RCL FOODS™

2019

RCL FOODS LIMITED

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 2019

CONTENTS

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 2019

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 2019 and the results of its operations for the year then ended. The directors are also of the opinion that the Company and the Group will continue as a going concern in the year ahead.

The annual financial statements set out on pages 13 to 106, which have been prepared on the going concern basis, were approved by the Board of directors on 30 August 2019 and are signed on its behalf by:

JJ Durand
Non-executive Chairman

M Dally
Chief Executive Officer

30 August 2019

CERTIFICATE BY THE COMPANY SECRETARY

FOR THE YEAR ENDED JUNE 2019

I hereby certify that in respect of the year ended June 2019, 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

30 August 2019

REPORT OF THE AUDIT COMMITTEE

FOR THE YEAR ENDED JUNE 2019

This report sets out how the Audit Committee discharged its responsibilities during the financial year ended June 2019 as required in terms of section 94 of the Companies Act of South Africa (the Companies Act).

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 our website www.rclfoods.com/node/rcl-foods-charters

AUDIT COMMITTEE MEMBERSHIP AND RESOURCES

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

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

Members		Appointed	27/08/2018	28/02/2019	20/06/2019
RV Smither	Committee Chairman, CA(SA)	December 2008	Present	Absent	Present
NP Mageza	ACCA(UK)	September 2009	Present	Present	Present
DTV Msibi	BBusSc, BCom (Hons), MCom, CA(SA)	August 2013	Present	Present	Present
CJ Hess	BCom, PGDA, CA(SA)	June 2018	Present	Present	Present
GM Steyn*	BA (LLB)	March 2019	N/A	N/A	Present

** Appointed 1 March 2019*

ELECTION OF COMMITTEE MEMBERS

In terms of section 94(2) of the Companies Act, it was resolved at the Annual General Meeting, held on 20 November 2018 that CJ Hess, RV Smither, NP Mageza and DTV Msibi be re-appointed as members of the Audit Committee until the next Annual General Meeting on 20 November 2019. GM Steyn was appointed as a member of the Audit Committee during the Board meeting held on 1 March 2019.

ROLES AND RESPONSIBILITIES

The Audit Committee's roles and responsibilities include its statutory duties per the Companies Act and the responsibilities assigned to it by the Board. The Audit Committee fulfils an oversight role regarding financial reporting risks, internal financial controls, 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, year-end financial statements, sustainability disclosure and Integrated Annual 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;
- Evaluated the effectiveness of controls and governance processes and satisfied itself about the adequacy and effectiveness of the Group's system of internal financial controls;
- Reviewed the appropriateness of the combined assurance model in addressing all significant risks facing the Group;
- Considered and recommended to the Board the appointment and retention of external auditors;
- Approved the audit fees and engagement terms of the external auditors; and
- Determined the nature and extent of allowable non-audit services and approved the terms for the provision of non-audit services by the external auditors.

In addition, in fulfilling its key responsibilities, the Audit Committee placed specific focus on the following areas in the 2019 financial year:

- Due to the significant decline in profitability in the Sugar and Chicken business units and generally depressed economic trading conditions, the Audit Committee has performed in-depth reviews over the Group's impairment process, including a review of key impairment assumptions and inputs. Refer to notes 1 and 2 of the consolidated financial statements for further information on impairments; and
- Impairment testing on the Sugar cash-generating unit was a key focus area due to the challenges being experienced in the local sugar industry.

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

EXPERTISE AND EXPERIENCE OF THE CFO AND FINANCE FUNCTION

The Audit Committee performed an assessment of the CFO, Robert Field and the Finance function. Based on the 2019 assessment, the Audit Committee is satisfied that Robert Field and his management team have the appropriate expertise and experience to service the Group's finance function. It further considered and satisfied itself of the overall appropriateness of the expertise and adequacy of resources of the Group's Finance function. The Annual Financial Statements were compiled under the supervision of Robert Field, CA(SA).

EXTERNAL AUDIT

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

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

During the period, PwC provided certain non-audit services, including tax services and agreed-upon procedures compliance audits. Total fees incurred during the 2019 financial year to PwC were R22,6 million of which R2,2 million related to non-audit services.

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

The Audit Committee has nominated, for election at the Annual General Meeting, PwC as the external audit firm responsible for performing the functions of auditor for the 2020 financial year. The Audit Committee has satisfied itself that the audit firm and the designated auditor are accredited as such on the JSE list of auditors and has considered the information provided by PwC in terms of section 22.15(h) of the JSE Listing's Requirements in its assessment.

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 were co-ordinated by the CECO for the current financial year. In light of the recently added responsibilities of the CECO and to ensure independence going forward, Internal Audit will be co-ordinated by the Group Audit Executive (GAE). The GAE will report functionally to the Audit Committee and, only from an administrative perspective, to the CECO. The Committee reviewed the performance of the CECO and was satisfied that he has the necessary expertise and experience to fulfil this role and that he had performed appropriately during the year under review.

INTERNAL FINANCIAL CONTROLS

The Committee is satisfied that the Group'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 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
30 August 2019

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED JUNE 2019

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 2 814 951 (2018: 2 520 527) ordinary shares during the year due to share appreciation rights and conditional share plan awards being exercised. At the reporting date, unexercised share appreciation rights totalling 99 898 335 (2018: 80 290 193) had been granted to participants. At the reporting date the unexercised rights relating to the conditional share plan was 19 062 823 (2018: 23 584 587). 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.

FINANCIAL RESULTS

The loss for the year attributable to owners of the parent amounted to R110,5 million (2018: R922,4 million profit). This translates into a headline earnings per share of 37,9 cents (2018: 96,8 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 88 amounting to 15,0 cents per ordinary share, publication of declaration data on 4 March 2019 and paid on 29 April 2019.

FINAL DIVIDEND

Number 89 amounting to 10,0 cents per ordinary share, publication of declaration data on 2 September 2019 and paid on 4 November 2019.

The salient dates for dividend number 89 are as follows:

Publication of declaration data	Monday, 2 September 2019
Last day of trade to receive a dividend	Tuesday, 29 October 2019
Shares commence trading "ex" dividend	Wednesday, 30 October 2019
Record date	Friday, 1 November 2019
Payment date	Monday, 4 November 2019

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 No 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 32 of the consolidated financial statements for further details.

SUBSIDIARIES

Details of RCL FOODS' interest in its subsidiaries are set out in note 34 of the consolidated financial statements.

HOLDING COMPANY

Remgro Limited is the ultimate holding company of RCL FOODS.

DIRECTORS

The names of the directors are included as part of the Leadership and Reviews section of the Abridged Integrated Annual Report, available on our website at www.rclfoods.com/financial-results-and-investor-presentations-2019

DIRECTORS' SHAREHOLDINGS

At the date of this report, the directors in aggregate held direct beneficial interests in 1 912 801 (2018: 1 738 268) ordinary shares in the Company and had indirect beneficial interests in 3 189 962 (2018: 3 161 949) ordinary shares. Details of directors' shareholdings are set out in note 31 of the consolidated financial statements.

CHANGES TO THE BOARD

During the current financial year, Dr Penny Moumakwa was appointed as an independent non-executive director of the Company, with effect from 1 January 2019, and Mr Paul Neethling was appointed as an alternate (non-executive) director to Mr Jannie Durand, with effect from 21 June 2019.

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.

MATERIAL TRANSACTIONS

During the current financial year, the Group has recorded a R761,9 million impairment of assets in the Sugar cash-generating unit stemming from a reduction in local market demand, driving an adverse sales mix and significantly reducing their profitability. Refer to note 1 of the consolidated financial statements for further details.

The Group has assumed responsibility for the shared services management and distribution of Siqalo Foods Proprietary Limited (a 100% owned subsidiary of Remgro Limited), for which a fee is earned.

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 30 June 2019, 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 13 to 106 comprise:

- the consolidated and company statements of financial position as at 30 June 2019;
- the consolidated income statement for the year then ended;
- the consolidated and company statements of comprehensive income for the year then ended;
- the consolidated and company statements of changes in equity for the year then ended;
- the consolidated and company cash flow statements for the year then ended;
- the notes to the consolidated and company cash flow statements; and
- the notes to the consolidated and company 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.

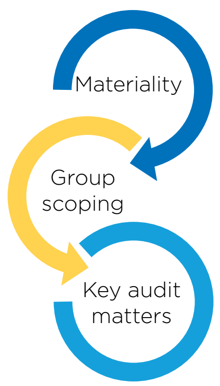
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE

We are independent of the Group in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively.

OUR AUDIT APPROACH

OVERVIEW



Overall Group materiality
- *R40 000 000, which represents 5% of a three year average profit before tax, adjusted for significant once-off impairments*

Group audit scope
- *The Group financial statements are comprised of a holding company, 30 subsidiaries, four joint ventures and three associates. Of the subsidiaries three are controlled contract growers and one is a trust. For 13 entities full scope audits were carried out, specified audit procedures were performed at a further seven entities and analytical procedures for 18 entities.*

Key audit matters
- *Impairment assessment of goodwill and trademarks with an indefinite useful life*
- *Impairment of goodwill and property, plant and equipment in the Sugar cash-generating 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.

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	R40 000 000
How we determined it	5% of a three year average profit before tax, adjusted for significant once-off impairments.
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We adjusted for impairment charges as these are once-off and we have used an average of three years profit before tax which results in a more stable benchmark in a year impacted by volatile earnings. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

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 segments, 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, Uganda and Zambia.

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

Our scoping assessment included consideration of financially significant entities as well as taking into consideration the sufficiency of work performed over material line items in the financial statements. The audits undertaken for Group reporting purposes include the financially significant entities of the Group based on indicators such as the contribution to consolidated assets, consolidated revenue and consolidated profit before tax.

Based on our scoping assessment, full scope audits were performed at 13 entities and specified audit procedures over significant balances and transactions were performed at a further seven entities. In addition, analytical procedures were performed by the Group and component engagement teams on the financial information of 18 financially inconsequential entities. This gave us the audit evidence we needed for our opinion on the consolidated financial statements as a whole.

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, the Logistics 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 the 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 team responsible for the audit of the Sugar & Milling operating division.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, 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 for the current period.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill and trademarks with an indefinite useful life	
Refer to the accounting policy note on intangible assets and note 2 of the consolidated financial statements for the related disclosures. Included in the Group's net assets is a significant amount of goodwill (R2,5 billion) and trademarks (R1,5 billion). Certain trademarks are considered to be intangible assets that have an indefinite useful life. Goodwill and trademarks are included in cash-generating units (CGUs) within the Consumer, Logistics and Sugar & Milling segments. Trademarks with indefinite lives are not amortised but are reviewed annually to determine whether the indefinite life assessment continues to be supportable. Impairment reviews of goodwill and trademarks with an indefinite useful life are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU is compared to the recoverable amount, which is the higher of value-in-use and the fair value less costs of disposal. Any impairment loss is recognised immediately as an expense. Management performed their annual impairment test on trademarks with indefinite lives and goodwill based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by the Board, which included assumptions on profit before interest and tax, working capital movements and capital maintenance expenditure. Cash flows beyond a five year period were extrapolated using estimated growth rates. Management's assessment indicated that sufficient headroom existed for each CGU and therefore no impairment charge was recognised. 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 the impairment assessment of goodwill and trademarks with an indefinite useful life to be a matter of most significance to the current year audit due to the following: • the size of the carrying amounts of goodwill and trademarks with indefinite useful lives; • the extensive applicable disclosure requirements; and • the judgement applied by management in determining the key assumptions (discount rate, perpetuity growth rate and forecast cash flows) used in the impairment assessments.	We obtained an understanding of the methodology applied by management in performing its impairment test for each of the relevant CGUs and we found the approach adopted by management in the valuation models to be consistent with market practice and the applicable requirements of IAS 36: *Impairment of Assets*. For each relevant CGU, we performed detailed testing to critically assess and corroborate the key inputs to the valuations, including: • analysing the historical accuracy of Board approved budgets to actual results to determine whether forecast cash flows are reliable based on past experience. We obtained management explanations for variances in excess of a set threshold. We also inspected corroborating evidence regarding variances, and found the budgeting inputs to be reasonable; • assessing the discount rate by utilising our valuation expertise to independently calculate the inputs with reference to market data. This included risk-free rates, betas and market risk premiums. We found the discount rate applied by management to be within a reasonable range; and • assessing the reasonableness of the growth rates assumed by comparing them to economic and industry forecasts. We found them to be reasonable. As a reasonableness test of the recoverable amount of the CGUs, we calculated the degree by which the key inputs and assumptions would need to fluctuate before an impairment was triggered and we considered the likelihood of this occurring. We performed an independent sensitivity analysis on the forecast cash flows and determined whether adequate headroom remained. We assessed the disclosures in note 2 against the requirements of IAS 36: *Impairment of Assets*, focusing on the requirement to disclose sensitivities for CGUs where a reasonably possible change in a key assumption would cause an impairment.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Impairment of goodwill and property, plant and equipment in the Sugar cash-generating unit</td></tr>
<tr><td>
Refer to note 1 of the consolidated financial statements for the related disclosures.
IAS 36: Impairment of Assets requires an impairment test of non-financial assets to be performed when there are indicators that these may be impaired.
During the current year the sugar industry was impacted by an oversupply in the local and global market, large level of imports and the impact of the Health Promotion Levy (sugar tax) within South Africa.
The poor trading performance during the current year for the Sugar business unit and the ongoing negative impact on the local market demand (LMD) resulting from the Health Promotion Levy were indicators that the assets within the Sugar business unit may be impaired.
Management performed an impairment test of the Sugar CGU to determine its recoverable amounts based on the higher of value-in-use and fair value less costs of disposal.
To determine the value-in-use and test for impairment, management used a five year business plan to determine future cash flows for the CGU. These cash flows were then discounted using the business unit's weighted average cost of capital determined using the capital asset pricing model.
Management's impairment tests indicated the recoverable amount to be lower than the carrying amount of the assets within the Sugar CGU. Management recognised an impairment charge of R761,9 million. Goodwill of R18,0 million and R743,9 million of property, plant and equipment was impaired.
We considered impairment of goodwill and property, plant and equipment in the Sugar CGU to be a matter of most significance to the current year audit due to the following:

the size of the related goodwill and property, plant and equipment balances; and
the significant judgement and estimates applied by management such as the cash flow projections, perpetuity growth rate and the discount rate.

</td><td>
Our audit procedures included, among others, testing the methodology applied by management in calculating the impairment charge to ensure compliance with market practice and the applicable requirements of IAS 36: Impairment of Assets.
We tested the accuracy of management's impairment calculation and using our valuations expertise, we challenged the key assumptions, including the discount rate and perpetuity growth rate. We made reference to the management approved business plan, historical performance and market data, which consists of data external to the Group. No material differences were noted and we found the key assumptions to be reasonable.
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. We found management's explanations of variances to be reasonable.
We performed an independent sensitivity analysis on the cash flow projections, perpetuity growth rate and the discount rate and we found management's impairment assessment to be reasonable.
We assessed the disclosures in note 1 against the requirements of IAS 36: Impairment of Assets.
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OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled "RCL Foods Limited Annual Financial Statements for the year ended June 2019", 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, which we obtained prior to the date of this auditor's report, and the other sections of the document titled "2019 RCL Foods Limited Integrated Annual Report", which is expected to be made available to us after that date. The other information does not include the consolidated or the 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 and will 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 that we obtained prior to the date of this auditor's report, 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.
- 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 15 years.

PricewaterhouseCoopers Inc.

Director: SF Randelhoff
Registered Auditor

Durban
30 August 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2019 R'000	1 July 2018 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	1	**5 566 523**	5 922 829
Intangible assets	2	**4 639 232**	4 695 990
Investment in joint ventures	3	**288 241**	248 570
Investment in associates	4	**612 918**	526 437
Deferred income tax asset	17	**71 400**	28 448
Loans receivable	5	**91 561**	35 920
Trade and other receivables	8	**127 025**	58 010
		11 396 900	11 516 204
Current assets			
Inventories	6	**3 108 568**	2 926 748
Biological assets	7	**866 493**	807 331
Trade and other receivables	8	**4 602 122**	4 254 014
Derivative financial instruments	9	**4 644**	5 031
Tax receivable		**46 213**	32 953
Loans receivable	5	**2 500**	29 072
Cash and cash equivalents		**376 843**	1 263 364
		9 007 383	9 318 513
Assets of disposal group classified as held-for-sale	10	**2 585**	156 580
Total assets		**20 406 868**	20 991 297
EQUITY			
Stated capital	11	**10 134 574**	10 087 241
Share-based payments reserve	12	**729 273**	632 920
Other reserves	13	**(169)**	(5 806)
Common control reserve		**(1 919 832)**	(1 919 832)
Retained earnings		**1 886 781**	2 336 451
Equity attributable to the equity holders of the Company		**10 830 627**	11 130 974
Non-controlling interests		**3 399**	48 729
Total equity		**10 834 026**	11 179 703
LIABILITIES			
Non-current liabilities			
Deferred income	18		22
Interest-bearing liabilities	15	**2 639 363**	1 965 983
Deferred income tax liabilities	17	**1 211 607**	1 253 584
Retirement benefit obligations	14	**126 590**	135 072
Trade and other payables	16	**6 326**	6 410
		3 983 886	3 361 071
Current liabilities			
Trade and other payables	16	**4 893 301**	5 116 615
Deferred income	18	**3 970**	7 835
Interest-bearing liabilities	15	**181 634**	1 282 673
Derivative financial instruments	9	**22 830**	31 056
Current income tax liabilities			12 344
Bank overdraft		**487 221**	
		5 588 956	6 450 523
Total liabilities		**9 572 842**	9 811 594
Total equity and liabilities		**20 406 868**	20 991 297

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED JUNE 2019

	Note	2019 R'000	2018 R'000
Revenue from contracts with customers*	19	**25 887 506**	24 527 961
Operating profit before depreciation, amortisation and impairment (EBITDA)		**1 525 659**	2 045 984
Depreciation, amortisation and impairment**		**(793 074)**	(775 640)
Impairment of Sugar cash-generating unit	20	**(761 912)**	
Operating (loss)/profit	20	**(29 327)**	1 270 344
Finance costs	21	**(325 201)**	(315 104)
Finance income	22	**48 585**	62 624
Share of profits of joint ventures	3	**43 318**	28 268
Share of profits of associates	4	**84 523**	51 834
(Loss)/profit before tax		**(178 102)**	1 097 966
Income tax expense	23	**(5 860)**	(219 589)
(Loss)/profit after tax for the year		**(183 962)**	878 377
(Loss)/profit for the year attributable to:			
Equity holders of the Company		**(110 541)**	922 439
Non-controlling interests		**(73 421)**	(44 062)
		(183 962)	878 377
(Loss)/earnings per share attributable to equity holders of the Company	24		
Basic (loss)/earnings per share	(cents)	**(12,7)**	106,6
Diluted (loss)/earnings per share	(cents)	**(12,5)**	104,1

* *Revenue for 2018 has been restated due to a classification error identified on implementation of IFRS 15, "Revenue from contracts with customers". Refer to note 37 of the consolidated financial statements for further details.*

** *These impairments relate only to impairments of property, plant and equipment and intangible assets excluding the impairment of the Sugar cash-generating unit, which has been separately disclosed.*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 2019

	Note	2019 R'000	2018 R'000
(Loss)/profit for the year		**(183 962)**	878 377
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurement of retirement medical aid obligations		**12 275**	9 041
Share of associates other comprehensive income	4	**2 244**	(664)
Items that may subsequently be reclassified to profit or loss:			
Cash flow hedges	13		(467)
Currency translation differences	13	**5 637**	(10 011)
Other comprehensive income/(loss) for the year		**20 156**	(2 101)
Total comprehensive (loss)/income for the year		**(163 806)**	876 276
Total comprehensive (loss)/income for the year attributable to:			
Equity holders of the Company		**(90 385)**	920 338
Non-controlling interests		**(73 421)**	(44 062)
		(163 806)	876 276

Items in the statement above are disclosed net of tax. The tax relating to the remeasurement of medical aid obligations was R4,8 million (2018: R3,5 million). The income tax relating to the prior year's movements on cash flow hedges is disclosed in note 13 of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 2019

	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 2 July 2017	10 041 690	513 536	4 672	(1 919 832)	1 708 703	10 348 769	37 984	10 386 753
Profit/(loss) for the year					922 439	922 439	(44 062)	878 377
Other comprehensive income for the year			(10 478)		8 377	(2 101)		(2 101)
Acquisition of subsidiary							56 349	56 349
BEE share-based payments charge		17 600				17 600		17 600
Employee share scheme:								
– value of employee services		134 330				134 330		134 330
– equity component of deferred tax on share-based payments		13 005				13 005		13 005
– exercise of employee share awards	45 551	(45 551)						
Ordinary dividends paid					(303 068)	(303 068)	(1 542)	(304 610)
Balance at 1 July 2018	**10 087 241**	**632 920**	**(5 806)**	**(1 919 832)**	**2 336 451**	**11 130 974**	**48 729**	**11 179 703**
Change in accounting policy*					**(6 288)**	**(6 288)**	**(159)**	**(6 447)**
Balance at 2 July 2018	**10 087 241**	**632 920**	**(5 806)**	**(1 919 832)**	**2 330 163**	**11 124 686**	**48 570**	**11 173 256**
Loss for the year					**(110 541)**	**(110 541)**	**(73 421)**	**(183 962)**
Other comprehensive income for the year			**5 637**		**14 519**	**20 156**		**20 156**
Additional capital contribution by non-controlling interest							**29 500**	**29 500**
BEE share-based payments charge		**17 600**				**17 600**		**17 600**
Employee share scheme:								
– value of employee services		**139 089**				**139 089**		**139 089**
– equity component of deferred tax on share-based payments		**(13 003)**				**(13 003)**		**(13 003)**
– exercise of employee share awards	**47 333**	**(47 333)**						
Ordinary dividends paid					**(347 360)**	**(347 360)**	**(1 250)**	**(348 610)**
Balance at 30 June 2019	**10 134 574**	**729 273**	**(169)**	**(1 919 832)**	**1 886 781**	**10 830 627**	**3 399**	**10 834 026**

* *Restated for the impact from the implementation of IFRS 9 "Financial Instruments", relating to the adoption of an expected credit loss model for impairments of financial assets. Refer to note 36 of the consolidated financial statements for further details.*

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 2019

	Note	2019 R'000	2018 R'000
Cash flows from operating activities			
Cash generated by operations	A	**796 743**	1 784 617
Finance income received		**48 585**	57 203
Finance costs paid		**(305 929)**	(315 104)
Tax paid	B	**(133 155)**	(180 351)
Cash available from operating activities		**406 244**	1 346 365
Dividends received		**50 208**	62 394
Dividends paid		**(348 610)**	(304 610)
Net cash inflow from operating activities		**107 842**	1 104 149
Cash flows from investing activities			
Replacement property, plant and equipment		**(464 660)**	(521 798)
Expansion property, plant and equipment		**(666 206)**	(293 150)
Intangible asset additions		**(20 504)**	(34 108)
Acquisition of businesses	C	**(60 947)**	(72 542)
Acquisition of associate		**(40 638)**	
Additional investment in associate			(26 352)
Realised FEC loss on acquisition of associate			(934)
Advances of interest-bearing loans		**(15 646)**	(11 872)
Advances of non-interest-bearing loans		**(20 054)**	(35 920)
Receipts of interest-bearing loans			1 555
Proceeds on disposal of non-current assets held for sale		**183 923**	41 583
Proceeds on disposal of property, plant and equipment and intangible assets		**21 307**	115 520
Net cash outflow from investing activities		**(1 083 425)**	(838 018)
Cash flows from financing activities			
Repayment of interest-bearing liabilities	D	**(554 726)**	(189 389)
Advances of interest-bearing liabilities	D	**127 067**	132 840
Additional capital contribution by non-controlling interest		**29 500**	
Net cash outflow from financing activities		**(398 159)**	(56 549)
Net movement in cash and cash equivalents		**(1 373 742)**	209 582
Cash and cash equivalents at the beginning of the year		**1 263 364**	1 053 782
Cash and cash equivalents at the end of the year (net of overdrafts)	E	**(110 378)**	1 263 364

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 2019

	2019 R'000	2018 R'000
A. CASH GENERATED BY OPERATIONS		
Operating profit	**(29 327)**	1 270 344
Adjusted for:		
Depreciation, amortisation and impairment*	**1 554 986**	775 640
Deferred income	**(3 887)**	(622)
Loss/(Profit) on disposal of property, plant and equipment and intangible assets	**13 927**	(83 076)
Profit on disposal of assets held-for-sale	**(156 227)**	(1 117)
Movement in retirement benefit obligations	**8 565**	10 960
Movement in derivative financial instruments – non-cash flow hedges	**(27 111)**	16 103
Fair value adjustment in biological assets**	**(352 916)**	(369 773)
Share-based payments – BEE charge	**17 600**	17 600
Share-based payments – Employee Share Incentive Scheme	**139 089**	134 330
Expected credit loss recognised on loans	**6 631**	
Lease smoothing – non-cash accounting adjustment	**6 438**	12 644
Other non-cash flow items	**5**	(3)
	1 177 773	1 783 030
Working capital changes:		
Movement in inventories	**(167 544)**	(263 713)
Movement in biological assets*	**293 754**	353 911
Movement in trade and other receivables	**(277 256)**	(797 237)
Movement in trade and other payables	**(229 983)**	708 626
	(381 029)	1 587
	796 743	1 784 617

* *These impairments relate only to impairments of property, plant and equipment and intangible assets.*

** *The movement in biological assets is represented by the non-cash fair value adjustment on biological assets of R352,9 million (2018: R369,8 million) and the movement included in working capital changes of R293,8 million (2018: R353,9 million). The net increase in biological assets for the year was R59,1 million (2018: R15,9 million).*

	2019 R'000	2018 R'000
B. TAX PAID		
Amount refundable at the beginning of the year	**20 609**	66 220
Charged to the income statement	**(107 551)**	(225 962)
Normal tax	**(118 920)**	(241 894)
Prior year overprovision	**11 369**	15 932
Amount refundable at the end of the year	**(46 213)**	(20 609)
	(133 155)	(180 351)
C. ACQUISITION OF BUSINESSES		
Cash paid for business	**(60 947)**	(72 542)
Driehoek Voere	**(60 947)**	
Matzonox		(56 349)
Sweetener operation		(16 193)

D. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Movements in net debt for the year ended June 2019 are as follows:

	1 July 2018 R'000	Cash inflows R'000	Cash outflows R'000	Non-cash flows R'000	30 June 2019 R'000
Institutional borrowings	43 452		(5 860)		37 592
Loan from Green Create W2V SA Proprietary Limited		50 000			50 000
Finance lease liabilities	174 870	26 912			201 782
Term-funded debt package	2 852 000		(502 000)		2 350 000
Loan from Ingwenyama Simhulu Trust	8 000	2 794	159		10 953
Loan from Matsamo Communal Property Association		500			500
Loan from Siphumelele Tenbosch Trust		1 861			1 861
Loans from Akwandze Agricultural Finance Proprietary Limited	170 334	45 000	(47 025)		168 309
	3 248 656	127 067	(554 726)		2 820 997

E. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include restricted balances of R91,1 million (2018: R74,5 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 R0,3 million (2018: R0,9 million) from the National Department of Rural Development and Land Reform which is required to be administered and spent for the benefit of third party beneficiaries in terms of a 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:

	2019 R'000	2018 R'000
Rand	(117 519)	1 255 883
USD	1 105	5 779
GBP	148	57
Euro	4 454	155
Namibian Dollar	1 312	1 438
Other currencies	122	52
Total	(110 378)	1 263 364

For further information on the credit quality of cash and cash equivalents, refer to note 28 of the consolidated annual financial statements.

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 Listing's Requirements of the JSE Limited under the supervision of the Chief Financial Officer, Robert Field CA(SA) and were authorised for issue on 30 August 2019 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 IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" which became applicable for the current reporting period.

IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers", was effective for the Group from 2 July 2018. IFRS 9 introduced new principles for the recognition and measurement of financial instruments, whilst IFRS 15 revised the recognition principles for revenue. IFRS 9 was adopted without restating comparative information. The adoption of IFRS 15 resulted in the Group identifying an error in the classification of transport income within the Sugar & Milling segment, consequently, the Group has restated its reported results throughout the comparative periods presented, refer to note 37 of the consolidated financial statements for further details. This reclassification had no impact on profit, retained earnings or the balance sheet.

The Group reports 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 2019, and all references thereto within the results, are presented for the period ended 30 June 2019.

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 and 30.

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 IFRS 9 either in profit or loss or as a charge/credit 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.

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.

BASIS OF CONSOLIDATION CONTINUED

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 or 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 "Joint Arrangements" 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.

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.

FOREIGN CURRENCY TRANSLATION CONTINUED

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 finance cost". All other foreign exchange gains and losses are presented in the income statement within operating profit.

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:

- 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;
- 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); and
- 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 impairment losses, except for land and capital work-in-progress 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 where components of an asset are replaced, 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 are 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 of the asset disposed of. 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 60 years
Vehicles	
– Capitalised and owned	3 to 20 years
Furniture	6 to 25 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.

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	5 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 (cash-generating units). Non-financial assets other than goodwill that were impaired, are reviewed for possible reversal of the impairment at each reporting date.

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 the Sugar & Milling segment, and the Speciality business unit, within the Consumer segment, 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 harvested sugarcane 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 fruit 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 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 28 of the consolidated financial statements.

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.

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.

CURRENT AND DEFERRED TAX CONTINUED

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 AID 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 aid benefits to its retirees. Foodcorp Proprietary Limited and RCL FOODS Sugar & Milling Proprietary Limited provide post-retirement medical aid benefits to certain retired employees. The entitlement to post-retirement medical aid 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 aid 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 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 (options and rights) of the Group. The fair value of the employees' services received in exchange for the grant of the options or rights is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options 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.

Non-market performance and service conditions are included in assumptions about the number of options 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 options 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 options and rights that are expected to vest.

At each reporting date, the Group revises its estimates of the number of options or 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 options or 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 options or rights are exercised.

The grant by the Group of options 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; and
- 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, or
- In the case of an operating lease, all payments under the arrangement are treated as lease payments.

REVENUE

Revenue comprises income arising in the course of the Group's ordinary activities. Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties.

The Group recognises revenue when it transfers control of a product or when services are rendered to a customer. Revenue is recognised net of value-added tax, returns, rebates, discounts and other allowances and after eliminating sales within the Group. The Group bases its estimates of incentive rebates and settlement discounts on historical results. Variable consideration is calculated by applying percentages agreed with the customer to actual sales for the period. The transaction price represents the amount contracted to with the customer net of any value-added tax, returns, rebates, discounts and other allowances.

Sales of goods comprise the sale of milling, agricultural produce and consumer goods. Sales of services comprise logistics, warehousing, distribution, consulting and management services.

In certain instances, the sale of goods includes delivery and these sales are identified as being a single performance obligation. In all other cases, where the Group is requested to arrange transport for the customer, two separate performance obligations arise – the sale of goods and the provision of transport. To the extent that the Group is responsible for the provision of the transport services to the customer, the Group acts as principal and revenue from transport services is recorded at the gross amount.

Revenue from the sale of goods is recognised only when the performance obligations arising from the contract with a customer is satisfied and the amount of revenue that it expects to be entitled to can be determined. For sales that include delivery (as indicated above), this occurs when a Group entity has delivered the products to the customer and the customer has accepted delivery. In instances where the delivery is a separate performance obligation (as indicated above), revenue from the sale of goods is recognised when the goods are transferred to the transport provider for delivery.

Revenue from the sale of services relate mainly to transport services and is recognised over time (over the period of delivery) using the output method. Revenue from other services provided by the Group is recognised over the period over which the service has been rendered.

REVENUE CONTINUED

The following payment terms are applicable to the Group:

- Sale of goods: 0 to 90 days
- Sale of services: 0 to 30 days

The Group currently accepts returns from customers for damaged goods, with the corresponding refund liability recorded within trade and other receivables unless a separate obligation to settle the customer exists, in which case the liability is recorded within trade and other payables.

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

INTEREST INCOME

Interest income is recognised using the effective interest method. When a loan and receivable carried at amortised cost 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, except when received from associates and joint ventures accounted for under the equity method, in which case the dividend income is credited to the investment.

FINANCIAL INSTRUMENTS

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

The Group classifies its financial assets in the following measurement categories:

- those to be measured at fair value through profit or loss; and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will be recorded in profit or loss. The Group reclassifies financial assets when, and only when, its business model for managing those assets changes.

The Group classifies its financial liabilities, apart from derivatives, as financial liabilities at amortised cost. Derivative financial liabilities are classified as financial liabilities at fair value through profit or loss.

RECOGNITION AND MEASUREMENT OF FINANCIAL ASSETS

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

Subsequent measurement of financial assets depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its financial assets:

- **Amortised cost**
  Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/losses, together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss.
- **Financial assets at fair value through profit or loss**
  Assets that do not meet the criteria for amortised cost are measured at fair value through profit or loss. A gain or loss on a financial asset that is subsequently measured at fair value through profit or loss is recognised in profit or loss and presented net within other gains/losses in the period in which it arises.

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.

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.

FINANCIAL INSTRUMENTS CONTINUED

FINANCIAL LIABILITIES AT AMORTISED COST

Financial liabilities at amortised cost consist of trade and other payables and interest-bearing liabilities. Financial liabilities at amortised cost are carried at amortised cost using the effective interest rate method. 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.

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.

ACCOUNTING FOR DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

Trading derivatives are classified as a current asset or liability, and the fair values thereof are disclosed in notes 9 and 28 of the consolidated financial statements.

Derivative instruments are accounted for at fair value through profit or loss. Changes in the fair value of derivative instruments 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.

IMPAIRMENT OF FINANCIAL ASSETS

Financial assets carried at amortised cost

The Group assesses on a forward-looking basis, the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, a failure to make contractual payments for a period of greater than 120 days past due and/or when the legal process has not enabled recovery.

For all other financial assets, the general approach is used to assess expected credit losses.

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Under the previous impairment model, a financial asset, or a group of financial assets, was impaired and impairment losses were incurred only if there was 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) had an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If, in a subsequent period, the amount of the impairment loss decreases, 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. The fair value of forward exchange contracts is determined using forward exchange market rates at the statement of financial position date.

The fair value of the Group's term-funded debt package is calculated by discounting the future cash flows over the period of the loan. These comprise level 2 fair values.
Other non-financial assets are valued using other techniques, such as estimated discounted cash flows. This relates to the fair value of the Group's biological assets which are level 3 fair values.

FINANCIAL INSTRUMENTS CONTINUED

TRADE AND OTHER RECEIVABLES

Trade receivables are amounts due from customers for sale of goods 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.

Trade 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 rate 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.

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 unearned funding received from AgriSETA, which will be utilised to offer apprentices, bursaries and for staff development. This income has not yet been earned at the statement of financial position date. The deferred income is recorded in the income statement when the relevant expenditure has been incurred.

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.

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, where applicable. 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. Intangible assets with indefinite useful lives are reviewed annually to determine whether events and circumstances exist that continue to support an indefinite useful life assessment for that asset.

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY CONTINUED

IMPAIRMENT OF ASSETS OTHER THAN GOODWILL AND TRADEMARKS

Due to the significant challenges being experienced in the local sugar industry an indicator of impairment was present. In accordance with IAS 36 an impairment assessment was performed and as a result, assets within the Sugar cash-generating unit were impaired. Further details on the impairment and underlying assumptions are provided in note 1 of the consolidated financial statements.

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 linked to forecasts of long-term inflation, adjusted for food inflation, based on historic trends. Food inflation is historically ahead of CPI.

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 linked to forecasts of long-term inflation, adjusted for food inflation, based on historic trends. Food inflation is historically ahead of CPI.

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

If a component of the CGU is being disposed of, goodwill is allocated to the component, based on the relative fair values of the component and remaining operations of the CGU, unless a more appropriate basis is applicable.

FAIR VALUE ASSESSMENT OF BIOLOGICAL ASSETS

The key assumptions used in the calculation of the fair value of chicken, banana and sugarcane stock and a sensitivity analysis are disclosed in note 28 of the consolidated financial statements.

LIABILITY FOR POST-RETIREMENT MEDICAL BENEFITS

The liability is valued annually by actuaries. The key assumptions relating to the actuarial calculation and a sensitivity analysis are disclosed in note 14 of the consolidated 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 awards for share appreciation rights, conditional share plans and options awarded in terms of the Group BEE transaction is disclosed in notes 11 and note 32 of the consolidated financial statements.

IMPACT OF NEW AND FUTURE AMENDMENTS TO ACCOUNTING STANDARDS AND INTERPRETATIONS

Management has considered all standards, interpretations and amendments that are in issue but not yet effective.

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

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.

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, and will be applied for the first time in the Group's 2020 financial year.

IMPACT OF FUTURE AMENDMENTS TO ACCOUNTING STANDARDS AND INTERPRETATIONS CONTINUED

IFRS 16 LEASES CONTINUED

The standard will affect the accounting for the Group's operating leases and arrangements containing a lease, which will result in right of use assets and lease liabilities being recognised. In determining the impact of existing leases and service arrangements, not including those contracts to be renegotiated during 2020, the Group expects the following **approximate** change in key financial statement line items:

	Rm increase/ (decrease)*
Balance sheet line item	
Property, plant and equipment	1 100
Interest-bearing liabilities – Non-current	1 000
Interest-bearing liabilities – Current	100
Income statement line item	
Earnings before interest, tax, depreciation and amortisation (EBITDA)	210
Depreciation	170
Earnings before interest, tax (EBIT)	40
Interest	90
Profit before tax	(50)
Taxation	(14)
Headline earnings	(36)
Headline earnings per share (HEPS)	(4 cents)

* *Based on the expected take-on values at 1 July 2019 and statement of comprehensive income impact for the June 2020 financial year.*

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

The Group intends to apply the "simplified" transition approach and will not restate comparative information.

AMENDMENTS TO IFRS 10 CONSOLIDATED FINANCIAL STATEMENTS AND IAS 28 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The amendments affect how an entity should determine any gain or loss it recognises when assets are sold or contributed between the entity and an associate or joint venture in which it invests.

The amendments are not yet effective and have been postponed.

AMENDMENTS TO IAS 1 PRESENTATION OF FINANCIAL STATEMENTS AND IAS 8 ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS

The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards

The amendments are effective for the annual periods beginning on/after 1 January 2020.

IFRS 3 Business Combinations

The amendment confirmed how to define a business and added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

The amendments are effective for the annual periods beginning on/after 1 January 2020.

IFRIC 23 Uncertainty over income tax treatments

The interpretation specifies how an entity should reflect the effects of uncertainties in accounting for income taxes.

The amendments are effective for the annual periods beginning on/after 1 January 2019.

IAS 19 EMPLOYEE BENEFITS

These amendments require an entity to:

- use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement and
- recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus (recognised or unrecognised). This reflects the substance of the transaction, because a surplus that has been used to settle an obligation or provide additional benefits is recovered. The impact on the asset ceiling is recognised in other comprehensive income, and it is not reclassified to profit or loss The impact of the amendments is to confirm that these effects are not offset.

The amendments are effective for the annual periods beginning on/after 1 January 2019.

IMPACT OF FUTURE AMENDMENTS TO ACCOUNTING STANDARDS AND INTERPRETATIONS CONTINUED

IFRS 9 FINANCIAL INSTRUMENTS

The narrow-scope amendment covers two issues:

- The amendments allow companies to measure particular pre-payable financial assets with so-called negative compensation at amortised cost or at fair value through other comprehensive income if a specified condition is met—instead of at fair value through profit or loss. It is likely to have the biggest impact on banks and other financial services entities.
- How to account for the modification of a financial liability. The amendment confirms that most such modifications will result in immediate recognition of a gain or loss. This is a change from common practice under IAS 39 today and will affect all kinds of entities that have renegotiated borrowings.

The amendments are effective for the annual periods beginning on/after 1 January 2019.

IMPROVEMENTS TO IFRS 2015 TO 2017

The amendments below are effective for the annual period beginning 1 January 2019.

Amendments to IFRS 3 Business Combinations
The amendments clarify that when an entity obtains control of a business that is a joint operation, it is required to remeasure previously held interests in that business.

Amendments to IFRS 11 Joint Arrangements
The amendments clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

Amendments to IAS 12 Income Taxes
The amendments clarify that all income tax consequences of dividends should be recognised in profit or loss, regardless how the tax arises.

Amendments to IAS 23 Borrowing costs
The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

The new and future amendments to accounting standards and interpretations are not expected to have a material impact on the Group's financial results, except for the impact of IFRS 16 "Leases", as detailed on pages 30 and 31.

1. PROPERTY, PLANT AND EQUIPMENT

June 2019	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 improve-ments R'000	Bearer Plants R'000	Capital work-in-progress R'000	Total R'000
Cost											
At the beginning of the year	2 797 693	6 732 235	45 133	825 200	59 912	3 507	119 138	46 341	348 338	365 247	11 342 744
Transfers between categories and intangible assets		(1 908)								(5 620)	(7 528)
Additions*	111 579	565 623	6 380	130 879	30 107	11 023		971	28 314	245 990	1 130 866
Disposals	(25 964)	(124 448)		(43 593)				(21)	(13 818)	(110)	(207 954)
Acquisition of business**	14 536	14 242		2 621							31 399
Transferred (to)/from held-for-sale	(2 341)	(30 103)		(403)				(15 830)		(6 450)	(55 127)
At the end of the year	2 895 503	7 155 641	51 513	914 704	90 019	14 530	119 138	31 461	362 834	599 057	12 234 400
Accumulated depreciation and impairment											
At the beginning of the year	1 056 137	3 739 015	2 835	442 231	22 331	533	24 210	10 567	122 056		5 419 915
Impairment loss	54 258	694 390									748 648
Impairment loss reversed		(2 915)									(2 915)
Transferred (to)/from held-for-sale	(132)	(18 582)		(400)				(3 032)			(22 146)
Disposals	(14 432)	(112 776)		(35 521)				(21)	(9 973)		(172 723)
Depreciation	89 028	470 975	2 728	69 529	12 214	2 673	7 912	4 901	37 138		697 098
At the end of the year	1 184 859	4 770 107	5 563	475 839	34 545	3 206	32 122	12 415	149 221		6 667 877
Net book amount	1 710 644	2 385 534	45 950	438 865	55 474	11 324	87 016	19 046	213 613	599 057	5 566 523

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

** *Refer to note 35 of the consolidated financial statements for details of acquisitions.*

1. PROPERTY, PLANT AND EQUIPMENT CONTINUED

June 2018	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 improve-ments R'000	Bearer Plants R'000	Capital work-in-progress* R'000	Total R'000
Cost											
At the beginning 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
Transfers between categories and intangible assets	3 412	23 080		(27)				(26 465)		(21 273)	(21 273)
Additions**	82 036	491 640	3 733	82 016	2 274	3 507		627	48 689	99 872	814 394
Disposals	(28 354)	(136 188)		(32 093)				(295)	(15 263)	(95 717)	(307 910)
Acquisition of business		115 466		144							115 610
Transferred (to)/from held-for-sale	(4 373)	(27 217)		2 287							(29 303)
At the end of the year	2 797 693	6 732 235	45 133	825 200	59 912	3 507	119 138	46 341	348 338	365 247	11 342 744
Accumulated depreciation and impairment											
At the beginning of the year	980 939	3 443 777	920	397 996	10 494		16 298	7 842	96 958	95 717	5 050 941
Transfers between categories and intangible assets	3 020	(1 206)		(24)				(1 781)			9
Impairment loss	3 418	5 519									8 937
Impairment loss reversed		(455)									(455)
Transferred (to)/from held-for-sale	(2 861)	(14 411)		1 537							(15 735)
Disposals	(15 861)	(127 672)		(25 099)				(295)	(10 834)	(95 717)	(275 478)
Depreciation	87 482	433 463	1 915	67 821	11 837	533	7 912	4 801	35 932		651 696
At the end of the year	1 056 137	3 739 015	2 835	442 231	22 331	533	24 210	10 567	122 056		5 419 915
Net book amount	1 741 556	2 993 220	42 298	382 969	37 581	2 974	94 928	35 774	226 282	365 247	5 922 829

* *The June 2018 note has been updated to reflect disposals of capital work-in-progress. There is no impact on the carrying amount of capital work-in-progress or total property, plant and equipment.*

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

	2019 R'000	2018 R'000
1. PROPERTY, PLANT AND EQUIPMENT CONTINUED		
Capital commitments		
Contracted and committed	502 490	327 259
Approved but not contracted	251 402	586 140

Capital commitments relate to both tangible and intangible assets and include all projects for which specific approval, in terms of the levels of authority, has been obtained up to reporting date. Projects for which authority has not yet been obtained are excluded. The capital expenditure will be financed from cash generated from operations, and subsequently through short-term borrowing facilities.

A register of land and buildings is available for inspection at the registered office of the respective subsidiary company, apart from RCL FOODS Consumer Proprietary Limited and Vector Logistics Proprietary Limited which are kept at 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 R153,8 million (2018: R135,5 million).

The Group capitalised borrowing costs amounting to R6,8 million on qualifying assets. Borrowing costs were capitalised at a weighted average rate of 8,7%.

Impairments

Impairment losses of R4,7 million were recognised in the current financial year in the Consumer segment resulting from the discontinuation of the meat tribe sticks line in the Chicken business unit at their further processing plant.

During the 2019 financial year impairments on assets with a net book value of R2,9 million were reversed at the Benoni bakery in the Sugar & Milling segment due to the assets being brought back into use during the year.

During the current financial year, a total impairment of R761,9 million was recognised within the Sugar CGU in the Sugar & Milling segment. The Sugar CGU consists of the sugar milling, transport, sweetener and farming operations within RCL FOODS Sugar & Milling Proprietary Limited, as well as the marketing, selling and distribution operations included in Quality Sugars Proprietary Limited. The Sugar CGU excludes the agricultural operations of Libuyile Farming Services Proprietary Limited, Mgubho Farming Services Proprietary Limited and Sivunosetfu Proprietary Limited. R743,9 million of the impairment related to items of property, plant and equipment. The impairment was due to the significant challenges being experienced in the local sugar industry. Lower local market demand resulting from the implementation of the Health Promotion Levy (sugar tax) is driving an adverse sales mix with a higher proportion of production being exported at low global sugar prices. This has significantly reduced profitability for the Sugar CGU with the outlook expected to remain depressed as sugar tax has created a permanent reduction in local market demand. The key assumptions used in the value-in-use calculation are presented below.

These calculations use cash flow projections based on financial budgets approved by management, which include assumptions on profit before tax, working capital and capital maintenance expenditure. Volumes for the five years have been estimated using a forecasted industry crop of between 2,0mt and 2,3mt and a local market demand estimate of between 1,2mt and 1,3mt. Prices have been estimated using a No. 11 World Sugar Price of between 13.0c/lb and 15.0c/lb for raw exports and a Rand/Dollar exchange rate of between R14,00 and R18,00. The cash flow beyond year five (terminal cash flow) has assumed a steady state of growth with capital expenditure equal to depreciation, volumes and profit margins maintained at year five levels with the growth beyond year five resulting solely from price inflation.

Cash flows beyond a five-year period are extrapolated using the estimated growth rate on page 36. The growth rate is linked to forecasts of long-term inflation, adjusted for food inflation, based on historic trends. Food inflation is historically ahead of CPI.

1. PROPERTY, PLANT AND EQUIPMENT CONTINUED

		2019*
Key assumptions used in the impairment test are as follows:		
Discount rate – Pre-tax	(%)	18,3
Perpetuity growth rate	(%)	5,5
Period	(years)	5
Sensitivity analysis of assumptions used in the impairment test:		
Discount rate		
– Movement	(%)	+1
– Further Impairment	(Rm)	93,8
Perpetuity growth rate		
– Movement	(%)	(0,5)
– Further Impairment	(Rm)	32,0

** The key assumptions and impairment sensitivities above provide an indication of the further impairment relating to the full carrying value of the complete Sugar CGU.*

During the previous financial year, an impairment loss of R8,5 million was recognised in the Consumer segment related to assets at the Speciality business unit's Centurion site, which were damaged in a fire, as well as an impairment loss of R0,4 million in the Sugar & Milling segment related to certain assets becoming redundant.

At June 2019, there were no indications that any previously recognised impairment losses should be reversed, apart from those reversed in the year.

The Group assesses the useful lives and residual values of property, plant and equipment on an ongoing basis. This assessment is performed by the relevant finance departments, in conjunction with the operations' engineering staff. The assessment of useful lives is based on the expected future usage of the asset, and historical lives of similar assets that were eventually taken out of use.

2. INTANGIBLE ASSETS

	Software R'000	Trademarks R'000	Customer relation-ships R'000	Goodwill R'000	Capital work-in -progress R'000	Total R'000
June 2019						
Opening net book amount	126 853	1 521 405	496 206	2 533 162	18 364	4 695 990
Acquisition of business*		5 476		19 315		24 791
Additions	20 504					20 504
Disposals	(3)					(3)
Transfers between categories and property, plant and equipment	25 259				(17 731)	7 528
Transfers from held-for-sale				2 577		2 577
Amortisation charge	(28 043)	(50)	(66 084)			(94 177)
Impairment loss				(17 978)		(17 978)
Closing net book amount	144 570	1 526 831	430 122	2 537 076	633	4 639 232
Cost	305 242	1 843 735	978 373	2 932 384	633	6 060 367
Accumulated amortisation and impairment	(160 672)	(316 904)	(548 251)	(395 308)		(1 421 135)
Net book amount	144 570	1 526 831	430 122	2 537 076	633	4 639 232
June 2018						
Opening net book amount	89 427	1 521 455	586 650	2 658 493	25 380	4 881 405
Acquisition of business				4 648		4 648
Additions	62 406				(28 298)	34 108
Disposals	(12)					(12)
Transfers from property, plant and equipment					21 282	21 282
Transfers to held-for-sale				(129 979)		(129 979)
Amortisation charge	(24 968)	(50)	(90 444)			(115 462)
Closing net book amount	126 853	1 521 405	496 206	2 533 162	18 364	4 695 990
Cost	263 176	1 838 259	941 027	2 910 491	18 364	5 971 317
Accumulated amortisation and impairment	(136 323)	(316 854)	(444 821)	(377 329)		(1 275 327)
Net book amount	126 853	1 521 405	496 206	2 533 162	18 364	4 695 990

* *Refer to note 35 of the consolidated financial statements for further details.*

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

	2019	2018

2. INTANGIBLE ASSETS CONTINUED

SOFTWARE

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

TRADEMARKS

The carrying value of trademarks are included in the following CGUs within the Consumer and Sugar & Milling segments.

CGU	Trademarks	Useful Life	2019 R'000	2018 R'000
Grocery	Ouma Nola Yum Yum Nutso Bobtail Catmor Dogmor Ultra dog Canine Cuisine Optimizor Feline Cuisine	Indefinite	**438 600**	438 600
Beverages	Number 1 Mageu Monati Mnandi	Indefinite	**176 540**	176 540
Pies	Piemans	Indefinite	**260 000**	260 000
Total Consumer segment			**875 140**	875 140
Sugar	Selati	Finite	**54**	104
Milling	Supreme Tafelberg Safari A1 5 Star	Indefinite	**315 141**	315 141
Baking	Sunbake	Indefinite	**331 020**	331 020
EPOL Animal Feed	EPOL Driehoek Equus	Indefinite	**5 476**	
Total Sugar & Milling segment			**651 691**	646 265
Total trademarks			**1 526 831**	1 521 405

The Grocery, Beverages, Pies, Milling and Baking CGUs comprise the complete operations of these business units.

The trademarks and goodwill arising from the purchase price allocation of the acquisition of Driehoek Voere has been allocated to the EPOL Animal Feed CGU. Driehoek Voere has been integrated into the existing EPOL business due to the similar nature of its products and customer markets. The EPOL Animal Feed CGU relates only to the operations of the EPOL and Driehoek Voere animal feed operations and excludes the Molatek animal feed operation, which is considered a separate CGU.

	2019	2018

2. INTANGIBLE ASSETS CONTINUED

TRADEMARKS CONTINUED

Finite life		
Amortisation period	**15 to 20 years**	15 to 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, Number 1 Mageu, Monati, Optimizor, 5 Star, Mnandi, Supreme, Tafelberg, Safari, Piemans, Feline Cuisine and A1 acquired on the acquisition of New Foodcorp Holdings Proprietary Limited (indirectly Foodcorp) in 2013. Driehoek and Equus were acquired as part of the acquisition of Driehoek Voere in the current financial year and were assessed as having indefinite useful lives.

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 to 20 years**	5 to 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.

GOODWILL

Goodwill relates to the acquisition of Vector Logistics Proprietary Limited in 2005, New Foodcorp Holdings Proprietary Limited in 2013, the sweetener operation (included in Sugar) in 2018, purchased goodwill which arose on the common control acquisition of RCL FOODS Sugar & Milling Proprietary Limited in the 2014 financial year and goodwill on the acquisition of Driehoek Voere in the current financial year (included in the EPOL Animal Feed CGU). Refer to note 35 of the consolidated financial statements for details of acquisitions.

During the current financial year, a total goodwill impairment of R18,0 million was recognised within the Sugar CGU in the Sugar & Milling segment. Refer to note 1 of the consolidated financial statements for further details.

Goodwill is made up as follows:		
Goodwill arising from a business combination	**2 537 076**	2 519 832
Acquired goodwill		13 330
Total	**2 537 076**	2 533 162

2. INTANGIBLE ASSETS CONTINUED

GOODWILL CONTINUED

	Opening R'000	Additions R'000	Transferred from held-for-sale R'000	Impairment R'000	Closing R'000
2019					
Grocery	191 205				**191 205**
Pies	588 615				**588 615**
Speciality	501 131		**2 577**		**503 708**
Beverages	258 689				**258 689**
Sugar	17 978			**(17 978)**	
EPOL Animal Feed		**19 315**			**19 315**
Baking	688 100				**688 100**
Logistics	287 444				**287 444**
Total	2 533 162	**19 315**	**2 577**	**(17 978)**	**2 537 076**
2018					
Grocery	191 205				191 205
Pies	588 615				588 615
Speciality	631 110		(129 979)		501 131
Beverages	258 689				258 689
Sugar	13 330	4 648			17 978
Baking	688 100				688 100
Logistics	287 444				287 444
Total	2 658 493	4 648	(129 979)		2 533 162

IMPAIRMENT TEST FOR INDEFINITE USEFUL 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 five-year financial budgets approved by the Board, which include assumptions on profit before interest and tax, working capital movements and capital maintenance expenditure. Cash flows for years one to five include price assumptions which do not exceed long-term food inflations trends with volumes being aligned to the Group's strategic plans. The cash flow beyond year five (terminal cash flow) has assumed a steady state of growth with capital expenditure equal to depreciation, volumes and profit margins maintained at year five levels with the growth beyond year five resulting solely from price inflation.

Cash flows beyond a five-year period are extrapolated using the estimated growth rates stated below. Growth rates are linked to forecasts of long-term inflation, adjusted for food inflation, based on historic trends. Food inflation is historically ahead of CPI.

The details of the impairment test for the Sugar CGU in 2019 have been included in note 1 of the consolidated financial statements.

	Discount rate pre-tax %	Perpetuity growth rate %	Period years
2019			
Grocery	**15,2**	**5,5**	**5**
Pies	**14,9**	**5,5**	**5**
Speciality	**14,9**	**5,5**	**5**
Beverages	**14,9**	**5,5**	**5**
EPOL Animal Feed	**17,6**	**5,5**	**5**
Milling	**12,9**	**5,5**	**5**
Baking	**14,8**	**5,5**	**5**
Logistics	**18,2**	**5,0**	**5**
2018			
Grocery	14,9	6,0	5
Pies	14,5	6,0	5
Speciality	14,6	6,0	5
Beverages	14,5	6,0	5
Sugar	14,1	6,0	5
Milling	14,4	6,0	5
Baking	14,3	6,0	5
Logistics	17,6	5,0	5

2. INTANGIBLE ASSETS CONTINUED

IMPAIRMENT TEST FOR INDEFINITE USEFUL LIFE INTANGIBLE ASSETS AND GOODWILL CONTINUED

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

The impairment below would relate to the entire carrying value of the CGU and not only to the value of the indefinite life intangible assets and goodwill.

	Discount rate		Perpetuity growth rate	
	Movement (%)	Impairment (Rm)	Movement (%)	Impairment (Rm)
2019				
Grocery	**+1,0**	**Nil**	**(0,5)**	**Nil**
Pies	**+1,0**	**Nil**	**(0,5)**	**Nil**
Speciality	**+1,0**	**27,4**	**(0,5)**	**Nil**
Beverages	**+1,0**	**Nil**	**(0,5)**	**Nil**
EPOL Animal Feed	**+1,0**	**Nil**	**(0,5)**	**Nil**
Milling	**+1,0**	**135,5**	**(0,5)**	**55,4**
Baking	**+1,0**	**Nil**	**(0,5)**	**Nil**
Logistics	**+1,0**	**Nil**	**(0,5)**	**Nil**
2018				
Grocery	+2,0	Nil	(0,5)	Nil
Pies	+2,0	Nil	(0,5)	Nil
Speciality	+2,0	200,3	(0,5)	41,6
Beverages	+2,0	64,8	(0,5)	Nil
Sugar	+2,0	Nil	(0,5)	Nil
Milling	+2,0	252,1	(0,5)	46,1
Baking	+2,0	Nil	(0,5)	Nil
Logistics	+2,0	Nil	(0,5)	Nil

CAPITAL WORK-IN-PROGRESS

Intangible capital work-in-progress relates mainly to software which is still in the development phase.

	2019 R'000	2018 R'000
3. INVESTMENT IN JOINT VENTURES		
Opening balance	248 570	227 366
Share of profits of joint ventures	43 318	28 268
Dividends received from joint ventures	(7 361)	(2 591)
Exchange differences on translation of joint venture	3 714	(4 473)
Balance at June	288 241	248 570

Set out below are the joint ventures of the Group as at June 2019. 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)	Eswatini	50,0*	note 2
Senn Foods Logistics Proprietary Limited (Senn Foods)	Botswana	49,0*	note 3
TSGRO Farming Services Proprietary Limited (TSGRO)	South Africa	50,0*	note 4

* *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.*

Note 1: Akwandze's main activities are to provide production finance and management services to sugarcane growers. This is a strategic partnership for the Group as it allows the Group to manage the process with sugarcane growers more effectively. The year-end date of Akwandze is June 2019.

Note 2: Mananga is a sugar packaging and selling company which sells sugar under the First brand in Eswatini (previously known as Swaziland) as well as in South Africa. Its primary business activity is to purchase sugar from the Eswatini 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 Eswatini sugar market. The year-end date of Mananga is June 2019.

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 2019. The use of the different date in applying the equity method is due to the practicality of obtaining the audited June 2019 results timeously.

Note 4: TSGRO's main activities are to provide farm management, development, engineering and procurement services to the small-scale sugarcane farmers in the Nkomazi area. The year-end of TSGRO is June 2019.

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.

The following commitments relates to the Group's interest in the joint ventures:

	2019 R'000	2018 R'000
Guarantee:		
Long-term Loan Guarantee in favour of Land Bank on behalf of Akwandze Agricultural Finance Proprietary Limited	150 000	150 000

No credit losses are expected from the guarantee as the risk of default of debtors are limited due to the fact that some debtors are related to the Group with no history of default. The loans of the debtors not relating to the Group are supported by external suretyships.

3. INVESTMENT IN JOINT VENTURES CONTINUED

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

	Akwandze June 2019 R'000	Mananga June 2019 R'000	Senn Foods March 2019 R'000	TSGRO June 2019 R'000	Total 2019 R'000
2019					
Summarised statement of financial position					
Current					
Cash and cash equivalents	37 946	39 736	44 816	4 491	126 989
Other current assets	252 115	334 938	144 450	20 485	751 988
Total current assets	290 061	374 674	189 266	24 976	878 977
Financial liabilities (excluding trade payables)	203 196			4	203 200
Other current liabilities (including trade payables)	17 142	162 489	77 611	8 693	265 935
Total current liabilities	220 338	162 489	77 611	8 697	469 135
Non-current					
Assets (including customer relationships)	55 565	57 357	29 276	18 256	160 454
Financial liabilities	61 399			42 230	103 629
Other liabilities		5 379	904		6 283
Total non-current liabilities	61 399	5 379	904	42 230	109 912
Net assets	63 889	264 163	140 027	(7 695)	460 384

	Akwandze June 2018 R'000	Mananga June 2018 R'000	Senn Foods March 2018 R'000	TSGRO June 2018 R'000	Total 2018 R'000
2018					
Summarised statement of financial position					
Current					
Cash and cash equivalents	44 110	2 472	59 577	2 388	108 547
Other current assets	238 280	244 814	89 719	20 585	593 398
Total current assets	282 390	247 286	149 296	22 973	701 945
Financial liabilities (excluding trade payables)	209 531			3	209 534
Other current liabilities (including trade payables)	17 591	82 990	60 819	8 880	170 280
Total current liabilities	227 122	82 990	60 819	8 883	379 814
Non-current					
Assets (including customer relationships)	59 116	60 731	27 522	12 355	159 724
Financial liabilities	57 940			29 089	87 029
Other liabilities		8 674	551		9 225
Total non-current liabilities	57 940	8 674	551	29 089	96 254
Net assets	56 444	216 353	115 448	(2 644)	385 601

3. INVESTMENT IN JOINT VENTURES CONTINUED

	Akwandze June 2019 R'000	Mananga June 2019 R'000	Senn Foods March 2019 R'000	TSGRO June 2019 R'000	Total 2019 R'000
2019					
Summarised statement of comprehensive income					
Revenue from contracts with customers	26 078	1 203 748	494 022	28 510	1 752 358
Depreciation and amortisation	(43)	(3 761)	(3 190)	(1 525)	(8 519)
Finance costs	(6 263)	(1 192)		(3 295)	(10 750)
Finance income	3 654	1 163	188	1 107	6 112
Profit/(loss) before tax	15 719	62 875	43 718	(7 038)	115 274
Income tax expense	(4 174)	(15 065)	(9 667)	1 987	(26 919)
Profit/(loss) after tax	11 545	47 810	34 051	(5 051)	88 355
Total comprehensive income/(loss)	11 545	47 810	34 051	(5 051)	88 355
Adjustments					
Amortisation of customer relationships (net of tax)			(6 213)		(6 213)
Adjusted total comprehensive income/(loss)	11 545	47 810	27 838	(5 051)	(82 142)
Dividends received from joint ventures	2 050		5 311		7 361

	Akwandze June 2018 R'000	Mananga June 2018 R'000	Senn Foods March 2018 R'000	TSGRO June 2018 R'000	Total 2018 R'000
2018*					
Summarised statement of comprehensive income					
Revenue from contracts with customers	27 555	940 681	409 817	34 073	1 412 126
Depreciation and amortisation	(42)	(4 666)	(2 137)	(729)	(7 574)
Finance costs	(33 851)	(1 010)		(1 923)	(36 784)
Finance income	18 201	1 446	88	1 043	20 778
Profit before tax	18 940	27 396	38 003	264	84 603
Income tax expense	(5 295)	(7 888)	(8 340)	(107)	(21 630)
Profit after tax	13 645	19 508	29 663	157	62 973
Total comprehensive income	13 645	19 508	29 663	157	62 973
Adjustments					
Amortisation of customer relationships (net of tax)			(5 802)		(5 802)
Adjusted total comprehensive income/(loss)	13 645	19 508	23 861	157	57 171
Dividends received from joint ventures	2 591				2 591

** The 2018 disclosures have been updated to reflect information consistent with the current year disclosures.*

3. INVESTMENT IN JOINT VENTURES CONTINUED

	Akwandze June 2019 R'000	Mananga June 2019 R'000	Senn Foods March 2019 R'000	TSGRO June 2019 R'000	Total 2019 R'000
2019					
Reconciliation of summarised financial information presented to the carrying amount of the joint ventures					
Opening net assets	56 444	216 353	115 448	(2 644)	385 601
Adjusted total comprehensive income/(loss) for the period	11 545	47 810	27 838	(5 051)	82 142
Dividends paid	(4 100)		(10 839)		(14 939)
Exchange differences on translation of joint venture			7 580		7 580
Closing net assets	63 889	264 163	140 027	(7 695)	460 384
Interest in joint venture (%)	50	50	49	50	
Losses deferred to future reporting periods*				3 810	3 810
Goodwill	4 937	93	50 572	773	56 375
Carrying value	36 882	132 174	119 185		288 241

	Akwandze June 2018 R'000	Mananga June 2018 R'000	Senn Foods March 2018 R'000	TSGRO June 2018 R'000	Total 2018 R'000
2018					
Reconciliation of summarised financial information presented to the carrying amount of the joint ventures					
Opening net assets	47 981	196 845	100 715	(2 801)	342 740
Adjusted total comprehensive income for the period	13 645	19 508	23 861	157	57 171
Dividends paid	(5 182)				(5 182)
Exchange differences on translation of joint venture			(9 128)		(9 128)
Closing net assets	56 444	216 353	115 448	(2 644)	385 601
Interest in joint venture (%)	50	50	49	50	
Losses deferred to future reporting periods*				1 322	1 322
Goodwill	4 937	93	50 572	773	56 375
Carrying value	33 159	108 270	107 141		248 570

* *The carrying amount of the investment in TSGRO is Rnil (2018: Rnil), hence profits will only be recognised once cumulative losses have been recouped.*

The implementation of IFRS 9 and IFRS 15 in the current financial year did not have a material impact on the results of the Group's remaining joint ventures.

Our Akwandze joint venture is a provider of crop finance to small-scale and commercial sugarcane growers. The assessment of IFRS 9 did not have a material impact on their results as the existing loss provision calculations took into account the future cash flows expected to be received from the borrower, hence taking into account forward-looking information.

	2019 R'000	2018 R'000
4. INVESTMENT IN ASSOCIATES		
Opening balance	**526 437**	513 323
Additional investment in Royal Swaziland Sugar Corporation Limited		27 286
Investment in L&A Logistics Limited	**40 638**	
Share of profits/(loss) of associates	**84 523**	51 834
Dividends received from associate	**(42 847)**	(59 803)
Share of associates other comprehensive income	**2 244**	(664)
Exchange differences on translation of associates	**1 923**	(5 539)
Balance at June	**612 918**	526 437

Set out below are the associates of the Group as at June 2019. 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
Royal Swaziland Sugar Corporation Limited (RSSC)	**Eswatini**	**29,1846**	**note 1**
HMH Rainbow Limited (HMH)	**Uganda**	**33,5**	**note 2**
L&A Logistics Limited (L&A)	**Zambia**	**45,0**	**note 3**

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 Eswatini market. In the 2018 financial year a 1,76% additional stake in RSSC was purchased.

The year-end date of RSSC is March 2019, however the Group has equity accounted the results for the year ended June 2019.

As at June 2019 the shares had a fair value of E14,00 (2018: E14,00) per share on the Eswatini Stock Exchange, at a total market value for the Group's investment in RSSC of R393,7 million (2018: R393,7 million). The fair value of the share is a Level 1 input. Whilst the carrying value of the Group's investment in RSSC of R518,4 million at June 2019 is higher than the market value of RSSC's shares, this is not considered to be an indicator of impairment as the RSSC shares are not actively traded on the Eswatini Stock Exchange and are not considered liquid. Hence, the share price is not considered to be an accurate reflection of the value of the investment.

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.

Note 3: L&A is currently a leading distributor of products in the Zambian market. The acquisition provides entry into the Zambian logistics market and provides opportunities to grow our business further in this geography.

The year-end of L&A is March 2019. The use of the different date in applying the equity method is due to the practicality of obtaining the audited June 2019 results timeously.

There are no quoted market prices available for the investment in L&A.

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

	2019 R'000	2018 R'000
As part of the banking facilities, RSSC and its subsidiary company are liable for the following guarantees:		
Customs and Excise	**9 050**	10 500
Eswatini Government – Labour	**60**	60
Eswatini Government – Sales Tax	**275**	275
Eswatini Government – General Bond	**70**	70
South African Revenue Service – VAT	**550**	550
European Union	**67 708**	67 708
Transnet	**50**	50

RSSC is defending a number of actions brought by former employees and suppliers. Liability is not admitted and 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 RSSC are of the opinion that the total costs, if any, would not be material.

RSSC's bank overdraft facilities are secured by cross guarantees for an unlimited amount between RSSC, Mhlume (Eswatini) Sugar Company Limited and Royal Swazi Distillers Proprietary Limited.

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.

There are no other contingent liabilities or commitments in associates.

4. INVESTMENT IN ASSOCIATES CONTINUED

Set out below is the summarised financial information for associates:

	L&A March 2019 R'000	RSSC June 2019 R'000	HMH June 2019 R'000	Total June 2019 R'000
2019				
Summarised statement of financial position				
Current				
Cash and cash equivalents	1 966	127 251		129 217
Other current assets	27 517	1 060 470	51 400	1 139 387
Total current assets	29 483	1 187 721	51 400	1 268 604
Financial liabilities (excluding trade payables)		164 984	58 239	223 223
Other current liabilities (including trade payables)	11 417	285 362	24 053	320 832
Total current liabilities	11 417	450 346	82 292	544 055
Non-current				
Assets	4 702	1 813 479	143 115	1 961 296
Total non-current assets	4 702	1 813 479	143 115	1 961 296
Financial liabilities		287 679		287 679
Other liabilities	762	458 768	20 817	480 347
Total non-current liabilities	762	746 447	20 817	768 026
Net assets	22 006	1 804 407	91 406	1 917 819

	RSSC June 2018 R'000	HMH June 2018 R'000	Total June 2018 R'000
2018			
Summarised statement of financial position			
Current			
Cash and cash equivalents	112 233	846	113 079
Other current assets	851 254	31 643	882 897
Total current assets	963 487	32 489	995 976
Financial liabilities (excluding trade payables)	129 065	32 616	161 681
Other current liabilities (including trade payables)	233 202	19 217	252 419
Total current liabilities	362 267	51 833	414 100
Non-current			
Assets	1 590 165	128 656	1 718 821
Total non-current assets	1 590 165	128 656	1 718 821
Financial liabilities	132 857		132 857
Other liabilities	410 080	19 374	429 454
Total non-current liabilities	542 937	19 374	562 311
Net assets	1 648 448	89 938	1 738 386

4. INVESTMENT IN ASSOCIATES CONTINUED

	L&A* March 2019 R'000	RSSC June 2019 R'000	HMH June 2019 R'000	Total June 2019 R'000
2019				
Summarised statement of comprehensive income				
Revenue from contracts with customers	75 397	3 261 392	241 833	3 578 622
Depreciation and amortisation	(105)	(193 688)	(13 569)	(207 362)
Finance expense	(21)	(19 398)	(6 450)	(25 869)
Finance income		23 712		23 712
Profit/(loss) before tax	4 895	401 532	(5 232)	401 195
Income tax expense	(2 091)	(106 450)		(108 541)
Profit/(loss) after tax	2 804	295 082	(5 232)	292 654
Other comprehensive income		7 690		7 690
Total comprehensive income/(loss)	2 804	302 772	(5 232)	300 344
Adjustments				
Amortisation of customer relationships (net of tax)	(1 090)			(1 053)
Share of associate profit pre-acquisition	(1 365)			(1 402)
Adjusted total comprehensive income/(loss)	349	302 772	5 232	297 889
Dividends received from associate		42 847		42 847

	RSSC June 2018 R'000	HMH June 2018 R'000	Total June 2018 R'000
2018			
Summarised statement of comprehensive income			
Revenue from contracts with customers	2 807 754	163 359	2 971 113
Depreciation and amortisation	(175 525)	(8 594)	(184 119)
Finance expense	(5 196)	(2 332)	(7 528)
Finance income	39 786		39 786
Profit before tax	260 161	4 029	264 190
Income tax expense	(57 543)	(1 209)	(58 752)
Profit after tax	202 618	2 820	205 438
Other comprehensive loss	(2 274)		(2 274)
Total comprehensive income	200 344	2 820	203 164
Dividends received from associate	59 803		59 803

	L&A* March 2019 R'000	RSSC June 2019 R'000	HMH June 2019 R'000	Total 2019 R'000
Reconciliation of summarised financial information presented to the carrying amount of the associate				
Opening net assets		1 648 448	89 938	1 738 386
Acquisition of associate	22 372			22 372
Adjusted total comprehensive income/(loss) for the period	349	302 772	(5 232)	297 889
Exchange differences on translation of associates	(715)		6 700	5 985
Dividends paid		(146 813)		(146 813)
Closing net assets	22 006	1 804 407	91 406	1 917 819
Interest in associate (%)	45,0	29,1846	33,5	
Goodwill	30 570		23 406	53 976
Carrying value	40 473	518 418	54 027	612 918

** The purchase price allocation of L&A is still considered provisional.*

4. INVESTMENT IN ASSOCIATES CONTINUED

	%	Total RSSC June 2018 R'000	RCL Foods Share RSSC June 2018 R'000
Reconciliation of summarised financial information presented to the carrying amount of the associate			
Opening net assets	27,4202	1 660 078	455 194
Total comprehensive income to date of acquisition of additional interest		467 229	128 114
Dividends paid to date of acquisition of additional interest		(116 591)	(31 966)
Closing net assets at date of acquisition of additional interest		2 010 716	551 342
Carrying value at date of acquisition of additional interest		2 010 716	551 342
Carrying value of 1,76% acquired			27 286
Carrying value post acquisition	29,1846		578 628
Total comprehensive loss for the period post acquisition of additional interest		(266 885)	(77 889)
Dividends paid post-acquisition of additional interest		(95 383)	(27 837)
Carrying value		1 648 448	472 902

		HMH June 2018 R'000
Reconciliation of summarised financial information presented to the carrying amount of the associate		
Opening net assets		103 653
Total comprehensive income for the period		2 820
Exchange differences on translation of associates		(16 535)
Closing net assets		89 938
Interest in associate	(%)	33,5
Goodwill		23 406
Carrying value		53 535

	2019 R'000	2018 R'000
5. LOANS RECEIVABLE		
Non-current		
Loans at the beginning of the year	**35 920**	1 555
Loans reclassified from current to non-current	**29 072**	
Loans advanced during the year	**33 200**	35 920
Repayment		(1 555)
Less: Expected credit loss allowance	**(6 631)**	
Loans at the end of the year	**91 561**	35 920

Non-current loans receivable consist of loans granted to Siyathuthuka Sugar Estate Proprietary Limited of R56,0 million (2018: R35,9 million) and TSGRO Farming Services Proprietary Limited of R42,2 million. Loans of R29,1 million, which were granted to TSGRO Farming Services Proprietary Limited in prior years, were reclassified into non-current loans receivable during the current year due to a change in the repayment terms.

The long-term loan to Siyathuthuka Sugar Estate Proprietary Limited represents loans that have been provided to black-owned medium-scale growers in the current and previous financial year. The loan is secured by a second mortgage bond over the properties of Siyathuthuka Sugar Estate Proprietary Limited. Siyathuthuka Sugar Estate Proprietary Limited has also ceded to the Group all the Siyathuthuka Sugar Estate Proprietary Limited's right, title and interest (including the right to receive proceeds on behalf of Siyathuthuka Sugar Estate Proprietary Limited arising under or by virtue of each Cane Delivery Agreement concluded between Siyathuthuka Sugar Estate Proprietary Limited and RCL FOODS Sugar & Milling Proprietary Limited. Each of the shareholders of Siyathuthuka Sugar Estate Proprietary Limited had pledged and ceded in *securitatem debiti* all of his/her shares in the Siyathuthuka Sugar Estate Proprietary Limited from time to time ("the Pledged Shares") to RCL FOODS Sugar & Milling Proprietary Limited on the terms and conditions set out in clause 11 of the Incidental Agreement. The loan is repayable in 10 years and currently, is interest-free.

The long-term loans to TSGRO Farming Services Proprietary Limited are unsecured and accrues interest at 9,25% (2018: 9,0%) per annum. The loan is repayable with a notice period of 366 days.

No amounts included above are past due.

The credit risk of the Group's non-current loans receivable have been assessed using the general model of IFRS 9, taking into account the counterparty's risk of default and its capacity to meet its contractual cash flow obligations as they become due, as well as current and forward-looking information on macroeconomic factors affecting the ability of the counterparties to settle their debt. Due to the significant challenges currently being experienced in the South African sugar industry, there is a significant increase in credit risk of the loans granted to both Siyathuthuka Sugar Estate Proprietary Limited and TSGRO Farming Services Proprietary Limited since inception. These loans have thus been assessed for impairment using the lifetime basis.

The loans granted to Siyathuthuka Sugar Estate Proprietary Limited are secured over land, for which a fair value has been obtained from a professional valuator. The fair value of the land exceeds the carrying amount of the loans receivable from Siyathuthuka Sugar Estate Proprietary Limited at June 2019. Management has considered the time period over which the land will have to be liquidated to realise cash and has discounted the valuation for this time period. No expected credit loss was recognised on the loans receivable from Siyathuthuka Sugar Estate Proprietary Limited based on the assessment performed.

TSGRO Farming Services Proprietary Limited is a joint venture of the Group, thus the Group has access to their results and forecast information for forthcoming years in order to assess the borrowers capacity to meet its contractual cash flow obligations as they become due. In assessing the expected credit losses arising on the loan to TSGRO Farming Services Proprietary Limited, both internal (current profitability and forward-looking information) and external (current and future state of sugar industry and macroeconomic factors) factors were considered and management has concluded that TSGRO Farming Services Proprietary Limited is facing major ongoing uncertainties and exposure to adverse business, financial, or economic conditions which could lead to them not having adequate capacity to meet its financial commitments. A probability of default rate of 19,2% was applied to the TSGRO Farming Services Proprietary Limited loans, benchmarked against available market default rates. The loss given default was assessed as 100% as there are no guarantees or collateral held in respect of these loans. The exposure at default has been reduced for the net liquid assets available in TSGRO Farming Services Proprietary Limited that could be utilised to settle this loan. Based on management's assessment, a R6,6 million loss allowance has been recognised on the loans advanced to TSGRO Farming Services Proprietary Limited.

Should the rate used in assessing the probability of default increase by 10%, the expected credit loss would increase by R3,5 million, whilst a 10% decrease in the rate would result in a decrease of R3,5 million in the expected credit loss.

	2019 R'000	2018 R'000
5. LOANS RECEIVABLE CONTINUED		
Current		
Loans at the beginning of the year	**29 072**	17 200
Loans reclassified from current to non-current	**(29 072)**	
Loans advanced during the year	**2 500**	11 872
Loans at the end of the year	**2 500**	29 072

During the current financial year, a loan of R2,5 million was granted to The Hatchery Group Proprietary Limited for the purpose of funding its working capital requirements.

The Hatchery Group Proprietary Limited, in conjunction with RCL FOODS, Remgro Limited and Food Safe Proprietary Limited, is involved in researching new business models and technologies in the food industry. The research will be concluded in February 2020, at which point a decision on the repayment terms of the loan will be made.

The loan is unsecured and bears interest at the prime rate +1%.

The current status of the research is ongoing, and, as a result, management have assessed the expected risk of default as minimal at this stage, until a decision has been taken on the viability of the project.

No amounts included above are past due.

	2019 R'000	2018 R'000
6. INVENTORIES		
Finished goods	**2 195 778**	2 136 809
Work-in-progress	**4 503**	11 642
Raw materials and ingredients	**569 323**	447 558
Consumables and maintenance spares	**338 964**	330 739
At the end of the year	**3 108 568**	2 926 748
Carrying value of inventory written down to net realisable value	**251 757**	197 899
Amount expensed as write-down to net realisable value	**71 944**	65 026

The Group's net realisable value write-down of R71,9 million processed in the current financial year relates to chicken finished goods in the Consumer segment. Due to the fast-moving nature of the products, the Group bases its write-down calculation on actual selling price information available post year-end related to these products which supports the net realisable value of stock on hand.

7. BIOLOGICAL ASSETS

	Breeding stock R'000	Broiler stock R'000	Sugarcane plants R'000	Banana fruit R'000	Total R'000
2019					
At the beginning of the year at fair value	**308 977**	**176 497**	**313 032**	**8 825**	**807 331**
Gains arising from cost inputs	**972 687**	**3 211 258**			**4 183 945**
Decrease due to harvest/ Transferred to cost of sales	**(962 091)**	**(3 190 661)**	**(316 122)**	**(8 825)**	**(4 477 699)**
Fair value adjustments recorded in profit or loss	**31 716**	**12 214**	**289 863**	**19 123**	**352 916**
At the end of the year at fair value	**351 289**	**209 308**	**286 773**	**19 123**	**866 493**
2018					
At the beginning of the year at fair value	273 264	192 132	319 195	6 878	791 469
Gains arising from cost inputs	860 865	2 888 297			3 749 162
Decrease due to harvest/ Transferred to cost of sales	(851 029)	(2 917 732)	(327 434)	(6 878)	(4 103 073)
Fair value adjustments recorded in profit or loss	25 877	13 800	321 271	8 825	369 773
At the end of the year at fair value	308 977	176 497	313 032	8 825	807 331

The financial risk management disclosures relating to the fair value estimation of the Group's biological assets is included in note 28 of the consolidated financial statements.

	2019 R'000	2018 R'000
8. TRADE AND OTHER RECEIVABLES		
Non-current		
Other receivables	**127 025**	58 010
Total	**127 025**	58 010

Other receivables relate to:

- a deposit made on a finance lease of R16,6 million (2018: R15,3 million) which is only receivable on termination of the lease. The period of the lease is 15 years. There has been no significant increase in credit risk with respect to the lessor, based on a review of available public information, thus the receivable has been assessed for expected credit loss on a 12-month basis. No expected credit loss was required as no portion of the deposit is due within the next 12 months;
- the balance of the proceeds on the sale of the Tzaneen operation of R35,9 million (2018: R42,2 million), which is repayable over a period of three years. The receivable will be settled in quarterly payments, with interest accruing at the Group's effective investment interest rate of 6,8% per annum. Based on the payment history of the debtor, and inspection of their latest financial results, there is no significant increase in credit risk and the expected credit loss has thus been assessed on a 12-month basis. As a result, only the current portion of the receivable, amounting to R7,5 million, was considered for the assessment of expected credit loss. The Group has assessed the credit risk of the debtor by inspecting their latest results and considering the current state of the poultry market in which they operate. The debtor was assessed as having a strong capacity to meet their financial obligations but being susceptible to the adverse effects of changes in the chicken industry and the general economy. A default rate, benchmarked against the rating agency rates for debtors with similar credit characteristics, was applied and did not result in a material impairment loss; and
- the balance of the proceeds on the sale of the Prepared Lines operation of R72,4 million, which is repayable over a period of two years. The receivable will be settled in bi-annual payments, with interest accruing at the Group's effective investment interest rate of 6,8% per annum. Based on the payment history of the debtor, and review of available public information, there has been no significant increase in credit risk assessed and the expected credit loss has thus been assessed on a 12-month basis. The Group has assessed the credit risk of the debtor by inspecting their latest media releases, considering their payment history, and considering their customer base and market in which their products are sold. The debtor was assessed as having a very strong capacity to meet their financial obligations. A default rate, benchmarked against the rating agency rates for debtors with similar credit characteristics, was applied and did not result in a material impairment loss.

8. TRADE AND OTHER RECEIVABLES CONTINUED

		2019 R'000	2018 R'000
Current			
Trade receivables		3 785 125	3 481 763
Less: Loss allowance		(51 138)	(35 656)
Net trade receivables		3 733 987	3 446 107
Prepayments		104 571	80 037
Other receivables*		763 564	727 870
At the end of the year		4 602 122	4 254 014
A summary of the Group's trade receivables covered by insurance or secured by collateral is as follows:			
Terms	(days)	7 to 90	7 to 90
Collateral held/insurance		Yes	Yes
Debtors covered by Lombard insurance**		3 462 387	3 348 031
Mortgage bonds – registered value		48 800	48 800
Notarial bonds – registered value		1 450	1 450
Cessions – book value		950	950
Bank guarantees – actual value		1 500	1 500
Total		3 515 087	3 400 731
* Material items included in other receivables comprise:			
– Logistics distribution contracts[1]		396 104	442 340
– VAT receivable		165 343	155 518
– Current portion of proceeds on sale of Tzaneen operation[2]		7 500	7 500
– Current portion of proceeds on sale of Prepared Lines operation[2]		76 391	
– Other receivables[3]		118 226	122 512

[1] These receivables represent amounts due from large listed and/or well-established foodservice entities in the South African market, and is effectively secured over the value of inventory that the Logistics division holds on their behalf for distribution to their stores. The expected credit loss on these receivables was not considered to be material based on the value of the stock held and the short time period that it would take to liquidate the inventory into cash should the debtor default.

[2] The expected credit loss for the current portion of the Tzaneen and Prepared Lines operations receivables have been discussed in the non-current section of this note.

[3] The remaining other receivables consist of various items which are not considered individually material. These items have been assessed for expected credit loss using the general approach in accordance with IFRS 9 and did not result in material expected credit losses.

*** The maximum claim as a result of default on any single claim is R1,35 billion (2018: R1,35 billion). There are no individual debtors with balances which exceed R1,35 billion at 30 June 2019.*

8. TRADE AND OTHER RECEIVABLES CONTINUED

The Group applies the IFRS 9 simplified approach to measuring expected credit losses on its current trade receivables, which calculates the loss allowance on a lifetime basis.

The expected loss rates applied in the assessment of impairment for trade receivables are based on the payment profiles of historical sales for customers with write-offs. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified forecast GDP growth, CPI, prime rate and the unemployment rate to be the most relevant factors due to the impact it has on the majority of our consumers.

The most significant period-end assumptions used for the expected credit loss estimate as at June 2019 are set out below. The assumptions include actual rates and forecast rates, with expected movements being taken into account in determining the expected impact of the change in these rates.

Macroeconomic indicator	
Forecast GDP growth	For the period 2 July 2018 to 30 June 2019, GDP growth deteriorated between 0,05% and 0,15%. GDP growth is expected to improved by between 0,10% and 0,30% for the period between 1 July 2019 and 28 June 2020.
CPI	For the period 2 July 2018 to 30 June 2019, CPI increased between 0,05% and 0,15%. CPI is expected to remain below 5,00% for the 2020 and 2021 financial years.
Prime rate	During the period 2 July 2018 to 30 June 2019, the prime rate increased by 25 basis points. The prime rate declined by 25 basis points in July 2019.
Unemployment rate	For the period 2 July 2018 to 30 June 2019, the unemployment rate deteriorated between 0,80% and 1,20%. A further deterioration, of between 0,70% and 1,00% is expected for the period between 1 July 2019 and 28 June 2020.

The expected increases in the unemployment rate and CPI is expected to negatively impact customers and consumers whilst the decrease in the prime rate and increase in GDP growth are positive indicators. Based on a combined assessment of the above, the historical loss rates were adjusted up by a factor of 10,0%.

The adjusted historical loss rate used on the trade receivables is as follows:

	Current	30 days	60 days	90 days	120 days
Historical loss rate	4,226%	13,600%	58,555%	59,436%	59,736%
Forward-looking adjustment	0,423%	1,360%	5,855%	5,944%	5,974%
Adjusted historical loss rate	4,649%	14,960%	64,410%	65,380%	65,710%

The adjusted historical loss rates increase with the increase in the ageing buckets. This is due to the risk of default increasing the longer the balance is outstanding for.

The Group has credit insurance in place with Lombard Insurance for all domestic trade debtors above R75 000, subject to an excess. The credit policy requires each new customer to be analysed individually for creditworthiness before delivery and payment terms are offered. The insurance cover is taken out at inception of the sale and is integral to the enactment of the sale.

The Group has assessed its expected loss allowance by grouping trade receivables on shared characteristics and days past due. The calculation of the expected credit loss takes into account the fact that the Group can recover bad debts from insurers net of any excess applicable.

	2019 R'000
8. TRADE AND OTHER RECEIVABLES CONTINUED	
The loss allowance is calculated using the matrix approach based on the total trade receivables balance; segregated for the below:	**3 785 125**
• Balances of large customers (listed and/or well-established brands within the South African and African markets) with no history of default with a long history of trading with RCL FOODS. No long outstanding amounts are included in these balances, nor has there been any indication in the current financial year that these debtors will default. Latest media reports and published financial statements were inspected to support their ability to pay. These customers were assessed as low risk and any expected credit loss would have been limited to a forward-view based on deterioration of macroeconomic indicators. The calculated expected credit loss on these balances was not considered to be material, also taking into that these debtors are covered by insurance.	**(2 643 854)**
• Receivables with specific financial issues. These were identified as trade receivables which were handed over to legal for collection or those for which we are aware of a specific issue arising from continuous unsuccessful attempts to collect the debt. These receivables have been assessed specifically and provided for either based on the state of the legal collection or in full.	**(84 138)**
• Remaining receivables with balances covered by insurance*	**(940 322)**
Trade receivables subject to matrix approach	**116 811**

** Receivables balances covered by the Group's credit insurance. The risk of default on these debtors is considered part of the risk of default of the insurer, Lombard Insurance. An assessment of credit risk related to Lombard Insurance was performed, and the risk of default was assessed as low due to the past claims payment history, with any expected credit loss being limited to a forward-view based on deterioration of macroeconomic indicators. The calculated expected credit loss on these balances was also not considered to be material.*

The expected credit loss allowance was determined as follows for trade receivables:

		Current R'000	30 days R'000	60 days R'000	90 days R'000	120 days R'000	Total R'000
June 2019							
Expected loss rate	(%)	**4,649**	**14,960**	**64,410**	**65,380**	**65,710**	
Gross carrying amount		**99 693**	**9 456**	**3 063**	**4 214**	**385**	**116 811**
Loss allowance based on matrix approach		**4 635**	**1 415**	**1 973**	**2 755**	**253**	**11 031**
Less: VAT on expected credit losses – general**							**(1 038)**
Specific provision for losses							**41 145**
Loss allowance							**51 138**

*** The South African Revenue Service permits an input VAT claim in the event of a trade receivable being written off.*

	2019 R'000	2018 R'000
Reconciliation of loss allowance		
At the beginning of the year	**(35 656)**	(40 000)
Amounts restated through opening retained earnings	**(8 955)**	
Increase in general loss allowance recognised in profit or loss during the year	**(1 038)**	
Increase in specific loss allowance recognised in profit or loss during the year	**(14 883)**	(13 907)
Receivables written off during the year as uncollectible	**6 108**	5 049
Unused amounts reversed	**3 286**	13 202
At the end of the year	**(51 138)**	(35 656)
The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:		
Rand	**4 633 008**	4 279 596
USD	**56 642**	4 362
Namibian Dollar	**39 497**	28 066
Total	**4 729 147**	4 312 024

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.

9. DERIVATIVE FINANCIAL INSTRUMENTS

	Assets 2019 R'000	Liabilities 2019 R'000	Assets 2018 R'000	Liabilities 2018 R'000
Derivative financial assets and liabilities				
Soya oil options			13	
Soyabean meal options	484			17 993
Maize options				2 603
Currency options	2 478	6		
Forward exchange contracts	1 682	2 328	5 018	6 317
Embedded building derivative rentals		838		3 757
Interest rate collar option*		19 658		386
Total	4 644	22 830	5 031	31 056

** The fair value of the interest rate collar hedge is determined using the appropriate option pricing model that takes into account the volatility of the underlying instrument.*

The amounts above represent the fair value of the derivative instruments which represent the maximum exposure to credit risk at June 2019.

The financial risk management disclosures relating to the Group's derivative assets and liabilities is included in note 28 of the consolidated financial statements.

10. NON-CURRENT ASSETS HELD-FOR-SALE

	2019 R'000	2018 R'000
Non-current assets held-for-sale relate to the following segments:		
Assets		
Consumer	360	156 580
Sugar & Milling	2 225	
Total assets	2 585	156 580

CURRENT YEAR

Consumer

Chicken Farms

During the previous financial years a decision was taken to reduce commodity chicken volumes, which resulted in certain chicken farms becoming dormant. At June 2019, one remaining farm was still included as a non-current asset held-for-sale due to the transfer of the property not yet being finalised. The sales contract was signed in the 2019 financial year and the property transfer is expected to occur in the first quarter of the 2020 financial year. The carrying value of these assets are as follows:

	2019 R'000	2018 R'000
Assets		
Property, plant and equipment	320	1 512
Total assets	320	1 512
Reconciliation of carrying amount of Chicken Farms disposed of		
Proceeds	110 300	
Carrying amount of farms disposed of included in assets held-for-sale at June 2018	(1 512)	
Net transfers to property, plant and equipment	56	
Carrying amount of assets not yet sold at June 2019	320	
Profit recognised on sale of disposal group	109 164	

Employee housing

In the current financial year, a decision was taken to dispose of a block of property currently being used for employee housing. The sales contract has been signed in the 2019 financial year and the property transfer is expected to occur in the first quarter of the 2020 financial year. The carrying value of these assets are as follows:

	2019 R'000	2018 R'000
Assets		
Property, plant and equipment	40	
Total assets	40	

	2019 R'000	2018 R'000

10. NON-CURRENT ASSETS HELD-FOR-SALE CONTINUED

CURRENT YEAR CONTINUED

Sugar & Milling

During the current financial year, sale agreements were entered into to dispose of certain properties within the Sugar & Milling segment. The transfer of the properties will be finalised in the 2020 financial year. The carrying value of these assets are as follows:

	2019 R'000	2018 R'000
Assets		
Property, plant and equipment	**2 225**	
Total assets	**2 225**	

PRIOR YEAR

Consumer

Prepared Lines operation

Due to declines in profitability within the Speciality business unit, particularly within the Prepared Lines, a decision was taken in the previous financial year to exit the Prepared Lines and focus on driving growth in the Bakery categories. The assets relating to the Prepared Lines were classified as held-for-sale at June 2018 and the disposal was completed in the 2019 financial year.

	2019 R'000	2018 R'000
Assets		
Property, plant and equipment		12 806
Goodwill*		129 979
Inventory		12 283
Total assets		155 068

** Goodwill was allocated from the Speciality CGU, based on the relative fair values of the Prepared Lines operation and the remaining operations. The fair value of the Prepared Lines operation was based on the selling price, with the remaining operations fair value being determined on a discounted cash flow method.*

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

	2019 R'000	2018 R'000
Reconciliaton of carrying amount of Prepared Lines operation		
Proceeds**	**222 446**	
Carrying amount of disposal group at June 2018	**(155 068)**	
Transfer (to)/from held for sale		
– Property, plant and equipment***	**(30 772)**	
– Goodwill	**2 577**	
– Inventory	**7 880**	
Profit recognised on sale of disposal group	**47 063**	

*** Consists of cash received during the year of R73,6 million and amounts still to be received reported in non-current trade and other receivables (R72,4 million) and current trade and other receivables (R76,4 million). Refer to note 8 of the consolidated financial statements for further details.*

**** Relates to additional items of property, plant and equipment that initially were to be transferred to other Speciality sites, however the decision was taken in the current year to dispose of these items as part of the disposal group.*

The carrying values of all the above assets held-for-sale are lower than their fair values.

		2019 R'000	2018 R'000

11. STATED CAPITAL

Authorised

2 000 000 000 (2018: 2 000 000 000) ordinary shares of no par value.

Issued ordinary shares of no par value:

	Number of shares	2019 R'000	2018 R'000
At the beginning of the year	867 327 972	**10 087 241**	10 041 690
Shares issued in terms of share incentive schemes	2 814 951	**47 333**	45 551
At the end of the year	870 142 923	**10 134 574**	10 087 241
Shares in issue for accounting purposes – June 2019	870 142 923		
Add: shares issued in terms of BEE scheme*	70 758 637		
Statutory shares in issue – June 2019	940 901 560		

* *On 26 May 2014, 44 681 162 shares were issued to the RCL Employee Share Trust (total issued value of R242,1 million), 19 149 069 to Business Venture Investments 1763 (RF) Proprietary Limited (total issued value of R103,8 million) and, on 3 April 2014, 6 928 406 shares were issued to Malongoana Investments (RF) Proprietary Limited (total issued value of R0,07 million) in terms of a BEE transaction. For accounting purposes these shares are not treated as issued (refer to note 32 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.

Issued shares have been fully paid up.

RCL FOODS Share Appreciation Rights Scheme

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

Award price (cents)	Date rights awarded	Rights at June 2018	Rights awarded during the year	Rights exercised during the year	Rights forfeited during the year	Rights at June 2019	Rights exercisable at June 2019
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	1 448 547		(228 640)		1 219 907	1 219 907
1 458	27 February 2013	27 905				27 905	27 905
1 612	1 June 2013	329 033				329 033	329 033
1 654	4 September 2013	6 326 347		(79 186)	(65 386)	6 181 775	6 181 775
1 738	1 December 2013	379 747				379 747	379 747
1 404	1 March 2014**	2 181 429		(96 109)		2 085 320	2 085 320
1 593	4 September 2014***	14 403 161		(265 637)	(95 372)	14 042 152	8 877 729
1 796	1 March 2015	1 968 732			(76 103)	1 892 629	1 211 659
1 592	9 September 2015	11 058 837		(209 431)	(200 077)	10 649 329	3 386 292
1 366	2 March 2016	1 634 569			(149 341)	1 485 228	490 121
1 405	7 September 2016	19 184 183			(619 024)	18 565 159	179 177
1 556	3 March 2017	2 202 378				2 202 378	
1 536	9 September 2017	17 917 888			(299 632)	17 618 256	42 031
1 677	5 March 2018	761 580				761 580	
1 697	10 September 2018		20 378 434		(809 017)	19 569 417	
1 250	11 March 2019		1 604 211			1 604 211	
1 344	1 April 2019		818 452			818 452	
		80 290 193	22 801 097	(879 003)	(2 313 952)	99 898 335	24 876 553

** *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.*

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 (SARs). Within the limits imposed by the Company's shareholders and the JSE Limited, the Remuneration and Nominations Committee approves and awards SARs, 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 SARs 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.

11. STATED CAPITAL CONTINUED

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

SARs awards vest as follows:

- 33% – third anniversary of award date;
- 33% – fourth anniversary of award date; and
- 34% – fifth anniversary of award date.

On resignation, SARs awards which have not yet vested will lapse and SARs awards which have vested may be exercised before the last day of employment. On retirement, unvested SARs awards vest immediately and all SARs awards may be exercised within 12 months from the date of retirement. On death, unvested SARs awards vest immediately and all SARs 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 R4,27 (2018: R3,43).

	2019 Rand	2018 Rand
Weighted average award price of rights in issue at the beginning of the year	15,30	15,27
Weighted average award price of rights in issue at the end of the year	15,57	15,30
Weighted average award price of rights exercised during the year	15,07	15,31
Weighted average award price of rights forfeited during the year	15,65	15,22
Weighted average award price of rights awarded during the year	16,53	15,42
Weighted average share price at date rights exercised during the year	16,47	18,08

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 2018	Conditional shares awarded during the year	Conditional shares exercised during the year	Conditional shares at June 2019
14 December 2015	5 481 764		(5 481 764)	
1 March 2017	18 102 823			18 102 823
11 March 2019		960 000		960 000
Total	23 584 587	960 000	(5 481 764)	19 062 823

The weighted average fair value of conditional shares awarded during the year was R10,04.

The RCL FOODS Conditional Share Plan (CSP) operates in conjunction with the current Share Appreciation Rights Scheme. The Company only uses CSP to make ad hoc allocations as and when deemed necessary and in exceptional circumstances. 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 Group 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 SARs and CSP's were calculated using the binomial options pricing model. The inputs into the model for awards issued during the year were as follows:

		2019	2018
Expected volatility	(%)	24,4 to 33,5	24,4 to 26,3
Risk-free rate	(%)	7,0 to 7,8	7,2 to 7,8
Expected dividend yield	(%)	3,0	3,0
Contractual life	(years)	7,0	7,0
Weighted average contractual life – rights	(years)	4,1	4,5

	2019 R'000	2018 R'000
12. SHARE-BASED PAYMENTS RESERVE		
Employee share scheme		
At the beginning of the year	**386 821**	285 037
Settlement of exercised rights	**(47 333)**	(45 551)
Equity component of deferred tax on share-based payments	**(13 003)**	13 005
Value of employee services expensed during the year	**139 089**	134 330
At the end of the year	**465 574**	386 821
BEE transaction		
At the beginning of the year	**246 099**	228 499
Employee portion – recurring*	**17 600**	17 600
At the end of the year	**263 699**	246 099
Total at the end of the year	**729 273**	632 920

* *Refer to note 32 of the consolidated financial statements for further details.*

	2019 R'000	2018 R'000
13. OTHER RESERVES		
Cash flow hedges		
At the beginning of year		467
Revaluation of cash flow hedges		(1 582)
Capitalised to investment		934
Taxation impact		181
At the end of year		
Foreign currency translation reserve		
At the beginning of year	**(5 806)**	4 205
Currency translation on foreign joint ventures and associates	**5 637**	(10 011)
At the end of year	**(169)**	(5 806)

		2019 R'000	2018 R'000
14. RETIREMENT BENEFIT OBLIGATIONS			
Post-retirement medical aid benefits		**126 590**	135 072
Post-retirement medical aid 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 2019. The unfunded liability for post-retirement medical aid benefits is determined actuarially each year and comprises:			
At the beginning of the year		**135 072**	136 668
Recognised as expense in the current year		**13 927**	15 946
Interest costs		**11 875**	12 956
Past service credit and settlements		**(656)**	
Current service costs		**2 708**	2 990
Remeasurements:		**(17 047)**	(12 556)
Gain from change in financial assumptions		**(13 511)**	(8 235)
Experience gain recognised		**(3 536)**	(4 321)
Benefits paid		**(5 362)**	(4 986)
At the end of the year (and balance per actuarial valuation)		**126 590**	135 072
The principal actuarial assumptions used are:			
Discount rate	(%)	**8,0 to 10,3**	7,9 to 8,9
Healthcare cost inflation	(%)	**7,0 to 8,3**	7,4 to 8,1
Mortality – pre-retirement		*****	*
Mortality – post-retirement		******	**
Expected contributions for the year ending June		**6 096**	5 560

* *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 6 and 28 years (2018: 6 and 30 years).

14. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

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

	Impact on obligation		
	Change in assumption %	Increase in assumption R'000	Decrease in assumption R'000
Discount rate	0,5	(6 828)	7 495
Healthcare cost inflation	1,0	16 210	(13 653)

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.

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:

	2019 R'000	2018 R'000
– RCL FOODS Pension Fund	58 966	46 510
– RCL FOODS Provident Fund	162 254	120 502
– Namflex Pension Fund	765	602
– TSB ABSA Retirement Fund	19 466	18 105
– SATAWU Provident Fund	3 965	3 759
– TSB Agricultural Provident Fund	4 051	3 720
– TSB ABSA Pension Fund		8 279
– TSB NBC Provident Fund	7 189	25 367
– Foodcorp Provident Fund	11 272	11 956
– Foodcorp Provident Fund – disability	759	1 934
– Momentum Employee Benefits		889
– Sanlam (TSB Pension Fund)		5
– Alexander Forbes	23 220	23 836
– Borwa		67
– Liberty Life		224
– Old Mutual – SACCAWU	7 717	6 768
– Setshaba	802	1 274
– FAWU	953	2 952
– Sanlam Group Life	4	22
Total	301 383	276 771

	2019 R'000	2018 R'000
15. INTEREST-BEARING LIABILITIES		
Long-term		
Institutional borrowings	**31 733**	37 593
Loan from Green Create W2V SA Proprietary Limited	**50 000**	
Finance lease liabilities	**180 520**	163 131
Term-funded debt package	**2 350 000**	1 755 000
Loan from Ingwenyama Simhulu Trust	**10 953**	8 000
Loan from Siphumelele Tenbosch Trust	**1 861**	
Loan from Matsamo Communal Property Association	**500**	
Loans from Akwandze Agricultural Finance Proprietary Limited	**13 796**	2 259
Total	**2 639 363**	1 965 983
Short-term		
Institutional borrowings	**5 859**	5 859
Current portion of term-funded debt package		1 097 000
Finance lease liabilities	**21 262**	11 739
Current portion of long-term loan from Akwandze Agricultural Finance Proprietary Limited	**3 148**	5 547
Short-term loans from Akwandze Agricultural Finance Proprietary Limited	**151 365**	162 528
Total	**181 634**	1 282 673

Institutional borrowings

Institutional borrowings are loans from Futuregrowth Asset Management Proprietary Limited with a carrying value in non-current liabilities of R31,7 million (2018: R37,6 million) and an amount of R5,9 million included in short-term institutional borrowings (2018: R5,9 million). These loans were used to fund 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 (2018: 1,5% and 4,25% per annum). The outstanding loan together with the accrued interest is required to be repaid in instalments based on the contract growers operating cycle at intervals of between 40 to 50 days between payments.

The carrying amount of the institutional borrowings approximates its fair value.

Loan from Green Create W2V SA Proprietary Limited

Green Create W2V SA Proprietary Limited is a 50% shareholder in Matzonox Proprietary Limited. Green Create W2V SA Proprietary Limited has provided finance related to the construction of a Waste-to-Value plant in Rustenburg. Borrowings with a carrying value of R50,0 million are included in non-current liabilities. The loan is unsecured. Interest accrues at the prime rate plus 5% per annum. The loan is repayable by February 2021. The funding to Matzonox Proprietary Limited has been provided in equal proportions by Green Create W2V SA Proprietary Limited and the RCL FOODS Group. The Group's portion of the funding (R50,0 million) has been eliminated on consolidation.

The carrying amount of institutional borrowings approximates its fair value.

Finance lease liabilities

The finance lease liabilities bear interest at a rate between 7,0% and 10,0% per annum (2018: 7,0% and 10,0% per annum).

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

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

Term-funded debt package

During the current financial year, the Group restructured its term-funded debt package. The restructuring resulted in the existing loan of R2,85 billion being replaced with a R2,35 billion debt package.

The new debt package has a five-year term expiring in December 2023, with interest at a rate of three-month JIBAR plus a margin of between 1,5% to 1,55%, compared to a rate of three-month JIBAR plus a margin of 1,8% to 2,25% on the previous package.

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

Type	Amount R'000	Term	Effective interest rate
Facility A	1 175 000	5 years	8,39%
Facility B	1 175 000	5 years	8,36%
Total	2 350 000		

15. INTEREST-BEARING LIABILITIES CONTINUED

The loan profile for each financial year ended is as follows:

Financial year ending	Capital paid R'000	Balance R'000
30 June 2019		2 350 000
30 June 2020		2 350 000
30 June 2021		2 350 000
30 June 2022	(337 500)	2 012 500
30 June 2023	(787 500)	1 225 000
30 June 2024	(1 225 000)	

In the event of default on the term-funded debt package, the applicable interest rate will be increased by 2,0% until the default no longer exists.

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

- Any acquisition that does not have either a positive EBITDA or cash flow and the purchase price is in excess of R500,0 million;
- Any loan or financial support to a community-based joint venture (as defined), as well as Akwandze Agricultural Finance Proprietary Limited, is in excess of R950,0 million during the term of the debt package;
- More than three 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 2019	June 2018
Senior leverage ratio	<3,00:1	<2,75:1
Senior interest cover	>3,50:1	>3,5:1

For the year ended June 2019, the Group was within the limits of its financial covenants.

The obligations in respect of the debt package discussed above, have been guaranteed by each of Foodcorp Proprietary Limited, RCL FOODS Treasury 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 above loans of the term-funded debt package are unsecured.

The fair value of the term-funded debt package at June 2019 amounted to R2,46 billion (2018: R2,85 billion). The fair value is calculated by discounting the future cash flows over the period of the loan and is within level 2 of the fair value hierarchy. The discount rate is based on the South African Sovereign Zero-Coupon Swap Curve.

Loans from Ingwenyama Simhulu Trust

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

Libuyile Farming Services Proprietary Limited obtained a R8,0 million shareholder loan from Ingwenyama Simhulu Trust during the 2016 financial year. No interest is payable within the first three years. A rate of 4% interest will be charged from years three to five. A prime rate less 1% interest will be charged after year five. The repayment of the shareholder loan will be considered after year five at a Libuyile Farming Services Proprietary Limited board meeting. Accrued interest capitalised to the loan amounts to R0,2 million.

Libuyile Farming Services Proprietary Limited obtained a R3,0 million shareholder loan from Ingwenyama Simhulu Trust during the 2019 financial year. No interest is payable within the first two years. A rate of 3% interest will be charged from years three to four. An interest rate of 5% will be charged after year four. The loan will be repaid when the gearing of Libuyile Farming Services Proprietary Limited is below 50%.

The funding to Libuyile Farming Services Proprietary Limited has been provided in equal proportions by Ingwenyama Simhulu Trust and the RCL FOODS Group. The Group's portion of the funding (R11,0 million) has been eliminated on consolidation.

The carrying amount of these loans approximate their fair values.

15. INTEREST-BEARING LIABILITIES CONTINUED

Loan from Siphumelele Tenbosch Trust

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

Mgubho Farming Services Proprietary Limited obtained a R1,9 million shareholder loan from Siphumelele Tenbosch Trust during the 2019 financial year. No interest is payable within the first two years. A rate of 3% interest will be charged from years three to four. An interest rate of 5% will be charged after year four. The loan will be repaid when the gearing of Mgubho Farming Services Proprietary Limited is below 50%

The funding to Mgubho Farming Services Proprietary Limited has been provided in equal proportions by Siphumelele Tenbosch Trust and the RCL FOODS Group. The Group's portion of the funding (R1,9 million) has been eliminated on consolidation.

The carrying amount of the loan approximates its fair value.

Loan from Matsamo Communal Property Association

Sivunosetfu Proprietary Limited is a 50% held subsidiary of the Group, which farms sugarcane and litchis.

Sivunosetfu Proprietary Limited obtained a R0,5 million shareholder loan from Matsamo Communal Property Association during the 2019 financial year. No interest is payable within the first two years. A rate of 3% interest will be charged from years three to four. An interest rate of 5% will be charged after year four. The loan will be repaid when the gearing of Sivunosetfu Proprietary Limited is below 50%.

The funding to Sivunosetfu Proprietary Limited has been provided in equal proportions by Matsamo Communal Property Association and the RCL FOODS Group. The Group's portion of the funding (R0,5 million) has been eliminated on consolidation.

The carrying amount of the loan approximates its fair value.

Loans from Akwandze Agricultural Finance Proprietary Limited

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

The various long-term loans amounting to R16,9 million (R3,1 million is included under short-term borrowings) 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 of between 4% and prime rate less 1,5% per annum. The loans are secured by a cession over Libuyile Farming Services Proprietary Limited and Sivunosetfu Proprietary Limited's rights and interest in the gross revenue accruing to the them 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.

There are various short-term loans amounting to R151,4 million. R123,3 million of these loans from Akwandze Agricultural Finance Proprietary Limited are repayable within one year. These loans bear interest at interest rates between prime rate less 3,75% per annum and prime rate less 1,5% per annum. These loans 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 them 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. R28,1 million of these loans from Akwandze Agricultural Finance Proprietary Limited are unsecured, payable on demand and bear interest at a variable rate of 9,25% (2018: 9,0%) per annum.

The carrying amount of these loans approximate their fair values.

16. TRADE AND OTHER PAYABLES

	2019 R'000	2018 R'000
Long-term		
Other payables	**6 326**	6 410
Total	**6 326**	6 410
Short-term		
Trade payables	**3 099 401**	3 269 507
Accruals	**1 098 546**	1 085 591
Other payables	**695 354**	699 517
Retrenchment provision*		62 000
Total	**4 893 301**	5 116 615

* *The retrenchment provision of R62,0 million related to retrenchment packages for affected employees related to the Speciality Prepared Lines exit and was settled in the current year.*

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 liabilities of R354,4 million (2018: R427,8 million).

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	2019 R'000	2018 R'000
Rand	**4 869 272**	5 104 794
USD	**479**	187
Namibian Dollar	**29 127**	14 409
GBP	**162**	52
EUR	**587**	3 583
Total	**4 899 627**	5 123 025

	2019 R'000	2018 R'000
17. DEFERRED INCOME TAX		
Deferred income tax liability movement:		
At the beginning of the year	**1 253 584**	1 248 056
Change in accounting policy - IFRS 9*	**(2 139)**	
(Credit)/charge for the year – income statement	**(45 840)**	15 506
Charge for the year – equity component of deferred tax on share based payments	**13 003**	(13 005)
Charge for the year – other comprehensive income	**1 547**	3 329
Prior year overprovision	**(8 548)**	(302)
At the end of the year	**1 211 607**	1 253 584
Deferred income tax liability comprises:		
Trademarks, property, plant and equipment	**1 164 454**	1 383 174
Inventories and biological assets	**176 077**	196 352
Provisions	**(87 006)**	(171 490)
Derivative financial instruments		(7 461)
Investment in associate	**24 192**	19 640
Losses available for set-off against future taxable income	**(60 510)**	(122 247)
Other	**(5 600)**	(44 384)
Total	**1 211 607**	1 253 584
Deferred tax liability due after 12 months	**1 042 361**	1 138 568
Deferred tax liability due within 12 months	**169 246**	115 016
Total	**1 211 607**	1 253 584
Deferred income tax asset movement:		
At the beginning of the year	**28 448**	6 876
Change in accounting policy – IFRS 9*	**369**	
Credit for the year – income statement	**46 200**	22 949
Charge for the year – other comprehensive income	**(3 227)**	(5)
Acquisition of business**	**(1 493)**	
Prior year over/(under) provision	**1 103**	(1 372)
At the end of the year	**71 400**	28 448
Deferred income tax asset comprises:		
Provisions	**74 594**	18 863
Derivative financial instruments	**6 967**	1 943
Trademarks, property, plant and equipment	**(26 877)**	(12 917)
Inventories and biological assets	**(21 686)**	(24 814)
Losses available for set-off against future taxable income	**17 789**	37 649
Other	**20 613**	7 724
Total	**71 400**	28 448
Deferred tax assets due after 12 months	**(7 635)**	11 736
Deferred tax assets due within 12 months	**79 035**	16 712
Total	**71 400**	28 448

* *Deferred tax on amounts restated through opening retained earnings due to the implementation of IFRS 9. Refer note 36 of the consolidated financial statements for further details.*

** *Refer to note 35 of the consolidated financial statements for further details.*

Deferred tax is calculated on all temporary differences under the liability method using a principal tax rate of 28,0% (2018: 28,0%) and 33,0% (2018: 33,0%) for Vector Logistics Limited (Namibia).

The deferred income tax assets related to assessed losses consist mainly of assessed losses in the Millbake (Foodcorp Proprietary Limited) business unit whose forecasts support the utilisation of the loss.

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.

17. DEFERRED INCOME TAX CONTINUED

No deferred tax asset has been recognised for assessed losses amounting to R53,3 million (2018: R1,3 million) and capital losses of R74,5 million (2018: R74,0 million) as it is not envisaged that there will be future taxable profits in the foreseeable future against which the deferred tax asset can be utilised. The increase in unrecognised deferred tax assets relates to the 50% owned sugar cane-grower companies (refer to note 34 of the consolidated financial statements for further details) due to the significant challenges being experienced in the sugar industry. The recognition of the deferred tax assets in these companies will be reassessed when conditions in the sugar industry begin to improve. The assessed losses do not have an expiry date. A breakdown of the deferred tax asset not recognised is provided below.

	2019 R'000	2018 R'000
Deferred income tax asset not recognised comprises:		
Provisions	2 450	
Derivative financial instruments	235	
Trademarks, property, plant and equipment	5 597	
Inventories and biological assets	(46 362)	
Assessed losses	89 958	
Other	1 418	
	53 296	

18. DEFERRED INCOME

	2019 R'000	2018 R'000
Non-current liabilities		
Deferred income		22
Current liabilities		
Deferred income	3 970	7 835

Included in the current portion is unearned funding from AgriSETA amounting to R4,0 million (2018: R3,7 million) which will be utilised to offer apprentices bursaries and for staff development.

	2019 R'000	Restated* 2018 R'000
19. REVENUE FROM CONTRACTS WITH CUSTOMERS		
Disaggregation of revenue from contracts with customers	**25 887 506**	24 527 961
Consumer	**12 964 966**	12 752 874
Chicken	**6 735 006**	6 693 374
Groceries**	**5 399 804**	5 244 924
Sales between business units	**(24 754)**	(35 497)
Sundry Sales – Chicken***	**327 086**	316 052
Sundry Sales – Groceries***	**527 824**	534 021
Sugar & Milling	**14 935 260**	13 668 815
Sugar	**5 692 827**	5 419 904
Millbake	**3 953 170**	3 646 531
Animal Feed	**5 433 483**	4 691 376
Sales between business units	**(144 220)**	(88 996)
Logistics	**2 182 820**	1 979 958
Group******	**101 623**	
Sales between segments	**(4 297 163)**	(3 873 686)
Timing of revenue recognition	**25 887 506**	24 527 961
Point in time	**24 599 717**	23 536 361
Over time	**1 287 789**	991 600
Major customers		
Revenue from the Group's top five customers is as follows:		
– customer A	**2 491 157**	2 316 537
– customer B	**2 385 952**	2 654 113
– customer C	**1 788 931**	1 654 421
– customer D	**1 688 614**	1 711 930
– customer E	**1 569 551**	1 587 473
The above revenue is included in the Consumer, Sugar & Milling and Logistics segments.		
Customer groupings have been updated.		
Analysis of revenue		
Sale of food products	**21 998 670**	21 557 652
Sale of feed	**2 611 047**	1 978 709
Sale of services	**1 287 789**	991 600
Total	**25 887 506**	24 527 961
Revenue outside of South Africa		
Vector Logistics Limited (Namibia)	**23 175**	18 646

* *Revenue for 2018 has been restated due to a classification error identified on implementation of IFRS 15, "Revenue from contracts with customers". Refer to note 37 of the consolidated financial statements for further details.*

** *Groceries category includes the Beverages, Grocery, Pies and Speciality business units.*

*** *Sundry sales consist of poultry by-products and sunflower-oil and -cake. The sale of these items arise in the course of the Group's ordinary activities but are considered cost recoveries as they are by-products of the Group's core operations.*

**** *Group revenue relates to management fees earned for shared services provided to Siqalo Foods Proprietary Limited.*

20. OPERATING PROFIT

	2019 R'000	Restated* 2018 R'000
Revenue from contracts with customers	**25 887 506**	24 527 961
Cost of sales	**(19 918 727)**	(18 207 915)
Gross profit	**5 968 779**	6 320 046
Administration expenses	**(2 049 422)**	(1 906 075)
Selling and marketing expenses**	**(1 099 167)**	(1 010 508)
Distribution expenses**	**(2 990 489)**	(2 789 960)
Impairment of Sugar CGU (Refer note 1 and note 2)	**(761 912)**	
Other income	**902 884**	656 841
Operating (loss)/profit	**(29 327)**	1 270 344
Material and disclosable items – included in other income:		
Profit on disposal of property, plant and equipment	**49 887**	103 204
Profit on disposal of assets held-for-sale	**156 227**	1 117
Fair value adjustment on biological assets	**352 916**	369 773
Fair value adjustment on derivatives	**160 508**	30 403
Bagasse and electricity income	**34 532**	76 311
Foreign exchange gains	**22 104**	28 170
Impairment loss reversed	**2 915**	455
Insurance proceeds	**31 257**	41 137
Rental income	**13 511**	19 226
Material and disclosable items – included in expenses:		
Operating lease and rental charges	**460 305**	368 822
– land and buildings	**301 486**	227 694
– plant, machinery and equipment	**76 880**	70 300
– vehicles	**52 057**	39 699
– office equipment	**23 913**	19 621
– computer equipment	**5 969**	11 508
Arrangements containing an operating lease***	**673 685**	626 014
– contract grower fees	**281 756**	272 831
– outsourced transport	**391 929**	353 183
Technical consultants and legal fees	**97 088**	88 711
Fair value adjustment on derivatives	**19 753**	29 581
Impairment of property, plant and equipment	**748 648**	8 937
Impairment of goodwill	**17 978**	
Loss allowance – loans receivable	**6 631**	
Loss allowance – trade receivables	**15 921**	
Foreign exchange losses	**37 727**	26 456
Inventory expense	**14 997 600**	13 899 569
Fuel and gas****	**603 514**	478 524
Utilities****	**1 039 159**	804 355
Repairs and maintenance expense	**933 212**	880 085
Loss on disposal of property, plant and equipment	**63 814**	20 128
Directors' remuneration	**26 238**	31 063
– executive	**20 490**	26 316
– non-executive	**5 748**	4 747

* *Revenue for 2018 has been restated due to a classification error identified on implementation of IFRS 15, "Revenue from contracts with customers". Refer to note 37 of the consolidated financial statements for further details.*

** *Costs have been reclassified between selling and marketing expenses and distribution expenses to align treatment across the Group.*

*** *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.*

**** *2018 figures were disaggregated to enhance disclosure.*

	2019 R'000	2018 R'000
20. OPERATING PROFIT CONTINUED		
Material and disclosable items – included in expenses continued:		
Staff costs	**4 677 156**	4 402 224
– salaries and wages	**3 937 976**	3 631 769
– share-based payments	**139 089**	134 330
– retirement benefit costs	**301 383**	276 771
– other post-employment benefits	**13 927**	15 946
– retrenchment costs	**8 942**	64 472
– other	**265 839**	278 936
BEE expense	**17 600**	17 600
Administration fee paid to Group holding company	**22 867**	21 471
Auditors' remuneration	**22 600**	21 680
– fees for the audit	**20 087**	19 778
– prior year overprovision	**(633)**	(1 249)
– disbursements	**954**	1 025
– fees for other services	**2 192**	2 126

	2019 R'000	2018 R'000
21. FINANCE COSTS		
Interest – financial institutions	**265 801**	285 987
Fair value adjustment on interest rate collar option	**29 766**	355
Transaction costs on term-funded debt	**4 598**	3 392
Interest – Holding company, joint ventures and associates	**24 162**	16 279
Interest – other	**7 628**	9 091
	331 955	315 104
Less: amounts capitalised on qualifying assets	**(6 754)**	
Total	**325 201**	315 104
22. FINANCE INCOME		
Interest – financial institutions	**25 339**	42 371
Fair value adjustment on interest rate collar option		2 380
Interest – Holding company, joint ventures and associates	**3 288**	7 771
Interest – other	**19 958**	10 102
Total	**48 585**	62 624
23. INCOME TAX EXPENSE		
Current tax	**107 551**	225 962
South African	**114 635**	235 914
Foreign	**4 285**	5 980
Prior year overprovision	**(11 369)**	(15 932)
Deferred tax	**(101 691)**	(6 373)
South African	**(91 932)**	(7 392)
Foreign	**(108)**	(51)
Prior year (over)/under provision	**(9 651)**	1 070
Total	**5 860**	219 589
Reconciliation of tax rate:		
Profit before tax	**(178 102)**	1 097 966
Tax expense at 28%	**(49 869)**	307 431
– capital gains tax	**(19 276)**	(16 359)
– foreign taxation	**4 079**	135
– share of associates' profits	**(23 666)**	(15 057)
– share of joint ventures' profits	**(12 129)**	(7 915)
– non-taxable income	**(10 125)**	(6 605)
– prior year (over)/under provision – current	**(4 675)**	3 241
– prior year overprovision – Section 12L	**(6 694)**	(19 173)
– prior year (over)/under provision – deferred	**(9 651)**	1 072
– non-deductible impairment of assets	**5 803**	(28)
– unrecognised deferred tax	**53 296**	1 317
– withholding tax on undistributed profits of associate	**4 552**	1 769
– non-deductible IFRS 2 charges	**41 709**	6 300
– non-deductible depreciation and amortisation	**6 935**	7 631
– disposal of Speciality Prepared Lines	**27 974**	
– Section 11D deduction – Research and Development	**(3 082)**	
– Section 12L deduction – energy efficiency		(45 149)
– other non-deductible items	**679**	979
Tax charge	**5 860**	219 589

The tax effects relating to items of other comprehensive income are disclosed on the face of the statement of other comprehensive income.

		2019 R'000	2018 R'000

24. 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 32 of the consolidated financial statements). 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.

		2019 R'000	2018 R'000
Earnings			
Profit attributable to equity holders of the Company		**(110 541)**	922 439
Weighted average number of ordinary shares in issue			
Weighted average number of ordinary shares in issue – basic earnings per share	('000)	**868 897**	865 649
Share option dilution impact	('000)	**14 313**	20 837
Weighted average number of shares – diluted earnings per share	('000)	**883 210**	886 486

	Gross R'000	Net R'000
Headline earnings – June 2019		
Headline earnings reconciliation:		
Profit for the year attributable to equity holders of the Company		**(110 541)**
Net impairments	**763 712**	**553 820**
Insurance proceeds	**(25 660)**	**(19 833)**
Profit on disposal of property, plant and equipment	**(49 887)**	**(36 048)**
Profit on disposal of assets held for sale	**(156 227)**	**(102 649)**
Loss on disposal of property, plant and equipment	**62 139**	**44 740**
Headline earnings		**329 489**
Headline earnings – June 2018		
Headline earnings reconciliation:		
Profit for the year attributable to equity holders of the Company		922 439
Net impairments	8 482	6 107
Insurance proceeds	(15 462)	(11 931)
Profit on disposal of property, plant and equipment	(103 204)	(91 271)
Profit on disposal of assets held for sale	(1 117)	(804)
Loss on disposal of property, plant and equipment	20 128	14 492
Insurance proceeds included in equity accounted earnings of associates	(3 232)	(2 344)
Loss on disposal of property, plant and equipment included in equity accounted earnings of associates	1 444	1 047
Headline earnings		

	2019 cents	2018 cents
Earnings per share		
– basic	**(12,7)**	106,6
– diluted	**(12,5)**	104,1
Headline earnings per share		
– basic	**37,9**	96,8
– diluted	**37,3**	94,5

	2019 R'000	2018 R'000
25. DIVIDENDS PER SHARE		
Interim – paid: 15,0 cents (2018: 15,0 cents)	130 535	130 055
Final* – declared: 10,0 cents (2018: 25,0 cents)	87 014	216 832
Total: 25,0 cents (2018: 40,0 cents)	217 549	346 887

A final dividend of 10,0 cents per share was declared for the financial period ended June 2019. The dividend will be paid on 4 November 2019. The last date to trade to receive a dividend will be 29 October 2019. The RCL FOODS share will commence trading "ex" dividend from the commencement of business on 30 October 2019 and the record date will be 1 November 2019.

* *Since the final dividend was declared subsequent to year-end, it has not been provided for in the consolidated financial statements. The dividend of R87,0 million represents the dividend based on the shares in issue for accounting purposes. The total dividend based on the statutory shares in issue is R94,1 million. The difference of R7,1 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 32 of the consolidated financial statements for further details.*

26. LEASE COMMITMENTS

	2019 R'000	2018 R'000
Operating leases:		
Due within one year	174 642	174 332
Due within two to five years	510 624	518 260
Due later than five years	149 039	204 072
Total	834 305	896 664
In respect of:		
– property	790 293	867 254
– plant and equipment	31 298	18 914
– other	12 714	10 496
Total	834 305	896 664
Finance leases:		
Gross finance lease liabilities – minimum lease payments	307 616	284 581
Due within one year	39 129	26 586
Due within two to five years	118 099	88 995
Due later than five years	150 388	169 000
Future finance charges on finance lease liabilities	(105 834)	(109 711)
Present value of finance lease liabilities	201 782	174 870
Due within one year	21 262	11 739
Due within two to five years	66 039	40 236
Due later than five years	114 481	122 895
Total	201 782	174 870

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.

The Group's operating leases escalate annually between 0,0% and 10,0% for operating leases with fixed escalation clauses. The remaining operating leases have variable index-linked escalation clauses which are determined with reference to the prime interest rate, consumer price index or, in certain Sugar agriculture leases, the escalation is linked to changes in the sugar market price.

27. 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 impairments of property, plant and equipment and intangible assets (EBITDA) and operating profit (EBIT) and for joint ventures and associates based on their earnings after tax.

The Consumer segment produces a wide range of culinary, pet food and beverage products through its five business units – Chicken, Grocery, Pies, Beverages and Speciality. 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 Logistics segment provides RCL FOODS and numerous third parties with multi-temperature warehousing and distribution, supply chain intelligence and sales solutions. In addition to facilitating the RCL FOODS integrated supply chain, the Logistics segment has partnered with several leading food manufacturers, Foodservice customers and retailers to distribute food products on their behalf across Southern Africa. Ugandan operations refer to chicken producers situated in Uganda.

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

27. OPERATING SEGMENTS CONTINUED

	2019 R'000	2018 R'000
Revenue from contracts with customers*	**25 887 506**	24 527 961
Consumer	**12 964 966**	12 752 874
Sugar & Milling	**14 935 260**	13 668 815
Logistics	**2 182 820**	1 979 958
Group**	**101 623**	
Sales between segments:		
Consumer to Sugar & Milling	**(200 077)**	(136 392)
Sugar & Milling to Consumer	**(3 069 654)**	(2 727 031)
Logistics to Consumer	**(990 075)**	(977 755)
Logistics to Sugar & Milling	**(37 357)**	(32 508)
Operating profit before depreciation, amortisation and impairment (EBITDA)		
Consumer	**853 885**	985 205
Sugar & Milling	**518 265**	869 037
Logistics	**118 504**	204 341
Group***	**35 005**	(12 599)
Operating profit before depreciation, amortisation and impairment (EBITDA)	**1 525 659**	2 045 984
Depreciation, amortisation and impairment****	**(793 074)**	(775 640)
Impairment of Sugar cash-generating unit	**(761 912)**	
Operating (loss)/profit		
Consumer	**529 783**	654 055
Sugar & Milling	**(604 993)**	521 204
Logistics	**39 586**	131 054
Group***	**6 297**	(35 969)
Operating (loss)/profit	**(29 327)**	1 270 344
Finance costs	**(325 201)**	(315 104)
Finance income	**48 585**	62 624
Share of profits of joint ventures	**43 318**	28 268
Sugar & Milling	**29 678**	16 576
Logistics	**13 640**	11 692
Share of profits of associates	**84 523**	51 834
Sugar & Milling	**86 119**	50 889
Ugandan operation	**(1 753)**	945
Logistics	**157**	
(Loss)/profit before tax	**(178 102)**	1 097 966
Assets		
Consumer	**8 586 139**	8 426 106
Sugar & Milling	**8 580 981**	8 918 780
Logistics	**4 044 417**	3 748 581
Group*****	**544 335**	1 062 404
Ugandan operation	**54 027**	53 535
Set-off of inter-segment balances	**(1 403 031)**	(1 218 109)
Total per statement of financial position	**20 406 868**	20 991 297
Liabilities		
Consumer	**2 814 566**	2 783 814
Sugar & Milling	**2 271 703**	2 788 927
Logistics	**2 834 216**	2 499 840
Group*****	**3 055 388**	2 957 122
Set-off of inter-segment balances	**(1 403 031)**	(1 218 109)
Total per statement of financial position	**9 572 842**	9 811 594

* *Revenue for 2018 has been restated due to a classification error identified on implementation of IFRS 15, "Revenue from contracts with customers". Refer to note 37 of the consolidated financial statements for further details.*

** *Group revenue relates to management fees earned for shared services performed for Siqalo Foods Proprietary Limited.*

*** *Includes the operating costs of RCL Foods Limited, RCL Group Services Proprietary Limited and Matzonox Proprietary Limited, losses/gains on the Group's self-insurance arrangement and profit from management fees earned on shared services functions for Siqalo Foods Proprietary Limited.*

**** *These impairments relate only to impairments of property, plant and equipment and intangible assets, excluding the impairment of the Sugar cash-generating unit which has been separately disclosed.*

***** *Includes the assets and liabilities of the Group treasury and shared services companies, waste-to-value operations and consolidation entries.*

	2019 R'000	2018 R'000
27. OPERATING SEGMENTS CONTINUED		
Additions to property, plant and equipment and intangible assets		
Consumer		
Property, plant and equipment	436 777	280 195
Intangible assets	4 504	5 594
Sugar & Milling		
Property, plant and equipment	354 611	450 652
Intangible assets	11 088	22 134
Logistics		
Property, plant and equipment	145 087	66 911
Intangible assets	3 249	1 009
Unallocated group segment*		
Property, plant and equipment	194 391	17 190
Intangible assets	1 663	5 371
Impairment losses**		
Consumer	4 714	8 583
Sugar & Milling	761 912	354
Impairment losses reversed		
Sugar & Milling	2 915	455
Depreciation and amortisation		
Consumer	319 386	322 567
Sugar & Milling	364 262	347 933
Logistics	78 918	73 287
Unallocated segment*	28 709	23 371

* *Includes capital expenditure and depreciation and amortisation of the RCL Group Services Proprietary Limited and Matzonox Proprietary Limited.*

** *These impairments relate only to impairments of property, plant and equipment and intangible assets.*

28. 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, currency futures, currency options, commodity futures and commodity 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.

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 of the consolidated financial statements) and amounts guaranteed as disclosed in this note.

In the current year, 92,5% (2018: 97,2%) of the Group's trade debtors, which have not been specifically impaired, have been covered by credit insurance. Logistics segment debtors in excess of R75 000 are selected for insurance cover with Lombard Insurance which covered 89,3% of their trade debtors in the current financial year (2018: 97,0%). Sugar & Milling segment trade debtors are covered by Lombard Insurance on all debtors balances in excess of R75 000 for Sugar, EPOL and Millbake which covered 94,0% of their debtors in the current financial year (2018: 77,0%). 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 are 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.

	2019 R'000	2018 R'000

28. FINANCIAL RISK MANAGEMENT CONTINUED

No loss allowance has been recognised in respect of the Group's cash and cash equivalents, as all cash balances are held with financial institutions of high quality and standing, for which external ratings are available. Macroeconomic factors have been considered in assessing the credit risk of the Group's cash and cash equivalents, however the impact of changes in economic conditions is not expected to result in a material expected credit loss.

The table below shows the cash and cash equivalents allocated in terms of bank rating. These ratings are based on Moody's bank ratings.

	2019 R'000	2018 R'000
Rating		
P-3	375 842	1 262 850
Cash on hand	1 001	514
Total	376 843	1 263 364

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

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 417,0 million (2018: R1 925,0 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
2019						
Interest-bearing liabilities – current	181 634	205 912				205 912
Interest-bearing liabilities – non-current	2 639 363	194 637	316 927	569 888	2 451 364	3 532 816
Bank overdraft	487 221	487 221				487 221
Trade and other payables	4 545 177	4 545 177				4 545 177
Derivative financial liabilities	22 830	22 830				22 830
Total	7 876 225	5 455 777	316 927	569 888	2 451 364	8 793 956
2018						
Interest-bearing liabilities – current	1 282 673	1 378 576				1 378 576
Interest-bearing liabilities – non-current	1 965 983	186 861	1 906 893	31 734	232 494	2 357 982
Trade and other payables	4 688 795	4 688 795				4 688 795
Derivative financial liabilities	31 056	31 056				31 056
Total	7 968 507	6 285 288	1 906 893	31 734	232 494	8 456 409

28. 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 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 8,38% (2018: 9,21%).

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 R58,4 million for the forthcoming financial year (2018: R42,2 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 762,5 million of the debt package. The interest rate collar consists of a "cap" rate of 8,5% and a "floor" rate of 7,0%. The collar is effective for the period 1 April 2019 to 31 March 2022. The fair value of the collar is included in note 9 of the consolidated financial statements.

A 3,0% increase in interest rates will result in a R73,6 million decrease in profit before tax (2018: R11,0 million), and a 3,0% decrease in interest rates will result in a R109,3 million increase in profit before tax for the year (2018: R15,6 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 R30,4 million (2018: R18,2 million), trade and other receivables include net receivables of R96,1 million (2018: R32,4 million) in respect of sales and purchases in foreign currencies and cash and cash equivalents include cash balances of R7,1 million (2018: R7,5 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, currency futures and 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, currency futures and options that do not 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 2019			
USD FECs – assets*	**14,38**	**(10 500)**	**(2 478)**
USD Futures – assets*	**14,24**	**12 710**	
USD currency options – assets*		**11 301**	
EUR currency options – assets*		**1 141**	
EUR Futures – assets*	**16,32**	**184**	
EUR FECs – liabilities*	**16,20**	**421**	**6**
EUR currency options – liabilities*		**2 270**	
USD currency options – liabilities*		**31 482**	
June 2018			
USD FECs – assets*	13,96	1 177	283
USD Futures – assets*	13,85	18 227	
ZMW FECs – assets*	1,36	34 000	4 735
EUR Futures – liabilities*	16,26	253	
EUR FECs – liabilities*	16,15	348	246
USD FECs – liabilities*	13,87	5 237	6 071

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

28. 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 forward exchange contracts, currency futures, trade payables, trade receivables and cash and cash equivalents.

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

	2019 R'000	2018 R'000
Forward exchange contracts, currency futures and options		
10% increase in the value of the USD against the Rand	**7 793**	14 139
10% decrease in the value of the USD against the Rand	**(14 650)**	(14 139)
10% increase in the value of the EUR against the Rand	**1 629**	700
10% decrease in the value of the EUR against the Rand	**(2 193)**	(700)
10% increase in the value of the ZMW against the Rand		3 329
10% decrease in the value of the ZMW against the Rand		(3 329)
Trade receivables		
10% increase in the value of the USD against the Rand	**5 664**	436
10% decrease in the value of the USD against the Rand	**(5 664)**	(436)
Cash and cash equivalents		
10% increase in the value of the USD against the Rand	**96**	578
10% decrease in the value of the USD against the Rand	**(96)**	(578)
10% increase in the value of the GBP against the Rand	**13**	6
10% decrease in the value of the GBP against the Rand	**(13)**	(6)
10% increase in the value of the EUR against the Rand	**322**	15
10% decrease in the value of the EUR against the Rand	**(322)**	(15)
Trade payables		
10% increase in the value of the USD against the Rand	**(390)**	(19)
10% decrease in the value of the USD against the Rand	**390**	19
10% increase in the value of the EUR against the Rand	**(1 089)**	(268)
10% decrease in the value of the EUR against the Rand	**1 089**	268
10% increase in the value of the GBP against the Rand	**(16)**	(5)
10% decrease in the value of the GBP against the Rand	**16**	5

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

28. FINANCIAL RISK MANAGEMENT CONTINUED

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 minimise commodity price volatility in order to meet forecast requirements, ideally at the lowest cost for both internal 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 oversight committees and annually to the Board. The oversight committees are responsible for the setting of the monthly company view with regard to future price movements. The daily trading activities by the procurement teams are restricted to the company view, unless prior approval is obtained from the Procurement Committee.

Wheat, sunflower, maize, soya and soya oil*

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

This analysis represents the impact on profit/(loss) as a result of a parallel shift in the forward curve (up and down) on the value of the hedged positions of the underlying commodities at 30 June.

	2019 R'000
Sunflower seeds – 20% increase	41 755
Sunflower seeds – 20% decrease	(41 755)
Wheat – 10% increase	6 954
Wheat – 10% decrease	(6 954)
Maize – 25% increase	91 663
Maize – 25% decrease	(103 551)
Soya Oil – 10% increase	5 105
Soya Oil – 10% decrease	(5 105)
Soya – 10% increase	58 783
Soya – 10% decrease	(58 961)

	2018 R'000
Sunflower seeds – 20% increase	32 908
Sunflower seeds – 20% decrease	(32 908)
Wheat – 10% increase	9 629
Wheat – 10% decrease	(9 629)
Maize – 25% increase	86 836
Maize – 25% decrease	(109 943)
Soya Oil – 10% increase	4 554
Soya Oil – 10% decrease	(4 429)
Soya – 10% increase	53 683
Soya – 10% decrease	(54 108)

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

Percentages used in the sensitivity analysis are based on the average movement of the commodity in recent years.

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 2019 was R22,4 million (2018: R14,8 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 R0,8 million at June 2019 (2018: R3,8 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 the return on invested capital (ROIC), which is defined as net operating profit after tax expressed as a percentage of invested capital.

The Group's target is to achieve a ROIC in excess of its weighted average cost of capital. In 2019 the ROIC was negative 0,8% (2018: 8,1%).

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

28. 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 2019				
Assets				
Breeding stock – chicken (refer note 7)			351 289	351 289
Broiler stock – chicken (refer note 7)			209 308	209 308
Banana fruit (refer note 7)			19 123	19 123
Sugarcane plants (refer note 7)			286 773	286 773
Derivatives (refer note 9)		4 644		4 644
Total assets		4 644	866 493	871 137
Liabilities				
Derivatives (refer note 9)		22 830		22 830
Total liabilities		22 830		22 830
June 2018				
Assets				
Breeding stock – chicken (refer note 7)			308 977	308 977
Broiler stock – chicken (refer note 7)			176 497	176 497
Banana fruit (refer note 7)			8 825	8 825
Sugarcane plants (refer note 7)			313 032	313 032
Derivatives (refer note 9)		5 031		5 031
Assets held-for-sale (refer note 10)			144 297	144 297
Total assets		5 031	951 628	956 659
Liabilities				
Derivatives (refer note 9)		31 056		31 056
Total liabilities		31 056		31 056

28. FINANCIAL RISK MANAGEMENT CONTINUED

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 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 2019	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable input to fair value
Chicken stock	560 597	Replacement costs of the components of growing the stock	Eggs per hen	133 to 203 per hen	The higher the eggs per hen, the higher the fair value
			Cost of a day-old breeder bird	R58,35 to R73,82 per chick	The higher the cost per chick, the higher the fair value
			Mortality rates	3,5% to 9,7%	The higher the mortality, the lower the fair value
			Average live mass	1,46kg to 1,87kg per bird	The higher the average live mass, the higher the fair value
			Feed cost	R5 069 to R5 597 per ton	The higher the feed cost per ton, the higher the fair value
Banana fruit	19 123	Recoverable value	Market related selling price per ton of bananas less harvesting, transport and other costs to sell	R4 812 per ton	The higher the market related selling price value less harvesting, transport and other costs to sell per ton of bananas, the higher the fair value of banana fruit.
Sugarcane plants	286 773	Recoverable value	Recoverable value price per ton of sucrose less harvesting, transport and other costs to sell	R2 904 to R3 068 per ton	The higher the recoverable value of sucrose less harvesting, transport and other costs to sell per ton, the higher the fair value of sugar standing cane

Sensitivity analysis

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

Input	Sensitivity
Recoverable value price per ton – sugarcane plants	A change of 5,0% in recoverable value would result in a R20,2 million change in fair value (2018: R21,1 million).
Feed cost – chicken stock	A 5,0% change in feed cost would result in a R6,1 million (2018: R5,1 million) change in fair value.

28. FINANCIAL RISK MANAGEMENT CONTINUED

Description	Fair value at June 2018	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable input to fair value
Chicken stock	485 474	Replacement costs of the components of growing the stock	Eggs per hen	147 to 174 per hen	The higher the eggs per hen, the higher the fair value
			Cost of a day-old breeder bird	R56,56 to R71,75 per chick	The higher the cost per chick, the higher the fair value
			Mortality rates	3,3% to 6,1%	The higher the mortality, the lower the fair value
			Average live mass	1,49kg to 1,89kg per bird	The higher the average live mass, the higher the fair value
			Feed cost	R4 581 to R5 354 per ton	The higher the feed cost per ton, the higher the fair value
Banana fruit	8 825	Recoverable value	Market related selling price per ton of bananas less harvesting, transport and other costs to sell	R3 364 per ton	The higher the market related selling price value less harvesting, transport and other costs to sell per ton of bananas, the higher the fair value of banana fruit
Sugarcane plants	313 032	Recoverable value	Recoverable value price per ton of sucrose less harvesting, transport and other costs to sell	R2 818 to R3 101 per ton	The higher the recoverable value less harvesting, transport and other costs to sell per ton the higher the fair value of sugar standing cane

29. FINANCIAL INSTRUMENTS BY CATEGORY

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

	Amortised cost R'000	Assets at fair value through profit or loss R'000	Total R'000
Assets per the statement of financial position			
June 2019			
Trade and other receivables	**4 461 188**		**4 461 188**
Loans receivable	**94 061**		**94 061**
Derivative financial instruments		**4 644**	**4 644**
Cash and cash equivalents	**376 843**		**376 843**
At the end of the year	**4 932 092**	**4 644**	**4 936 736**
June 2018			
Trade and other receivables	4 011 218		4 011 218
Loans receivable	64 992		64 992
Derivative financial instruments		5 031	5 031
Cash and cash equivalents	1 263 364		1 263 364
At the end of the year	5 339 574	5 031	5 344 605

	Amortised cost R'000	Liabilities at fair value through profit or loss R'000	Total R'000
Liabilities per the statement of financial position			
June 2019			
Interest-bearing liabilities – Long-term	**2 639 363**		**2 639 363**
Interest-bearing liabilities – Short-term	**181 634**		**181 634**
Derivative financial instruments		**22 830**	**22 830**
Bank overdraft	**487 221**		**487 221**
Trade and other payables	**4 545 177**		**4 545 177**
At the end of the year	**7 853 395**	**22 830**	**7 876 225**
June 2018			
Interest-bearing liabilities – Long-term	1 965 983		1 965 983
Interest-bearing liabilities – Short-term	1 282 673		1 282 673
Derivative financial instruments		31 056	31 056
Trade and other payables	4 688 795		4 688 795
At the end of the year	7 937 451	31 056	7 968 507

30. 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 105, the Company has concluded certain lending transactions with its subsidiaries. In addition the following transactions were concluded with related parties:

	2019 R'000	2018 R'000
Transactions and balances with ultimate holding company		
Interest paid	13 247	1 405
Administration and other fees paid	22 867	21 471
Service fees received	2 441	
Amounts owing to the ultimate holding company included in trade and other payables	7 061	5 155
Amounts owing by the ultimate holding company included in trade and other receivables	1 400	
Directors' fees	1 207	1 131
Purchases		3 179
Transactions and balances with subsidiaries of the holding company		
Sales	179 166	
Amounts owing by subsidiaries of the holding company included in trade and other receivables	63 723	
Amounts owing to subsidiaries of the holding company included in trade and other payables	270 350	
Transactions and balances with associates of the holding company		
Bank charges paid	3 828	2 787
Bank balances included in cash and cash equivalents	42 252	106 893
Bank balances included in bank overdraft	482 600	
Interest paid	107 431	86 652
Interest received	2 817	382
Amounts owing to associates of the holding company included in trade and other payables	28 675	46 311
Amounts owing by associates of the holding company included in trade and other receivables	80	1 982
Interest payable included in trade and other payables		476
Commitment, settlement and facility fees paid	4 454	5 708
Derivative balance with associates of the holding company	13 738	
Amounts owing to associates of the holding company included in short-term interest-bearing liabilities		369 196
Amounts owing to associates of the holding company included in long-term interest-bearing liabilities	940 000	587 000
Service fees received	74	
Purchases	206 549	292 358
Sales	7 335	21 048
Transactions and balances with associates and joint ventures within the Group		
Interest paid	10 915	11 096
Interest received	3 288	1 896
Management fees received	1 484	1 448
Service fees paid	7 841	8 661
Commitment, settlement and facility fees paid		1 170
Dividends received	50 208	62 394
Sales	82 698	61 379
Purchases	1 231 220	932 323
Amounts owing by associates and joint ventures within the Group included in trade and other receivables	22 269	8 388
Amounts owing to associates and joint ventures within the Group included in interest-bearing liabilities	168 309	170 334
Amounts owing to associates and joint ventures within the Group included in trade and other payables	147 709	107 694

30. RELATED PARTY TRANSACTIONS CONTINUED

Key management of RCL Foods Limited

In terms of IAS 24, "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:

	2019 R'000	2018 R'000
– short-term employment benefits	481 480	550 097
– post-employment benefits	37 121	37 435
– termination benefits	8 890	3 117
– share-based payments	139 089	134 330
Total	666 580	724 979

31. DIRECTORS' EMOLUMENTS

	Basic salary R'000	Pension contribution R'000	Bonus* R'000	Other benefits** R'000	Total R'000
2019					
M Dally	8 947	539	3 742	305	13 533
RH Field	4 525	491	1 630	311	6 957
Total	13 472	1 030	5 372	616	20 490
2018					
M Dally	8 445	509	8 225	352	17 531
RH Field	4 263	463	3 737	322	8 785
Total	12 708	972	11 962	674	26 316

* *Bonus payments in 2019 relate to the 2018 financial year. An amount of R3,0 million has been accrued for the 2019 financial year.*

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

	2019 R'000	2018 R'000
Non-executives (for services as a director)		
Present directors		
HJ Carse***	365	342
JJ Durand***	477	447
CJ Hess	548	113
PR Louw***	365	342
NP Mageza	697	654
PM Moumakwa	217	
DTV Msibi	450	425
MM Nhlanhla	385	363
RV Smither	777	733
GM Steyn	641	553
GC Zondi****	826	775
Total	5 748	4 747

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

**** *Paid to Imbewu Capital Partners Consulting Proprietary Limited.*

31. 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 2019 are as follows:

	Award price Rand	Rights at June 2018	Rights awarded during the year	Rights at June 2019	Fair value of rights awarded* R'000	Rights exercisable at June 2019
M Dally	16,54	1 240 943		1 240 943	4 054	1 240 943
	15,93	1 014 820		1 014 820	2 760	669 781
	15,92	540 869		540 869	1 698	178 486
	14,05	1 962 930		1 962 930	6 007	
	15,36	1 284 422		1 284 422	4 367	
	16,97		1 153 718	1 153 718	5 053	
Subtotal		6 043 984	1 153 718	7 197 702	23 939	2 089 210
RH Field	13,20	250 919		250 919	649	250 919
	16,54	621 765		621 765	2 031	621 765
	15,93	559 397		559 397	1 522	369 202
	15,92	319 448		319 448	1 003	105 417
	14,05	1 087 325		1 087 325	3 327	
	15,36	669 653		669 653	2 277	
	16,97		620 061	620 061	2 716	
Subtotal		3 508 507	620 061	4 128 568	13 525	1 347 303
Total		9 552 491	1 773 779	11 326 270	37 464	3 436 513

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

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

* *Fair value of rights awarded represents the total fair value of rights outstanding at the end of the year. This cost is expensed over the right's vesting period.*

31. DIRECTORS' EMOLUMENTS CONTINUED

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

	Conditional shares at June 2018	Conditional shares settled during the year	Conditional shares forfeited during the year	Conditional shares at June 2019	Fair value of rights awarded* 2019	Gain on conditional shares settled R'000
June 2019						
M Dally	4 485 987	(432 711)	(432 711)	3 620 565	42 397	3 427
RH Field	2 097 293	(324 533)	(324 534)	1 448 226	16 959	2 570
Total	6 583 280	(757 244)	(757 245)	5 068 791	59 356	5 997

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

* *Fair value of rights awarded represents the total fair value of rights outstanding at the end of the year. This cost is expensed over the right's vesting period.*

31. DIRECTORS' EMOLUMENTS CONTINUED

Interests of directors of the Company in stated capital

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

	2019 Direct beneficial	2019 Indirect beneficial	2018 Direct beneficial	2018 Indirect beneficial
Executive directors				
M Dally	1 250 997		1 250 997	
RH Field	661 804	28 013	487 271	
Non-executive directors				
NP Mageza		386		386
MM Nhlanhla*		229 559		229 559
GC Zondi*		2 932 004		2 932 004
Total	1 912 801	3 189 962	1 738 268	3 161 949

* *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.

Directors' emoluments paid by Remgro Limited

	Fees R'000	Salaries R'000	Retirement fund R'000	Other benefits** R'000	Total R'000
June 2019					
Executive					
HJ Carse		2 394	456	288	3 138
JJ Durand	368	11 286	2 296	371	14 321
PR Louw		2 758	547	385	3 690
	368	16 438	3 299	1 044	21 149
Independent non-executive					
NP Mageza	568				568
	568				568
Total	936	16 438	3 299	1 044	21 717
June 2018					
Executive					
HJ Carse		2 160	428	272	2 860
JJ Durand	345	10 482	2 147	349	13 323
PR Louw		2 585	513	361	3 459
	345	15 227	3 088	982	19 642
Independent non-executive					
NP Mageza	533				533
	533				533
Total	878	15 227	3 088	982	20 175

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

31. DIRECTORS' EMOLUMENTS CONTINUED

Variable pay – long-term incentive plans

Remgro Equity Settled Share Appreciation Right Scheme (SARs) – 2019

Participant	Balance of SARs accepted as at June 2018	SARs accepted during the period	Offer date	Offer price Rand	Balance of SARs accepted as at June 2019	Fair value of SARs granted* R'000
Executive						
HJ Carse	7 546			142,04	7 546	357
	11 767			185,07	11 767	293
	17 775			245,53	17 775	232
	8 273			262,77	8 273	123
	9 988			209,11	9 988	331
	16 972			206,35	16 972	725
		5 915	2018/12/05	205,07	5 915	282
JJ Durand	271 258			142,04	271 258	12 849
	93 128			185,07	93 128	2 321
	108 468			245,53	108 468	1 415
	192 676			262,77	192 676	2 859
	150 872			209,11	150 872	5 001
	132 309			206,35	132 309	5 656
		87 135	2018/12/05	205,07	87 135	4 149
PR Louw	22 646			142,04	22 646	1 073
	12 944			185,07	12 944	323
	5 952			245,53	5 952	78
	9 497			262,77	9 497	141
	91 120			209,11	91 120	3 020
	20 301			206,35	20 301	868
		17 881	2018/12/05	205,07	17 881	851
Total	1 183 492	110 931			1 294 423	42 947

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

31. DIRECTORS' EMOLUMENTS CONTINUED

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

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

Remgro Equity Settled Conditional Share Plan (CSPs) – 2019

Participant	Balance of CSPs accepted as at June 2018	CSPs accepted during the period	Offer date	Offer price Rand	Balance of CSPs accepted as at June 2019	Fair value of CSPs granted R'000
Executive						
HJ Carse		5 915	2018/12/05	205,07	5 915	642
JJ Durand		87 135	2018/12/05	205,07	87 135	15 050
PR Louw		17 881	2018/12/05	205,07	17 881	3 089
Total		110 931			110 931	18 781

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

32. 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 FOODS), 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 FOODS.

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 FOODS 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 FOODS 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 FOODS.

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 FOODS 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 FOODS 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 FOODS 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.

		2019 R'000	2018 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**	30,0
Dividend yield	(%)	**4,33**	4,33
Risk-free interest rate	(%)	**4,8 to 8,22**	4,8 to 8,22
Vesting period	(years)	**8**	8

The Group's BEE scheme is currently under-water due to the performance of the share price since inception.

33. 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 the report.

34. INTEREST IN SUBSIDIARIES

The Group has the following subsidiaries at June 2019:

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 %
Directly owned					
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		
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	100		
EPOL	South Africa	Dormant	100		
Farmer Brown	South Africa	Dormant	100		
Matzonox	South Africa	Waste-to-Value operation		50	50
New Foodcorp Holdings	South Africa	Dormant		100	
Indirectly owned					
Vector Logistics (Namibia)	Namibia	Logistics provider		100	
Foodcorp	South Africa	Food producer and manufacturer		100	
TSB Sugar International	South Africa	International investments		100	
Tangaweb*	South Africa	Investment company		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
Rainbow Chicken Foods	South Africa	Dormant		100	
Astoria Bakery Lesotho	Lesotho	Dormant		100	
Foodcorp Consumer Brands	South Africa	Dormant		100	
Mkhuhlu Bakery	South Africa	Dormant		100	
NIB 5 Share Block	South Africa	Dormant		100	
NIB 6 Share Block	South Africa	Dormant		100	
Selati Sugar	South Africa	Dormant		100	
Do More Foundation**	South Africa	CSI initiative			

* *Tangaweb was set-up to provide financing to The Hatchery Group Proprietary Limited (a food innovation project). Refer to note 5 of the consolidated financial statements for further details.*

** *The Do More Foundation is a CSI initiative of the Group. It is a trust and the Group has no equity interest and no voting rights in this entity. The Group has the rights to direct the relevant activities of the Do More Foundation which results in the Group having effective control over the Do More Foundation. As a result, the Do More Foundation has been consolidated.*

34. INTEREST IN SUBSIDIARIES CONTINUED

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 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.

	2019 R'000	2018 R'000
Outstanding loan balance as at June	37 592	43 452

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.

	Statement of financial position 2019 R'000	Income statement (share of profit/(loss)) 2019 R'000	Statement of financial position 2018 R'000	Income statement (share of profit/(loss)) 2018 R'000
Non-controlling interests				
Matzonox Proprietary Limited	89 723	1 979	58 244	1 896
Quality Sugars Proprietary Limited	11 004	3 009	9 402	2 484
Sivunosetfu Proprietary Limited	(37 448)	(28 078)	(9 369)	(13 915)
Libuyile Farming Services Proprietary Limited	(14 413)	(17 098)	2 684	(12 981)
Mgubho Farming Services Proprietary Limited	(45 515)	(33 233)	(12 281)	(21 546)

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 96 and 97 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.

34. INTEREST IN SUBSIDIARIES CONTINUED

Summarised statement of financial position

	Current		Total current net assets/ (liabilities) R'000	Non-current		Total non-current net assets/ (liabilities) R'000	Net assets/ (liabilities) R'000
	Assets R'000	Liabilities R'000		Assets R'000	Liabilities R'000		
As at June 2019							
Matzonox Proprietary Limited	27 240	(23 319)	3 921	279 361	(103 835)	175 526	179 447
Quality Sugars Proprietary Limited	681 571	(641 736)	39 835	5 195	(1 013)	4 182	44 017
Sivunosetfu Proprietary Limited*	77 679	(65 862)	11 817	72 274	(158 987)	(86 713)	(74 896)
Libuyile Farming Services Proprietary Limited*	146 892	(97 285)	49 607	112 928	(191 361)	(78 433)	(28 826)
Mgubho Farming Services Proprietary Limited*	92 763	(82 347)	10 416	88 778	(190 223)	(101 445)	(91 029)
Total	1 026 145	(910 549)	115 596	558 536	(645 419)	(86 883)	28 713
As at June 2018							
Matzonox Proprietary Limited	8 240	(1 034)	7 206	110 764	(1 482)	109 282	116 488
Quality Sugars Proprietary Limited	661 358	(627 439)	33 919	4 732	(1 034)	3 698	37 617
Sivunosetfu Proprietary Limited	67 469	(164 695)	(97 226)	84 362	(5 872)	78 490	(18 736)
Libuyile Farming Services Proprietary Limited	126 093	(214 042)	(87 949)	118 905	(25 586)	93 319	5 370
Mgubho Farming Services Proprietary Limited	89 329	(206 633)	(117 304)	92 913	(168)	92 745	(24 559)
Total	952 489	(1 213 843)	(261 354)	411 676	(34 142)	377 534	116 180

** The Group has issued a letter confirming that it will not recall the outstanding loans of these companies within the next financial year.*

Summarised statement of comprehensive income

	Matzonox Proprietary Limited 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
For the year ended June 2019						
Revenue	20 918	228 571	152 130	258 251	163 016	822 886
Profit/(loss) before tax	5 501	17 050	(49 052)	(41 981)	(58 088)	(126 570)
Income tax (expense)/income	(1 543)	(5 014)	(7 104)	7 785	(8 378)	(14 254)
Profit/(loss) after tax for the year	3 958	12 036	(56 156)	(34 196)	(66 466)	(140 824)
Total comprehensive income/(loss)	3 958	12 036	(56 156)	(34 196)	(66 466)	(140 824)
Total comprehensive income/(loss) allocated to non-controlling interests	1 979	3 009	(28 078)	(17 098)	(33 233)	(73 421)
Dividends paid to non-controlling interest		1 250				1 250
For the year ended June 2018						
Revenue	13 993	166 341	130 297	218 036	136 418	665 085
Profit/(loss) before tax	5 272	13 973	(37 489)	(34 752)	(58 355)	(111 351)
Income tax (expense)/income	(1 482)	(4 036)	9 659	8 790	15 265	28 196
Profit/(loss) after tax for the year	3 790	9 937	(27 830)	(25 962)	(43 090)	(83 155)
Total comprehensive income/(loss)	3 790	9 937	(27 830)	(25 962)	(43 090)	(83 155)
Total comprehensive income/(loss) allocated to non-controlling interests	1 895	2 484	(13 915)	(12 981)	(21 545)	(44 062)
Dividends paid to non-controlling interest		1 542				1 542

34. INTEREST IN SUBSIDIARIES CONTINUED

Summarised cash flows

	Matzonox Proprietary Limited 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
For the year ended June 2019						
Cash generated/(utilised) – operations	**31 052**	**(47 207)**	**(17 795)**	**(14 803)**	**(19 018)**	**(67 771)**
Finance costs		**(650)**	**(17 291)**	**(20 001)**	**(19 849)**	**(57 791)**
Finance income	**611**					**611**
Income tax paid		**(4 912)**				**(4 912)**
Net cash generated/(utilised) – operating activities	**31 663**	**(52 769)**	**(35 086)**	**(34 804)**	**(38 867)**	**(129 863)**
Net cash (utilised)/generated – investing activities	**(173 853)**	**52 749**	**(9 400)**	**(10 553)**	**(17 673)**	**(158 730)**
Net cash generated – financing activities	**159 084**		**44 522**	**45 445**	**56 619**	**305 670**
Net increase/(decrease) in cash and cash equivalents	**16 894**	**(20)**	**36**	**88**	**79**	**17 077**
For the year ended June 2018						
Cash generated/(utilised) – operations	7 806	(6 799)	5 108	29 263	(10 679)	24 699
Finance costs	(2)	(41)	(12 416)	(15 927)	(14 380)	(42 766)
Finance income	99					99
Income tax paid		(4 571)				(4 571)
Net cash generated/(utilised) – operating activities	7 903	(11 411)	(7 308)	13 336	(25 059)	(22 539)
Net cash (utilised)/generated – investing activities	(114 658)	11 499	(23 494)	(22 416)	(24 982)	(174 051)
Net cash generated – financing activities	112 697		30 894	12 047	49 931	205 569
Net increase/(decrease) in cash and cash equivalents	5 942	88	92	2 967	(110)	8 979

35. ACQUISITIONS

BUSINESS COMBINATIONS

Driehoek Voere

With effect from 2 July 2018, RCL FOODS Sugar & Milling Proprietary Limited acquired an effective holding of 100% of the Driehoek Voere operation for a consideration of R60,9 million. Driehoek Voere's main operations include manufacturing and selling high roughage animal feed products from its mill situated in Vaalwater, Limpopo. The location is strategically placed to access the game market, cattle farms and informal broiler markets of Limpopo and Mpumalanga.

The Group controls Driehoek Voere as a result of RCL FOODS Sugar & Milling Proprietary Limited acquiring the entire business, with no outside shareholder involvement in its operations.

Goodwill of R19,3 million arose from the acquisition. Goodwill mainly represents the ability of the combined business of scale. None of the goodwill recognised is deductible for tax purposes.

The following table summarises the consideration paid for the fair value of assets acquired and liabilities assumed at the acquisition date.

	2019 R'000
Consideration as at 2 July 2018	
Cash	60 947
Total consideration	**60 947**
Fair value of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	31 399
Intangible assets	5 476
Inventories	6 396
Trade and other payables	(146)
Deferred tax	(1 493)
Total identifiable net assets	**41 632**
Goodwill	**19 315**
No additional acquisition-related costs have been incurred in the current financial year (2018: R0,4 million).	
Driehoek did not have a material impact on results for the year, its contribution to key income statement line items for the current year was as follows:	
Revenue	125 689
Operating profit before depreciation, amortisation and impairment (EBITDA)	3 918
Operating profit	1 294
Profit before tax	1 296

36. CHANGE IN ACCOUNTING POLICY

IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from contracts with customers" were adopted during the year.

The adoption of IFRS 15 resulted in the Group identifying an error in the classification of transport income within the Sugar & Milling segment. This reclassification had no impact on profit, retained earnings or the balance sheet. Refer to note 37 of the consolidated financial statements for further information. IFRS 15 did not have any further impact on the Group's results.

Impact of adoption – IFRS 9 "Financial instruments"

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. IFRS 9 was adopted without restating comparative information, in accordance with the transitional provisions, IFRS 9 par 7.2.15. The adjustments arising from the new impairment rules are therefore not reflected in the balance sheet as at 1 July 2018, but are recognised in the opening balance sheet on 2 July 2018.

The impact on the Group's results from the adoption of IFRS 9 relate solely to the new impairment requirements.

The Group has financial assets carried at amortised cost consisting of:

- current trade and other receivables related to sales of goods comprising the sale of milling, agricultural produce and consumer goods and from service revenue comprising logistics, distribution, management and consulting services;
- trade and other receivables – non-current;
- cash and cash equivalents; and
- loans receivable.

These financial assets were previously classified as loans and receivables under IAS 39, and, based on the assessment performed on implementation of IFRS 9 are now classified as financial assets carried at amortised cost. These financial assets are held in a business model where the objective is to collect contractual cash flows. The contractual cash flows from these financial assets represent solely payments of principal and interest.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail in the sections that follow.

	1 July 2018 As originally presented R'000	IFRS 9 Impact R'000	**2 July 2018 R'000**
Impact on consolidated statement of financial position			
Assets			
Non-current assets	11 516 204	369	**11 516 573**
Deferred income tax asset	28 448	369	**28 817**
Current assets	9 318 513	(8 955)	**9 309 558**
Trade and other receivables	4 254 014	(8 955)	**4 245 059**
Total assets	20 991 297	(8 587)	**20 982 710**
Equity	11 179 703	(6 447)	**11 173 256**
Retained earnings	2 336 451	(6 288)	**2 330 163**
Non-controlling interest	48 729	(159)	**48 570**
Liabilities			
Non-current liabilities	3 361 071	(2 139)	**3 358 932**
Deferred income tax liabilities	1 253 584	(2 139)	**1 251 445**
Total liabilities	9 811 594	(2 139)	**9 809 455**
Total equity and liabilities	20 991 297	(8 587)	**20 982 710**

The total impact on the Group's total equity as at 2 July 2018 is as follows:

	Retained earnings R'000	**Non-controlling Interests R'000**	**Total equity R'000**
Closing balance – 1 July 2018	**2 336 451**	**48 729**	**11 179 703**
Increase in provision for trade receivables	**(8 734)**	**(221)**	**(8 955)**
Decrease in deferred tax	**2 446**	**62**	**2 508**
Opening balance – 2 July 2018	**2 330 163**	**48 570**	**11 173 256**

The impact of the change in impairment methodology on the Group's total equity is disclosed above. The adjustment arose from changes in the impairment provisions for the Group's current trade and other receivables. Adjustments to all other financial assets for expected credit losses were not material and hence did not warrant a restatement to opening equity.

36. CHANGE IN ACCOUNTING POLICY CONTINUED

Reconciliation of loss allowance for trade receivables as at 1 July 2018 to 2 July 2018:

	Trade receivables loss allowance R'000
Closing impairment provision (as calculated under IAS 39) – 1 July 2018	**35 656**
Amount restated through opening equity	**8 955**
Opening impairment provision (as calculated under IFRS 9) – 2 July 2018	**44 611**

The adoption of the classification and measurement and hedging requirements of IFRS 9 have not had any impact on the Group's results.

37. PRIOR PERIOD ERROR

The adoption of IFRS 15 resulted in the Group re-evaluating its contracts with customers. Through the evaluation process, the Group identified that it had incorrectly accounted for transport income on the basis that the Group acted as an agent, whilst in substance the Group acted as principal in terms of IAS 18. As a result, the Group has restated its revenue for 2018 in terms of IAS 18 by reclassifying transport income out of selling and marketing expenses and into revenue. This reclassification had no impact on profit, retained earnings or the balance sheet.

The impact of the restatement is reflected in the tables below:

	June 2018 As originally presented R'000	Reclassification R'000	June 2018 Restated R'000
Impact on consolidated statement of comprehensive income			
Revenue from contracts with customers	24 425 996	101 965	**24 527 961**
Impact on notes to the consolidated financial statements			
Operating profit			
Revenue from contracts with customers	24 425 996	101 965	**24 527 961**
Selling and marketing expenses*	(1 100 240)	(101 965)	**(1 202 205)**

** The numbers are reflected prior to the reclassification of selling and marketing expenses to distribution expenses. Refer to note 20 of the consolidated financial statements for further details.*

The impact of the separate performance obligation identified above on the current year was R129,3 million, which increased revenue and would previously have been disclosed in selling and marketing expenses.

COMPANY STATEMENT OF FINANCIAL POSITION

	Note	30 June 2019 R'000	1 July 2018 R'000
ASSETS			
Non-current assets			
Investment in subsidiaries	1	**4 873 842**	4 770 393
Loan to Group companies	1	**3 983 309**	4 237 504
		8 857 151	9 007 897
Current assets			
Cash and cash equivalents		**3 102**	2 852
		3 102	2 852
Total assets		**8 860 253**	9 010 749
EQUITY			
Stated capital	2	**10 134 574**	10 087 241
Share-based payments reserve		**330 139**	312 539
Accumulated loss		**(1 611 061)**	(1 395 710)
Total equity		**8 853 652**	9 004 070
LIABILITIES			
Non-current liabilities			
Loan from Group Company	3	**220**	
Total non-current liabilities		**220**	
Current liabilities			
Trade and other payables		**6 381**	6 679
Total current liabilities		**6 381**	6 679
Total equity and liabilities		**8 860 253**	9 010 749

COMPANY STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 2019

	Note	2019 R'000	2018 R'000
Revenue	4	**143 736**	Nil
Operating profit/(loss)		**132 009**	(11 876)
Profit/(loss) before tax	5	**132 009**	(11 876)
Profit/(loss) for the year		**132 009**	(11 876)
Total comprehensive income/(loss) for the year		**132 009**	(11 876)

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 2019

	Stated capital R'000	Share-based payments reserve R'000	Accumulated loss R'000	Total R'000
Balance at 2 July 2017	10 041 690	294 939	(1 080 766)	9 255 863
Total comprehensive loss for the year			(11 876)	(11 876)
Dividends paid			(303 068)	(303 068)
BEE share-based payments charge		17 600		17 600
Employee share scheme:				
– proceeds from shares issued	45 551			45 551
Balance at 1 July 2018	10 087 241	312 539	(1 395 710)	9 004 070
Total comprehensive income for the year			**132 009**	**132 009**
Dividends paid			**(347 360)**	**(347 360)**
BEE share-based payments charge		**17 600**		**17 600**
Employee share scheme:				
– proceeds from shares issued	**47 333**			**47 333**
Balance at 30 June 2019	**10 134 574**	**330 139**	**(1 611 061)**	**8 853 652**

COMPANY CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 2019

	Note	2019 R'000	2018 R'000
Cash flows from operating activities			
Cash utilised by operations	A	**(11 727)**	(11 876)
Movement in share-based payments reserve		**17 600**	17 600
Dividends received		**143 736**	
Dividends paid		**(347 360)**	(303 068)
Movement in trade and other payables		**(298)**	(209)
Net cash outflow from operating activities		**(198 049)**	(297 553)
Cash flows from investing activities			
Additional investment in subsidiaries		**(17 600)**	(17 600)
Net movement in loans to Group companies*		**168 566**	326 115
Acquisitions of business			(56 349)
Net cash inflow from investing activities		**150 966**	252 166
Cash flows from financing activities			
Issue of shares		**47 333**	45 551
Net cash inflow from financing activities		**47 333**	45 551
Movement in cash and cash equivalents		**250**	164
Cash and cash equivalents at the beginning of the year		**2 852**	2 688
Cash and cash equivalents at the end of the year		**3 102**	2 852

** The net movement in loans to Group companies has been shown as it is not practicable to show advances and repayments of these loans during the year.*

NOTES TO THE COMPANY CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 2019

	2019 R'000	2018 R'000
A. CASH GENERATED BY OPERATIONS		
Profit/(loss) before tax	**132 009**	(11 876)
Adjusted for:		
Dividend income	**(143 736)**	Nil
	(11 727)	(11 876)

	Issued share capital		Effective holding	
	2019	2018	**2019**	2018
	R	R	**%**	%
1. INVESTMENT IN SUBSIDIARIES AND GROUP COMPANIES				
Effective holding				
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
Matzonox	**120**	120	**50**	50
New Foodcorp Holdings	**1**	1	**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
NIB 5 Share Block	**1**	1	**100**	100
NIB 6 Share Block	**1**	1	**100**	100
Makhalempongo Chicken				
Fieldsend Farming				
Valley Chicks				
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
Tangaweb****	**120**		**100**	
Vector Logistics (Namibia)***	**100 000**	100 000	**100**	100
Do More Foundation*****				

* *Incorporated in Lesotho*

** *Incorporated in Mozambique*

*** *Incorporated in Namibia*

**** *Tangaweb was set-up to provide financing to The Hatchery Group Proprietary Limited (a food innovation project)*

***** *The Do More Foundation is a CSI initiative of the Group and is incorporated as a trust.*

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

1. INVESTMENT IN SUBSIDIARIES AND GROUP COMPANIES CONTINUED

	Shares 2019 R'000	Shares 2018 R'000	Indebtedness 2019 R'000	Indebtedness 2018 R'000	Total 2019 R'000	Total 2018 R'000
Share and indebtedness						
Rainbow Farms Investments	100	100		100	100	200
RCL FOODS Treasury*			134 525	182 665	134 525	182 665
RCL FOODS Consumer	1 142	1 142	1 355 509	1 507 926	1 356 651	1 509 068
RCL Group Services*			104 449	81 443	104 449	81 443
Foodcorp			2 376 179	2 376 179	2 376 179	2 376 179
RCL FOODS Sugar & Milling	4 000 000	4 000 000	112	26 004	4 000 112	4 026 004
Vector Logistics	456 612	456 612	12 535	6 838	469 147	463 450
Matzonox	85 849	56 349			85 849	56 349
	4 543 703	4 514 203	3 983 309	4 181 155	8 527 012	8 695 358
Subsidiary portion of share-based payments reserve	330 139	312 539			330 139	312 539
	4 873 842	4 826 742	3 983 309	4 181 155	8 857 151	9 007 897

* *RCL Foods Limited's value of shareholding in RCL FOODS Treasury is R1 (2018: R1) and RCL Group Services is R312 (2018: R312).*

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".

The Group has performed an assessment of the above loans in terms of IFRS 9 and has concluded that these loans represent loans at amortised cost and are not classified as equity.

Based on the current profitability, financial outlook and forward-looking information available on the Company's subsidiaries, the loan to RCL FOODS Sugar & Milling Proprietary Limited was the only loan receivable which had a significant increase in credit risk, due to the challenges currently being faced by the local sugar industry. The Company has performed an expected credit loss (ECL) calculation for the loans receivable from its subsidiaries by taking into account their available cash resources, net liquid current assets and non-current assets available for settlement of the loan. Based on the assessment, no ECL provision was required at year-end.

	Number of shares	2019 R'000	2018 R'000
2. STATED CAPITAL			
Authorised			
2 000 000 000 (2018: 2 000 000 000) ordinary shares of no par value.			
Issued ordinary shares of no par value:			
At the beginning of the year	867 327 972	10 087 241	10 041 690
Shares issued in terms of share incentive plans	2 814 951	47 333	45 551
At the end of the year	870 142 923	10 134 574	10 087 241
Shares in issue for accounting purposes – 30 June 2019	870 142 923		
Add: shares issued in terms of BEE scheme*	70 758 637		
Statutory shares in issue – 30 June 2019	940 901 560		

* *On 26 May 2014, 44 681 162 shares were issued to the RCL Employee Share Trust (total issued value of R242,1 million), 19 149 069 to Business Venture Investments No 1763 (RF) Proprietary Limited (total issued value of R103,8 million) and, on 3 April 2014, 6 928 406 shares were issued to Malongoana Investments (RF) Proprietary Limited (total issued value of R0,07 million) in terms of a BEE transaction. For accounting purposes these shares are not treated as issued (refer to note 32 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.

	2019 R'000	2018 R'000
3. LOANS PAYABLE		
Non-current		
Payable to Rainbow Farms Investments Proprietary Limited	220	

The loan is unsecured, interest-free and payable on demand.

	2019 R'000	2018 R'000
4. REVENUE		
Dividends received from subsidiaries	143 736	Nil
– RCL FOODS Sugar & Milling	114 236	Nil
– Vector Logistics	29 500	Nil
	143 736	
5. PROFIT BEFORE TAX		
Dividends received from subsidiaries	143 736	Nil
Non-executive directors' fees	(5 748)	(4 747)
Consultancy expenses	(482)	(702)
Listed company expenses	(4 193)	(4 573)
Audit fees – Other services	(340)	(488)
Legal fees	(893)	(1 303)
Other expenses	(71)	(63)
Total	132 009	(11 876)

6. CONTINGENCIES

Banking and loan facilities are renewed annually and are subject to floating interest rates. At year-end the facilities granted amounted to R2,35 billion in respect of the debt package, which was restructured in December 2018 (refer to note 15 of the consolidated financial statements) and a R2 417,0 billion unutilised general banking facility (2018: R1 925,0 billion).

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 as at June 2019 is R2,35 billion (2018: R2 852 billion).

7. DIVIDENDS PER SHARE

Refer to note 25 of the consolidated financial statements.

8. 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 R2,35 billion (2018: 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
2019			337 500	2 012 500	2 350 000
2018	1 097 000	1 755 000			2 852 000

SHARE AND SHAREHOLDER INFORMATION

FOR THE YEAR ENDED JUNE 2019

Stated capital

Authorised	2 000 000 000
Issued*	940 901 560
Number of shareholders	5 059

	Number of shareholders	%	Number of shares	%
Shareholder spread				
1 – 1 000	3 578	70,73	732 419	0,08
1 001 – 10 000	1 090	21,55	3 925 453	0,42
10 001 – 100 000	292	5,77	8 589 973	0,91
100 001 – 1 000 000	70	1,38	22 917 773	2,43
1 000 001 and over	29	0,57	904 735 942	96,16
Total	5 059	100,00	940 901 560	100,00
Distribution of shareholders				
Banks				
Brokers	26	0,51	21 693 609	2,31
Close Corporations	15	0,30	224 706	0,02
Empowerment	35	0,69	1 155 686	0,12
Endowment Funds	3	0,06	70 758 637	7,52
Holding Company	3	0,06	558 380	0,06
Individuals	2	0,04	674 543 674	71,69
Insurance Companies	4 342	85,83	9 211 466	0,98
Investment Companies	97	1,92	3 937 944	0,42
Mutual Funds	7	0,14	49 220	0,01
Nominees and Trusts	134	2,65	109 263 892	11,61
Other Corporations	244	4,82	3 094 618	0,33
Pension Funds	15	0,30	27 290	0,00
Private Companies	58	1,15	44 330 574	4,71
Private Companies	78	1,53	2 051 864	0,22
Total	5 059	100,00	940 901 560	100,00
Public and non-public shareholders				
Holding Company	2	0,04	674 543 674	71,69
Empowerment	3	0,06	70 758 637	7,52
Directors and associates of the Company holdings	6	0,12	2 292 118	0,24
Total non-public shareholders	11	0,22	747 594 429	79,45
Public shareholders	5 048	99,78	193 307 131	20,55
Total	5 059	100,00	940 901 560	100,00
Beneficial shareholders' holdings of 1% or more				
Remgro Limited			674 387 860	71,67
RCL Employee Share Trust			44 681 162	4,75
Oasis Crescent Equity Fund			38 296 028	4,07
Government Employees Pension Fund			33 047 150	3,51
Business Venture Investments No 1763 (RF) Proprietary Limited			19 149 069	2,04
Prudential Core Value Fund			16 731 239	1,78
Old Mutual Symmetry Satellite Equity Fund No 3			13 142 911	1,40
Government of Norway			9 364 021	1,00
Fund managers holdings of 1% or more				
Remgro Limited			674 543 674	71,69
Oasis Asset Management Limited			72 602 496	7,72
Prudential Portfolio Managers (South Africa) Proprietary Limited			51 425 953	5,47
RCL Employee Share Trust			44 681 162	4,75
Business Venture Investments No 1763 Proprietary Limited			19 149 069	2,04
Public Investment Corporation (SOC) Limited			18 831 388	2,00
All Weather Capital Proprietary Limited			11 538 149	1,23

* *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 32 of the consolidated financial statements for details).*

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