	92
– disbursements	**617**	1 195
– fees for other services	**1 395**	1 616

* *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. Refer to note 34 for further details.*

** *It is not practical to separate the lease element from the total costs paid in respect of these arrangements and accordingly only total costs have been disclosed.*

*** *2016 restated to align grouping of expenses with the 2017 disclosure.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

	2017 R'000	2016 R'000
19. DEFERRED INCOME		
Non-current liabilities		
Deferred income	141	734
Current liabilities		
Deferred income	8 338	3 928

Libuyile Farming Services Proprietary Limited, Mgubho Farming Services Proprietary Limited and Sivunosetfu Proprietary Limited obtained long-term and short-term loans from Akwandze Agricultural Finance Proprietary Limited which bears interest at 4,0% to 6,75% *per annum*. The fair values of these loans were calculated on initial recognition based on market-related interest rates that varies between 8,5% and 10,5% *per annum* in terms of IAS 39. The difference between fair value and cash balance received was recognised as deferred income.

Included in the above is unearned funding from AGRISETA amounting to R2,6 million (2016: R0,9 million) which will be utilised to offer apprentices bursaries and for staff development.

	2017 R'000	2016 R'000
20. FINANCE COSTS		
Interest – financial institutions	306 689	318 130
Fair value adjustment on interest rate collar option	7 661	6 763
Transaction costs on term-funded debt	4 031	1 876
Foreign exchange losses	2 334	5 880
Interest – Holding company, joint ventures and associates*	36 598	13 340
Interest – other*	16 428	19 205
Total	373 741	365 194

* *2016 restated to align grouping of interest with 2017 disclosure.*

	2017 R'000	2016 R'000
21. FINANCE INCOME		
Interest – financial institutions	29 134	24 607
Foreign exchange gains		6 938
Interest – Holding company, joint ventures and associates*	9 533	1 948
Interest – other*	2 332	4 868
Total	40 999	38 361

* *2016 restated to align grouping of interest with 2017 disclosure.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

22. INCOME TAX EXPENSE

	2017 R'000	Restated* 2016 R'000
Current tax	**217 054**	34 584
South African	**242 928**	187 112
Foreign	**7 074**	7 400
Prior year (over)/under provision	**(32 948)**	3 366
Release of provision for uncertain tax position**		(163 294)
Deferred tax	**(91 502)**	(117 570)
South African	**(117 941)**	(92 643)
Foreign	**(263)**	(99)
Prior year under/(over) provision	**26 702**	(24 828)
Total	**125 552**	(82 986)
Reconciliation of tax rate:		
Profit before tax	**601 859**	99 655
Tax expense at 28%	**168 521**	27 903
– capital gains tax	**(1 834)**	(5 123)
– unrecognised capital losses recognised in the current year – write-off of Massingir loans	**(28 916)**	
– foreign taxation	**6 613**	7 138
– share of associates profit	**(30 965)**	(18 143)
– share of joint ventures profit	**(13 602)**	(12 468)
– non taxable income	**(4 055)**	(11 694)
– prior year (over)/under provision – current	**(32 948)**	3 366
– release of provision for uncertain tax position		(163 294)
– prior year under/(over) provision – deferred	**26 702**	(33 404)
– non deductible impairment of assets		108 800
– unrecognised deferred tax on losses made	**1 227**	12 166
– withholding tax on undistributed profits of associate	**3 938**	1 157
– non deductible IFRS 2 charges	**14 937**	14 705
– non deductible depreciation and amortisation	**7 480**	1 119
– exercise and settlement of Zambian option	**7 460**	(18 968)
– other non-deductible items	**994**	3 754
Tax charge/(credit)	**125 552**	(82 986)

The tax effects relating to items of other comprehensive income are disclosed in note 13 and on the face of the statement of comprehensive income to the consolidated financial statements.

* *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. Refer to note 34 for further details.*

** *The prior period included the release of a R163,3 million provision for uncertain taxation disputes raised as part of the Foodcorp acquisition. This matter was finalised with the South African Revenue Service and consequently the income tax expense for the year ended June 2016 was reduced by R163,3 million.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

		2017 R'000	Restated* 2016 R'000

23. EARNINGS AND HEADLINE EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of shares in issue during the year.

Diluted

Diluted earnings are calculated using the fully diluted weighted average ordinary shares in issue. Dilution is due to shares offered, but not paid and delivered to participants in the BEE transaction, the RCL FOODS Share Appreciation Rights Scheme and RCL FOODS Conditional Share Plan (refer to notes 11 and 31). A calculation is performed to determine the number of shares that could have been acquired at fair value based on the monetary value of the subscription rights attached to outstanding scheme shares. The number of shares calculated below is compared with the number of shares that would have been issued assuming the exercise of the share scheme options.

		2017 R'000	Restated* 2016 R'000
Earnings			
Profit attributable to equity holders of the company		**515 657**	182 022
Weighted average number of ordinary shares in issue			
Weighted average number of ordinary shares in issue – basic earnings per share	(000)	**864 167**	862 739
Share option dilution impact	(000)	**6 321**	1 988
Weighted average number of shares – diluted earnings per share	(000)	**870 488**	864 727

		Gross R'000	Net R'000
Headline earnings – June 2017			
Headline earnings reconciliation:			
Profit for the year attributable to equity holders of the company			515 657
Gain on disposal of subisidiary**		**(4 512)**	(4 512)
Net impairments		**178 549**	128 554
Insurance proceeds		**(113 172)**	(87 735)
Profit on disposal of property, plant and equipment		**(14 812)**	(12 430)
Loss on disposal of property, plant and equipment		**16 692**	9 007
Headline earnings			548 541
Headline earnings – June 2016			
Headline earnings reconciliation:			
Profit for the year attributable to equity holders of the company			182 022
Impairments		**664 222**	587 211
Reclassification of foreign exchange translation reserve		**51 163**	51 163
Insurance proceeds		**212**	152
Loss on disposal of property, plant and equipment		**17 173**	12 365
Headline earnings			832 913
Earnings per share			
– basic	(cents)	**59,7**	21,1
– diluted	(cents)	**59,2**	21,0
Headline earnings per share			
– basic	(cents)	**63,5**	96,5
– diluted	(cents)	**63,0**	96,3

* *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. Refer to note 34 for further details.*

** *Net of foreign currency translation reserve recycled.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

	2017 R'000	Restated* 2016 R'000
23. EARNINGS AND HEADLINE EARNINGS PER SHARE (CONTINUED)		
Normalised headline earnings per share		
Headline earnings	**548 541**	832 913
Adjusted for (net of tax):		
Once-off costs related to the restructure of the Chicken business unit	**37 367**	
Prior year business interruption portion of Pongola silo insurance receipt	**(20 757)**	
Impact of settlement of Zam options in current year and accounting for exercise of the options in the prior year	**27 971**	(118 905)
Release of Foodcorp provision for uncertain tax position		(163 293)
Normalised headline earnings	**593 122**	550 715
Normalised headline earnings per share		
– basic	**68,6**	63,8
– diluted	**68,1**	63,7

* *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. Refer to note 34 for further details.*

	2017 R'000	2016 R'000
24. DIVIDENDS PER SHARE		
Interim – paid: 10,0 cents (2016: 15,0 cents)	**86 481**	129 547
Final* – declared: 20,0 cents (2016: paid 15,0 cents)	**172 961**	129 548
Total: 30,0 cents (2016: 30,0 cents)	**259 442**	259 095

A final dividend of 20,0 cents per share was declared for the financial period ended June 2017. The dividend will be paid on 23 October 2017. The last date to trade "cum" dividend will be 17 October 2017. The RCL FOODS share will commence trading "ex" dividend from the commencement of business on 18 October 2017 and the record date will be 20 October 2017.

Since the final dividend was declared subsequent to year-end, it has not been provided for in the consolidated financial statements.

* *The dividend of R173,0 million represents the dividend based on the shares in issue for accounting purposes. The total dividend based on the statutory shares in issue is R187,1 million. The difference of R14,1 million in the dividend amount is due to 70 758 637 shares issued in terms of the BEE transaction. These shares are not considered to be issued for accounting purposes and thus the related dividend is not disclosed. Refer to notes 11 and 31 for further details.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

	2017 R'000	2016 R'000
25. LEASE COMMITMENTS		
Operating leases:		
Due within one year	**81 765**	90 722
Due within two to five years	**193 018**	188 157
Due later than five years	**232 504**	281 832
Total	**507 287**	560 711
In respect of:		
– property	**479 858**	511 390
– plant and equipment	**7 033**	28 288
– other	**20 396**	21 033
Total	**507 287**	560 711
Finance leases:		
Gross finance lease liabilities – minimum lease payments	**303 947**	315 392
Due within one year	**25 269**	24 940
Due within two to five years	**92 164**	87 387
Due later than five years	**186 514**	203 065
Future finance charges on finance lease liabilities	**(124 332)**	(137 152)
Present value of finance lease liabilities	**179 615**	178 240
Due within one year	**9 652**	22 321
Due within two to five years	**40 411**	69 152
Due later than five years	**129 552**	86 767
	179 615	178 240

In addition, the Group has operating lease commitments with rentals determined in relation to volumes of activity. It is not possible to accurately quantify future rentals payable under such lease arrangements.

26. OPERATING SEGMENTS

The Chief Executive Officer (CEO) is the Chief Operating Decision Maker. The CEO assesses the performance of the operating segments based on operating profit before depreciation, amortisation and impairment (EBITDA) and operating profit (EBIT) on a pre-IAS 39 basis and for joint ventures and associates based on their earnings after tax.

The Consumer segment produces a wide range of quality culinary, pet food and beverage products through its five business units – Chicken, Grocery, Pies, Beverages and Speciality. The segment owns 20 leading South African brands, from staples to top-end added-value offerings. The Sugar & Milling segment produces a number of consumer staples and animal feed products within its three business units – Sugar, Millbake and Animal Feed. The segment is home to nine well-known South African brands, each representing a significant market share in their respective categories. The Logistics segment provides integrated supply chain solutions across the retail, wholesale and food service sectors, the brand serves food manufacturers as well as food service groups and national retailers. Ugandan operations refer to chicken producers situated in Uganda. The Group's interest in Zambian operations were disposed of during the previous financial year.

The IAS 39 adjustment represents unrealised gains and losses on financial instruments used in the Group's raw material procurement strategy. Reporting the financial effects of certain financial instruments used in the Group's procurement strategy in terms of IAS 39 introduces volatility to the Group's financial results.

Transactions between segments are accounted for under IFRS in the individual segments.

26. OPERATING SEGMENTS (continued)

	2017 R'000	Restated* 2016 R'000
Revenue	**24 950 655**	25 025 159
Consumer	**13 474 031**	13 301 265
Sugar & Milling	**14 467 407**	14 914 754
Logistics	**2 033 102**	1 986 899
Sales between segments:		
Consumer to Sugar & Milling	**(230 274)**	(210 105)
Sugar & Milling to Consumer	**(3 713 778)**	(3 864 143)
Logistics to Consumer	**(1 050 894)**	(1 078 012)
Logistics to Sugar & Milling	**(28 939)**	(25 499)
Operating profit before depreciation, amortisation and impairment (EBITDA) – pre-IAS 39	**1 780 010**	1 842 957
Consumer	**520 790**	701 653
Sugar & Milling	**1 054 144**	826 010
Logistics	**203 117**	260 662
Unallocated Group costs**	**1 959**	54 632
IAS 39 adjustment	**(32 377)**	(80 570)
Operating profit before depreciation, amortisation and impairment (EBITDA)	**1 747 633**	1 762 387
Depreciation, amortisation and impairment	**(971 125)**	(1 445 222)
Operating profit/(loss)		
Consumer	**(7 404)**	345 714
Sugar & Milling	**669 184**	(258 075)
Logistics	**121 776**	184 962
Unallocated Group costs	**(7 048)**	44 564
Operating profit	**776 508**	317 165
Finance costs	**(373 741)**	(365 194)
Finance income	**40 999**	38 361
Share of profits of joint ventures	**48 577**	44 527
Sugar & Milling	**38 628**	22 661
Logistics	**9 949**	8 359
Zambian operations		13 507
Share of profit/(loss) of associates	**109 516**	64 796
Sugar & Milling	**110 590**	68 530
Ugandan operations	**(1 074)**	(3 734)
Profit before tax	**601 859**	99 655
Assets		
Consumer	**8 363 089**	9 903 523
Sugar & Milling	**8 208 674**	9 153 826
Logistics	**3 307 004**	3 341 240
Unallocated Group assets***	**833 157**	445 655
Ugandan operation	**58 146**	66 599
Set-off of inter-segment balances	**(1 261 756)**	(2 681 067)
Total per statement of financial position	**19 508 314**	20 229 776
Liabilities		
Consumer	**2 693 566**	3 368 466
Sugar & Milling	**2 484 827**	2 587 057
Logistics	**2 235 929**	3 089 711
Unallocated Group liabilities***	**2 968 995**	3 819 353
Set-off of inter-segment balances	**(1 261 756)**	(2 681 067)
Total per statement of financial position	**9 121 561**	10 183 520

* *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. Refer to note 34 for further details.*

** *The unallocated Group costs include the operating costs of RCL Foods Limited and RCL Group Services Proprietary Limited as well as gains made on the exercise of the Zambian options in the prior year, and foreign exchange loss on settlement in the current year.*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

26. OPERATING SEGMENTS (continued)

	2017 R'000	Restated* 2016 R'000
Additions to property, plant and equipment and intangible assets		
Consumer		
Property, plant and equipment	**226 166**	504 340
Intangible assets	**32 050**	760
Sugar & Milling		
Property, plant and equipment	**333 025**	296 904
Intangible assets	**5 959**	4 254
Logistics		
Property, plant and equipment	**107 680**	361 494
Intangible assets	**626**	839
Impairment losses		
Consumer	**171 829**	3 534
Sugar & Milling	**9 820**	660 650
Impairment losses reversed		
Sugar & Milling	**3 100**	19
Depreciation and amortisation		
Consumer	**342 059**	352 221
Sugar & Milling	**355 171**	350 547
Logistics	**81 343**	75 700
Unallocated segment	**14 005**	2 326
Major customers**		
Revenue from the Group's top five customers is:		
– customer A	**3 218 833**	2 988 006
– customer B	**2 403 856**	2 408 855
– customer C	**1 645 208**	1 527 881
– customer D	**1 631 761**	1 473 572
– customer E	**1 628 428**	1 678 912
The above revenue is included in the Consumer, Sugar & Milling, and Logistics segments.		
Analysis of revenue		
Sale of food products	**21 761 458**	21 735 184
Sale of feed	**2 199 643**	2 363 579
Sale of services	**989 554**	926 396
Total	**24 950 655**	25 025 159
Revenue outside of South Africa		
Vector Logistics Limited (Namibia)	**19 362**	21 272

* *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. Refer to note 34 for further details.*

** *The prior year information for major customers has been restated to reflect the major customers of the current year.*

27. FINANCIAL RISK MANAGEMENT

Financial risk factors

This note presents information about the Group's exposure to financial risks, the Group's objectives, policies and processes for measuring and managing these risks and the Group's management of capital.

The Group's financial instruments consist primarily of cash and cash equivalents, derivatives, loans receivable, trade and other receivables and payables and interest-bearing liabilities. In the normal course of business, the Group is exposed to credit, liquidity and market risk. In order to manage certain of these risks, the Group may enter into transactions which make use of derivatives. These include forward exchange contracts, options and commodity futures and options. A separate committee is used to manage the risks and the hedging activities of the Group. The Group does not speculate in derivative instruments. Certain of the Group's forward exchange contracts qualify as designated hedges for accounting purposes. Their fair values are disclosed in note 9.

The Board has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Risk Committee which is responsible for developing and monitoring the Group's risk management policies. The Risk Committee reports regularly to the Board on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training, management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and *ad hoc* reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk primarily relates to trade and other receivables, loans receivable, cash and cash equivalents and derivative financial instruments.

The Group's exposure to credit risk with regards to trade and other receivables is influenced mainly by the individual characteristics of each customer and there is no significant concentration of risk related to industry segments. The granting of credit is controlled by well-established criteria that are reviewed on a regular basis. The terms granted to trade debtors are determined by the respective credit policies of each operating subsidiary. The maximum exposure to credit risk at the reporting date is the carrying amount of each trade receivable (refer to note 8) and amounts guaranteed as disclosed in this note.

In the current year, 88,3% (2016: 67,7%) of the Group's unimpaired trade debtors have been covered by credit insurance. Logistics segment debtors in excess of R75 000 are selected for insurance cover with Lombard Insurance which covered 98,0% of their trade debtors in the current financial year (2016: 79,0%). Sugar & Milling segment trade debtors are covered by Lombard Insurance on all debtors balances in excess of R300 000 for Sugar; R500 000 for EPOL and R75 000 for Millbake which covered 55,9% of their debtors in the current financial year (2016: 27,0%). Consumer segment trade debtors represent large retail customers assessed as being a low risk of default. Consumer segment trade debtors are managed by the Logistics segment and subject to the covers that Logistics has in place. Credit insurance premiums are paid on a monthly basis based on net invoiced sales. The credit policy requires each new customer to be analysed individually for creditworthiness before delivery and payment terms are offered. The Group's review includes external ratings where available and in some cases bank references. Limits are established for each customer which represents the maximum trading amount without requiring further approval. These limits are reviewed on an ongoing basis. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group on a cash basis. Customers that default on payments are closely monitored and put on "stop supply" if required.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

	2017 R'000	2016 R'000
27. FINANCIAL RISK MANAGEMENT (continued)		
Past due receivables, not impaired, relate to a number of independent customers for whom there is no recent history of default. The ageing relating to these trade receivables is as follows:		
30 to 90 days*	**333 177**	368 795
Over 90 days*	**23 368**	23 524
Total	**356 545**	392 319
The individually impaired receivables relate mainly to customers in unexpected difficult economic situations. The ageing of these receivables is as follows:		
30 to 90 days*	**(10)**	(4 995)
Over 90 days*	**(39 990)**	(54 238)
Total	**(40 000)**	(59 233)
*Represents days exceeding credit terms for each operating subsidiary		
The credit quality of trade debtors that are neither past due nor impaired, is as follows:		
External customers (history of six months +) – no past defaults	**2 404 037**	2 500 625
External customers (history of six months +) – with past defaults	**20 182**	21 179
New customers (history of less than six months)	**9 144**	11 007
Total	**2 433 363**	2 532 811
Other receivables consist primarily of VAT receivable and amounts due in respect of certain distribution contracts in the Logisitcs segment. The risk of default on the distribution contracts is considered low as the counterparties represent large, well established trading companies within South Africa. The prior year included consideration receivable relating to the disposal of the Zambian investment which was received in the current financial year.		
The credit risk surrounding short-term loans receivable is assessed as low as the loans were granted to a 50% joint venture of the Group, whilst appropriate securities are in place over the long-term loan receivable.		
The Group deposits cash surpluses with financial institutions of high quality and standing. The table below shows the cash and cash equivalents allocated in terms of bank rating. These ratings are based on Moody's bank ratings.		
Rating		
A3		13 998
Baa2		726 267
Baa3	**953 280**	1 949
(P)Baa3	**102 569**	
Rating not available**		1 455
Cash on hand	**811**	970
Total	**1 056 660**	744 639
**This related to cash balances with Menara Standard Chartered Bank and Barclays Bank Mozambique for which ratings were not available on Moody's.		
The balances held with these banks at June were as follows:		
Menara Standard Chartered Bank		747
Barclays Bank Mozambique		708
Total		1 455

Derivative instruments are limited to transactions with financial institutions with an acceptable credit rating.

27. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

The Group actively monitors its cash flows to ensure there is sufficient cash available to meet its working capital requirements. Its unutilised borrowing capacity is R2 148,0 million (2016: R766,3 million). Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining availability under committed credit lines. Management monitors rolling forecasts of the Group's cash and cash equivalents on the basis of expected cash flow.

The Group's derivative financial liabilities, and current trade and other payables are all due within one year and the impact of discounting them is not significant.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	Carrying value R'000	Less than one year R'000	One to two years R'000	Two to three years R'000	Greater than three years R'000	Total R'000
2017						
Interest-bearing liabilities – current	**226 383**	**257 267**				**257 267**
Interest-bearing liabilities – non-current	**3 078 822**	**347 998**	**1 528 900**	**1 881 108**	**58 796**	**3 816 802**
Bank overdraft	**2 878**	**2 878**				**2 878**
Trade and other payables	**4 014 038**	**4 014 038**				**4 014 038**
Derivative financial liabilities	**12 995**	**12 995**				**12 995**
Total	**7 335 116**	**4 635 176**	**1 528 900**	**1 881 108**	**58 796**	**8 103 980**
2016						
Interest-bearing liabilities – current	112 402	126 413				126 413
Interest-bearing liabilities – non-current	3 598 846	282 324	2 096 504	1 881 965	310 230	4 571 023
Bank overdraft	381 439	381 439				381 439
Trade and other payables	4 143 969	4 143 969				4 143 969
Derivative financial liabilities	38 828	38 828				38 828
Total	8 275 484	4 972 973	2 096 504	1 881 965	310 230	9 261 672

27. FINANCIAL RISK MANAGEMENT (continued)

Market risk

Interest rate risk

The Group is exposed to interest rate risk on its cash and cash equivalents, loans receivable and interest-bearing liabilities, which can have an impact on the cash flows of these instruments. The exposure to interest rate risk is managed through the Group's Board as well as the respective subsidiary companies by using counterparties that offer the best rates which enables the Group to maximise returns whilst minimising risk. The effective interest rate excluding the impact of foreign exchange revaluations for the year was 8,92% (2016: 8,76%).

The impact of a 3,0% increase in interest rates based on balances at year end which are subject to variable interest rates would result in an additional net finance cost of R51,9 million for the forthcoming financial year (2016: R76,4 million).

In response to interest rate risk on the variable rate portion of the term-funded debt, the Group has entered into an interest rate collar to hedge R1,5 billion of the debt package. 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 is effective for the period 25 February 2017 to 25 February 2019. The fair value of the collar is included in note 9 to the consolidated financial statements.

A 3,0% increase in interest rates will result in a R38,1 million increase in profit before tax (2016: R61,1 million), and a 3,0% decrease in interest rates will result in a R50,4 million decrease in profit before tax for the year (2016: R58,5 million) resulting from fair value movements in the collar derivative.

Foreign currency risk

In the normal course of business the Group enters into transactions denominated in foreign currencies. Trade and other payables include net payables of R14,1 million (2016: R45,4 million), trade and other receivables include net receivables of R23,2 million (2016: R348,1 million) in respect of sales and purchases in foreign currencies and cash and cash equivalents include cash balances of R19,4 million (2016: R46,5 million) relating to cash denominated in foreign currency. The currencies predominantly traded in by the Group are USD, GBP, Namibian dollar and EUR. As a result, the Group is subject to exposure from fluctuations in foreign currency exchange rates. The Group utilises forward exchange contracts, futures and currency options to minimise foreign currency exchange risk in terms of its risk management policy. All forward exchange contracts, futures and currency options are supported by underlying transactions.

Forward exchange contracts, futures and currency options that do not constitute designated hedges of currency risk at the end of the year are summarised as follows:

June 2017	Average rate R	Foreign contract amount '000	Fair value of FEC's R'000
USD FECs – assets*	**13,45**	**1 450**	
USD Futures – assets*	**13,30**	**15 437**	
EUR Futures – assets*	**15,17**	**292**	
June 2016			
USD FECs – assets*	15,05	82 854	9
GBP FECs – liability*	19,86	740	2 212
USD currency options – assets*		16 000	
USD currency options – liabilities*		(16 000)	

* *Certain of these contracts and options have a zero fair value at year-end as they are settled daily on Yield-X.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

27. FINANCIAL RISK MANAGEMENT (continued)

Foreign currency risk (continued)

Forward exchange contracts that constitute designated hedges of currency risk at the end of the year are summarised as follows:

	Average rate R	Foreign contract amount '000	Fair value of FEC's R'000
June 2017			
Forward contracts to buy foreign currency			
USD FECs – liabilities	**13,03**	**2 399**	**(394)**
Forward contracts to sell foreign currency			
USD FECs – liabilities	**13,35**	**2 100**	**(299)**
USD FECs – assets	**13,51**	**4 800**	**1 339**
June 2016			
Forward contracts to buy foreign currency			
EUR FECs – liabilities	16,79	30	(12)
USD FECs – liabilities	15,22	161	(73)
Forward contracts to sell foreign currency			
USD FECs – assets	16,27	1 400	2 315

The notional principal amounts of the outstanding forward foreign exchange contracts (cash flow hedges) at June 2017 were R124,1 million (2016: R25,7 million). The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 12 months. Gains and losses on recognised cash flow hedges on forward foreign exchange contracts to hedge sugar sales are recognised in equity and are recognised in the income statement in the period during which the hedged forecast transaction affects the income statement and hedges relating to the purchase of consumables and property, plant and equipment are recorded as an adjustment to the related asset when the asset is recorded.

There was no ineffectiveness to be recorded from cash flow hedges (2016: Rnil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

27. FINANCIAL RISK MANAGEMENT (continued)

Foreign currency risk (continued)

Refer to the following table for sensitivity of future (post-tax) income statement impacts arising on the maturity of currency option contracts, forward exchange contracts, trade payables, trade receivables and cash and cash equivalents:

Profit/(loss) as a result of a movement of the USD, GBP and EUR at June assuming the spot price remains constant thereafter until the maturity of the contracts and balances.

	2017 R'000	2016 R'000
Forward exchange contracts		
10% increase in the value of the USD against the rand	16 187	89 875
10% decrease in the value of the USD against the rand	(16 187)	(89 875)
10% increase in the value of the EUR against the rand	319	2
10% decrease in the value of the EUR against the rand	(319)	(2)
10% increase in the value of the GBP against the rand		1 058
10% decrease in the value of the GBP against the rand		(1 058)
Trade receivables		
10% increase in the value of the USD against the rand	21	31 932
10% decrease in the value of the USD against the rand	(21)	(31 932)
10% increase in the value of the GBP against the rand	513	
10% decrease in the value of the GBP against the rand	(513)	
Cash and cash equivalents		
10% increase in the value of the USD against the rand	510	1 553
10% decrease in the value of the USD against the rand	(510)	(1 553)
10% increase in the value of the GBP against the rand	1	(28)
10% decrease in the value of the GBP against the rand	(1)	28
10% increase in the value of the EUR against the rand	32	(2)
10% decrease in the value of the EUR against the rand	(32)	2
Maturity of trade payables (including options and short-term foreign loans receivable in the prior year)		
10% increase in the value of the USD against the rand	(57)	13 779
10% decrease in the value of the USD against the rand	57	(7 872)
10% increase in the value of the EUR against the rand	(39)	86
10% decrease in the value of the EUR against the rand	39	(86)
10% increase in the value of the GBP against the rand	(28)	(905)
10% decrease in the value of the GBP against the rand	28	905

No sensitivity has been performed for the Namibian dollar as the currency is pegged to the Rand.

Commodity price and procurement risk

Commodity price risk arises from the risk of an adverse effect on current or future earnings from fluctuations in the prices of commodities. To stabilise prices for the Group's substantial commodity requirements, derivative instruments including forward contracts, commodity options and futures contracts are used to hedge its exposure to commodity price risk.

The overriding directive is to procure commodities at the lowest cost to meet forecast requirements, both internally and for external sales. Call and put options are utilised within this framework to manage commodity requirements and supply. The use of written options is restricted to the hedging of existing long positions and is limited to put options.

The overall procurement strategy and net positions are reported monthly to the Board and the oversight committees. The oversight committees are responsible for the setting of the monthly company view with regard to future price movements. The daily trading by the procurement teams are restricted in terms of this company view, unless prior approval is obtained from the Procurement Committees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

27. FINANCIAL RISK MANAGEMENT (continued)

Commodity price and procurement risk (continued)

Wheat, sunflower, maize and soya*

Refer to the table below for sensitivity of future (post-tax) income statement impact arising on the maturity of wheat, sunflower, maize, soya oil, diesel and soya derivative contracts:

Profit/(loss) as a result of a movement in the spot price of the underlying commodity at June and assuming the spot price remains constant thereafter until the maturity of the contracts.

	2017 R'000
Sunflower seeds – 10% increase	15 894
Sunflower seeds – 10% decrease	(15 894)
Maize – 15% increase	25 206
Maize – 15% decrease	(25 206)
Soya oil – 15% increase	741
Soya oil – 15% decrease	(741)
Soya – 15% increase	33 297
Soya – 15% decrease	(26 750)

Percentages used in the sensitivity analysis are based on the average movement of the commodity during the year, thus different percentages have been used to the prior year.

	2016 R'000
Wheat – 5% increase	1 692
Wheat – 5% decrease	(1 678)
Sunflower seeds – 5% increase	10 301
Sunflower seeds – 5% decrease	(10 301)
Maize – 5% increase	16 745
Maize – 5% decrease	(14 826)
Soya oil – 15% increase	9 942
Soya oil – 15% decrease	(5 374)
Diesel – 15% Increase	640
Diesel – 15% decrease	(423)
Soya – 15% increase	85 477
Soya – 15% decrease	(28 492)

* *Certain of these contracts and options have a zero fair value at year-end as they are settled daily on SAFEX.*

RCL FOODS Consumer Proprietary Limited has entered into contract grower agreements with various counterparties to procure broiler chickens for the forthcoming financial year.

Fees payable to the contract growers are accrued for based on the stage of completion of the broiler cycle at year-end.

The commitment value as at June 2017 was R9,9 million (2016: R10,0 million).

Embedded derivative

The Group has a lease contract with the Matsamo Communal Property Association which contains a fixed to variable rental swap. Accordingly the Group has separated the embedded derivative from a host lease contract and recognised a financial liability of R8,8 million at June 2017 (2016: R6,7 million).

Capital risk management

The Board's policy is to maintain a strong capital base so as to maintain shareholder, creditor and market confidence and to sustain the future development needs of the business. The Board monitors both the spread of shareholders return on equity (which is defined as profit for the year expressed as a percentage of average total equity) and the level of dividends paid to shareholders.

The Group's target is to achieve a return on shareholders' equity in excess of 15,0%. In 2017 the return was 5,0% (2016: 1,8%).

There were no changes to the Group's approach to capital management during the year.

27. FINANCIAL RISK MANAGEMENT (continued)

Fair value estimation

IFRS 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at June.

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
June 2017				
Assets				
Breeding stock – chicken			273 264	273 264
Broiler stock – chicken			192 132	192 132
Banana fruit			6 878	6 878
Sugarcane plants			319 195	319 195
Derivatives		1 339		1 339
Assets held-for-sale (refer to note 10)			88 685	88 685
Total assets		1 339	880 154	881 493
Liabilities				
Derivatives		12 995		12 995
Total liabilities		12 995		12 995
June 2016				
Assets				
Breeding stock – chicken			348 983	348 983
Broiler stock – chicken			262 776	262 776
Banana Fruit			3 704	3 704
Sugarcane plants			352 695	352 695
Derivatives		8 036		8 036
Total assets		8 036	968 158	976 194
Liabilities				
Derivatives		38 828		38 828
Total liabilities		38 828		38 828

The fair value of trading derivatives is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.

Specific valuation techniques used to value the derivatives include:

- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the statement of financial position date with the resulting value discounted back to present value.
- The fair value of options are determined using appropriate option pricing models which take into account the volatility of the underlying instrument.
- The fair value of the diesel hedge is determined using valuation techniques applicable to a futures contract using the present value of the estimated future cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

27. FINANCIAL RISK MANAGEMENT (continued)

Fair value estimation (continued)

The following valuation techniques and significant inputs were used to measure the level 3 inputs. These techniques are consistent with those of the prior year.

Description	Fair Value at June 2017	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable input to fair value
Chicken stock	**465 396**	Replacement costs of the components of growing the stock	Eggs per hen	163 to 174 per hen	The higher the eggs per hen, the higher the fair value
			Cost of a day-old breeder bird	R58,08 to R66,33 per chick	The higher the cost per chick, the higher the fair value
			Mortality rates	2,9% to 7,8%	The higher the mortality,the lower the fair value
			Average live mass	1,51kg to 1,79kg per bird	The higher the average live mass, the higher the fair value
			Feed cost	R5 115 to R6 634 per ton	The higher the feed cost per ton, the higher the fair value
Banana fruit	**6 878**	Recoverable value	Fair value per ton less cost to sell*	R3 874 per ton	The higher the expected fair value per ton less costs to sell the higher the fair value
Sugarcane plants	**319 195**	Recoverable value	Recoverable value price per ton of sucrose less harvesting, transport and other costs to sell	R3 269 to R3 841 per ton	The higher the recoverable value less harvesting, transport and other costs to sell per ton of sucrose, the higher the fair value

Sensitivity analysis

A sensitivity analysis is shown for the significant unobservable inputs below:

Input	Sensitivity
Recoverable value price per ton – sugar cane plants	A change of 1,0% in recoverable value would result in a R4,3 million change in fair value (2016: R4,7 million).
Feed cost – chicken stock	A 5,0% change in feed cost would result in a R5,5 million (2016: R7,8 million) change in fair value.

* *During the current financial year the unobservable inputs for valuing banana fruit was changed. The methodology has been updated to a more appropriate basis for determining fair value.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

27. FINANCIAL RISK MANAGEMENT (continued)

Fair value estimation (continued)

Description	Fair Value at June 2016	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable input to fair value
Chicken stock	611 760	Replacement costs of the components of growing the stock	Eggs per hen	163 to 174 per hen	The higher the eggs per hen, the higher the fair value
			Cost of a day-old breeder bird	R55,22 to R61,29 per chick	The higher the cost per chick, the higher the fair value
			Mortality rates	4,5% to 5,6%	The higher the mortality, the lower the fair value
			Average live mass	1,48kg to 1,81kg per bird	The higher the average live mass, the higher the fair value
			Feed cost	R5 632 to R6 300 per ton	The higher the feed cost per ton, the higher the fair value
Banana fruit	3 704	Recoverable value	Expected earnings before interest and tax (EBIT)	R489 EBIT/ton sold	The higher the expected EBIT contribution the higher the fair value
Sugarcane plants	352 695	Recoverable value	Recoverable value price per ton of sucrose less harvesting, transport and other costs to sell	R3 703 to R4 167 per ton	The higher the recoverable value less harvesting, transport and other costs to sell per ton of sucrose, the higher the fair value

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

28. FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

Assets per the statement of financial position	Loans and receivables R'000	Assets at fair value through profit or loss R'000	Derivatives used for hedge accounting R'000	Total R'000
June 2017				
Trade and other receivables	**3 299 346**			**3 299 346**
Loans receivable	**18 755**			**18 755**
Derivative financial instruments			**1 339**	**1 339**
Cash and cash equivalents	**1 056 660**			**1 056 660**
At the end of the year	**4 374 761**		**1 339**	**4 376 100**
June 2016				
Trade and other receivables	3 709 903			3 709 903
Loans receivable	42 897			42 897
Derivative financial instruments		5 721	2 315	8 036
Cash and cash equivalents	744 639			744 639
At the end of the year	4 497 439	5 721	2 315	4 505 475

Liabilities per the statement of financial position	Other financial liabilities R'000	Liabilities at fair value through profit or loss R'000	Derivatives used for hedge accounting R'000	Total R'000
June 2017				
Interest-bearing liabilities – Long-term	**3 078 822**			**3 078 822**
Interest-bearing liabilities – Short-term	**226 383**			**226 383**
Bank overdraft	**2 878**			**2 878**
Derivative financial instruments		**12 302**	**693**	**12 995**
Trade and other payables	**4 014 087**			**4 014 087**
At the end of the year	**7 322 170**	**12 302**	**693**	**7 335 165**
June 2016				
Interest-bearing liabilities – Long-term	3 598 846			3 598 846
Interest-bearing liabilities – Short-term	112 402			112 402
Bank overdraft	381 439			381 439
Derivative financial instruments		38 743	85	38 828
Trade and other payables	4 152 969			4 152 969
At the end of the year	8 245 656	38 743	85	8 284 484

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

29. 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

As detailed in note 1 to the company financial statements on page 100, the company has concluded certain lending transactions with these related parties. In addition the following transactions were concluded:

	2017 R'000	2016 R'000
Transactions and balances with ultimate holding company		
Interest paid	16 336	13 237
Interest received		5
Administration and other fees paid	20 496	18 754
Amounts owing included in trade and other payables	103	7 160
Directors' fees	931	870
Purchases of property, plant and equipment	41 400	
Transactions and balances with associates of the holding company		
Bank charges paid	3 492	2 987
Bank balances included in cash and cash equivalents	220 277	125 192
Bank balances included in bank overdraft		178 700
Interest paid	95 490	100 717
Interest received	4 185	1 703
Amounts owing included in payables	16 586	13 468
Corporate finance transaction costs		5 400
Commitment, settlement and facility fees paid	2 677	18 635
Amounts owing included in short-term interest-bearing liabilities	497	947
Amounts owing included in long-term interest-bearing liabilities	954 000	1 126 000
Purchases	153 268	143 254
Sales	52	4
Transactions and balances with associates and joint ventures within the Group		
Interest paid	20 262	10 419
Interest received	9 533	1 948
Management fees received	1 366	1 289
Service fees received	2 382	3 326
Service fees paid	8 473	8 338
Dividends received	89 093	68 595
Sales	4 206	9 476
Purchases	843 864	840 029
Amounts owing by associates and joint ventures within the Group included in receivables	1 132	63 033
Amounts owing to associates and joint ventures within the Group included in interest-bearing liabilities	157 683	119 839
Amounts owing to associates and joint ventures within the Group included in payables	86 428	87 040
Key management of RCL Foods Limited		
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.		
The following transactions were carried out with key management individuals within the Group:		
– short-term	434 022	384 074
– post-employment benefits	26 592	30 535
– termination benefits	2 477	2 235
– share-based payments	78 959	55 259
Total	542 050	472 103

30. DIRECTORS' EMOLUMENTS

	Basic Salary R'000	Pension contribution R'000	Bonus* R'000	Other benefits** R'000	Total R'000
2017					
M Dally	**7 954**	**569**	**3 114**	**182**	**11 819**
RH Field	**3 939**	**434**	**1 519**	**335**	**6 227**
Total	**11 893**	**1 003**	**4 633**	**517**	**18 046**
2016					
M Dally	7 241	571	8 310	272	16 394
RH Field	3 746	394	3 790	147	8 077
Total	10 987	965	12 100	419	24 471

* *Bonus payments in 2017 relate to the 2016 financial year.*
** *Other benefits include company contributions to disability insurance, medical aid and UIF.*

	2017 R'000	2016 R'000
Non-executives (for services as a director)		
Present directors		
HJ Carse***	**282**	263
JJ Durand***	**368**	344
PR Louw***	**282**	263
NP Mageza	**538**	502
DTV Msibi	**400**	373
MM Nhlanhla	**342**	319
RV Smither	**690**	643
GM Steyn	**455**	424
GC Zondi****	**638**	594
Total	**3 995**	3 725

*** *Paid to Remgro Management Services Limited*
**** *Paid to Imbewu Capital Partners Consulting Proprietary Limited*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30. 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 2017 are as follows:

	Award price post rights issue Rand	Rights at June 2016	Rights awarded during the year	Rights exercised during the year	Rights forfeited during the year	Rights at June 2017	Grant date fair value of rights awarded during the year* 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		714 572	
	13,20	768 117				768 117		506 957	
	16,54	1 240 943				1 240 943		409 511	
	15,93	1 014 820				1 014 820			
	15,92	540 869				540 869			
	14,05		1 962 930			1 962 930	6 007		
Subtotal		6 117 522	1 962 930	(1 208 330)	(629 871)	6 242 251	6 007	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		364 999	
	13,20	374 505				374 505		247 173	
	16,54	621 765				621 765		205 182	
	15,93	559 397				559 397			
	15,92	319 448				319 448			
	14,05		1 087 325			1 087 325	3 327		
Subtotal		3 099 434	1 087 325	(859 320)		3 327 439	3 327	817 354	957
Total		9 216 956	3 050 255	(2 067 650)	(629 871)	9 569 690	9 334	2 448 394	1 977

* *Grant date fair value of rights awarded represents the total fair value of rights awarded during the year. This cost will be expensed over the right's vesting period.*

30. DIRECTORS' EMOLUMENTS (continued)

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

Share appreciation rights awarded to executive directors and unexpired or unexercised as at June 2016 are as follows:

	Award price post rights issue Rand	Rights at June 2015	Rights awarded during the year	Rights at June 2016	Grant date fair value of rights awarded during the year* R'000	Rights exercisable at June 2016
M Dally	14,27	908 945		908 945		908 945
	14,73	929 256		929 256		929 256
	16,45	714 572		714 572		714 572
	13,20	768 117		768 117		253 478
	16,54	1 240 943		1 240 943		
	15,93	1 014 820		1 014 820		
	15,92		540 869	540 869	1 698	
Subtotal		5 576 653	540 869	6 117 522	1 698	2 806 251
RH Field	14,27	427 702		427 702		427 702
	14,73	431 618		431 618		431 618
	16,45	364 999		364 999		364 999
	13,20	374 505		374 505		123 586
	16,54	621 765		621 765		
	15,93	559 397		559 397		
	15,92		319 448	319 448	1 003	
Subtotal		2 779 986	319 448	3 099 434	1 003	1 347 905
Total		8 356 639	860 317	9 216 956	2 701	4 154 156

* *Grant date fair value of rights awarded represents the total fair value of rights awarded during the prior year. This cost will be expensed over the right's vesting period.*

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

June 2017	Conditional shares at June 2016	Conditional shares awarded during the year	**Conditional shares at June 2017**
M Dally	865 422	3 620 565	**4 485 987**
RH Field	649 067	1 448 226	**2 097 293**
Total	1 514 489	5 068 791	**6 583 280**

30. DIRECTORS' EMOLUMENTS (continued)

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

June 2016	Conditional shares at June 2015	Conditional shares awarded during the year	Conditional shares during the year	Conditional shares at June 2016	Gain on conditional shares exercised during the year June 2016
M Dally	675 547	865 422	(675 547)	865 422	9 390
RH Field	340 124	649 067	(340 124)	649 067	4 728
Total	1 015 671	1 514 489	(1 015 671)	1 514 489	14 118

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

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

	2017		2016	
Executive directors	**Direct beneficial**	**Indirect beneficial**	Direct beneficial	Indirect beneficial
M Dally	**1 212 372**		1 201 753	
RH Field	**511 971**		450 000	
Non-executive directors				
NP Mageza		**386**		386
MM Nhlanhla*		**229 559**		229 559
GC Zondi*		**2 932 004**		4 251 093
Total	**1 724 343**	**3 161 949**	1 651 753	4 481 038

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

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

The above interests of directors represents the aggregate interests of directors. No interest is held by a director's associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30. 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 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
Independent non-executive					
NP Mageza	455				455
Subtotal	455				455
Total	776	14 877	3 014	941	19 608
June 2016					
Executive					
HJ Carse		1 840	365	244	2 449
JJ Durand	300	9 815	2 006	322	12 443
PR Louw		1 720	355	265	2 340
Subtotal	300	13 375	2 726	831	17 232
Independent non-executive					
NP Mageza	400				400
Subtotal	400				400
Total	700	13 375	2 726	831	17 632

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30. DIRECTORS' EMOLUMENTS (continued)

Variable pay – long-term incentive plans

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	Grant date fair value of SARs granted during the period R'000
Executive						
HJ Carse	18 062			92,83	18 062	
	7 546			142,04	7 546	
	11 767			185,07	11 767	
	17 775			245,53	17 775	
	8 273			262,77	8 273	
		9 988	2016/12/01	209,11	9 988	699
JJ Durand	157 262			92,83	157 262	
	271 258			142,04	271 258	
	93 128			185,07	93 128	
	108 468			245,53	108 468	
	192 676			262,77	192 676	
		150 872	2016/12/01	209,11	150 872	10 553
PR Louw	27 432			92,83	27 432	
	22 646			142,04	22 646	
	12 944			185,07	12 944	
	5 952			245,53	5 952	
	9 497			262,77	9 497	
		91 120	2016/12/01	209,11	91 120	6 374
Total	964 686	251 980			1 216 666	17 626

30. DIRECTORS' EMOLUMENTS (continued)

Remgro Equity Settled Share Appreciation Right Scheme (SARs) – 2016

Participant	Balance of SARs accepted as at June 2015	SARs accepted during the period	Offer date	Offer price Rand	Number of SARs exercised	Date exercising SARs	Share price on exercise date	Increase in value R'000*	Balance of SARs accepted as at June 2016	Grant date fair value of SARs granted during the period R'000
Executive										
HJ Carse	28 062			97,55	(10 000)	2016/03/11	279,00	1 815	18 062	
	7 546			147,25					7 546	
	11 767			191,70					11 767	
	17 775			253,53					17 775	
		8 273	24/11/2016	272,00					8 273	669
JJ Durand	157 262			97,55					157 262	
	271 258			147,25					271 258	
	93 128			191,70					93 128	
	108 468			253,53					108 468	
		192 676	24/11/2016	272,00					192 676	15 591
PR Louw	8 998			65,50	(8 998)	2016/10/26	278,58	1 917		
	27 432			97,55					27 432	
	22 646			147,25					22 646	
	12 944			191,70					12 944	
	5 952			253,53					5 952	
		9 497	24/11/2016	272,00					9 497	768
Total	773 238	210 446			(18 998)			3 732	964 686	17 028

* *Refers to the increase in value of the SAR's Scheme shares from the offer date to the date of payment of delivery.*

31. BEE TRANSACTION

On 16 January 2014, shareholders approved a new Broad-based Black Economic Empowerment (BEE) transaction. The participants in the BEE transaction are the Imbewu Consortium, Ikamva Labantu Empowerment Trust (a Corporate and Social Investment Community Trust), the RCL Employee Share Trust, Mrs MM Nhlanhla a non-executive director of RCL Foods Limited (RCL), Malongoana Investments (RF) Proprietary Limited, MTM Family Trust and Nakedi Mathews Phosa (collectively the BEE partners).

Details of the transaction

In terms of the transaction, three separate issues of shares occurred.

In terms of the first issue, the RCL Employee Share Trust and a special purpose vehicle, Business Venture Investments No 1763 (RF) Proprietary Limited (BVI 1763), acquired 13 962 863 and 5 984 084 shares for R241,8 million and R103,6 million respectively in RCL FOODS. The purchase price was settled by BVI 1763 and Business Venture Investments No 1762 (RF) Proprietary Limited (BVI 1762), a separate special purpose vehicle, issuing variable rate (prime) cumulative redeemable preference shares in BVI 1762 and BVI 1763 to RCL.

Ordinary dividends paid to BVI 1762 and BVI 1763 will be applied to reduce the outstanding preference shares dividends and the outstanding redemption amount.

In terms of the second issue, the RCL Employee Share Trust and BVI 1763, acquired 30 718 299 and 13 164 985 shares in RCL for R0,01 respectively in terms of a notional vendor financing (NVF) mechanism. The NVF facilitation was based on a share price of R17,32 per share, increasing at a variable rate (prime).

In terms of the third issue, a special purpose vehicle Malongoana Investments (RF) Proprietary Limited, owned by the MTM Family Trust, acquired 6 928 406 shares in RCL for R0,01 in terms of a NVF mechanism. The NVF facilitation was based on a share price of R17,32 per share, increasing at a variable rate (prime plus 1,0%).

The ordinary shares issued to BVI 1763, BVI 1762 and Malongoana Investments RF Proprietary Limited have been pledged in favour of RCL.

The terms of the first issue of ordinary shares and acquisition of the preference shares are deemed for accounting purposes to constitute the issuance of an option in RCL shares granted to BVI 1763 and RCL Employee Share Trust, effective on 17 January 2014. Accordingly, the issuance of the shares and the subscription by RCL to the BVI 1763 and BVI 1762 preference shares, was not recognised.

The terms of the second and third issue of ordinary shares are deemed for accounting purposes to constitute the issuance of an option in RCL shares granted to BVI 1763 and RCL Employee Share Trust and Malongoana Investments RF Proprietary Limited, effective on 17 January 2014. Accordingly, the issuance of the shares was not recognised.

The options were accounted for in terms of IFRS 2. The options issued to the strategic equity partners were expensed in full in preceding financial years (R88,5 million) as these options were fully vested on grant date. The options issued to the RCL Employee Share Trust, resulted in a service condition vesting period of eight years from 17 January 2014.

		2017 R'000	2016 R'000
Total amount expensed related to the BEE scheme		17 600	17 600
The fair value of the options were determined on a Black-Scholes option pricing model. Expected volatility was calculated on an equally weighted basis based on the historical RCL Foods Limited share price data relating to the respective valuation dates.			
The following inputs to the model were used:			
Expected volatility	(%)	30,0	
Dividend yield	(%)	4,33	
Risk-free interest rate	(%)	4,8 to 8,22	
Vesting period	(years)	8	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

32. SUBSEQUENT EVENTS

No material change has taken place in the affairs of the Group between the end of the financial year and the date of this report.

33. INTEREST IN SUBSIDIARIES

The Group has the following subsidiaries at June 2017:

Name	Country of incorporation and place of business	Nature of business	Proportion of ordinary shares directly held by parent %	Proportion of ordinary shares directly held by the Group %	Proportion of ordinary shares directly held by non-controlling interest %
Rainbow Farms Investments	South Africa	Investment holding	100		
RCL FOODS Consumer	South Africa	Food producer and manufacturer	100		
Vector Logistics	South Africa	Logistics provider	100		
Farmer Brown	South Africa	Dormant	100		
RCL FOODS Sugar & Milling	South Africa	Sugar, animal feed and baking operations supported by a milling division	100		
RCL FOODS Treasury	South Africa	Treasury company	100		
RCL Group Services	South Africa	Shared services company for the RCL Foods Limited Group	100		
Epol	South Africa	Dormant	100		
Capitau Investment Management	South Africa	Dormant	100		
Indirectly owned					
Vector Logistics (Namibia)	South Africa	Logistics provider		100	
Rainbow Chicken Foods	South Africa	Dormant		100	
New Foodcorp Holdings	South Africa	Dormant		100	
Astoria Bakery	Lesotho	Dormant		100	
Foodcorp Consumer Brands	South Africa	Dormant		100	
Foodcorp	South Africa	Food producer and manufacturer		100	
Mkhuhlu Bakery	South Africa	Dormant		100	
NIB 5 Share Block	South Africa	Dormant		100	
NIB 6 Share Block	South Africa	Dormant		100	
TSB Sugar International	South Africa	International investments		100	
Selati Sugar	South Africa	Dormant		100	
Makhalempongo Chicken	South Africa	Chicken grower			100
Fieldsend Farming	South Africa	Chicken grower			100
Valleychicks	South Africa	Chicken grower			100
Quality Sugars	South Africa	Marketing		75	25
TSB Sugar Mozambique	South Africa	Green Field Sugar Mill Feasibility Project		100	
Sivunosetfu	South Africa	Farming		50	50
Libuyile Farming Services	South Africa	Farming		50	50
Mgubho Farming Services	South Africa	Farming		50	50

During the current financial year the Group's interests in Booker Tate Holdings, Booker Tate, Booker Tate (Overseas), Booker Tate Services and PT Booker Tate Indonesia PMA were disposed of. The resulting gain on the disposal was R4,5 million.

33. INTEREST IN SUBSIDIARIES (continued)

The disposal of the subsidiaries has not been separately disclosed as the carrying values of the assets and liabilities disposed of are not considered material. Assets and liabilities disposed of are included as part of the relevant notes and reconciliations, where applicable.

Contract growers

The Group has entered into contractual funding arrangements with certain contract growers. The Group has a 0% equity interest and no voting rights in these entities.

As the Group may step in in the event of non-payments by the contract growers to the providers of funding, the contractual agreements effectively provide the Group with rights to direct the relevant activities of certain of these entities, which results in the Group having effective control over these contract growers for as long as the growers loan balance is outstanding. As a result, three contract growers have been consolidated.

The Group is contractually obligated to ensure that the above growers remain operational for as long as the loan balance is outstanding.

	2017 R'000	2016 R'000
Outstanding loan balance as at June	49 311	55 169

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held.

The non-controlling interests relating to the contract growers is not considered material and hence no additional disclosures were deemed necessary.

Non-controlling interests

	Statement of financial position 2017 R'000	Income statement (share of profit/(loss)) 2017 R'000	Statement of financial position* 2016 R'000	Income statement (share of profit/(loss))* 2016 R'000
Quality Sugars Proprietary Limited	8 460	3 083	6 444	2 133
Sivunosetfu Proprietary Limited	4 545	(16 402)	20 947	2 604
Libuyile Farming Services Proprietary Limited	15 666	(13 086)	28 753	(11 636)
Mgubho Farming Services Proprietary Limited	9 264	(12 946)	22 211	7 517

* *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. Refer to note 34 for further details.*

Significant restrictions

There are no significant restrictions regarding the use of assets or on the ability to settle liabilities in the subsidiaries.

Set out on pages 92 to 94 are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. This summarised information is before inter-company eliminations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

33. INTEREST IN SUBSIDIARIES (continued)

Summarised statement of financial position

As at June 2017	Current Assets R'000	Current Liabilities R'000	Total current net assets R'000	Non-current Assets R'000	Non-current Liabilities R'000	Total non-current net assets R'000	Net assets R'000
Quality Sugars Proprietary Limited	595 917	(566 410)	29 507	4 961	(622)	4 339	33 846
Sivunosetfu Proprietary Limited	88 893	(134 386)	(45 493)	65 296	(10 714)	54 582	9 089
Libuyile Farming Services Proprietary Limited	144 617	(190 497)	(45 880)	113 169	(35 956)	77 213	31 333
Mgubho Farming Services Proprietary Limited	102 162	(145 665)	(43 503)	70 347	(8 315)	62 032	18 529
Total	931 589	(1 036 958)	(105 369)	253 773	(55 607)	198 166	92 797

As at June 2016*	Current Assets R'000	Current Liabilities R'000	Total current net assets R'000	Non-current Assets R'000	Non-current Liabilities R'000	Total non-current net assets R'000	Net assets R'000
Quality Sugars Proprietary Limited	628 887	(609 236)	19 651	7 131	(1 004)	6 127	25 778
Massingir Agro Industrial Lda	709	(43 833)	(43 124)				(43 124)
Sivunosetfu Proprietary Limited	113 269	(96 415)	16 854	60 530	(35 490)	25 040	41 894
Libuyile Farming Services Proprietary Limited	124 404	(105 505)	18 899	89 856	(51 249)	38 607	57 506
Mgubho Farming Services Proprietary Limited	127 991	(121 054)	6 937	62 550	(25 066)	37 484	44 421
	995 260	(976 043)	19 217	220 067	(112 809)	107 258	126 475

* *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. Refer to note 34 for further details..*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

33. INTEREST IN SUBSIDIARIES (continued)

Summarised statement of comprehensive income

For the year ended June 2017

	Quality Sugars Proprietary Limited R'000	Sivunosetfu Proprietary Limited R'000	Libuyile Farming Services Proprietary Limited R'000	Mgubho Farming Services Proprietary Limited R'000	Total R'000
Revenue	186 590	133 829	155 575	142 316	618 310
Profit/(loss) before tax	16 511	(46 689)	(37 690)	(36 814)	(104 682)
Income tax (expense)/income	(4 177)	13 885	11 518	10 922	32 148
Profit/(loss) after tax for the year	12 334	(32 804)	(26 172)	(25 892)	(72 534)
Other comprehensive income					
Total comprehensive income	12 334	(32 804)	(26 172)	(25 892)	(72 534)
Total comprehensive income allocated to non-controlling interests	3 083	(16 402)	(13 086)	(12 946)	(39 351)
Dividends paid to non-controlling interest	1 068				1 068

For the year ended June 2016*

	Massingir Agro Industrial Lda R'000	Quality Sugars Proprietary Limited R'000	Sivunosetfu Proprietary Limited R'000	Libuyile Farming Services Proprietary Limited R'000	Mgubho Farming Services Proprietary Limited R'000	Total R'000
Revenue	130	142 499	122 591	199 842	135 565	600 627
Profit/(loss) before tax	(8 909)	11 747	7 044	(32 362)	20 955	(1 525)
Income tax (expense)/income		(3 293)	(2 060)	9 095	(5 918)	(2 176)
Profit/(loss) after tax for the year	(8 909)	8 454	4 984	(23 267)	15 037	(3 701)
Other comprehensive income		78	223	(4)	(3)	294
Total comprehensive income	(8 909)	8 532	5 207	(23 271)	15 034	(3 407)
Total comprehensive income allocated to non-controlling interests		2 133	2 604	(11 636)	7 517	618
Dividends paid to non-controlling interest		999				999

* *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. Refer to note 34 for further details.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

33. INTEREST IN SUBSIDIARIES (continued)

Summarised cash flows

June 2017

	Quality Sugars Proprietary Limited R'000	Sivunosetfu Proprietary Limited R'000	Libuyile Farming Services Proprietary Limited R'000	Mgubho Farming Services Proprietary Limited R'000	Total R'000
Cash (utilised)/generated from operations	(42 482)	10 269	(27 641)	15 268	(44 586)
Interest paid	(132)	(9 004)	(10 136)	(11 216)	(30 488)
Income tax paid	(3 230)				(3 230)
Net cash (utilised)/generated from operating activities	(45 844)	1 265	(37 777)	4 052	(78 304)
Net cash generated/(utilised) in investing activities	45 961	(19 654)	(41 750)	(23 234)	(38 677)
Net cash generated in financing activities		18 430	79 395	19 191	117 016
Net increase/(decrease) in cash and cash equivalents	**117**	**41**	**(132)**	**9**	**35**

June 2016*

	Massingir Agro Industrial Lda R'000	Quality Sugars Proprietary Limited R'000	Sivunosetfu Proprietary Limited R'000	Libuyile Farming Services Proprietary Limited R'000	Mgubho Farming Services Proprietary Limited R'000	Total R'000
Cash generated/(utilised) from operations	217	22 565	6 064	(18 866)	(11 572)	(1 592)
Interest paid		(35)	(8 120)	(8 035)	(9 495)	(25 685)
Income tax paid		(3 151)				(3 151)
Net cash generated/(utilised) from operating activities	217	19 379	(2 056)	(26 901)	(21 067)	(30 428)
Net cash utilised in investing activities	(3 302)	(19 069)	(4 906)	(9 955)	(5 101)	(42 333)
Net cash utilised in financing activities	(5 726)	1 285	6 982	37 054	26 211	65 806
Net increase/(decrease) in cash and cash equivalents	(8 811)	1 595	20	198	43	(6 955)

* *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. Refer to note 34 for further details.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

34. CHANGE IN ACCOUNTING POLICY – BEARER PLANTS

Amendments issued by the IASB, effective 1 July 2016, to IAS 16 "Property, plant and equipment" and IAS 41 "Agriculture" regarding bearer plants were adopted during the year.

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.

Previously sugarcane roots and sugarcane plants were disclosed under the heading of Biological Assets and classified as non-current assets in the statement of financial position. Sugarcane plants are now disclosed under current assets.

The below restatements have been applied as from the effective date of the amendments and relate to the Sugar & Milling segment.

	As previously reported 2016 R'000	Effect of restatement 2016 R'000	Restated balance 2016 R'000
Impact on consolidated statement of comprehensive income			
Operating profit before depreciation, amortisation and impairment (EBITDA)	1 766 500	(4 113)	1 762 387
Depreciation, amortisation and impairment	(1 388 287)	(56 935)	(1 445 222)
Operating profit	378 213	(61 048)	317 165
Profit before tax	160 703	(61 048)	99 655
Income tax credit	65 892	17 094	82 986
Profit for the year	226 595	(43 954)	182 641
Impact on consolidated statement of financial position			
Property, plant and equipment	5 696 096	207 470	5 903 566
Biological assets – non-current	624 917	(624 917)	
Biological assets – current	611 760	356 399	968 159
Retained earnings	1 432 329	(28 827)	1 403 502
Non-controlling interest	93 529	(15 127)	78 402
Deferred income tax liabilities	1 370 009	(17 094)	1 352 915
Impact on consolidated statement of cash flows			
Replacement property, plant and equipment	(451 716)	(21 967)	(473 683)
Impact on notes to the consolidated statement of cash flows			
Operating profit	378 213	(61 048)	317 165
Depreciation, amortisation and impairment	1 388 287	56 935	1 445 222
(Profit)/loss on disposal of property, plant and equipment and intangible assets	(16 469)	26 163	9 694
Fair value adjustment in biological assets	(421 455)	9 355	(412 100)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

34. CHANGE IN ACCOUNTING POLICY – BEARER PLANTS (continued)

	As previously reported 2016 R'000	Effect of restatement 2016 R'000	Restated balance 2016 R'000
Impact on notes to the consolidated financial statements			
Property, plant and equipment			
Bearer plants at cost		264 405	264 405
Bearer plants accumulated depreciation		56 935	56 935
Biological assets			
Included in non-current assets	624 917	(624 917)	
Included in current assets	611 760	356 399	968 159
Deferred income tax			
(Credit)/charge for the year – income statement	(64 659)	(17 094)	(81 753)
Operating profit			
Cost of sales	(19 303 628)	(73 660)	(19 377 288)
Other income	824 771	12 612	837 383
Fair value adjustment on biological assets	421 455	(9 355)	412 100
Loss on disposal of property, plant and equipment	13 965	26 163	40 128
Income tax expense			
Deferred tax – South African	(75 549)	(17 094)	(92 643)
Earnings and headline earnings per share			
Profit attributable to equity holders of the company	210 849	(28 827)	182 022
Loss on disposal of biological assets	9 438	(9 438)	
Profit/(loss) on disposal of property, plant and equipment (Gross)	(8 990)	26 163	17 173
Earnings per share			
– basic	24,4	(3,3)	21,1
– diluted	24,4	(3,4)	21,0
Headline earnings per share			
– basic	98,5	(2,0)	96,5
– diluted	98,2	(1,9)	96,3

	As previously reported 2015 R'000	Effect of restatement 2015 R'000	Restated balance 2015 R'000
Impact on consolidated statement of financial position			
Property, plant and equipment	5 193 089	268 601	5 461 690
Biological Assets – non-current	549 608	(549 608)	
Biological Assets – current	548 525	281 007	829 532

COMPANY STATEMENT OF FINANCIAL POSITION

as at

	Note	2 July 2017 R'000	30 June 2017 R'000
ASSETS			
Non-current assets			
Investment in subsidiaries	1	**4 752 793**	4 735 193
Loan to Group companies	1	**4 507 270**	4 479 928
		9 260 063	9 215 121
Current assets			
Cash and cash equivalents		**2 688**	2 700
		2 688	2 700
Total assets		**9 262 751**	9 217 821
EQUITY			
Stated capital	3	**10 041 690**	10 023 804
Share-based payments reserve		**294 939**	277 339
Accumulated loss		**(1 080 766)**	(1 095 094)
Total equity		**9 255 863**	9 206 049
LIABILITIES			
Current liabilities			
Trade and other payables		**6 888**	11 772
Total current liabilities		**6 888**	11 772
Total equity and liabilities		**9 262 751**	9 217 821

COMPANY STATEMENT OF COMPREHENSIVE INCOME

for the year ended June 2017

	Note	2017 R'000	2016 R'000
Profit/(loss) before tax	4	**230 407**	(1 813 672)
Profit/(loss) for the year		**230 407**	(1 813 672)
Total comprehensive income for the year		**230 407**	(1 813 672)

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended June 2017

	Stated capital R'000	Share-based payments reserve R'000	Accumulated Profit/(loss) R'000	Total R'000
Balance at 1 July 2015	9 992 815	259 739	1 037 670	11 290 224
Total comprehensive income for the year			(1 813 672)	(1 813 672)
Dividends paid			(319 092)	(319 092)
BEE share-based payments charge		17 600		17 600
Employee share option scheme:				
– proceeds from shares issued	30 989			30 989
Balance at 30 June 2016	10 023 804	277 339	(1 095 094)	9 206 049
Total comprehensive income for the year			**230 407**	**230 407**
Dividends paid			**(216 079)**	**(216 079)**
BEE share-based payments charge		**17 600**		**17 600**
Employee share option scheme:				
– proceeds from shares issued	**17 886**			**17 886**
Balance at 2 July 2017	**10 041 690**	**294 939**	**(1 080 766)**	**9 255 863**

COMPANY CASH FLOW STATEMENT

for the year ended June 2017

	Note	2017 R'000	2016 R'000
Cash flows from operating activities			
Cash utilised by operations	A	**(10 897)**	(17 421)
Movement in share-based payments reserve		**17 600**	17 600
Dividends received		**241 304**	600 000
Dividends paid		**(216 079)**	(319 092)
Movement in trade and other payables		**(4 884)**	3 875
Net cash inflow from operating activities		**27 044**	284 962
Cash flows from investing activities			
Additional investment in subsidiaries		**(17 600)**	(17 600)
Net movement in loans to Group companies		**(27 342)**	(268 546)
Net cash outflow from investing activities		**(44 942)**	(286 146)
Cash flows from financing activities			
Issue of shares		**17 886**	1 422
Net cash inflow from financing activities		**17 886**	1 422
Movement in cash and cash equivalents		**(12)**	238
Cash and cash equivalents at the beginning of the year		**2 700**	2 462
Cash and cash equivalents at the end of the year		**2 688**	2 700

NOTES TO THE COMPANY CASH FLOW STATEMENT

for the year ended June 2017

	2017 R'000	2016 R'000
A. CASH GENERATED BY OPERATIONS		
Profit/(loss) before tax	**230 407**	(1 813 672)
Adjusted for:		
Dividend income	**(241 304)**	(600 000)
Redemption of preference share receivable		1 195 919
Write-off of investment in Capitau Investment Management		493 085
Waiver of loan with New Foodcorp Holdings		707 247
	(10 897)	(17 421)

NOTES TO THE COMPANY FINANCIAL STATEMENTS

	Issued share capital		Effective holding	
	2017	2016	**2017**	2016
	R	R	**%**	%
1. INVESTMENT IN SUBSIDIARIES AND GROUP COMPANIES				
Directly owned				
Rainbow Farms Investments	**99 900**	99 900	**100**	100
RCL FOODS Consumer	**40 000**	40 000	**100**	100
Vector Logistics	**50**	50	**100**	100
Farmer Brown	**1**	1	**100**	100
RCL FOODS Sugar & Milling	**10**	10	**100**	100
RCL FOODS Treasury	**1**	1	**100**	100
RCL Group Services	**312**	312	**100**	100
Epol	**78 000**	78 000	**100**	100
Capitau Investment Management	**1 000**	1 000	**100**	100
Indirectly owned				
Astoria Bakery Lesotho*	**100**	100	**100**	100
Foodcorp	**1**	1	**100**	100
Foodcorp Consumer Brands	**1**	1	**100**	100
Libuyile Farming Services	**100**	100	**50**	50
Mgubho Farming Services	**100**	100	**50**	50
Mkhuhlu Bakery*	**450 000**	450 000	**100**	100
New Foodcorp Holdings	**1**	1	**100**	100
NIB 5 Share Block	**1**	1	**100**	100
NIB 6 Share Block	**1**	1	**100**	100
Quality Sugars	**300**	300	**75**	75
Rainbow Chicken Foods	**100**	100	**100**	100
Selati Sugar	**300**	300	**100**	100
Sivunosetfu	**100**	100	**50**	50
TSB Sugar International	**100**	100	**100**	100
TSB Sugar Mozambique**	**100**	100	**100**	100
Vector Logistics (Namibia)***	**100 000**	100 000	**100**	100

* *Incorporated in Lesotho.*
** *Incorporated in Mozambique.*
*** *Incorporated in Namibia.*

All other subsidiaries listed are incorporated in the Republic of South Africa.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

1. INVESTMENT IN SUBSIDIARIES AND GROUP COMPANIES (continued)

Share and indebtedness	Shares 2017 R'000	Shares 2016 R'000	Indebtedness 2017 R'000	Indebtedness 2016 R'000	Total 2017 R'000	Total 2016 R'000
Rainbow Farms Investments	**100**	100	**100**	278 570	**200**	278 670
RCL FOODS Treasury*			**551 761**	289 913	**551 761**	289 913
RCL FOODS Consumer	**1 142**	1 142	**1 493 327**	1 484 922	**1 494 469**	1 486 064
RCL Group Services*			**64 754**	60 240	**64 754**	60 240
Foodcorp			**2 375 835**	2 366 283	**2 375 835**	2 366 283
RCL FOODS Sugar & Milling	**3 121 356**	3 121 356	**20 629**		**3 141 985**	3 121 356
TSB Sugar International	**878 644**	878 644			**878 644**	878 644
Vector Logistics	**456 612**	456 612	**864**		**457 476**	456 612
	4 457 854	4 457 854	**4 507 270**	4 479 928	**8 965 124**	8 937 782
Subsidiary portion of share-based payments reserve	**294 939**	277 339			**294 939**	277 339
	4 752 793	4 735 193	**4 507 270**	4 479 928	**9 260 063**	9 215 121

The above loans are unsecured, interest-free and repayable at an unspecified date.

None of the above companies are listed as they are all "Proprietary Limited".

* *RCL Foods Limited value of shareholding in RCL FOODS Treasury is R1 (2016: R1) and RCL Group Services R312 (2016: R312).*

	2017 R'000	2016 R'000
2. PREFERENCE SHARES RECEIVABLE		
Opening balance		1 195 919
Redemption of preference shares		(1 195 919)
Total		

The cumulative redeemable preference shares were redeemed on 1 July 2015 for Rnil consideration resulting in a loss on redemption of R1,196 million. Refer to note 8 for further details.

		2017 R'000	2016 R'000
3. STATED CAPITAL			
Authorised			
2 000 000 000 (2016: 2 000 000 000) ordinary shares of no par value.			
Issued ordinary shares of no par value:			
	Number of shares		
At the beginning of the year	863 651 136	**10 023 804**	9 992 815
Shares issued in terms of share incentive plans	1 156 309	**17 886**	30 989
At the end of the year	864 807 445	**10 041 690**	10 023 804
Shares in issue for accounting purposes – 1 July 2016	864 807 445		
Add: shares issued in terms of BEE scheme*	70 758 637		
Statutory shares in issue – 2 July 2017	935 566 082		

* *On 26 May 2014 44 681 162 shares were issued to the RCL Employee Share Trust, 19 149 069 to Business Venture Investments No 1763 (RF) Proprietary Limited and on 3 April 2014 6 928 406 shares were issued to Malongoana Investments (RF) Proprietary Limited in terms of a BEE transaction. For accounting purposes these shares are not treated as issued (refer to note 31 of the consolidated financial statements for further details).*

The unissued ordinary shares are under the control of the directors until the forthcoming annual general meeting.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

	2017 R'000	2016 R'000
4. PROFIT BEFORE TAX		
Dividends received from subsidiaries	**241 304**	600 000
Non-executive directors' fees	**(4 267)**	(3 725)
Consultancy expenses	**(453)**	(7 311)
Listed company expenses	**(6 282)**	(4 831)
Redemption of preference share receivable (Refer to note 8)		(1 195 919)
Write-off of investment in Capitau Investment Management (Refer to note 8)		(493 085)
Waiver of loan with New Foodcorp Holdings (Refer to note 8)		(707 247)
Interest received – bank	**186**	95
Other expenses	**(81)**	(1 649)
Total	**230 407**	(1 813 672)

5. CONTINGENCIES

Banking and loan facilities are renewed annually and are subject to floating interest rates. RCL Foods Limited and its operating subsidiaries bind themselves in favour of various financial institutions as surety in solidium for and co-principal debtor jointly and severally for each others debt facilities. At year-end the facilities granted amounted to R3,35 billion in respect of the debt package implemented in the previous financial year (refer to note 15 of the consolidated financial statements) and a R2,1 billion unutilised general banking facility (2016: R766,3 million).

In addition RCL Foods Limited has provided a guarantee to the financial institutions involved in the term-funded debt package in respect of the fulfilment of RCL FOODS Treasury Proprietary Limited's obligations in terms of the debt agreements.

The maximum exposure for June 2017 is R2,85 billion (2016: R3,35 billion).

6. DIVIDENDS PER SHARE

Refer to note 24 of the notes to the consolidated financial statements.

7. FINANCIAL RISK MANAGEMENT

Credit risk

The company has guaranteed a loan of a subsidiary. The maximum exposure to credit risk at the reporting date is R2,85 billion.

Liquidity risk

The table below summarises the maturity profile of the guaranteed loan:

	Less than one year R'000	One to two years R'000	Two to three years R'000	Greater than three years R'000	Total R'000
2017		**1 097 000**	**1 755 000**		**2 852 000**
2016		498 000	1 097 000	1 755 000	3 350 000

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

8. PRIOR YEAR RESTRUCTURE

As part of the RCL FOODS Group restructure announced on 13 November 2014, Foodcorp Proprietary Limited, an indirectly held subsidiary of the Company, transferred a portion of its business operations to a related Group company and subsequently New Foodcorp Holdings Proprietary Limited, a related Group company and the holding company of Foodcorp Proprietary Limited, sold its investment in Foodcorp Proprietary Limited to a related Group company. As part of the restructure the Company waived a loan granted to New Foodcorp Holdings Proprietary Limited and Capitau Investment Management Proprietary Limited settled the preference shares outstanding to the Company. As Capitau Investment Management Proprietary Limited holds no further assets of value due to the transfer of the operating subsidiaries within the Group, the investment held by the Company was impaired to R1.

The following losses were recognised in the Company financial statements.

	2016 R'000
Redemption of preference share receivable	(1 195 919)
Write-off of investment in Capitau Investment Management	(493 085)
Waiver of loan with New Foodcorp Holdings	(707 247)

SHARE AND SHAREHOLDERS' INFORMATION

for the year ended June 2017

STATED CAPITAL

Authorised	2 000 000 000
Issued*	935 566 082
Number of shareholders	5 054

	Number of shareholders	%	Number of shares	%
Shareholder spread				
1 – 1 000	3 375	66,78	781 758	0,08
1 001 – 10 000	1 258	24,89	4 594 452	0,49
10 001 – 100 000	311	6,15	9 154 402	0,98
100 001 – 1 000 000	79	1,56	25 980 359	2,78
1 000 001 and over	31	0,62	895 055 111	95,67
Total	5 054	100,00	935 566 082	100,00
Distribution of shareholders				
Banks	23	0,45	4 301 632	0,46
Brokers	19	0,38	324 517	0,04
Close Corporations	35	0,69	132 333	0,01
Empowerment	3	0,06	70 758 637	7,56
Endowment Funds	4	0,08	620 789	0,07
Holding Company	3	0,06	667 500 750	71,35
Individuals	4 409	87,24	10 048 107	1,08
Insurance Companies	15	0,30	4 030 114	0,43
Investment Companies	5	0,10	35 432	0,00
Mutual Funds	116	2,30	118 410 100	12,66
Nominees and Trusts	229	4,53	3 850 832	0,41
Other Corporations	25	0,49	131 673	0,01
Pension Funds	84	1,66	52 421 038	5,60
Private Companies	84	1,66	3 000 128	0,32
Total	5 054	100,00	935 566 082	100,00
Public and non-public shareholders				
Strategic holdings (more than 10%)	3	0,06	667 500 750	71,35
Empowerment	3	0,06	70 758 637	7,56
Directors and associates of the company holdings	6	0,12	1 762 955	0,19
Total non-public shareholders	12	0,24	740 022 342	79,10
Public shareholders	5 042	99,76	195 543 740	20,90
Total	5 054	100,00	935 566 082	100,00
Beneficial shareholders' holding of 1% or more				
Remgro Limited			667 500 750	71,35
RCL Employee Share Trust			44 681 162	4,78
Oasis Crescent Equity Fund			43 771 293	4,68
Investment Solutions Limited			21 568 332	2,31
Government Employees Pension Fund			19 176 878	2,05
Business Venture Investments No 1763 (RF) Proprietary Limited			19 149 069	2,05
Eskom Pension and Provident Fund			15 998 614	1,71
Old Mutual Symmetry Satellite Equity Fund No 3			10 234 206	1,09
Fund managers holdings of 1% or more				
Remgro Limited			667 500 750	71,35
Oasis Asset Management Limited			97 212 952	10,39
RCL Employee Share Trust			44 681 162	4,78
Prudential Portfolio Managers (SA) Proprietary Limited			37 078 677	3,96
Public Investment Corporation Limited			19 384 364	2,07
Business Ventures Investments No 1763 (RF) Proprietary Limited			19 149 069	2,05

** Includes 44 681 162 shares issued to RCL Employee Share Trust, 19 149 069 shares issued to the Business Venture Investments No 1763 (RF) Proprietary Limited and 6 928 406 shares issued to Malongoana Investments (RF) Proprietary Limited in terms of the BEE scheme (refer to note 31 for details).*

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