2019

RCL FOODS LIMITED
ABRIDGED INTEGRATED ANNUAL REPORT

FOR THE YEAR ENDED
JUNE 2019

REVENUE
R25,9 billion
↑ **5.5%**

EBITDA
R1,5 billion
↓ **25.4%**

EBITDA
excluding Sugar and Chicken
R1,4 billion
↑ **7.8%**

HEPS
37,9 cents
↓ **60.8%**

CASH GENERATED
by operations
R796,7 million
↓ **55.4%**

TOTAL DIVIDENDS
declared per share
25,0 cents
↓ **37.5%**

CONTENTS

OUR LOGO AND ITS MEANING

A BOWL

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

RCL FOODS

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

ABOUT THE REPORT

BOUNDARY AND SCOPE

The aim of this Abridged Integrated Annual Report is to provide stakeholders with a balanced and holistic view of the financial, social, environmental and economic impacts of RCL FOODS Limited ("RCL FOODS" or "Group") to enable them to obtain a better understanding of the Group's long-term prospects. The report includes all the subsidiaries of RCL FOODS. It covers the performance for the year ended June 2019 and provides an overview of operations of the Group with relevant comparatives to the previous period.

MATERIAL ASPECTS AND COMPARABILITY

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

ASSURANCE AND APPROVAL

The Board acknowledges its responsibility for the content of RCL FOODS' Integrated Annual Report. The Board has assessed the content of this report and believes that it addresses all material issues and fairly presents the integrated performance of the Group. The Board has authorised the release of this report at the RCL FOODS Board meeting held on 30 August 2019.

The information in this report has been verified by a combination of internal and external assurance providers. Details of the assurance element and providers are set out on pages 8 to 12 of the Annual Financial Statements, available on our website at www.rclfoods.com/financial-results-and-investor-presentations-2019

RCL FOODS values feedback and therefore welcomes any questions or comments regarding this report. These can be emailed to the Company Secretary, John Maher, at john.maher@rclfoods.com. Stakeholders are also directed to the Group's website for this report and other relevant additional supporting reports and compliance information such as the Sustainable Business Report for the 2019 financial year, King IV Application Register and Board Committee charters.

RELATED REPORTS

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

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

USABILITY FEATURES

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

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

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

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

REPORTING FRAMEWORK


LET ME
YUM YUM
OUMA
BUTTER MILK RUSKS
CHUNKY

OUR OPERATING CONTEXT AND TRENDS

Our operating context is shaped by various long-term trends that present opportunities, risks, and sometimes both, for the way we generate long-term value for all our stakeholders. Below we highlight the major long-term trends directly affecting the food industry and RCL FOODS as we strive to provide "More Food to More People, More Often". For the key macroeconomic factors impacting our business during the current reporting period, please refer to the Chief Financial Officer's report from page 56.

GLOBAL IMBALANCE IN FOOD PRODUCTION

Despite the world producing enough food to feed its people, there is a global imbalance in food production which threatens many nations' food security. This is due to varying levels of agricultural production and associated technology, differences in economic strength, and governments' varying levels of involvement in their national food supply chains. These imbalances are exacerbated when global surpluses enter unprotected local markets like South Africa's. The dumping of surplus chicken and sugar in the local market in recent years, owing to inadequate industry protection through tariffs and other means, poses a threat not only to the viability of these unprotected industries but to the country's long-term food security. In response, RCL FOODS is engaging with government directly and through industry associations to secure industry protection from dumped chicken and sugar imports. We are also supporting the FairPlay movement in their efforts to co-ordinate engagement amongst appropriate industry bodies and stakeholders to find a sustainable solution.

FOOD SAFETY, MALNUTRITION AND INCREASING REGULATORY INTERVENTION

Although South Africa is food secure at a national level, the country carries a double burden of malnutrition: more than half the population experiences hunger or is at risk of it, leading to 27% of children being stunted[1], while a growing number are over-nourished, leading to obesity in 68% of women and 31% of men[2]. Both extremes are linked to an increase in non-communicable diseases which drain the healthcare system and impede socio-economic development. Malnutrition, chronic disease prevention and enhanced food safety have become key government concerns, as evidenced by the introduction of the Health Promotion Levy, new brining regulations, limitations on salt and sugar in food, increased food labelling requirements and enhanced food safety regulations. It is our responsibility to keep abreast of these developments, engage with regulators, provide thought leadership where appropriate, and ensure compliance while managing the impacts on our business. As our population grows and the demand for food increases, we will ensure that we continue to provide a balanced basket of safe, high-quality food that meets consumers' needs while complying with all regulations.

[1] *South African National Health and Nutrition Examination Survey (SANHANES-1), 2014*

[2] *Stats SA. South Africa Demographic and Health Survey, 2016*

CHANGING CONSUMER AND CUSTOMER BEHAVIOUR

Demand for convenience foods

As consumers become more time-poor, there is a growing demand for ready-made, added-value and pre-prepared convenience meals and snacks – a trend that retail and foodservice customers are capitalising on through their offerings. With increasing urbanisation, more people have access to convenience foods through formal retail channels. Embracing this opportunity to add value to our consumers' lives, we are leveraging technology and our pipeline of innovation to accelerate growth in our added-value categories.

Health-conscious consumer

Especially in more affluent markets, consumers are becoming more health-conscious and are demanding solutions to accommodate their diverse lifestyles and changing dietary trends, such as sugar-free, gluten-free, plant-based foods and superfoods, amongst others. Our product offering and innovation pipeline are continuously evolving to take cognisance of these changing preferences.

Connected and digitally savvy consumer

Consumers are spending more time online and on mobile channels, driving a growing trend towards online purchasing and digital marketing. Online interactions provide compelling insights that companies can use to respond to emerging trends. As a business, we embrace these trends and develop new channels and direct engagement with consumers to protect and grow our brands.

Evolving retail landscape

Retail price wars to gain market share are a strong feature of the current, highly competitive South African market. The emergence of private labels is another prevailing trend, as cost-conscious consumers pick price over best-loved brands, and retailers look to grow quality private label offerings as a point of differentiation. This has led to low food inflation and even deflation in many categories, putting pressure on branded food manufacturers' volumes and margins. As a producer of both branded and private label products, we are working to grow our categories by continuing to invest in product innovation, differentiating our branded products to highlight added value for money, and developing fit-for-purpose high quality private label products for our retail and wholesale customers.

GROWING PRESSURE ON FOOD SYSTEMS

With the global population expected to reach 9,2 billion by 2050, more people will need to be fed with fewer resources. Increased food production is already impacting the environment, causing biodiversity loss, deforestation, desertification, soil degradation, water scarcity and declining water quality, all of which exacerbate climate change and food insecurity. Amidst expectations that companies should measure their performance against the triple bottom line of economy, society and environment, consumers are increasingly showing a preference for products that are responsibly sourced and companies that contribute meaningfully to society. Through our Sustainable Business Drive, we are working towards a more sustainable food system by finding ways to nourish people, enrich communities and sustain resources while we grow and develop as a company. For more information on our sustainability agenda, please refer to our Sustainable Business Report which unpacks in detail our industry-leading activity in this arena. Available at www.rclfoods.com/financial-results-and-investor-presentations-2019

OUR BUSINESS PROFILE

RCL FOODS is a leading South African food manufacturer, producing a wide range of branded and private label food products which we distribute through our own route-to-market supply chain specialist, Vector. With R11 billion in market capitalisation and over 21 000 employees, we are one of the top 100 companies listed on the JSE in terms of market capitalisation.

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

OUR PASSION

MORE FOOD TO MORE PEOPLE, MORE OFTEN

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

OUR AMBITION

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

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

OUR STRATEGIC THRUSTS

Our Passion and Ambition are enabled by six strategic thrusts:

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

OUR VALUES

Four powerful values drive the way we do business:

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

OUR WAY

Inspired by Our Passion and Our Values:

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

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

OVER **230** OPERATIONS ACROSS **SOUTH AFRICA** AND **AFRICA**
(including joint ventures)

Our Structure from page 8
CFO Report from page 56

MORE THAN
21 000 EMPLOYEES

90 MILLION CASES **DELIVERED ANNUALLY** BY VECTOR, OUR ROUTE-TO-MARKET SPECIALIST

WITH MORE THAN **30** OF **SOUTH AFRICA'S** MUCH-LOVED BRANDS

Our Brands from page 10

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

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

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

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

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

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

1989
Rainbow Chicken Limited was listed on the JSE.

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

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

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

2014
The leading sugar producer, TSB Sugar RSA and TSB Sugar International, was acquired.

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

A new BEE transaction was implemented.

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

2018
A 50% stake in Matzonox, a waste-to-value operation, was acquired.

2019
Driehoek Voere, a producer of game, ruminant and horse feeds, was acquired.

A 45% stake in L&A Logistics Limited, a distribution operation based in Zambia, was acquired.

OUR BUSINESS AT A GLANCE

OUR KEY STAKEHOLDERS

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

Communities	Consumers	Customers	Employees
Government	Investors	Media	Suppliers

Our Stakeholders from page 24

RESOURCES WE USE TO CREATE VALUE FOR OUR STAKEHOLDERS

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

FINANCIAL CAPITAL

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

SOCIAL AND RELATIONSHIP CAPITAL

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

MANUFACTURED CAPITAL

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

NATURAL CAPITAL

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

HUMAN CAPITAL

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

INTELLECTUAL CAPITAL

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

The Resources we use to create value from page 13

OUR MATERIAL RISKS

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

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

Our material risks from page 16

OUR BUSINESS AT A GLANCE

VALUE WE CREATE

FOR OUR COMMUNITIES

307 partners
from the public, private and NGO sector working to #DoMore for the young children, youth and resource-poor communities of South Africa

5,3 million meals donated
in 2019

1,8 million tons of sugarcane
delivered through partnerships with our communities

FOR OUR CONSUMERS

Our brands are well entrenched with our consumers, many of them holding market leading positions over the 12 months to June 2019

#1 Yum Yum, Nola, Catmor, Bobtail, Rainbow Simply Chicken*, Ouma, Number 1, Canine Cuisine

* *Freezer-to-fryer category*

FOR OUR EMPLOYEES

We're passionate about training, developing and growing our people
R44,4 million spent on training over **10 000 people**

590 employees are currently registered on **SETA-accredited apprenticeships** or learnerships

149 graduates
have entered our Management Trainee Programme since its launch

FOR OUR ENVIRONMENT

16% increase
in the amount of renewable energy created

4% decrease
in the amount of municipal water used

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

FOR OUR GOVERNMENT

We paid
R133,2 million in income tax and **R558,6 million** in VAT in 2019

FOR OUR SHAREHOLDERS/ DEBT-PROVIDERS

We paid **R348,6 million** **in dividends in 2019**

We paid **R305,9 million** **in interest in 2019**

OUR BUSINESS AT A GLANCE

OUR STRUCTURE

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

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

CONSUMER DIVISION

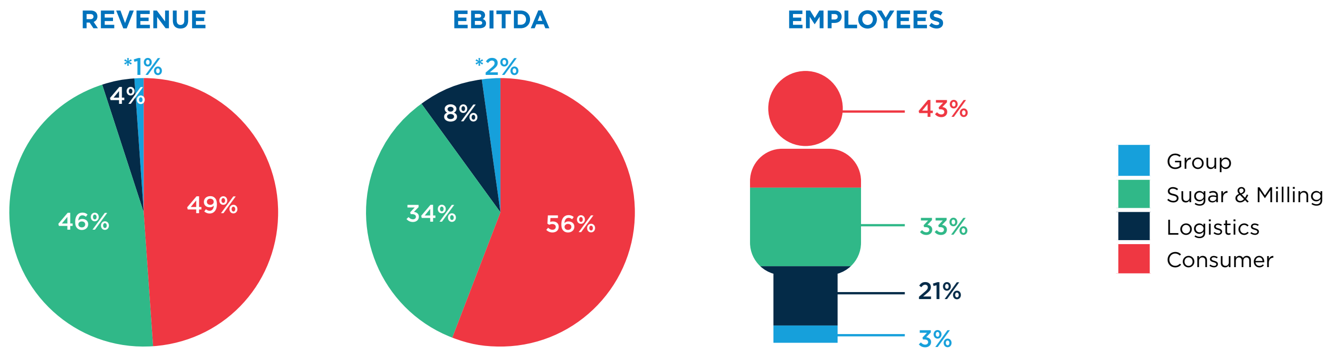
Our Consumer division produces a wide range of quality culinary, pet food and beverage products through its five business units – Chicken, Grocery, Pies, Beverages and Speciality. Our Foodsolutions service channel spans across the Group, providing dedicated support to customers in the foodservice industry.

SUGAR & MILLING DIVISION

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

LOGISTICS DIVISION

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



** Includes management fees earned for shared services performed for Siqalo Foods Proprietary Limited.*

Chicken | **Grocery** | **Speciality**

Pies | **Beverages** | **Foodsolutions**

Sugar | **Millbake** | **Animal Feed**

Sales Solutions | **Supply Chain Intelligence** | **Warehousing**

Distribution | **Imports/Exports** | **Credit Management**

OUR BUSINESS AT A GLANCE

OUR BRANDS

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

WE OFFER OVER 30 BRANDS

OUR #1 BRANDS

HOW WE OPERATE

OUR BUSINESS MODEL

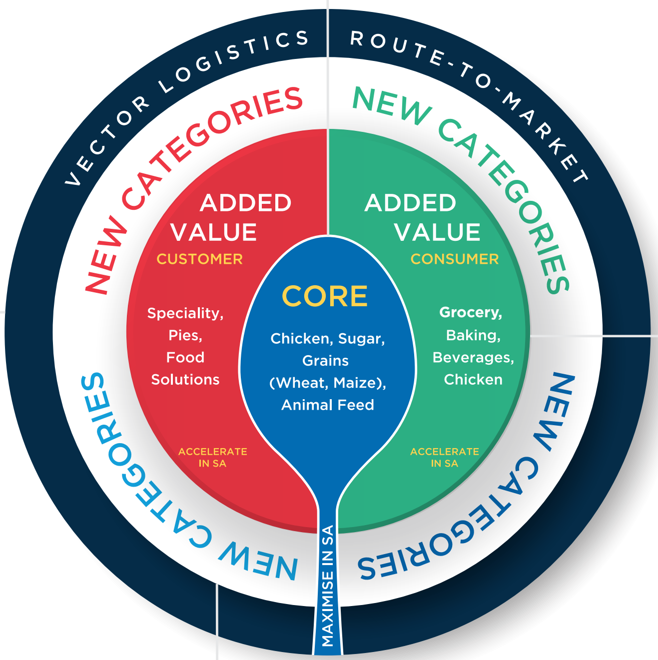
Guided by Our Passion and underpinned by Our Values, we strive to create value for our stakeholders through the manufacture and distribution of a wide range of branded and private label food products. In line with our business model, our business activities centre on growing our revenue and profit across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

HOW WE DO BUSINESS:

MAXIMISE PROFIT IN OUR CORE CATEGORIES

(Chicken, Sugar, Grain (Millbake) and Animal Feed)

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



ROUTE-TO-MARKET

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

ACCELERATE GROWTH IN OUR ADDED-VALUE CATEGORIES

(Speciality, Pies, Foodsolutions, Grocery, Baking, Beverages and Added-value Chicken)

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

NEW CATEGORIES

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

THE RESOURCES WE USE TO CREATE VALUE	THE OUTCOMES IN 2019
FINANCIAL CAPITAL	
• Market capitalisation of R11,1 billion • Finance income of R48,6 million • Finance costs of R 325,2 million • Funding facilities available of R5,25 billion, of which R2,83 billion has been utilised	• R1,5 billion operating profit before depreciation, amortisation and impairments • R796,7 million cash generated by operations • Return on invested capital: negative 0.8%, materially impacted by profitability decline in Chicken and Sugar (including impairment) • Total interest-bearing liabilities to shareholders' equity (gearing): 26.0% • R329,5 million headline earnings • R348,6 million dividends paid to shareholders
MANUFACTURED CAPITAL	
Over 230 operations across South Africa and Africa providing goods and services for our three divisions, supported by our National Office in Durban. These operations include: • Rearing, laying and broiler farms and hatcheries; chicken processing plants; and groceries operations in our Consumer division • Sugar, animal feed and flour mills as well as bakeries in our Sugar & Milling division • Cold storage sites and distribution facilities in our Logistics division	• R1,1 billion capital investment in fixed assets • R60,9 million invested in acquisition of business • R40,6 million invested in acquisition of associate • 2,9 million tons of chicken, sugar, animal feed, milling and grocery products sold • 90 million cases delivered • 61 million litres of beverages sold • 41 million units of Speciality products sold • 202 million loaves of bread sold
HUMAN CAPITAL	
• A workforce of 21 046 people with relevant skills, knowledge and experience • A strong leadership team, driving a unique, high-performance culture according to Our Way and Our Leadership Standards • A strong focus on employee skills development, including leadership development	• R4,7 billion paid in wages and benefits • R44,4 million invested in training and development • Over 10 000 people upskilled and trained • 590 employees currently registered on SETA-accredited apprenticeships and learnerships • 149 young graduates have entered our Management Trainee Programme since its launch
SOCIAL AND RELATIONSHIP CAPITAL	
Our commitment to improving the lives of the communities in which we operate includes: • Collaborative partnerships with our community suppliers • Promoting enterprise development through the purchase of goods and services from B-BBEE accredited suppliers • Providing the highest quality food products through the implementation of international systems and processes at our facilities	• R12,3 million invested in community programmes and CSI initiatives • 971 vegetable farmers assisted • 646 000 tons of cane delivered by small-scale growers • R6,3 billion spend with B-BBEE compliant suppliers • R133,2 million tax paid • R38,4 million Skills Development Levy paid
NATURAL CAPITAL	
• 718 GWh total electricity consumed (including sugar co-generation, solar, biogas and municipal) • 176 540 tons coal consumed • 18 957 kℓ diesel consumed • 5 739 megalitres municipal water consumed • 142 354 megalitres natural water abstracted • 1 084 411 tons of greenhouse gas emissions	• 233 megalitres municipal water reduction • 15 GWh Eskom electricity decrease • 3 085 tons of coal increase • 207 GWh renewable energy generated • 5 281 tons of waste converted to biogas at our waste-to-value plant in Worcester • 4 311 tons of waste recycled consisting of plastic, paper, cardboard, timber and scrap metal
INTELLECTUAL CAPITAL	
• Research and development (R&D) investment ensures that we provide our consumers with the best quality products • Our commitment to food safety and quality is assured via international standards bodies • Our commitment to creating food brands that matter has driven brand investment and grown our market share • IT is a fundamental enabler in creating ONE RCL FOODS, optimising resources and unlocking business value through integrated platforms	• R40,3 million spent on R&D • All our food production sites are either FSSC 22000 or ISO 22000 certified • R20,5 million invested in IT systems and infrastructure

OUR SUSTAINABLE BUSINESS DRIVE

Our Sustainable Business Drive, framed in the model below, is aligned to our business strategy and addresses our sixth strategic thrust – "Drive Sustainable Business". The stories on the following page are some of the highlights of the Sustainable Business Drive, whilst a full account of our progress is provided in the Sustainable Business Report, available at www.rclfoods.com/financial-results-and-investor-presentations-2019

SR

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

① MORE FOOD

NOURISHING PEOPLE

More nutritionally creative solutions

1.1 MORE NUTRITIOUS PRODUCTS

We will provide more nourishing food, better value and greater choice to all people – educating our consumers on the benefits of a balanced diet.

Ambition
To lead the promotion of nutrition with innovative product solutions in the context of a balanced diet.

1.2 MORE NUTRITIONAL THOUGHT LEADERSHIP

We will strive to become a trusted source of influence in food policies, regulation and food labelling development.

Ambition
To lead the promotion of nutrition through influencing policy development.

1.3 MORE BASIC NUTRITION FOR CHILDREN

We will drive awareness of the basic nutrition challenges for children through collaborative multi-stakeholder partnerships aimed at addressing nutritional stunting.

Ambition
To lead the promotion of nutrition for children through collective action against stunting.

② MORE PEOPLE

ENRICHING COMMUNITIES

More socially creative solutions

2.1 MORE INSPIRED EMPLOYEES

We will build a unique organisation where work is safe, fun, meaningful and enriching in a way that unlocks the potential and creativity of our 21 000 + people.

Ambition
To become THE place to work by building a compelling RCL FOODS culture.

2.2 MORE ECONOMICALLY DEVELOPED COMMUNITIES

We will drive an inclusive business agenda through land reform and new inter-connected business models.

Ambition
To become THE trusted business partner for economic development in the communities in which we operate.

2.3 MORE SOCIALLY DEVELOPED COMMUNITIES

We will drive social upliftment of our communities through a dialogue approach – understanding their needs and partnering with like-minded organisations to find solutions.

Ambition
To become THE respected business partner for social development in the communities in which we operate.

③ MORE OFTEN

SUSTAINING RESOURCES

More environmentally creative solutions

3.1 MORE ENERGY SELF-SUFFICIENT OPERATIONS

We will invest in energy sufficient operations and support the generation of renewable resources at a rate greater than we consume them.

Ambition
To become an energy self-sufficient business.

3.2 MORE WATER-SMART OPERATIONS

We will invest in water-smart operations and influence local government and other key stakeholders for collective solutions in the higher risk areas.

Ambition
To become a water-smart business that continually seeks new ways to reduce, reuse and "create" water.

3.3 MORE WASTE-FREE OPERATIONS

We will invest in new business opportunities that turn our waste into value (through circular economy principles), and minimise our waste to landfill.

Ambition
To become a waste-free business that continually seeks new ways to turn waste into value.

UNDERPINNED BY NEW DISRUPTIVE MODELS

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

Our Sustainability Stories

#economicdevelopment

A win-win partnership for land reform beneficiaries and RCL FOODS

In 2012, our Sugar business unit was involved in a land claim settlement with the Matsamo Community Property Association (MCPA) in the Malalane area. Around 16% of our sugar intake at the Malalane mill came from the area under claim. To help the land reform beneficiaries extract maximum benefit from their assets while ensuring a sustainable cane supply to our mill, we partnered with the MCPA to establish a 50/50 joint venture company called Sivunosetfu. The company leases the farmland from the MCPA, which means that over 6 000 people benefit through rental income from the land, enterprise development, employment, bursaries and other skills transfer initiatives.

The secret to the successful partnership has been open communication and mutual trust. Through dialogue, the parties have learned to see things from each other's perspective, and to make decisions based on long-term sustainability. "We believe this is a great model and a good example of working together to benefit the local economy, create jobs and actually be a part of something bigger. In the past it was the community versus the business sector, now it is community in partnerships with business. The whole discussion has changed. We do things together," said Dawie van Rooy, Agricultural Director: Sugar.

Since Sivunosetfu's inception, the benefits to the Matsamo community have been enormous, resulting in R40 million in lease payments, R116 million in procurement spend and corporate social investment of R665 000.

#DOMORE4HAMMARSDALE's great social return on investment

#socialdevelopment

Our DO MORE FOUNDATION commissioned its first-ever Social Return on Investment (SROI) study to measure the social impact of its collaborative #DoMore4Hammarsdale initiative in the embattled community of Hammarsdale, KwaZulu-Natal. Unlike a traditional return-on-investment study, a SROI analysis examines the holistic return generated by an investment, including 'social returns' like hunger alleviation and access to social grants.

Looking at the initiative's first two years (from 1 July 2016 to 30 June 2018), an external team of researchers calculated all the investments that had been made by the DO MORE FOUNDATION and its partners through a combination of cash, in-kind contributions and direct training offered. This equated to a total investment amount of R6,2 million. The full report can be accessed at www.domore.org.za

The results of the SROI analysis were even better than expected. Of #DoMore4Hammarsdale's three 'hunger alleviation' projects (gardens at early childhood development (ECD) centres, communal gardens and homestead gardens) – the ECD gardens showed the greatest social return, at R3.36 per Rand invested. In the area of economic linkages, our retraining programme for retrenched RCL FOODS Chicken employees had a significant impact, yielding an estimated return of R5,50 per Rand invested. The general economic linkages project for registered members of the Hammarsdale community also had a pleasing estimated return, at R3.99 for every Rand invested.

The SROI analysis highlighted the fact that collaborative partnerships, which are the essence of the DO MORE FOUNDATION, can enable partners to do more for communities in need than they would be able to on their own – demonstrating the Foundation's maxim that "together we can #DoMore".

#sustainingresources

Even waste has value: How we are turning food waste into agriprotein

In a context where a third of all food produced in South Africa goes to waste, we are joining a growing number of food producers, supermarkets and farmers that are turning food waste into a new source of value: agriprotein. Agriprotein is a high quality protein feed for commercial farmers that is made from the larvae of flies that have fed on food waste (waste which would normally have been treated and disposed of in a landfill). This 'recycled' protein preserves valuable nutrients that would otherwise have been lost from the value chain, and provides a far more sustainable food source than conventional animal or fish food. In the process, disposal costs are reduced, waste is kept off landfills and a new source of income is created, in line with the principle of the circular economy.

Looking to reduce its waste to landfill and optimise its waste management costs, our Cape Town logistics operation implemented Agriprotein as an alternative method of disposal of food waste. 19 tons per month are being sent to Agriprotein which has reduced our cost of disposal by 7.2% and the waste-to-landfill by 228 tons per annum for the site, whilst also lowering the Group's carbon footprint.

HOW WE OPERATE

OUR MATERIAL RISKS

Solar panels at RCL FOODS National Office, Westville

We strive to continually evaluate our risk profile in line with changes to our environment. The Enterprise Risk Management ("ERM") process is fundamental to our business activities and supports the identification and evaluation of key risks and opportunities. Our risk management processes are conducted in line with the RCL FOODS Risk Methodology and are monitored by the Board through its Risk Committee. The Board recognises that our risk management processes are effective in continuously assessing risks and opportunities, and in ensuring that they are managed in line with business strategy.

Key Insights

Ongoing high levels of sugar and chicken imports into South Africa are indicative of the powerful influence a dynamic economy has on our operating conditions and our achievement of our strategic objectives. The resultant oversupply of key commodities (i.e. sugar and chicken) in the local market remains a significant concern to our business. Other external factors that are of material concern to the Group, and which are reviewed as part of the Enterprise Risk Assessment process with the Board, include: an intensely competitive operating environment, volatility in the macroeconomic environment and heightened regulatory intervention and policy uncertainty. We recognise that the dynamic, competitive and uncertain environment within which we operate presents both risks and opportunities to the RCL FOODS business model. In response to the material risks identified, we have implemented a series of mitigative strategies to minimise the level of risk and/or take advantage of key opportunities, including: changes to business strategy in response to imports, embedding a high level of innovation and diversification opportunities across product categories and processes, and implementing cost reduction initiatives.

For the year under review, the following risks were identified through our ERM process as being the most material risks that could adversely impact business performance and the Group's reputation. The risks presented below have been prioritised on an inherent basis, that is, according to the likelihood and impact of the risks prior to management controls being implemented. The key Group risks were derived through a series of interviews and workshops with senior leadership and agreed upon by the Risk Committee.

Top 10 Risks

1. Pricing pressure
2. Commodity price fluctuations
3. Supply chain business interruption
4. Regulatory intervention and policy uncertainty
5. Food and product safety
6. Customer relations and brand preference
7. Climate change
8. Non-compliance with laws and regulations
9. Information security
10. Fraud and corruption

Refer to our Corporate Governance Report for information on our Risk Management Methodology and risk rating model, available at www.rclfoods.com/financial-results-and-investor-presentations-2019

The icons referenced on the following pages for stakeholders, strategic thrusts and capitals are explained further on pages 4 and 6

MATERIAL ISSUE 01

PRICING PRESSURE

STAKEHOLDERS

STRATEGIC THRUSTS

CAPITALS

We continue to face the ongoing challenge of high levels of dumped sugar and chicken imports in the local market. Weak tariff protection on imports, coupled with external factors threatening the sugar and poultry industries, amplify the impact of this risk on our performance.

RISKS

- Oversupply of chicken in the local market due to increased dumped imports
- Global oversupply of sugar coupled with weak local tariff protection
- Exposure to sugar price variations (i.e. world sugar price volatility)
- The impact of the Health Promotion Levy (HPL) (also known as sugar tax) reducing demand

RISK RESPONSE STRATEGIES AND OPPORTUNITIES

- Continued focus on the revised business model for the Chicken business unit which is aimed at minimising exposure to low-margin commodity chicken
- Building our brands through innovation and marketing initiatives
- Diversification and forward integration in order to protect and enhance Sugar's returns while reducing our exposure to exports, improving profitability and reducing volatility
- Strong drive of industry transformation agenda with South African Poultry Association (SAPA) and South African Sugar Association (SASA)
- Revised Dollar-Based Reference Price and tariff protection granted by the Department of Trade and Industry
- Emphasis on cost reductions, operational effectiveness and increasing cost competitiveness
- Robust strategic planning that positions us to address pricing pressure risks proactively
- Establishing robust partnerships with key customers
- New acquisition opportunities enabling an extension of product range into new categories
- Ongoing engagement with government to find appropriate solutions for all stakeholders

MATERIAL ISSUE 02

COMMODITY PRICE FLUCTUATIONS

STAKEHOLDERS

STRATEGIC THRUSTS

CAPITALS

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

RISKS

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

RISK RESPONSE STRATEGIES AND OPPORTUNITIES

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

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

MATERIAL ISSUE 03

SUPPLY CHAIN BUSINESS INTERRUPTION

We are exposed to interruptions in our supply chain network, including physical and environmental disruptions, industrial action and supplier ineffectiveness. These events could negatively impact our ability to service our customers and have financial impacts.

STAKEHOLDERS

STRATEGIC THRUSTS

CAPITALS

RISKS

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

RISK RESPONSE STRATEGIES AND OPPORTUNITIES

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

MATERIAL ISSUE 04

REGULATORY INTERVENTION AND POLICY UNCERTAINTY

Regulatory intervention and government policy can have a significant impact on our business. Government policy implementation and changes relating to the Health Promotion Levy, trade agreements and tariff structures have further elevated the potential impact of this risk.

STAKEHOLDERS

STRATEGIC THRUSTS

CAPITALS

RISKS

- Heightened regulatory scrutiny
- Uncertainty around legislation at a national level, e.g. food safety legislation
- Lack of co-ordinated communication between government and the food industry
- Tariff structures and trade agreements

RISK RESPONSE STRATEGIES AND OPPORTUNITIES

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

MATERIAL ISSUE 05

FOOD AND PRODUCT SAFETY

STAKEHOLDERS

STRATEGIC THRUSTS

CAPITALS

Food Safety is of paramount importance in our business and we adopt a proactive approach in ensuring that food safety standards are met.

RISKS

Products could potentially be subjected to food or product hazards if not managed within the supply chain. Failure to meet food safety and quality standards could lead to reputational damage; product liability claims and product recalls; and heightened expectations and oversight from key stakeholders.

RISK RESPONSE STRATEGIES AND OPPORTUNITIES

- Robust, comprehensive product quality processes and controls in place
- All food production sites either FSSC 22000 or ISO 22000 certified
- Food safety risks are identified using the Hazard Analysis Critical Control Point (HACCP) methodology and managed through the implementation of pre-requisite programmes relevant to the scope of certifications
- Regular audits performed by Group Safety, Health, Environment and Quality (SHEQ), internal audit, independent risk consultants, customers and independent standards authorities
- Cleaning and hygiene procedures entrenched in business processes
- Procedures in place to prevent product cross-contamination
- Pathogen testing of products and processing environments
- Well established withdrawal and recall procedures
- Investment in new technology and equipment to further enhance our food safety
- Ongoing food safety culture and awareness initiatives and training

MATERIAL ISSUE 06

CUSTOMER RELATIONS AND BRAND PREFERENCE

STAKEHOLDERS

STRATEGIC THRUSTS

CAPITALS

Pressure to deliver products and services against heightened customer expectations is increasing due to challenges in the macroeconomic environment. Consumer tastes and preferences are continually evolving, which further increases the risk of consumers shifting their preferences to competitor products.

RISKS

Failure to deliver an effective strategy to respond to our competitors and changes in market conditions in the operating environment could result in:

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

RISK RESPONSE STRATEGIES AND OPPORTUNITIES

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

MATERIAL ISSUE 07
CLIMATE CHANGE

STAKEHOLDERS

STRATEGIC THRUSTS

CAPITALS

The complex global challenges and uncertainties related to climate change and resource scarcity affect our ability to achieve our strategic objectives. We consider it critical to monitor and respond to the related issues of climate change and sustainability through a dedicated environmental sustainability team, in order to position ourselves against future environmental threats.

RISKS

Climate change has the potential to fundamentally disrupt the food production industry across the globe and specifically within Africa. Failure to adapt to or deliver an effective mitigation strategy in response to climate change could have significant impact on our ability to meet our strategic objectives.

Key environmentally-related risk we consider include:

- Constraints in energy and water supply
- Regulatory risks associated with environmental legislation e.g. carbon taxes

SR *For further details, refer to the Sustainable Business Report at www.rclfoods.com/financial-results-and-investor-presentations-2019*

RISK RESPONSE STRATEGIES AND OPPORTUNITIES

- A dedicated environmental sustainability team proactively drives our sustainability agenda, focusing largely on energy, water and waste
- Inclusion of sustainability in our Group Strategy, with progress against targets monitored by the Group Executives and Risk Committee
- Robust strategic planning to ensure Group operations are resilient against energy and water shortages
- Implementation of energy and water efficiency and conservation projects e.g. Worcester waste-to-value project successfully completed and Rustenburg processing waste-to-value project underway and expected to be completed in the first half of our 2020 financial year.

SR *For information on other key sustainability initiatives and progress, refer to the Sustainable Business Report at www.rclfoods.com/financial-results-and-investor-presentations-2019*

Worcester Waste-to-Value plant

MATERIAL ISSUE 08

NON-COMPLIANCE WITH LAWS AND REGULATIONS

STAKEHOLDERS

STRATEGIC THRUSTS

CAPITALS

Our operations are subject to various legislation and regulations that impact a broad spectrum of activities across our business. Failure to manage compliance in these areas may affect our reputation and result in fines and penalties. We are aware of our obligation to achieve and maintain compliance and we have programmes, assurance activities and other initiatives in place to support requirements in this regard.

RISKS

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

RISK RESPONSE STRATEGIES AND OPPORTUNITIES

- RCL FOODS Compliance Framework to enable accountability for, prioritisation of and compliance with key legislation
- RCL FOODS Regulatory Universe established
- Ongoing provision of targeted training and awareness across the business
- Appropriate policies, systems, procedures and reporting
- Appointment of skilled technical resources and consultation with subject matter experts
- Combined assurance strategy whereby audits are performed by various internal and external independent bodies on various aspects of food and safety compliance, accounting, tax, etc.
- Dedicated officer responsible for communication and correspondence with the media

MATERIAL ISSUE 09

INFORMATION SECURITY

STAKEHOLDERS

STRATEGIC THRUSTS

CAPITALS

Growing reliance on technology is accompanied by a number of new operational, security and strategic risks for businesses. The opportunities created by embracing new technologies and new ways of doing business (such as Automation, Artificial Intelligence, Block Chain, Cloud Computing, Internet of Things) also create additional risks related to Information Security.

RISKS

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

RISK RESPONSE STRATEGIES AND OPPORTUNITIES

Our IT infrastructure is safeguarded through a robust and effective IT General Control environment which covers all the layers of the IT infrastructure. We assure our controls and processes through various reviews performed by both internal and external experts. Key fraud prevention controls at RCL FOODS include, but are not limited to:

- Segregation of duties
- Network security
- Antivirus and Malware protection
- Email security
- Data classification and retention
- Use of reputable service providers
- Secure configuration
- Incident management
- Managing user privileges
- Threat and vulnerability assessments
- Information security maturity assessments
- Ongoing training and awareness-raising regarding information security
- Disaster recovery plans and backup strategies
- External assurance of IT Governance Controls performed for applicable business units
- Insurance cover in place to offset potential losses from cyber risk incidents

MATERIAL ISSUE 10

FRAUD AND CORRUPTION

STAKEHOLDERS

STRATEGIC THRUSTS

CAPITALS

In the South African context of widespread unemployment and economic challenges, fraud and corruption present a key business risk to the Group. Fraudulent and corrupt activities within an organisation have the potential to cripple an organisation and potentially its prospects of success. This is evidenced by the recent corporate accounting scandals that have significantly impacted organisations within South Africa.

RISKS

- Fraud includes activities such as theft, corruption, conspiracy, embezzlement, money laundering, bribery, extortion and intentional misstatement of financial results
- The direct costs and implications of fraudulent behaviour include reputational damage, investigations costs and potential loss of current/ future business

RISK RESPONSE STRATEGIES AND OPPORTUNITIES

- Corporate Code of Conduct and Ethics policy are in place, governing behaviour of employees, suppliers, etc.
- Robust governance via Delegation of Authority policy to restrict approval of key monetary transactions to key staff
- Anonymous tip-off hotline (Hayibo) in place, with follow-up on all allegations
- Use of external fraud investigators in response to high risk fraud incidents
- Standard financial, logical and physical access controls in place over cash and assets
- Continuous monitoring of high risk areas via data analytics
- Focus on an integrated fraud and corruption risk management process (i.e. appropriate fraud and corruption prevention policies, awareness of the current fraud and corruption risk areas)
- Internal assurance provided over standard financial reporting processes
- External assurance provided over the Group's financial records

A total of 92 fraud allegations were reported and investigated over the last financial year via the anonymous hotline. Of the 92 allegations, 27 were found to be valid allegations.

Refer to our Corporate Governance report available at www.rclfoods.com/financial-results-and-investor-presentations-2019 for details on nature of incidents and control mitigations to prevent and detect fraud.

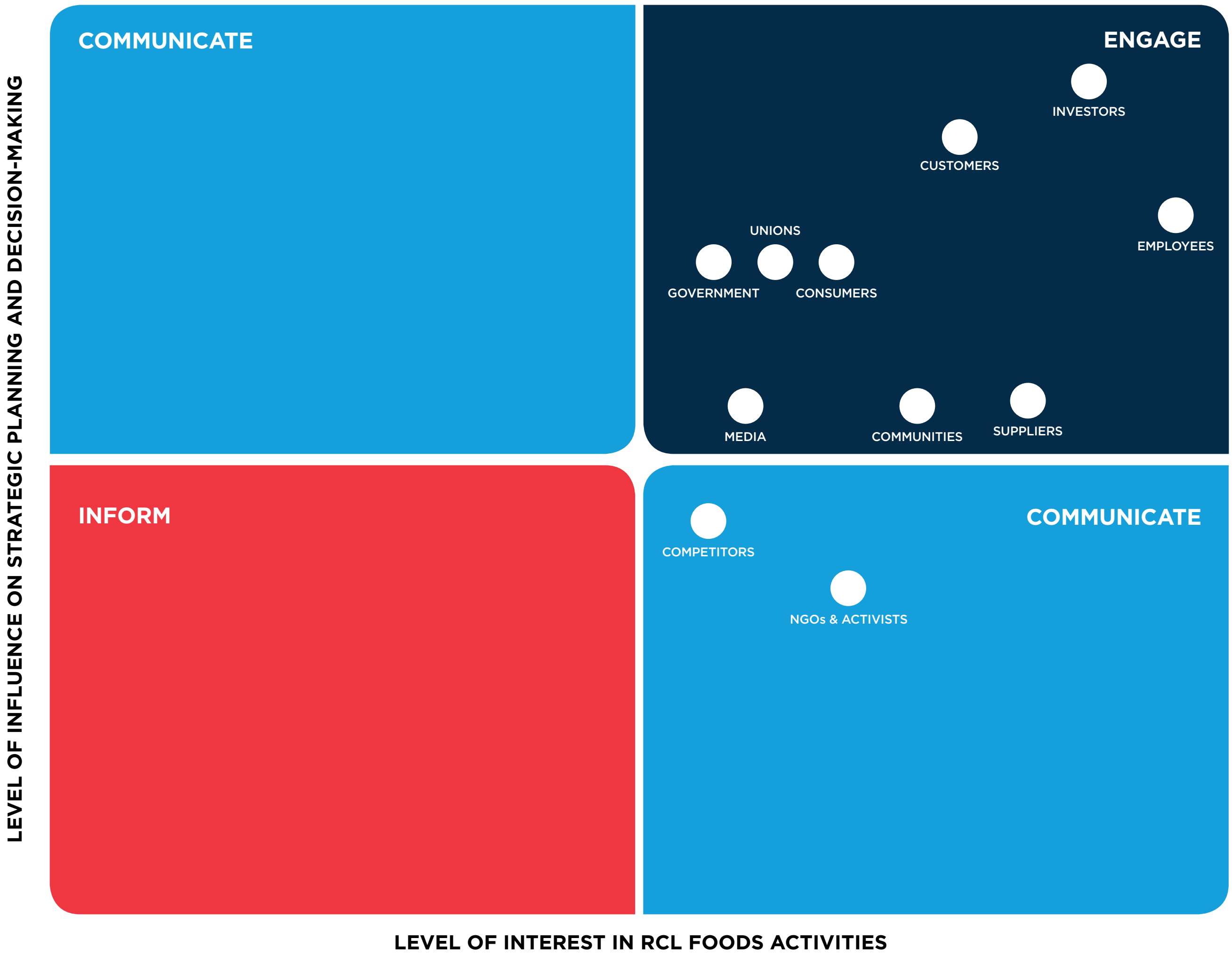
HOW WE OPERATE

OUR STAKEHOLDERS

Walter Sibiya and Seunkie Maseko from Libuyile Farming Services Proprietary Limited discussing their irrigation maintenance strategies

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

Our stakeholder engagement framework places strong emphasis on cultivating positive relationships, and where possible we follow a partnership approach to drive business solutions jointly. In this context, we strive to ensure constructive and co-operative engagements characterised by openness and transparency; mutual respect; regular, structured interaction that is supportive and responsive; and a focus on outcomes linked to business-critical aspects and national priorities. RCL FOODS' stakeholder universe includes a broad range of stakeholders with an interest in our business, products, activities and initiatives, and also on whom our business has an impact. Whilst we consider the entire universe of stakeholders in our engagement planning, we focus our reporting on key stakeholders.



The section below provides a brief overview of our key stakeholders and the value we create for them.

COMMUNITIES

HOW WE CREATE VALUE

We strive to uplift the communities around our operations by creating meaningful value through:

- Investing in social and economic development initiatives that positively impact their lives
- Actively empowering them to be self-sustaining and contributing to our value chain

HOW WE ENGAGE

- Social development initiatives facilitated by the DO MORE FOUNDATION, our non-profit organisation
- Economic development partnerships with land reform beneficiaries, small-scale farmers, contract growers and on-the-ground community partners
- Collaborative partnerships with NGOs, NPOs, government departments, community leaders and other businesses

KEY ISSUES

- Rising social development imbalances in our communities such as nutritional stunting in early childhood development
- Low economic development and sustainability in our labour sending communities

OUR RESPONSE

- Leading the nutrition agenda in early childhood development (ECD) and zero stunting programmes
- Launching social and economic development programmes in three impoverished communities where we operate:
  - **Worcester**: Implementing a whole-of-society approach to enable Worcester to become ‘a place where young children flourish’
  - **Nkomazi**: Leave No Young Child Behind (integrated ECD initiative) Abalimi Phambili Smallholder Vegetable Farmer Support Programmes
  - **Hammarsdale**: #DoMore4Hammarsdale (food and economic security programme)
- Empowering our sugarcane grower communities through sustainable farming programmes and interconnected business models

CONSUMERS

HOW WE CREATE VALUE

We strive to create value for our consumers through building brand trust by:

- Providing a growing portfolio of leading grocery brands that meet their needs
- Providing our consumers with safe, high-quality food products supported by international quality and food safety standards in all our facilities
- Continuing to provide a broad range of affordably priced, staple food products and competitively priced household brands
- Embedding International Standards Organisation (ISO) principles into our integrated management systems across the supply chain
- Complying with relevant regulatory requirements

HOW WE ENGAGE

- 24-hour RCL FOODS Consumer Care Line
- Multiple media platforms
- Our website www.rclfoods.com

KEY ISSUES

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

OUR RESPONSE

- Consistently investing behind our brands has led to pleasing market share growth over numerous categories
- Continuously strengthening our food safety and quality assurance standards in line with international best practice
- Innovating to offer greater convenience within our product ranges
- Continuing to provide a broad range of affordably priced, staple food products and competitively priced household brands
- Pricing strategies that respect consumer affordability
- Embedding International Standards Organisation (ISO) principles into our integrated management systems across the supply chain
- Engaging and complying with relevant regulatory requirements

CUSTOMERS

HOW WE CREATE VALUE

We strive to meet the needs of our customers by partnering with them to meet their business objectives and provide them with growth opportunities

HOW WE ENGAGE

- Our newly appointed Chief Customer Officer and dedicated customer executives meet periodically with our customers' senior leaders
- Joint strategic business planning sessions
- Dedicated sales interface team that uses "best in class" service methodologies

KEY ISSUES

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

OUR RESPONSE

- A single sales force interface that drives common ways of working across all customer teams with "best in class" service methodologies
- Leveraging our enhanced capabilities to provide our foodservice customers with a growing and profitable portfolio of solutions
- Providing technical expertise and support in the animal feed and industrial flour sectors
- Expanding our basket to offer a broader range of product solutions

EMPLOYEES

HOW WE CREATE VALUE

We are committed to engaging the hearts and minds of our 21 000+ people by creating value through:

- Employment and growth opportunities
- Investing in training to build a high-performance culture
- Ensuring employee health and safety in the workplace
- Actively driving transparent, open and meaningful engagement with employee representative forums
- Investing in effective communication channels to connect with our people wherever they are

HOW WE ENGAGE

- Daily communication through our new digital communication channels
- Regular management updates via 'townhall' sessions and other communication channels
- Employee satisfaction and feedback surveys
- Tailored skills development and training
- Ongoing engagement with labour unions
- Employee tip-off hotline
- Employee involvement events and initiatives through the DO MORE FOUNDATION
- Wellness days enabling employees to engage with various service providers

KEY ISSUES

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

OUR RESPONSE

- Continuing to deliver against our "Inspire Great People" strategic thrust, focusing on our commitment to building a community of inspirational and productive people with a common purpose
- Four key focus areas have been identified that facilitate our growth ambition and passion:
  - Develop leaders and grow talent
  - Culture and diversity
  - Collaborative employee relations and engagement
  - Employee health, safety and wellness
- Implementing our "Total Rewards" strategy to ensure competitive remuneration
- Launched a mobile communications platform called "Let's Talk"

GOVERNMENT

HOW WE CREATE VALUE

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

- Contributing to the fiscal revenue
- Supporting the transformation agenda
- Operating our business ethically and ensuring good governance practices
- Advancing government's social and economic development agenda through CSI initiatives and economic partnerships in impoverished communities where we operate

HOW WE ENGAGE

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

KEY ISSUES

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

OUR RESPONSE

- Active monitoring of all compliance requirements and engagement with government to understand any proposed changes

Refer to the Chairman's Report from page 46 for more information

- Extensive engagement with government to highlight and find solutions to the dumping-related plight of the local chicken and sugar industries

Refer to the Chairman's Report from page 46 for more information

- With the support of the Department of Rural Development and Land Reform, our Sugar business unit partnered with small-scale growers in Mpumalanga to produce 646 000 tons of sugarcane during the 2018/19 season
- Collaboration with government to implement the National Integrated Early Childhood Development Policy in two wards of Nkomazi

INVESTORS

HOW WE CREATE VALUE

We strive to provide our investors with value through:

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

HOW WE ENGAGE

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

KEY ISSUES

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

OUR RESPONSE

- Ongoing engagement with government and industry to find a suitable solution to curb dumping

Refer to the Chairman's Report from page 46 for more information

- Moving towards a more balanced and diversified portfolio that incorporates higher-margin added-value components
- Hedging instruments purchased to manage exposure to raw material and currency fluctuations

MEDIA

HOW WE CREATE VALUE

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

HOW WE ENGAGE

- Press releases
- Advertising
- Face-to-face, telephonic and webcast engagement
- Interviews with the CEO, CFO and other key executives
- Product launches
- Our website, www.rclfoods.com
- DO MORE FOUNDATION website, www.domore.org.za

KEY ISSUES

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

OUR RESPONSE

- Enhanced media engagement through our dedicated communications department
- All queries responded to within a specified period
- Access to the CEO and CFO for editors and journalists
- Increased participation in industry-related issues
- Sponsorship of radio programmes, conferences and exhibitions in support of key CSI initiatives

SUPPLIERS

HOW WE CREATE VALUE

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

HOW WE ENGAGE

- Regular review of suppliers in the market by performing analysis on spend categories and looking for new competitive suppliers

KEY ISSUES

- Lack of accredited suppliers of certain key purchased ingredients and materials in the South African market and hence reliance on non-accredited international suppliers
- Ability to supply RCL FOODS in terms of meeting the minimum requirements of food safety

OUR RESPONSE

- Continued support to develop domestic farmers through interconnected business models
- R6,3 billion spend with B-BBEE compliant suppliers

RCL FOODS' DO MORE FOUNDATION hosting Department of Agriculture, Forestry and Fisheries and local Ethekwini municipality at the #DoMore4Hammarsdale vegetable gardens.

OUR STRATEGIC PERFORMANCE

PERFORMANCE HIGHLIGHTS

We remain focused on our ambition of building a profitable business by creating food brands that matter. We aim to achieve this by implementing winning strategies across our six long-term strategic thrusts and by constantly seeing and doing things differently in order to find new and better ways to achieve our goals. In the process, we will also remain attentive to our impact on society, our people, our shareholders and the environment.

STRATEGIC THRUST	KEY 2019 ACHIEVEMENTS	
GROW THROUGH STRONG BRANDS	#1 MARKET LEADERS Bobtail, Catmor, Canine Cuisine, Yum Yum, Rainbow Simply Chicken, Number 1, Nola, Ouma	INITIATED KEY BRAND EXTENSIONS INTO NEW CATEGORIES FOR FUTURE GROWTH
PARTNER WITH STRATEGIC CUSTOMERS	DOUBLE DIGIT GROWTH IN GROCERY, PIES AND BEVERAGES BUSINESS UNITS DUE TO INNOVATIVE PRODUCTS LAUNCHED IN PARTNERSHIP WITH OUR CUSTOMERS	PROGRESS IN EXTENDING OUR INTEGRATED OFFERINGS AS ONE RCL FOODS PORTFOLIO IN OUR FOODSOLUTIONS BUSINESS, SPECIFICALLY IN GROCERY
EXTEND OUR LEADING VALUE CHAIN	SEAMLESS TAKE-ON OF SIQALO FOODS BUSINESS INTO OUR SHARED SERVICE PLATFORM	INITIATED EXPANSION OF PIES MANUFACTURING CAPACITY WITH A R80 MILLION CAPEX PLAN
INSPIRE GREAT PEOPLE	LAUNCHED LET'S TALK MOBILE PLATFORM FOR AUTHENTIC RELATIONSHIP BUILDING ACROSS THE EMPLOYEE CHAIN	R44,4 MILLION WAS SPENT TRAINING OVER 10 000 EMPLOYEES
EXPAND INTO THE REST OF AFRICA	ACQUIRED 45% OF L&A LOGISTICS IN ZAMBIA	GROWTH IN SOUTH AFRICAN EXPORTS THROUGH OUR LOGISTICS PARTNERS IN AFRICA
DRIVE SUSTAINABLE BUSINESS	"A-" RATING IN THE CDP 2018 CLIMATE CHANGE SURVEY, LEADING THE SA FOOD AND BEVERAGE SECTOR	RAPID PROGRESS IN RUSTENBURG WASTE-TO-VALUE PROJECT EXPECTED TO BE COMMISSIONED IN THE FIRST HALF OF THE 2020 FINANCIAL YEAR

OUR STRATEGIC PERFORMANCE

GROW THROUGH STRONG BRANDS

We aim to create value for stakeholders by expanding our portfolio of leading brands and increasing our appeal to customers and consumers. We own a large portfolio of leading brands in a variety of product categories. To expand our categories and market share, we consistently invest in our brands to drive their market penetration and consumption, whilst also leveraging our ability to drive product extensions and innovations to meet changing consumer needs.

Our strategy focuses on maximising the potential of our core categories whilst accelerating growth in added-value categories tailored to customer and consumer needs. In doing so, we aim to grow ahead of the market in key categories. We also look to gain access to strategic new growth categories by acquiring new brands and/or entities.

We measure our success by increased market shares across our key brands, growth of our total brand basket versus the market, and extension of our brands into new geographies, channels and categories.

DELIVERING ON OUR STRATEGY IN 2019

- Notwithstanding a constrained economy which inhibited growth in retail consumption and drove up price competition, we **grew our Groceries business ahead of the market and retained number one status in our key brands** – Nola, Yum Yum, Bobtail, Canine Cuisine, Catmor, Ouma, Pieman's, Number 1 and Rainbow Simply Chicken.
- Leveraging off the established Number 1 brand, our Beverages business launched **YogoBoost, a nutrition-on-the-go innovation which was well received**.
- **Our Pies business unit delivered an exceptional performance** after a successful repositioning focused on quality, innovation and price competitiveness.
- Our **Speciality business unit was repositioned**, focusing on higher-margin products.
- **In our Chicken business unit, we successfully relaunched Viennas and Polony on the back of investments in our manufacturing facilities** to further enhance quality and safety. These categories have begun to recover historic market share in the chilled processed meat market.
- **We launched the new "Vector – Going Beyond" brand proposition**, which embodies Logistics' strategic emphasis on customer innovation and collaboration.

2020 KEY DELIVERABLES

- We will **leverage two of our market-leading brands to enter new categories**. We look forward to the highly scalable potential that these brand extensions can deliver.
- We will **intensify our investment into the full restoration of the Rainbow brand**.
- We will **further drive exciting innovation into the market** through expansion of our Pies manufacturing facilities to further entrench Pieman's as market leader.

OUR STRATEGIC PERFORMANCE

PARTNER WITH STRATEGIC CUSTOMERS

Leveraging our expanded ONE RCL FOODS portfolio and manufacturing capabilities, we act as integrated food solution partners to key Quick Service Restaurant (QSR) clients, as well as other foodservice customers. Leveraging our culinary capabilities also enables us to provide a broad range of meal solutions for retail in-store bakeries and deli's.

We have strong partnerships with major retail and wholesale customers aiming to realise mutually beneficial growth and profitability aspirations. We also produce and package quality dealer-owned brands in categories such as mayonnaise, sugar, chicken, peanut butter and pet food, providing innovative solutions tailored to these customers' needs.

We measure success not just by our growth with existing customers or gaining new customers, but also by the impact of category growth on our customers' business.

DELIVERING ON OUR STRATEGY IN 2019

- We delivered significant volume growth with strategic customers in key categories – a **major contributor to the growth of our Grocery business unit** in the period. Similarly, a strong turnaround was experienced in the Beverages business unit due to innovative new products and a comprehensive **front-end plan developed in partnership with our customers.**
- In the retail and wholesale space, our dealer-owned brands continued to perform well. We have also established **selective online retailing platform partnerships which have shown early signs of success.**
- We made progress in extending our integrated offerings as **ONE RCL FOODS portfolio** in our **Foodsolutions** business, specifically in the **Grocery category offerings.**
- Vector made significant strides in **bedding down the distribution of Pick n Pay's full frozen basket.**

2020 KEY DELIVERABLES

- We will **continue to leverage our broadened product portfolio and extend our offering as an integrated food solutions partner of choice**. We view this as our unique and distinguishing value proposition, providing a key opportunity to forward integrate our expanded portfolio into existing and new customer relationships.
- In parallel, we will **continue to strengthen our partnerships with Foodservice customers and strategically pursue joint business partnerships with retailers in key categories.** Dealer-owned brands in categories that make good business will continue.
- We will intensify our review of opportunities and **partnerships in digitised platforms** to maximise on this growing channel of the future.

OUR STRATEGIC PERFORMANCE

EXTEND OUR LEADING VALUE CHAIN

With our enhanced scale we are able to optimise resources and costs in key shared areas such as finance, IT resources and systems, strategic sourcing, and people and organisational management. We are also leveraging Vector's route-to-market capabilities (warehousing and distribution, call centres, sales and merchandising and debtors and information management) across RCL FOODS, with the aim of Vector influencing our entire route-to-market. Our value chain is a prime area for finding innovative and alternative models to help us achieve our goals in a competitive way, including leveraging our capabilities beyond our own business.

We measure success by the extension of our leading integrated shared service platform across major functions of our business. This includes the successful implementation of new technological advances, expansion of manufacturing and service capabilities, and improved efficiencies throughout the business including our routes-to-market.

DELIVERING ON OUR STRATEGY IN 2019

- **Utilising the capabilities and competencies acquired through the transformation of our own value chain, we provided an innovative new operating model for Siqalo Foods**, the spreads business which Remgro acquired from Unilever on 1 July 2018. From 4 March 2019 RCL FOODS has assumed responsibility for the shared services **management and distribution of the Siqalo Foods spreads business**, allowing us to earn a fee for our services while Siqalo Foods benefits from our strategic management and competencies. The take-on of Siqalo Foods illustrates the strength of the shared service platform we have built as a food business of scale.
- The Logistics division was re-structured and supply chain activities were integrated into a **single, centralised Control Tower**, yielding improved efficiencies and improved customer service. We also successfully integrated systems, **extending our value chain into our customers to execute Pick n Pay's super-frozen (ice-cream) distribution and the take-on of Siqalo Foods**.
- We **initiated the expansion of Pies manufacturing capacity** with an R80 million expansion plan to grow volumes into the future.
- The **rollout of the SAP system in the Consumer division progressed well** with implementation in the Speciality business unit.

2020 KEY DELIVERABLES

- With the majority of our categories now successfully migrated to SAP, **we will now focus on more intensively leveraging data for insight and improved profitability**, both internally and with consumers, customers and suppliers.
- We will **unlock business value by boosting efficiencies through our organisational structure and technology** and use our scale to obtain sourcing benefits, amongst others. Our **asset care initiative** will remain an area of focus into the new year to **drive efficiency in capex spend**.
- We will **accelerate our route-to-market initiatives** across our entire portfolio to improve customer service, **drive efficiencies** and allow RCL FOODS to capitalise on **new opportunities in the digital arena**.

OUR STRATEGIC PERFORMANCE

INSPIRE GREAT PEOPLE

RCL FOODS' Let's Talk mobile application

Our business is built around great people who see and do things differently. Developing our talent and building a strong pipeline of leaders is crucial in achieving our growth ambitions and delivering on Our Passion. Our Leadership Standards set out the leadership attributes and behaviours we see as key in developing a performance-driven organisation.

We measure success by the inclusivity and diversity of our workforce, the strength of our leadership pipeline, the skills and capabilities of our people in all functional areas, and the healthy relationships maintained with our people and the labour organisations that represent them.

DELIVERING ON OUR STRATEGY IN 2019

- We continued to **progress towards improving diversity and inclusion in the organisation:**
  - Employment Equity candidates made up **80% of external hires at executive level and 67% of senior internal promotions in 2019**.
  - We **conducted a Diversity and Inclusion study** amongst employees to identify obstacles to, and opportunities for, creating an inclusive culture at RCL FOODS. Design of an engagement process has been initiated to address areas of concern.
  - The **Basadi Bereka (Women at Work) project** was launched in the Consumer division to identify and address barriers to women's development in the workplace.
- **Multi-year wage agreements were successfully concluded** in the Consumer division, while our **Logistics division joined the Road Freight Association Bargaining Council** to improve formalised representation for the employees in the logistics industry.
- We continued to **build our leadership pipeline**, with more than **400 of our managers having completed our RCL FOODS Leadership Development Programme**, **149 graduates having entered our Management Trainee Programme** to date, and 33 future leaders having entered **our newly-launched RCL FOODS Emerging Leaders Programme**.
- **R44,4 million was spent training over 10 000 employees**. A key initiative is a new **learnership programme for 21 Black disabled employees in our Sugar business unit**, which will enable them to work towards a NQF Level 3 National Certificate in Business Administration.
- The **"Let's Talk" mobile communication platform was launched**, allowing for authentic relationship building through active two-way engagement with our employees at all levels.
- We maintained an **active social media recruitment effort** across multiple platforms. We were honoured to be recognised as the "Best talent acquisition team" in the Inaugural LinkedIn South African talent awards.

2020 KEY DELIVERABLES

- We plan to **maintain the momentum gained in inspiring great leaders of tomorrow** across every level of employee in the organisation.
- We will also **accelerate our efforts to deliver a more diverse and inclusive leadership team** that will take RCL FOODS into the future.

OUR STRATEGIC PERFORMANCE

EXPAND INTO THE REST OF AFRICA

Our aim is to continue to capitalise on opportunities in the rest of Africa through a low-risk expansion strategy which entails following our established customers into selected locations, entering into joint ventures with other established food and route-to-market businesses, and acquiring or establishing new businesses where appropriate to extend ownership of our value chain. Beyond expanding our physical footprint, we constantly engage with our multi-national partners to identify and capitalise on export opportunities in this space.

DELIVERING ON OUR STRATEGY IN 2019

- We are cognisant of the current instability of the political and economic environment in various portions of Africa. This, together with the need to conserve capital amid tough market conditions in South Africa, inhibits investment. We do believe however, that **our cash generative ability and low gearing profile places us well to consider strategic opportunities that might be forthcoming in both the South African and African market**. **In Uganda, we have made infrastructure investments within our associate**, HMH Rainbow Limited and are considering various investment options to establish the business as a substantially more significant participant in the region.
- **Our joint venture partner in Botswana, Senn Foods Logistics, performed well** and a decision has been taken to lease new premises as an interim measure to begin extending its operations into ambient distribution.
- **We acquired 45% of L&A Logistics, an FMCG distribution operation based in Lusaka, Zambia**. While the Zambian economy is currently constrained, this is viewed as an attractive re-entry into the Zambian market for RCL FOODS. L&A Logistics gained new business from Unilever in both their traditional and modern trade lines during the year. An in-principle agreement was also reached with Upfield for L&A Logistics to distribute Spreads in Zambia. This will facilitate a larger presence in refrigerated distribution in Zambia, in line with the longer-term strategy for the business.
- We have made **good progress in promoting our South African exports** through our Logistics partners in Africa.

2020 KEY DELIVERABLES

- We will continue our low risk expansion strategy into Africa. We are cognisant of **our healthy balance sheet and low gearing profile and believe we are well placed to consider strategic expansion and acquisition opportunities that may be forthcoming in South Africa and the rest of Africa**.

OUR STRATEGIC PERFORMANCE

DRIVE SUSTAINABLE BUSINESS

By seeing and doing things differently and by finding new business models to sustainably meet the needs of our consumers and communities while protecting the environment, we aim to create a secure future for RCL FOODS and its stakeholders. The three pillars of our Sustainable Business Drive – Nourishing People, Enriching Communities and Sustaining Resources – mirror our threefold Passion (More Food to More People, More Often) and are increasingly informing the way we do business.

SR For more information on our work in this space, please refer to the Sustainable Business Report at www.rclfoods.com/financial-results-and-investor-presentations-2019

DELIVERING ON OUR STRATEGY IN 2019

- We **continued to lead the transformation agenda in our Sugar operations** through our joint ventures with three land claimant communities; provision of market access, farming support and development finance to nearly 1 200 small-scale growers; and long-term partnerships aimed at ensuring that high quality agricultural assets remain in production to the benefit of growers and RCL FOODS. In the Sugar business unit, 1.8 million tons of sugarcane were delivered by small-scale farmers, joint ventures and land reform beneficiaries to our mills in 2019, representing 32% of our total sugarcane supply.
- Our **Worcester waste-to-value plant provides 30% of the energy needs and 10% of the non-potable water needs of our combined Chicken processing and Speciality plant**. The success of this initiative has prompted **investment in a similar plant in Rustenburg, where we expect to provide 65% and 50% of the energy and water requirements respectively of our Chicken processing site and animal feed mill**. The Rustenburg facility is on track and is expected to come into operation in the first half of the 2020 financial year. In addition, two more solar projects will be rolled out in the coming months at our Sunbake Nelspruit and Benoni sites.
- We have made **pleasing progress on maintaining more water-smart operations** through a focus on reusing, reducing or creating alternative water sources. Savings of 6.9% and 8.7% were achieved in the Consumer and Sugar & Milling divisions respectively. Although Logistics water use increased 6% due to increased warehousing throughput, efficiency per ton delivered improved by 26%.
- We achieved an **"A-" rating for Climate Change management in the 2018 Carbon Disclosure Project survey**, coming first in the SA Food and Beverage sector.
- **R5 million was invested in CSI programmes executed through the DO MORE FOUNDATION**, with the impact **substantially amplified through partnerships with a broader group of stakeholders**. Support from external partnerships almost doubled in the past year.
- Our drive to constantly see and do things differently has also led to the **establishment of an investment vehicle, in partnership with Remgro and Foodsafe Fund Managers, to invest in game changing and disruptive businesses across the food value chain in Southern Africa**. This has been set up as a separate vehicle outside of RCL FOODS' core facilities to promote radical innovation in alternative farming, nutrition, food security and business models and technologies that are emerging in the food space.

2020 KEY DELIVERABLES

- We aspire to **continue to drive the transformation agenda in the Chicken and Sugar value chains.**
- We will **continue to lead the Food and Beverage industry sustainability pathway by increasing our levels of energy and water self-sufficiency** through investment in renewable energy projects and water saving measures.
- We will **continue to drive our DO MORE FOUNDATION and strive to make MORE IMPACT** in the communities in which we operate.

OUR LEADERS

JJ (Jannie) Durand (52)#
Non-executive Chairman
BAcc (Hons), MPhil (Oxon), CA(SA)

Appointed: June 2012
Directorships: Chief Executive Officer of Remgro Limited and currently a director of a number of companies including, Distell Group Limited, Mediclinic International Limited, Rand Merchant Investment Holdings Limited and RMB Holdings Limited.

Jannie is a Chartered Accountant and was previously the Chief Investment Officer of Remgro Limited. He was also previously the Financial Director and Chief Executive Officer of VenFin Limited. Prior to his appointment as Chairman, Jannie had served as a non-executive director of RCL FOODS since March 2010.

RV (Roy) Smither (74)*^#
Lead independent non-executive director
CA(SA)

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

CJ (Cindy) Hess (43) *^
Independent non-executive director
BCom (UWC), PGDA (UCT), CA(SA)

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

NP (Peter) Mageza (64)*#
Independent non-executive director
ACCA (UK)

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

PM (Penny) Moumakwa (55)#^•
Independent non-executive director
M.B.CH.B

Appointed: January 2019
Directorships: Mohau Equity Partners, Growthpoint Properties (Health).

Penny is the CEO and Founder of Mohau Equity Partners, a long-term investment vehicle, in partnership with Discovery. Previously she worked in multiple senior executive roles within Discovery and served on the Central Executive committee as well as on the board of Discovery Health. She also worked as the CEO of the Board of Healthcare Funders as well as served as the Deputy Chairperson of the Board. She is a medical doctor by qualification and has multiple qualifications from a number of business schools including Harvard, Columbia, Wits and the University of Michigan.

DTV (Derrick) Msibi (50)*
Independent non-executive director
BBusSc (Hons), BCom (Hons), MCom, CA(SA)

Appointed: August 2013
Directorships: STANLIB Asset Management Proprietary Limited, STANLIB Wealth Proprietary Limited, STANLIB Collective Investments Proprietary Limited, Real People Investment Holdings Proprietary Limited, Real People Assurance Company Limited and Bakwena Platinum Concessionaire Company Proprietary Limited.

Derrick is currently Chief Executive Officer of STANLIB Asset Management and Executive for the Asset Management Cluster of Liberty Group Holdings Limited. He previously served as the managing director of Investment Solutions (now known as Alexander Forbes Investments) the investment services arm of the Alexander Forbes Group from 2009 to 2017. He was also joint head/leader of the Institutional Business Cluster of the Alexander Forbes Group. Derrick, a chartered accountant, serves on the boards and committees of entities forming the Asset Management Cluster of the Liberty Group. He is an independent investment committee member of Trinitas Private Equity Fund and a board member of TSIBA Education, a scholarship-only tertiary institution registered with the Department of Higher Education.

* *Audit Committee (RV Smither, Chairman)*
\# *Remuneration and Nominations Committee (NP Mageza, Chairman)*
^ *Risk Committee (GC Zondi, Chairman)*
• *Social and Ethics Committee (GC Zondi, Chairman)*
▲ *Alternate to JJ Durand*

MM (Manana) Nhlanhla (67)•
Independent non-executive director
BSc, MA (Information Science)

Appointed: July 2005
Directorships: Mion Holdings and all its subsidiaries, Vunani Fund Managers Proprietary Limited, Prospect Resources Proprietary Limited and Gold Circle Proprietary Limited.
Manana's experience covers 10 years of University Lectureship in Information Science, serving on various boards as non-executive director and currently as executive chairperson of Mion Holdings, a company she co-founded in 2003, based in KwaZulu-Natal.

GM (George) Steyn (60)^#*
Independent non-executive director
BA (Law) LLB

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

HJ (Hein) Carse (58)
Non-executive director
M Eng (US), MBA (UP)

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

PR (Pieter) Louw (50)
Non-executive director
CA(SA)

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

GC (Gcina) Zondi (46)^•
Non-executive director
BCompt (Hons), AGA (SA)

Appointed: July 2008
Directorships: Imbewu Capital Partners, Isegen South Africa, Container Conversions, Icon Construction, International Facilities Services (SA) and Hulamin Limited.
Gcina is the founding Chief Executive and shareholder of Imbewu Capital Partners. He is a qualified General Accountant and is an associate of the South African Institute of Chartered Accountants. He has more than 20 years' experience in the private equity industry, of which six years were spent with Nedbank Capital Private Equity as a Private Equity Manager. Prior to joining Nedbank, Gcina completed his articles of clerkship at KPMG Durban and has also worked for Hulamin Limited in the finance division for two and a half years prior to joining KPMG.

M (Miles) Dally (62)^•
Executive director, Chief Executive Officer
BCom

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

RH (Rob) Field (48)^•
Executive director, Chief Financial Officer
CA(SA)

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

PJ (Paul) Neethling (34)▲
Alternate Non-executive director to JJ Durand
BCom (Hons)

Appointed: June 2019
Paul is an investment executive in the Corporate Finance division at Remgro Management Services and has a BCom (Hons) in Financial & Investment Management. He also serves as a director on various agricultural, wine and distribution businesses.

CHAIRMAN'S REPORT

MARKET CONDITIONS

Business conditions remained challenging throughout the 2019 financial year. Economic growth slowed further, manifesting in weak domestic demand and increasing levels of unemployment. The economy contracted 3.2% in the first quarter of the 2019 calendar year, its worst performance in a decade, whilst elevated electricity prices and higher wage settlements and input costs weighed heavily on many sectors. Competition remained vigorous across the markets we participate in.

The local poultry market continued to be swamped by dumping. The local sugar market faced pressures from oversupply and a notable decline in demand, triggered by the implementation of the recently promulgated Health Promotion Levy (sugar tax).

FINANCIAL PERFORMANCE

For the 2019 financial year, RCL FOODS reported EBITDA of R1 525,7 million (down 25.4%), headline earnings of R329,5 million (down 60.7%) or 37.9 cents per share and declared dividends of 25.0 cents per share. Return on invested capital has declined to negative 0.8% (2018: 8.1%). This performance, while disappointing, still points to an underlying resilience brought about in recent years by a more diversified and balanced portfolio, with a growing mix of added-value products to counteract the significant industry challenges faced in the core categories.

REGULATORY ENVIRONMENT

The local poultry industry continues to be exposed to the unmitigated dumping of excess supply from foreign markets, despite a concerted drive by the industry to implement appropriate levels of tariff protection. Various independent international studies have confirmed that South Africa has a highly competitive poultry industry from both a cost and technical efficiency perspective and that a healthy and growing poultry industry could stimulate significant growth in the agricultural value chain. However, the oversupply created in our local markets through the dumping of product from subsidised foreign countries has made it difficult to compete, often resulting in sales below cost of production for local producers. The flood of imports has destabilised our industries, threatening employment, and its ongoing sustainability. Thousands of jobs have already been lost in recent years as factories have had to close or scale down. A switch from imported volumes to locally produced chicken would not only stimulate agricultural growth, but the opportunity presents itself for the emergence of a large group of small-scale farmers, which can assist in addressing some of the socio-political challenges we face, especially in rural South Africa. A large number of poultry export markets remain closed to South Africa due to phytosanitary barriers, primarily resulting from Newcastle Disease which is endemic to South Africa, limiting the opportunities for local producers to compete internationally. There are ongoing discussions between government, industry and other stakeholders to find solutions for the challenges in the poultry industry, whilst at RCL FOODS we are constantly investigating and implementing a variety of options to further step change the competitiveness of our Chicken business unit.

The sugar industry similarly faces significant challenges. Globally, the world sugar market is in oversupply due to subsidised sugar producers (notably in Brazil and India) exporting high volumes of their excess production into international markets. The result is a world sugar price which is below the cost of production of most of the 120 sugar-producing countries. In response, barriers are being put up around the world to prevent dumped imports from destroying local industries. The South African industry has been destabilised by factors such as drought, plunging world sugar prices, slow tariff response against dumped imports and a marked decline in demand following the implementation of the sugar tax, placing a large number of jobs across the industry at risk. Sugar tax has induced large-scale reformulation of soft drinks as well as reduced pack sizes and is estimated to have reduced domestic consumption of sugar by more than 300 000 tons per annum. Alternative markets had to be found for this supply, which has generally meant exports at a global sugar price that is significantly below local prices.

The events in the chicken and sugar industries also have consequences for society that are broader than the loss of employment in the local industry. In the Chicken industry, approximately 47% of small farmers surveyed have already closed their operations and retrenched their employees. The recent developments in the sugar industry have placed significant pressure on all stakeholders within the local market, of which the worst affected are the over 20 000 small-scale growers who rely solely on the crop for their livelihoods. RCL FOODS' Sugar business unit is leading the Group's transformation agenda through its involvement with three large-scale community-based cane growing joint ventures, the provision of market access and farming support to 1 200 small-scale growers and contributing to more than R177 million in Development Finance. Robust engagement is required to find long-term solutions to an industry in crisis and prevent the good work done through these initiatives from being destroyed.

Our efforts to ensure the long-term sustainability of the industry include intensifying engagements with industry and the Department of Trade and Industry to seek long-term solutions. As an industry, we are being introspective in terms of the role of the South African Sugar Association (SASA), the appropriate structure and decisioning framework, as well as potential reforms to be considered to lower the cost of the current operating model and ensure the long-term sustainability of the industry. We are also exploring opportunities for the industry to generate alternative income streams such as ethanol for fuel as well as generating electricity. The increased engagement and understanding among industry players and government are encouraging steps towards resolution of the issues facing these industries.

Increasing compliance requirements to improve food safety, nutrition and awareness through food labelling is adding additional cost and complexity to our operations. We fully support these efforts by government and maintain rigorous standards to ensure that we provide quality, nourishing food to a well-informed nation.

NEW GROWTH VECTORS

RCL FOODS' take-on of the full shared services and distribution requirements for the spreads businesses of Siqalo Foods Proprietary Limited (Siqalo Foods) during the current year is testament to the strength of the platform that has been put in place over several years. The project is discussed in more detail in the CEO's report (refer to pages 51 and 52), but suffice to say, it presents the Group with exciting opportunities to scale and extend this platform to other participants, creating new avenues for growth.

DRIVING SUSTAINABLE BUSINESS

At RCL FOODS we appreciate that, to create a secure future in which we are relevant, we must protect and manage our large and diverse value chain that extends from raw material production to suppliers, consumers and the communities within which we operate. We need to be cognisant of our role in uplifting society as well as good corporate citizenship founded in sustainable practices and sound risk and governance structures. Only by managing these various dimensions in an integrated way will we ensure the long-term success of RCL FOODS.

We heed government's call to help address the significant challenge of youth unemployment. It is vital that the private sector plays a role in providing young people with tools to find meaningful employment and business opportunities. The Youth Employment Service (YES) programme is an excellent example of how corporates can partner with government to provide previously disadvantaged youth with work experience for one year, giving these young people a chance to demonstrate their abilities, establish their work ethic and prove their worth. RCL FOODS is supporting the programme by creating jobs for 330 Black unemployed youths, providing them with valuable hands-on work experience and targeting to absorb a number of these participants in permanent jobs beyond the programme.

SR

For more information on our broad range of social investments and environmental projects, refer to the Strategic progress section on page 51 of the CEO's report and the Sustainable Business Report on www.rclfoods.com/financial-results-and-investor-presentations-2019

DIVIDEND DECLARATION

The directors have resolved to declare a final gross cash dividend (number 89) of 10,0 cents per share, which brings the total dividend for the year ended June 2019 to 25,0 cents per share (2018: 40,0 cents).

CHANGES TO THE BOARD

Shareholders are advised that Dr Penny Moumakwa was appointed as an independent non-executive director of the Company, with effect from 1 January 2019 and that Mr Paul Neethling was appointed as my alternate (non-executive) director, with effect from 21 June 2019.

PROSPECTS

We see the underlying pace of activity remaining weak, indicating that economic recovery will be gradual. RCL FOODS will continue to position itself optimally to survive and thrive in these conditions. We will continue to support the strong market share performance of our portfolio of leading brands with innovative extensions, new product launches and promotion. The health of the sugar and chicken industries will ultimately depend on the restoration of the supply/demand balance in the local market and our efforts to support these industries will require ongoing engagement with all participants to find solutions. Our historic land transformation efforts are at risk and our challenge will be to keep improving our transformation model to make it more sustainable in this environment. If successful, we believe that the model can be used to further drive the transformation agenda in other sectors of the economy.

We believe that we are well on track to establish a diversified food business of scale. Our efforts to accelerate growth in added-value categories are paying off, providing protection against the challenges faced in the core categories. We have proven that we can extend the use of our ONE RCL FOODS platform to develop a unique and innovative vector for growth and we are excited about the prospects of this new venture. We remain mindful of external impacts outside of our control but are confident that we have managed to put significant building blocks in place by thinking differently, finding alternatives, constantly innovating, driving efficiencies and reducing costs.

We remain comfortable with our low gearing profile in a distressed economy and believe that we are well placed to consider strategic opportunities that might be forthcoming in the South African market and remain well-positioned to capitalise on any improvements in the domestic economy.

ACKNOWLEDGEMENTS

In conclusion, I would again like to extend my appreciation to our Board of Directors for their valued contribution and guidance during the past year. To our management team and employees, thank you for your loyalty, hard work, dedication and energy, which has allowed us to continue to grow the business despite challenging conditions. We also thank our shareholders, suppliers and all other stakeholders for their support and continued interest in RCL FOODS.

JJ Durand
Non-executive Chairman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CEO'S REPORT

INTRODUCTION

RCL FOODS' headline earnings for the year ended June 2019 decreased by 60.7% to R329,5 million (2018: R837,7 million). The decline was largely attributable to the adverse performance of the Sugar and Chicken business units.

The South African economic environment remains subdued, with low to negative GDP growth being reported over the year and rising unemployment rates. Consumers remain under pressure with disposable incomes further impacted by fuel and electricity cost increases during the period. Fierce competition in local markets resulted in aggressive pricing strategies to retain and gain market share, often at the expense of margin.

The local sugar and poultry industries are under significant pressure, impacted by oversupply and declining local market demand due to muted consumer spending and, specifically with respect to sugar, the recently implemented sugar tax. The supply/demand imbalance resulted in low selling prices being realised in both our Sugar and Chicken business units, inhibiting the recovery of cost push factors thereby severely reducing margins. In the absence of an appropriate tariff, dumped chicken imports remained high, with sugar imports having stabilised following the implementation of the revised tariff in August 2018.

Sugar's profitability for the year declined significantly on the back of the challenges currently being experienced in the local sugar market. The decline in profitability, which stemmed from legislative changes (sugar tax) and industry-wide issues, such as low world prices resulting from the global oversupply of sugar and high sugar industry association costs, led the Group to perform a detailed impairment review on the Sugar cash-generating unit (CGU). Based on the current outlook of a permanent reduction in local market demand, a higher proportion of our future production is expected to be exported at significantly lower margins. An impairment of R761,9 million (R552,5 million post-tax) has been recorded in the current financial year against non-current assets and R51,8 million in deferred tax assets were not recognised in the sugar cane-grower companies.

Despite the challenging market conditions, Groceries performed strongly, improving volumes and margins across a broad spectrum of categories. The performance of our Millbake business unit continues to improve, whilst profitability at Animal Feed was hampered by rising commodity costs and an extremely competitive trading environment. Logistics has made substantial investments during the period, specifically for the take-on of the frozen business of Pick n Pay and the spreads business of Siqalo Foods, a 100% owned subsidiary of Remgro Limited.

It is in tough times such as these that we recognise the importance of a diversified portfolio of scale with brands that are well-established and which continue to generate healthy cash flows despite the depressed economic backdrop. The excellent performance within the RCL FOODS added-value categories in the current period served to partially offset the adverse trading conditions in our core categories.

Containing overheads remains a key focus area and good progress has been made against cost savings initiatives across all business units.

RCL FOODS measures its efficiency and effectiveness of capital allocation through return on invested capital (ROIC). ROIC for 2019 was poor at a negative 0.8% (2018: 8.1%). The decline in ROIC was largely attributable to the lower profits (including the Sugar impairment). Appropriate capital investment and resource allocation over the medium-term between our added-value and core categories remains a key focus area given the issues currently being experienced in the sugar and chicken industries.

STRATEGIC PROGRESS

RCL FOODS' strategic ambition is aimed at growing its portfolio of strong brands in added-value categories and maximising its core categories. We have continued to pursue a variety of initiatives to achieve this ambition and have made some progress in positioning RCL FOODS for a more profitable and sustainable quality of earnings.

This is demonstrated in the pleasing growth of our Groceries portfolio ahead of the market in the current year. Our basket of leading brands has become further entrenched, continued to grow market share and delivered a strong result. This is due to our implementation of solid brand strategies and consistent investment and innovation behind our brands, coupled with product and category extensions that have broadened and deepened our market reach. We continued to leverage our deep understanding of consumers' needs, our broad product portfolio and our integrated customer and marketing capability to deliver relevant and innovative solutions whilst also strengthening our strategic partnerships.

Our core value of "seeing and doing things differently" has become a strategic imperative in dealing with the current headwinds facing the Sugar and Chicken business units. These business units remain under significant pressure having to compete with dumped imports, as demonstrated in the results for the financial year. Accordingly, we are accelerating engagements with the appropriate industry bodies and government to find a sustainable way forward for these key operations that contribute strongly to South African employment. In parallel, we are amplifying our internal focus and determination to return these business units to acceptable profitability.

The sugar industry is currently facing unprecedented pressure at a global level, with even large-scale multi-national dedicated sugar businesses demonstrating a significant decline in profitability in the current year. A global oversupply, driven by subsidised production in many sugar-producing countries and decreasing demand due to consumers' changing health perceptions, has had a pervasive impact on the industry. In South Africa, the pressure was amplified by a period of unprotected dumped imports in the first half of the financial year, as well as the implementation of the Health Promotion Levy or "sugar tax" which resulted in a significant decline in local demand. The chicken industry also remains in a state of oversupply, which translates into an inability to recover rising feed costs in a market skewed by dumped imports.

Our strategy of maintaining our leading low-cost production capability in Sugar and driving efficiency in Chicken will continue. We will further accelerate our ambition of diversifying our income-earning opportunities in this space with downstream innovation and forward value integration opportunities. Furthermore, we will continue to drive our transformation agenda through both the Sugar and Chicken business units. In Sugar, we are involved in large-scale community-based cane growing joint ventures, and in the provision of market access, farming support and development finance to 1 200 small-scale growers. Through long-term partnerships with emerging growers, 1,8 million tons of sugarcane were delivered by small-scale growers, joint ventures and land reform beneficiaries to our mills in the current financial year, representing 32% of our total cane supply. In Chicken, we are well placed to rapidly expand our broad-based transformation contribution via our contract growing operations and have made it a strategic imperative to deliver on this objective. Given the challenges faced within both industries, robust engagement with government and other key stakeholders is critical to find long-term solutions to these challenges. Our ambition is to keep improving our transformation models to make them more sustainable in this environment. If successful, we believe that these models can be used to further drive the transformation agenda in other sectors of the economy. What remains clear is that industries exposed to dumped imports remain under severe pressure, putting at risk a large number of jobs as well as the many land transformation initiatives that have been implemented over the past several years. Of particular concern to our economy is the impact on the estimated 20 000 small-scale growers who rely solely on sugarcane for their livelihoods.

On the more positive side, a key achievement in our recent journey as RCL FOODS has been the take-on of the shared services responsibility for the spreads business of Siqalo Foods. Remgro acquired the spreads business from Unilever in July 2018. Utilising the capabilities and competencies acquired through our own value chain transformation, we successfully transitioned Siqalo Foods onto the RCL FOODS Shared Services platform and implemented SAP as their enterprise resource planning (ERP) system on 4 March 2019. The project is testament to the success of our initiatives over the past five years, through which we created a single synergised ONE RCL FOODS platform with integrated structures, systems and customer and shared service capability. It has enabled the seamless integration of the Siqalo Foods business chain, from commodity procurement to production, finance, human capital, marketing and key account management, as well as leveraging the distribution and sales and merchandising power of our Logistics business, Vector. The result is an innovative, alternative business model which allows RCL FOODS to earn a fee for our services and capabilities while Siqalo Foods benefits from the strategic management and competencies inherent in RCL FOODS. This is a significant extension to our value chain in recent years and illustrates the strength and scale of the platform we have created as a food business of scale.

Our approach to expansion in the rest of Africa has been to increase the focus on our export efforts and potential route-to-market acquisitions before making investments in other assets. We have made good progress in promoting our South African exports through our Logistics partners in Africa. In Uganda, we have made further infrastructure investments within our associate HMH Rainbow Limited, and are considering opportunities to establish this chicken business as a substantially more significant participant in the region. Our recent acquisition of a 45% shareholding in L&A Logistics Limited (L&A), a FMCG distribution operation based in Lusaka, Zambia is performing well despite constrained economic conditions. It has been awarded new business from Unilever in both their traditional and modern trade lines during the year.

Sustainable business practices have been a mainstay of RCL FOODS' strategy for many years and are viewed as both a social and business imperative. We are making pleasing progress in our drive to become energy and water self-sufficient. Co-generation at our Sugar plants, waste-to-value energy production at our Chicken processing plants and solar power at our National Office, together, are already providing close to 30% of our energy needs. Our efforts to monitor, measure and reduce our environmental footprint have earned us the top rating in the SA Food and Beverage sector in the CDP's 2018 Climate Change Survey. From a social perspective, our aim is to drive meaningful development in vulnerable communities by doing more for young children, easing hunger and supporting youth. Our DO MORE FOUNDATION enables us to leverage collaborative partnerships with business and government to amplify our impact on the impoverished communities we assist.

REVIEW OF OPERATIONS

CONSUMER DIVISION

	June 2019	June 2018	% change
Revenue (Rm)	12 965,0	12 752,9	1.7
EBITDA (Rm)	853,9	985,2	(13.3)
EBITDA margin (%)	6.6	7.7	(1.1)ppts

The Consumer division grew revenue by 1.7% due mainly to volume growth in the Salad Dressing, Pie and Beverage categories.

EBITDA declined by R131,3 million (13.3%) to R853,9 million, with the shortfall in Chicken (down R252,5 million) more than offsetting the gains made in Groceries (up R121,2 million). The results include the accounting for the exit from the Prepared Lines in the Speciality business unit (R47,0 million profit on disposal in 2019; R62,0 million retrenchment cost provision in 2018), the profits on disposal of dormant farms in the Chicken business unit of R105,0 million (2018: R101,4 million), IFRS 9 fair value gains on commodity positions of R2,9 million (2018: R19,1 million) and R78,2 million in once-off costs related to Listeriosis in the Chicken business unit in the prior year. Excluding these items, Consumer's EBITDA decreased by R305,9 million (30.4%).

The Groceries cluster delivered pleasing growth, benefiting from volume and margin increases across all its business units, with the exception of Speciality, as well as the launch of a range of innovations and continued market share gains in several categories. Chicken experienced a significant decline in EBITDA due to low prices in an oversupplied market and rising input costs.

Whilst overheads have been well managed, production cost pressure, primarily as a result of rising input costs, remains an ongoing challenge. There will be continued focus on reducing operating costs and improving efficiencies in the coming year.

RCL FOODS continued to grow its total food basket ahead of the Ask'd industry basket, having grown volumes by 1.8% for the 12 months to June 2019 relative to an industry basket which grew by 0.7%.

GROCERIES (GROCERY, BEVERAGES, PIES AND SPECIALITY)

Groceries delivered another solid result for the year. EBITDA rose 23.4% to R639,6 million at a margin of 10.8% (2018: R518,4 million at a margin of 9.0%). Excluding the once-offs mentioned above, Groceries EBITDA still reflected an increase of 5.1% in tough market conditions.

Grocery, Pies and Beverages were well ahead of the prior year as a result of improved margins across most categories and higher overall volumes, coupled with a strong focus on operational efficiency. Grocery has successfully grown its market share in several categories despite aggressive competitor activity. Over the 12 months to June 2019, our portfolio of number one brands, consisting of Catmor, Canine Cuisine, Bobtail, Nola, Yum Yum and Ouma, remain entrenched as market leaders in their respective categories (source: Aztec). Pleasingly, the Salad Dressing, Rusks and Peanut Butter categories have grown volumes and market share at improved margins, despite the loss of certain Dealer-Owned Brand ranges to imported product. This positive outcome was the result of a relentless focus on doing the basics right from a promotional activity and a customer account perspective, ongoing investment in our brands and constant innovation.

In the Pet Food category, RCL FOODS grew market share in a market which was under pressure in 2019, with our market share gains driven to a large extent by innovation rolled out during the year. Despite aggressive competitor activity, a well-executed front-end plan assisted in maintaining and growing volumes for the year. Innovations in Bobtail 2 in 1, Optimizor and Feline/Canine Cuisine demonstrated excellent results and further growth is expected in the new year, through the introduction of new channels and different routes-to-market. The new pet food plant, which was commissioned in April 2018, has enabled us to extend our product offering in this category through a range of new and renovated products.

Pies delivered an exceptional performance. Targeted initiatives drove strong volume growth despite a bakery fire earlier in the year that impacted service levels. Market response to the launch of pie mini's and sausage rolls has been positive. Pies margins continued to benefit from the initiatives to drive down cost and reinvest in quality, price and targeted marketing. The rebuild of the damaged bakery is expected to be completed in September 2019. A new line will also be added to the plant, which is expected to come into production in April 2020. These expansions will bring exciting innovation capacity on stream, which will further entrench the growing position in this category.

Following the decision to focus on Speciality's bread and dessert lines, the Group disposed of the Prepared Lines in March 2019, which consisted primarily of deli snacks, sandwiches, salads, biltong and pizza. Within the remaining business, a strike at the Centurion facility as well as muted consumer demand adversely impacted performance. Focus for the year ahead is on achieving synergies associated with the consolidation of sites and step changing demand through innovation in categories where demand has stalled. The implementation of SAP ERP was successfully concluded during the year which has enhanced controls and information visibility.

Beverages reflected a pleasing result supported by strong volume growth off a low base, especially in YogoBoost, an innovation launched this year, and Super Mageu. YogoBoost was well received by consumers and exciting growth is expected in 2020. There is a clear focus in the business on front-end execution and on improving capacity utilisation in the ultra-high temperature (UHT) processing plant through innovative product launches.

CHICKEN

The difficult trading environment for Chicken has continued unabated with local volume and imports driving market oversupply and negatively impacting market pricing amidst a rising feed cost cycle. Low selling prices were realised despite a 11.2% increase in feed cost per ton. Chicken's EBITDA declined by 54.1% to R214,3 million at a margin of 3.0% (2018: R466,8 million at a margin of 6.7%). Excluding the once-off items mentioned above, Chicken's EBITDA declined R334,3 million (75.4%).

Chicken imports have grown, mainly from Brazil and America, and more recently the European Union markets after the lifting of Avian Influenza bans against affected countries. Agricultural performance in the period was negatively impacted by challenges experienced with Cobb's breed performance. This matter has been addressed with Cobb Vantress International. Dumped imports remain a significant component of (approximately 25%) and issue for, the local poultry market. The excess supply created by dumping provided little opportunity to recover higher feed costs and severely affected profitability.

The Consumer division is assessing strategies to step change competitiveness in the Chicken business unit and has appointed a dedicated business unit head and team to bring greater focus and attention to the business unit. RCL FOODS' Freezer-to-Fryer ranges have reflected gains whilst polony volumes and market share have recovered to pre-Listeriosis levels. Viennas were re-launched in the last quarter of the financial year, benefiting from new and advanced high-pressure processing equipment to further enhance quality and safety.

We continue to strive for a Chicken business model that has more sustainability and consistency of profits. Effective cost management remains a key component to return Chicken to profitability and we are pleased with the progress from an overhead containment perspective, with current year overheads declining year-on-year, despite inflationary pressures.

SUGAR & MILLING DIVISION

	June 2019	June 2018	% change
Revenue (Rm)	14 935,3	13 668,9	9.3
EBITDA (Rm)	518,3	869,0	(40.4)
EBITDA margin (%)	3.5	6.4	(2.9)ppts

The Sugar & Milling division generated a 9.3% increase in revenue, mainly due to volume recovery and commodity driven price increases in the Animal Feed business unit and strategic interventions at Millbake which culminated in pleasing volume growth. An adverse sales mix in the Sugar business unit drove the EBITDA decline.

SUGAR

Revenue of R5 692,8 million was up 5.0% on the prior year on the back of higher production volumes. Despite the increase in revenue, EBITDA reduced by 129.7% to a negative R84,5 million (2018: R284,1 million at a margin of 5.2%).

Sugar production volumes have improved post the drought and increased by 14.2% to 679 000 tons. Financial pressure on consumers and declines in consumption brought about by the implementation of the Health Promotion Levy (sugar tax) has reduced domestic sugar consumption. The sugar tax induced large-scale reformulation of soft drinks as well as reduced pack sizes and is estimated to have reduced domestic consumption of sugar by more than 300 000 tons per annum (14% of total local market demand and approximately 24% of demand supplied by local producers). Local market margins were under significant pressure as competitors battle for market share.

The convergence of a near record sugar crop post the drought and significantly reduced demand, necessitated a shift in the sugar sales mix towards the raw export market (total export volumes up 50.8%). The mix shift resulted in significantly lower margins, due to a global sugar surplus which suppressed world sugar prices. These factors were the primary contributors to the substantial decline in Sugar's profitability.

There remains a strong focus within Sugar to ensure the continued sustainability of the business, as well as the industry. This is being achieved internally through an intense focus on cost, productivity and efficiency improvement initiatives, coupled with continuous interaction with government and industry bodies to consider industry-wide issues. We are working with industry role players to review the role of the SASA, the appropriate structure and decisioning framework, as well as potential reforms to be considered to lower the cost of the current operating model and ensure the long-term sustainability of the industry.

The industry, in conjunction with government, is reviewing potential downstream diversification opportunities including ethanol production, electricity co-generation and bioplastics. To be commercially viable, the alternatives will require substantial capital investment, as well as various forms of regulatory support from government.

ANIMAL FEED

Animal Feed achieved revenue growth of 15.8% with volumes up across all brands and price increases implemented in response to input cost pressure. Low meat prices for customers made it difficult to fully recover the increases in raw material prices, putting margins under pressure in an intensely competitive market. Animal Feed generated EBITDA of R295,8 million, down 7.4%, at a margin of 5.4% (2018: R319,5 million at a margin of 6.8%). The results include an IFRS 9 fair value gain on commodity positions of R29,5 million (2018: R61,7 million), excluding which Animal Feed's EBITDA increased R8,5 million (3.3%) on last year.

Broiler feed remained the most significant volume contributor, followed by Ruminants. RCL FOODS' offering in the horse and game sectors were also extended through the acquisition of Driehoek Voere during the year. Molatek's performance reflected strong volume growth and a better sales mix however, increased raw material prices put margins under pressure.

The resilience of earnings is evidence of a strong underlying business, which has successfully established itself as a leading provider in the industry. Animal Feed will drive future growth through a customer-centric business culture and product innovation. There is a continuous focus on developing innovative feed solutions to strengthen brands and broaden the customer base.

MILLBAKE (MILLING AND BAKING)

Millbake delivered a pleasing performance, growing both volumes and margins. The Millbake business unit increased revenue by 8.4% to R3 953,2 million (2018: R3 646,5 million) and generated an EBITDA of R307,0 million at a margin of 7.8% (2018: R265,4 million at a margin of 7.3%).

Baking was the main driver of the improved result. The range of initiatives implemented over the past two years to turn the Baking business around are evident in the current year's performance, providing a strong platform to continue to grow as conditions improve. The performance was driven by volume growth (up 4.0%), improved margins due to higher selling prices, effective cost saving initiatives, better managed bread returns and damages, as well as appropriate marketing support. A strong focus on product quality generated pleasing growth in Gauteng, which offset competitive pressure in the rural areas. Despite higher fuel prices, good traction was achieved on cost reduction initiatives, which will continue to receive focus next year. Progress has also been made in terms of broadening the geographies served by our brand, and this is expected to continue in the next few years.

Despite a focus on growing margin, good procurement and selective price increases, **Milling** reported a decline in profitability as a result of operational challenges at the mill which have largely been resolved. Volumes were up marginally in a market that continues to be oversupplied and there is a continued focus on internal utilisation of milling output in the Baking business.

LOGISTICS DIVISION

	June 2019	June 2018	% change
Revenue (Rm)	**2 182,8**	1 980,0	10.2
EBITDA (Rm)	**118,5**	204,3	(42.0)
EBITDA margin (%)	**5.4**	10.3	(4.9)ppts

The Logistics division experienced continued tough trading conditions during the year under review.

Revenue increased by a pleasing 10.2% largely driven by:

- The annualisation of the volumes under the key long-term contract with Pick n Pay for their frozen category (including ice-cream). This assisted in mitigating the impact of the internal volumes lost through the implementation of the revised Chicken business model and enhanced our capabilities to include super-frozen solutions;
- Increased Foodservice revenue, with solid growth noted across most customers; and
- The take-on of the Siqalo Foods business from March 2019.

Gains in new business were more than offset by a combination of cost headwinds and certain customers exiting the network in the latter half of the financial year, resulting in EBITDA decreasing by 42.0% to R118,5 million. These cost pressures comprised a combination of recurring and once-off costs and included:

- Significantly increased fuel costs on the back of the fuel price reaching an all-time high during the year under review;
- Increased manpower costs in order to maintain service levels; and
- Once-off start-up costs to enable both the Pick n Pay and Siqalo Foods contracts.

Logistics continues to focus on further new business, as well as strategic right-sizing cost opportunities and remains well positioned to offer customers a multi-temperature route-to-market solution, including the chilled, frozen and super-frozen temperatures regimes.

PROSPECTS

Groceries will continue to focus on strong innovation, brand investment and efficiencies to drive profitability, although further share gains in key categories will be challenging in the highly competitive markets. Millbake is expecting further traction from its cost saving initiatives and ongoing investment in its brands.

Sugar expects to remain under significant pressure and urgent interventions are required at an industry level in order to ensure the future viability of the local industry. Local market sugar demand is expected to remain constrained and the balance of production not sold locally will continue to be exported at depressed global sugar prices. Whilst these factors are largely out of our control, we are placing significant focus on cost reduction and optimisation initiatives across the operations and we will continue to investigate viable diversification opportunities for our products in order to restore the Sugar business unit to profitability.

Chicken will focus on engagement with industry and government in order to establish a level playing field required for local producers to compete with the significant volumes of dumped imports that enter local markets. The recent application to increase the tariff on imports of boneless cuts and bone-in portions from non-European Union countries to the maximum permitted by the World Trade Organisation of 82% has been delayed. Whilst the outcomes of these applications are still unknown we will continue our focus on the business drivers within our control.

The Logistics division is well-positioned to offer customers a multi-temperature route-to-market supply chain solution. The new business won during the year bodes well for the next year and the focus will be on bedding down these opportunities and improving efficiencies.

I express my appreciation to every RCL FOODS employee as well as all other stakeholders that continue to support our company. Our ability to weather many storms is a testament to your backing and we remain deeply grateful.

M Dally
Chief Executive Officer

CFO'S REPORT

OVERVIEW OF MARKET CONDITIONS

Global economic growth has weakened in the past 12 months and the economic outlook remains challenging, resulting in widespread uncertainty. A significant challenge facing the global economy has been the ongoing "trade war" between the United States of America (USA) and China which has curtailed investment and consumption in both nations and among their major trading partners. The Eurozone is experiencing a slowdown in economic growth, with traditional European powerhouse, Germany's Gross Domestic Product (GDP) forecast slashed from 1.9% to 0.8%. Emerging nations like Turkey and Argentina have also exhibited strain, doing little to improve the overall damp sentiment. Global growth for 2019 is forecast at 3.3% whilst the USA GDP forecast sits at 2.3%. The USA Federal Reserve's hiking cycle was in full swing over 2018 with four interest rate hikes. There have been no hikes in 2019 due to the downward revision in the USA growth outlook with increasing speculation that the Federal Reserve may cut interest rates to bolster growth. The challenges within the global economy provide important context to the challenges in the local economy.

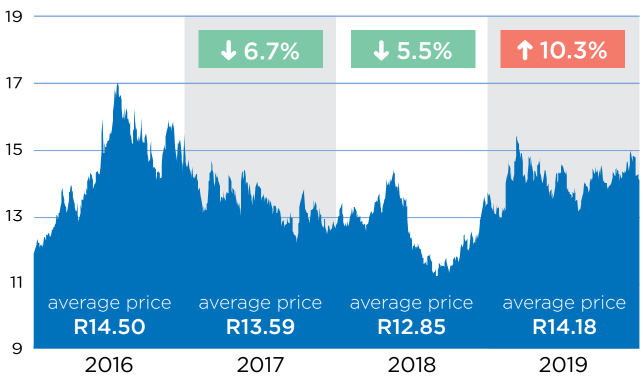
South Africa's 2018 GDP figure of 1.1% was at the lower end of expectations. Our economy remains under pressure with growth for 2019 forecast at 0.5%, which is concerning given the high levels of unemployment. The first quarter of the 2019 calendar year saw annualised quarter on quarter economic output contract by 3.2%. This is likely to usher in an accommodative approach from the South African Reserve Bank in order to kick-start an economy that is possibly in a technical recession. Local inflationary pressures have been relatively muted with the Consumer Price Index (CPI) reaching a low of 4.0% from a high of 5.2% for the year. Relief for the consumer had initially come from a sharp decline in global energy prices and lower food costs, however, rising inflation in the past few months have been on the back of a weaker Rand and geo-political tensions.

While credit ratings agencies appeared satisfied that the government is committed to tackling graft, creating an investment friendly environment and stabilising State-Owned Enterprises, serious concerns have been raised regarding projected economic growth. The risk of a sovereign ratings cut by Moody's has been an enduring threat over the past year and in the absence of plausible structural improvements in the economy, the uncertainty will remain. Political instability has been an additional headwind over the year, with mixed messages on the role of the South African Reserve Bank (SARB) and a sense of two centres of political power contributing to market concern. With the 2019 national elections concluded and a new market friendly cabinet appointed, the focus will be on the new administration to attack the challenges of low growth and high unemployment.

The Rand traded within a range of R13,00 and R15,50 to the US Dollar over the year. Key drivers have been the risk of emerging market contagion (Turkey), the USA – China trade war and political noise around the changing of the SARB's mandate. Risks going forward include a surging US Dollar, continued poor local growth and a potential sovereign ratings downgrade by Moody's. The average Rand/Dollar exchange rate for this financial year was R14,18 compared to the previous year of R12,85, a deterioration of 10.3%.

SOFT COMMODITY PROCUREMENT

EXCHANGE RATE (RAND/USD)



Source: Reuters

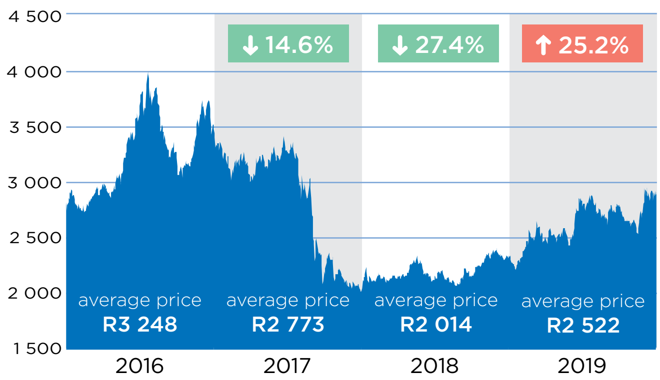
MAIZE (CORN)

The USA had another good production year for corn, production was down marginally (1.3%) to 366 million tons. Despite the slight reduction, the crop was still the third largest in USA history. Corn prices on the Chicago Board of Trade (CBOT) bottomed at the beginning of July 2018 trading at $3,30 per bushel ($130 per ton). Thereafter prices traded within a narrow range before rising to $3,40 per bushel at the beginning of May 2019. During the May 2019 planting season, wet conditions prevented many producers from commencing with corn plantings. This created serious concern amongst market players and resulted in prices rising to $4,36 per bushel ($172 per ton).

South Africa produced a crop of 12,5 million tons during the 2017/2018 production season, down 4,3 million tons (25%) from the previous record crop of 16,8 million tons. Annual consumption in South Africa sits at just below 12 million tons per year. With ample closing stocks carried in at the beginning of the marketing season, South Africa continued its export programme with approximately 1,4 million tons of maize exported to deep sea destinations. Dry weather, however, delayed plantings during the latter part of 2018, raising concerns of a significantly reduced crop number. A substantial portion of the crop was planted late and raised concerns over yield potential. Local prices rose to import parity levels on the back of the reduced crop with maize being imported into the Western Cape from early 2019. The latest crop estimate for this season has the harvest coming in at 10,9 million tons.

The average SAFEX yellow maize price for this financial year was R2 522 per ton compared to the previous year of R2 014 per ton, an increase of R508 per ton (25.2%).

SAFEX YELLOW MAIZE (R/TON)

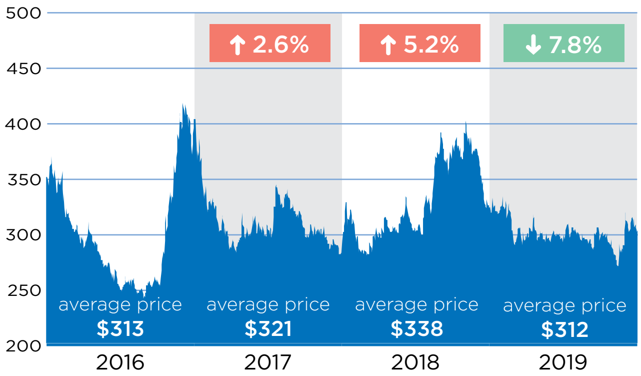


Source: Reuters

SOYBEAN MEAL

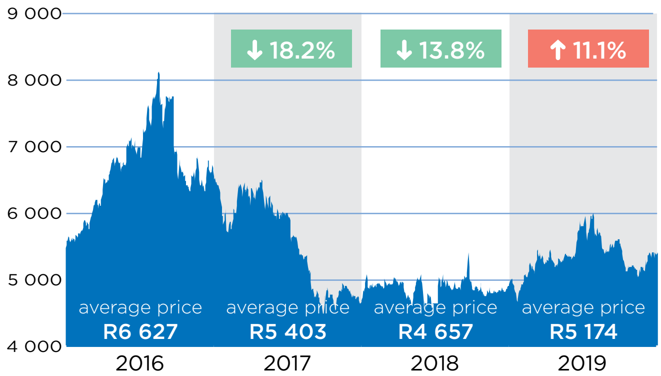
Soya prices opened at levels of $332 per short ton (pst) in July 2018 driven by better than expected crop conditions in the USA and fears of protracted USA-China trade wars. The soya market price declined driven largely by good USA crop yields (production of over 120 million tons) with lower demand out of China due to the impact of swine fever. Production in Argentina reached over 55 million tons, which further contributed to CBOT soybean prices dropping to $280 pst in May 2019. The USA planting season was off to a slow start at the end of May due to extremely wet conditions and resulted in prices increasing to $313 pst by the end of June 2019. Locally, the latest South African soybean crop is estimated at 1,3 million tons compared to a crop of 1,5 million tons in the previous year. The average Chicago soybean meal price for this reporting period was $312/pst compared to the previous period of $338/pst, a decrease of 7.8%.

CME SOYBEAN MEAL PRICE ($/TON)



Source: Reuters

SAFEX SUNSEED (R/TON)



Source: Reuters

SUNFLOWER SEED

The 2018/19 season produced a relatively good local crop of 862 000 tons to add to a season opening stocks-to-use ratio* of around 20%. Domestic consumption was firm at 900 000 tons leaving the 2019/20 season opening local stocks-to-use ratio substantially down to approximately 13%. The 2019/20 season got off to a poor start with planting severely delayed by late rains (specifically in the western areas) resulting in a 30% decline in projected production to 611 000 tons due to both lower planting and lower yield. As a result, in order to meet local demand, it is anticipated that approximately 80 000 tons of sunflower seed will need to be imported with increased imports of sunflower oil also expected. On the back of the reduced crop, the local price of sunflower seed increased approximately 10% to import parity levels. Prices for the 2020 financial year are further expected to firm up as the year progresses, with relief only likely to materialise if the weather for the upcoming summer favours crop production.

In the international market sunflower seed production for 2018/19 remained steady at 51 million tons with rising demand lowering the season ending stocks-to-use ratio from 6.5% to 5.1%. Sunflower oil stocks-to-use ratio is expected to remain steady at 11%. The average SAFEX sunflower seed price for this year was R5 174/ton compared to the previous year of R4 657/ton, an increase of 11.1%.

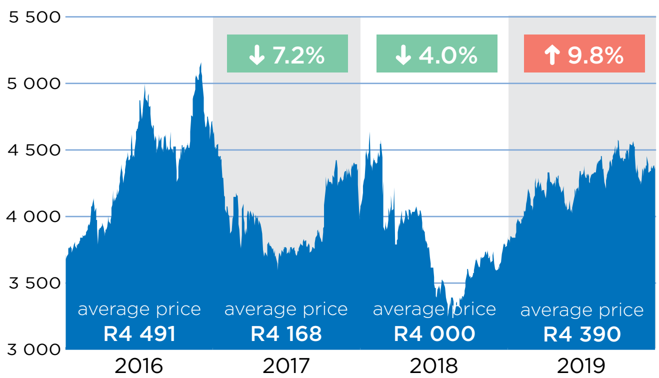
* *Season opening stocks-to-use ratio represents the closing stocks for that commodity divided by its annual consumption.*

WHEAT

Local wheat prices increased during the year. Wheat tariffs continue to severely impact local wheat prices, with five changes in the reference wheat tariffs gazetted in the past year and a further two tariffs triggered and waiting to be promulgated. These import tariffs are derived from U.S Hard Red Winter wheat prices in the U.S Gulf and are applied on all imports. The wheat tariffs in the past year varied from R281,7 per ton to a high of R958,0 per ton. The impact of the wheat tariff remains volatile due to uncertainty regarding the implementation date of the newly triggered tariffs. This has created market distortion and impacted trading. The weakening of the Rand in the past year also directly influenced local wheat prices which peaked at R4 665 per ton when the Rand/Dollar was R14,66 and bottomed at a SAFEX price of R3 989 per ton when the Rand/Dollar was R13,73.

South Africa is a net importer of wheat and prices are therefore affected by international wheat prices, the exchange rate and the wheat tariff. Each of these factors is used to derive the inland import parity price. Of the total supply, approximately 43% or 1,4 million tons of imports are required this season to balance demand. The market is confident that a larger local crop for the 2019/20 season will be seen especially with higher wheat plantings in the Free State due to the relatively favourable prices versus maize, and due to wheat being planted in certain fallow summer crop fields. The average SAFEX wheat price for this financial year was R4 390/ton compared to the previous year of R4 000/ton, an increase of 9.8%.

SAFEX WHEAT (R/TON)



Source: Reuters

SORGHUM

The poor 2018/19 domestic crop together with the resultant import of 45 000 tons kept prices firm. Prices were further impacted by the recent drought and late plantings. Local prices traded above import parity into the end of the 2019 financial year but have now retraced considerably as the 2019/20 crop evolved, with production projected to jump by 40% to 165 000 tons (total of bitter and sweet sorghum). With adequate stocks for the 2019/20 seasons, prices should remain relatively stable and below import parity.

International sorghum production is steady at approximately 59 million tons with the season ending stocks-to-use ratio for 2019/20 projected at 7.6%.

PEANUTS

Despite the 2018/19 domestic crop of 57 000 tons, South Africa still imported 10 000 tons of peanuts with an equal amount being exported (top quality larger peanuts to niche markets in Japan and the European Union). Prices increased due to a 70% decline in local planting for the 2019/20 season resulting from the recent drought and late summer rain. South Africa is expected to import some 40 000 tons of peanuts for the 2019/20 season, with limited local stock likely to enter the local market and with prices likely to remain at import parity. A major concern is that imported peanuts attract a 10% duty whilst imported peanut butter does not.

International peanut production is set to remain relatively constant around 45 million tons, with lower 2019/20 crops projected for the major North African producers. The global season ending stocks-to-use ratio is forecast at 9%.

FINANCIAL HIGHLIGHTS		**June 2019**	June 2018	%
Revenue	Rm	**25 887,5**	24 528,0	5.5
EBITDA	Rm	**1 525,7**	2 046,0	(25.4)
EBITDA margin	%	**5.9**	8.4	(2.5) ppts
Operating profit	Rm	**(29,3)**	1 270,3	(102.3)
Operating profit margin	%	**(0.1)**	5.2	(5.3) ppts
Net finance cost	Rm	**276,6**	252,5	(9.7)
Headline earnings	Rm	**329,5**	837,7	(60.7)
Headline earnings per share	cents	**37.9**	96.8	(60.8)
Capital expenditure (including intangibles)	Rm	**1 151,4**	849,1	35.6
Return on invested capital	%	**(0.8)**	8.1	(8.9) ppts
Cash generated by operations	Rm	**796,7**	1 784,6	(55.4)

FINANCIAL REVIEW

RCL FOODS's revenue for the year ended June 2019 increased 5.5% to R25,9 billion (2018: R24,5 billion) driven largely by volume gains in most business units coupled with commodity driven price increases in Animal Feed. Despite the revenue gains, EBITDA declined R520,3 million (25.4%) to R1 525,7 million (2018: R2 046,0 million) due mainly to Sugar (down R368,6 million) and Chicken (down R252,5 million). EBITDA excluding Sugar and Chicken increased 7.8% driven by a strong Groceries performance and improvements in Millbake.

Return on invested capital declined 8.9 ppts to negative 0.8% (2018: 8.1%) on the back of the 102.3% decline in operating profit, which included a R761,9 million impairment in the Sugar business unit in 2019, whilst the invested capital base was up 4.9% largely due to an increase in working capital.

Consumer's EBITDA decline was largely due to the impact of low realised selling prices and higher feed costs in the Chicken business unit, offset partially by a strong Groceries result with gains made in most of their categories. The significant decline in the Sugar & Milling division's EBITDA stemmed from the Sugar business unit. Sugar's result was impacted by an adverse sales mix weighted towards lower margin raw export sales. Logistics was negatively impacted by higher operating costs and once-off start-up costs incurred to take-on Pick n Pay and Siqalo Foods. Included in the Group line is the fee earned from Siqalo Foods for the management of their shared services functions.

Rm	**June 2019**	**June 2019 Margin %**	June 2018	June 2018 Margin %	% change	Margin change (ppts)
EBITDA	**1 525,7**	**5.9**	2 046,0	8.3	(25.4)	(2.4)
Consumer	**853,9**	**6.6**	985,2	7.7	(13.3)	(1.1)
Sugar & Milling	**518,3**	**3.5**	869,0	6.4	(40.4)	(2.9)
Logistics	**118,5**	**5.4**	204,3	10.3	(42.0)	(4.9)
Group	**35,0**		(12,5)			

The Group's results include the following material financial impacts in the current and previous financial years:

- A R761,9 million impairment of property, plant and equipment and goodwill in the Sugar business unit driven primarily by challenges in the local sugar market, refer to page 50 of the CEO's report for further details (Rnil EBITDA and headline earnings impact);
- A R105,0 million profit on sale of dormant farms in the Chicken business unit (2018: R101,4 million), resulting from the February 2017 Chicken restructure (Rnil headline earnings impact);
- A R47,0 million profit on disposal of the Prepared Lines at the Speciality Bronkhorstspruit site (Rnil headline earnings impact);
- Positive adjustments on the Group's commodity raw material procurement strategy, which improved EBITDA by R32,4 million and headline earnings by R23,3 million (2018: R80,8 million EBITDA improvement, R58,2 million headline earnings improvement). The R32,4 million current year adjustment relates mainly to gains on maize positions whilst the prior year adjustment included gains on currency positions which have reversed due to the strengthening of the Rand in the current period;
- R78,2 million in once-off costs related to the Listeriosis crisis in the Chicken business unit in the previous financial year (R56,3 million headline earnings impact);
- A R64,0 million tax credit received in respect of a section 12L energy efficiency allowance in the previous financial year; and
- A R62,0 million provision for retrenchment costs in the Speciality business unit in the previous financial year related to the exit from the Prepared Lines at the Bronkhorstspruit site (R44,6 million headline earnings impact).

Excluding the above items, the EBITDA decline is 33.1% and headline earnings decline is 62.5%.

The severe decline in profitability in our Chicken and Sugar business units was an indicator of impairment and as a result the Chicken operations and assets across our sugar operations were tested for impairment.

The Group bases its impairment review on value-in-use calculations which involves discounting future cash flows expected to be generated at a cash-generating unit level. The operations within the RCL FOODS Group undergo an annual five-year business planning process culminating in a five-year business plan which is signed off by the RCL FOODS Board in November each year. The business plan includes projections on sales volumes, revenue, profitability and capital expenditures. The five-year cash flow forecast used to calculate the value-in-use is based on the five-year approved business plans. Forecasts beyond year five (terminal value) assumes the Group will maintain existing margins and volumes, with capital expenditures equal to asset depreciation. Growth beyond year five assumes only nominal growth from food price inflation, benchmarked to long-term inflation trends.

The reduced local market demand outlook for the sugar industry stemming from the implementation of sugar tax warranted a review to their five-year business plan during the year and has resulted in a significant reduction in forecast profitability. The reduced forecast cash flows for the Sugar CGU was the key driver behind an impairment of R761,9 million being recorded. In order for the impairment to reverse, there would need to be sustained turnaround in the local sugar market supporting an improvement in profitability going forward.

Loans granted to Siyathutuka Sugar Estate Proprietary Limited (Siyathutuka) and TSGRO Proprietary Limited (TSGRO) (refer note 5 of the consolidated financial statements), were assessed for impairment based on the requirements on IFRS 9's expected credit loss model. The Siyathutuka loan of R56,0 million is secured by a mortgage bond over the farming land. The Group obtained a valuation of the land from a professional valuator which indicated a fair value in excess of the loan balance outstanding and as a result no credit loss was recorded against this loan. TSGRO is a joint venture of the Group which provides farm management, development, engineering and procurement services to the small-scale sugarcane farmers. The Group has reviewed the financial results and forecasts of TSGRO and due to the expected depressed outlook for the local sugar market, and has recorded a R6,6 million expected credit loss provision against the outstanding loan balance of R42,2 million at year-end.

The Group has a 50% shareholding in three community-based cane-grower companies, which are consolidated for accounting purposes in terms of IFRS 10. The cane-grower companies are operated in partnership with the local Nkomazi community as part of the sustainable land reform drive. These companies rely on funding for working capital, replant and fixed asset investment in order to operate, with the proceeds from the sale of their harvested cane being used to repay the funds advanced. In recent years, the profitability and liquidity of these entities has declined significantly due to the drought and low world sugar prices, exacerbated in the current year by the negative impact of sugar tax on local market demand and higher sugar industry costs. Management continue to engage with government on the implementation of a long-term funding solution for the cane growers as well as with industry stakeholders on a sustainable and affordable local industry structure. The Group has reviewed the assets in these entities for impairment which resulted in deferred tax assets of R51,8 million relating to the temporary differences and assessed losses in these companies not being recognised in the current financial year.

No impairments were required for Chicken in the current financial year.

The annual impairment reviews conducted on our other cash-generating units that include goodwill and other indefinite life intangible assets did not require any impairments, although headroom in certain cash-generating units was reduced due to the current economic outlook.

FINANCE COSTS

The Group restructured its term-funded debt package in December 2018, down from R2 852,0 million to R2 350,0 million,with the R502,0 million reduction being settled from cash resources. Interest is payable at a rate of three-month JIBAR plus a margin of between 1.5% and 1.55%, compared to a rate of three-month JIBAR plus a margin of between 1.8% and 2.25% on the previous package. The Group has entered into a collar structure for R1 762,5 million of the total debt package to hedge interest rate variability, effective from 1 April 2019 to 31 March 2022.

Net finance costs increased R24,1 million (9.5%) on the prior year. The increase stems mainly from a negative R29,8 million fair value adjustment on the Group's interest rate collar hedges, included under finance costs. The decline in profitability and higher working capital requirements resulted in lower average cash balances over the year and negated most of the benefit from the reduced interest rates on the restructured debt package.

EQUITY ACCOUNTED INVESTMENTS

For a description of the main business operations of our joint ventures and associates refer to notes 3 and 4 of the consolidated financial statements available on our website at www.rclfoods.com

ASSOCIATES

Royal Swaziland Sugar Corporation (RSSC) (Eswatini)

RCL FOODS share of RSSC's after-tax results for the year ended June 2019 was up 69.2% to R86,1 million (2018: R50,9 million). RSSC is not regulated by SASA and as a consequence is not required to export its share of production on a quota basis into the low price international markets and does not participant in the sharing of SASA industry, transformation and association costs. As a result, RSSC was not as severely impacted by market conditions as our Sugar business unit, due to a higher share of sales into SACU and SADC markets at higher prices. Further contributing to their current year improvement was the restoration of ethanol volumes, which were impacted in 2018 by an explosion at the plant and higher sugar production volumes due to the continued recovery post the drought. The Group equity accounted 29.2% of RSSC's results for the full 12 months in 2019 following the acquisition of an addition 1.76% in December 2017.

L&A Logistics (L&A) (Zambia)

The Group acquired a 45.0% stake in L&A on 1 October 2018. L&A has a March year-end and due to the practicality of obtaining audited results timeously, their results have been accounted for three months in arrears. The Group has equity accounted six-months of L&A's results in the current year, an after-tax contribution of R0,2 million, with the result negatively impacted by the higher cost of imported products due to the devaluation of the Zambian Kwacha during the period.

HMH Rainbow (HMH) (Uganda)

Revenue and EBITDA increased largely due to higher volumes stemming from the additional chicken houses constructed, however, profit after tax declined as the additional houses resulted in higher depreciation charges and finance costs. Its after-tax contribution was a loss of R1,8 million (2018: R0,9 million profit).

JOINT VENTURES

Akwandze Agricultural Finance (Akwandze) and Mananga Sugar Packers (Mananga) (Eswatini)

Sugar & Milling's Akwandze and Mananga investments contributed a combined after-tax profit of R29,7 million for the 12 months to June 2019 (2018: R16,6 million), with the increase mainly due to higher sugar volumes processed in Mananga.

Senn Foods Logistics (Senn) (Botswana)

Senn delivered another sound performance driven by increased net revenue largely as a result of the take-on of new business. Its after-tax contribution was R13,6 million (2018: R11,7 million)

TAX

The Group's effective tax rate excluding joint ventures and associates was (1.0%) (2018: 21.2%). The current year rate was materially impacted by deferred tax assets not recognised in our 50% owned sugar cane-grower companies (R51,8 million tax impact) and a lower deferred tax asset raised for future tax deductions on the Group's share option schemes relating to unexercised share appreciation rights (SARs) and conditional shares (CSPs) awarded to employees (R38,9 million tax impact). Excluding the above items, the effective rate was 30.6%.

The decline in the RCL FOODS share price has reduced the intrinsic value (difference between RCL FOODS share price and award price) on awarded SARs and CSPs at year end. Due to the decrease in intrinsic value, a lower future tax deduction is expected when the SARs and CSPs are exercised, resulting in a reduction in deferred tax assets. The Group accounts for the SARs and CSPs as equity settled, and as a result has recorded a share-based payments expense of R139,1 million in the current year but without any corresponding tax impact.

The 2018 effective rate was reduced by the R64,0 million tax credit received in respect of a section 12L energy efficiency allowance and dormant farm sale profits which were taxed on a capital gains tax basis.

CFO'S REPORT CONTINUED

STATEMENT OF FINANCIAL POSITION

Key statement of financial position items are highlighted below.

NON-CURRENT ASSETS

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment decreased by R356,3 million with capital expenditure totalling R1 130,9 million for the year, offset by depreciation charges of R697,1 million and the Sugar impairment on property, plant and equipment of R743,9 million (of the total Sugar impairment of R761,9 million, R18,0 million related to goodwill).

Capital expenditure (including intangibles of R20,5 million) for the year ended June 2019 was R1 151,4 million (2018: R849,1 million). Major spend items included:

- Construction of the Rustenburg waste-to-value plant which forms part of the Group's overall sustainability strategy (R173,9 million);
- Cane replant and irrigation investments in the Sugar business unit (R41,3 million);
- Logistics fleet and infrastructure to build our frozen and super-frozen capabilities (R48,5 million);
- Spend to move the remaining Bronkhorstspruit operations to other Speciality sites, required as part of the decision taken to exit the Speciality Prepared Lines (R54,3 million);
- Investments behind high-pressure processing equipment that provides additional food safety measures for viennas (R24,0 million);
- Investments in the Pies business unit to support future growth (R22,6 million); and
- Hatchery infrastructure investments in the Chicken business unit (R22,8 million).

The remaining spend is largely made up of smaller items of less than R20,0 million.

An amount of R502,5 million (2018: R327,3 million) has been contracted and committed, but not spent, whilst a further R251,4 million (2018: R586,1 million) has been approved but not contracted. Major items included in these amounts relate to:

- Completion of the waste-to-value plant at our Rustenburg Chicken site (R126,1 million);
- Further investments within the Millbake business unit (R60,0 million);
- Further investments in the Pies business unit to support future growth (R55,6 million); and
- Cane replant and irrigation investments in the Sugar business unit (R41,2 million).

INVESTMENT IN ASSOCIATES AND JOINT VENTURES

Investment in associates increased by R86,5 million driven mainly by profits capitalised in RSSC of R86,1 million and the R40,6 million investment in L&A, partially offset by dividends received from RSSC of R42,8 million.

HELD-FOR-SALE ASSETS AND LIABILITIES

Assets held-for-sale in the current period relate mainly to the disposal of unutilised land in the Sugar business unit for which transfer is pending at year-end. The prior year included the Speciality business unit's Prepared Lines disposal group which has been disposed of in the current period. The proceeds on disposal are receivable over a two-year period to February 2021. An amount of R148,8 million is outstanding at year-end of which R72,5 million is reflected under non-current trade and other receivables and R76,3 million reflected under current trade and other receivables.

CURRENT ASSETS AND CURRENT LIABILITIES

Net working capital (including biological assets) has increased by R812,4 million over the comparative period and from 11.7% to 14.2% as a percentage of revenue.

Biological assets increased R59,1 million (7.3%) on the prior year due to higher year-on-year feed costs which drove a higher valuation of live birds.

Within our Sugar business unit, the sugarcane crop consists of cane roots and the sugarcane plants. The cane roots are classified as bearer plants and accounted for under property, plant and equipment. During the current financial year, the Group has capitalised R28,3 million in additions to bearer plants. The Group's policy on capitalisation of bearer plants costs is in line with IAS 16, with only costs directly attributable to the roots being capitalised and specifically excludes any administration and general overhead allocations. Sugarcane plants are classified as biological assets and accounted for at fair value. The determination of fair value takes into account the expected quantity of sucrose in the existing crop which is based on the tons of cane on hand and cane quality multiplied by the expected price to be realised at year-end. The Group applies a conservative approach in determining the expected quantity of sucrose in the crop, factoring in fallow areas, water availability based on rainfall trends, and using rolling average cane yields to prevent single period distortions. The published SASA recoverable value (RV price) is used as the benchmark expected price to be realised before adjusting for selling and distribution costs.

Inventory increased R181,9 million (6.2%) with the increase mainly driven by a higher chicken stock value, due to the increase in feed costs, as well as higher pet food stocks.

Trade and other receivables increased R348,1 million and from 17.3% to 17.8% of revenue, whilst trade and the payables decreased R223,3 million and from 20.9% to 18.9% of revenue. Trade and other receivables and payables balances in both the current and prior year were affected by the timing of the year-end cut-off falling over a weekend. A total of R238,1 million in receivables was received late post year-end cut-off in 2019 (2018: R542,7 million). A total of R277,7 million was paid late post the year-end cut-off in 2018 with a similar value paid late in 2019. Adjusting for the late receipts, trade and other receivables would have increased R652,7 million. The material increase in trade and other receivables was driven by:

- The take-on Siqalo Foods into the Vector Logistics principal network, which resulted in a R339,0 million increase in receivables (corresponding increase of R271,3 million in payables resulting from the take-on);
- R76,3 million in proceeds receivable related to the Prepared Lines disposal and;
- Higher revenue values in 2019 (total revenue up 5.5%) particularly in Animal Feed, without the corresponding increase in creditors noted, due to the majority of the Animal Feed creditors being commodity suppliers on shorter terms than our trade debtors.

The decrease in trade and other payables was largely due to a decrease in short-term funding received from the SASA within our Sugar business unit (R345,0 million lower than the prior year). The decrease stemmed from a lower annual receipt of funding at the end of sugar industry season in March 2019 and the prior year benefiting from SASA allowing extended payment terms on industry levy payments into our 2019 financial year due to the significant cash flow pressure experienced by the cane-growers following the prior year local market price decreases. The prior year also included a R62,0 million retrenchment provision related to the exit from the Speciality Prepared Lines which was settled in the current financial year.

Cash on hand net of overdrafts, has decreased from R1 263,4 million in 2018 to a net overdraft position of R110,4 million at the end of the 2019 financial year. The decrease was largely due to the lower profitability and higher working capital requirements, coupled with a R502,0 million pay down on the restructured term-funded debt package.

LONG- AND SHORT-TERM INTEREST-BEARING LIABILITIES

Total interest-bearing liabilities of R2 821,0 million are R427,7 million lower than last year with the decrease mainly due to the restructuring of the term-funded debt package. The total term-funded debt package reduced from R2 852,0 million to R2 350,0 million with the first capital payment of R112,5 million due in December 2021. Under the previous package an amount R1 097,0 million was due in February 2019 and was reflected under short-term interest-bearing liabilities. The restructuring of the term-funded debt package resulted in the decrease in short-term interest-bearing liabilities of R1 101,0 million and the total restructured package of R2 350,0 million being reflected under long-term interest-bearing liabilities.

OTHER NON-CURRENT LIABILITIES

Deferred tax liabilities of R1 211,7 million (2018: R1 253,6 million) arises from numerous temporary differences across the Group and has declined mainly due to the impairment in the Sugar CGU.

The post-retirement medical aid obligation of R126,6 million (2018: R135,1 million) arises from the actuarial valuation of the Group's potential liability resulting from post-retirement medical aid contributions in respect of current and future retirees. This liability is unfunded. The obligation of the Group to pay medical aid benefits after retirement is no longer part of the conditions of employment of the Group.

CASH FLOW AND WORKING CAPITAL

Cash generated by operations decreased R987,9 million (55.4%) to R796,7 million. The decrease was driven largely by the decline in operating profit and a R382,6 million increase in working capital requirements. The increase in working capital requirements largely related to the higher feed input costs which drove higher stock values over the year, and a higher net trade receivables/payables balance largely due to reduced short-term funding from SASA (down R345,0 million) and the settlement of once-off provisions in the current year (R62,0 million), as mentioned earlier. Due to the increase in working capital requirements, the cash conversion ratio decreased to 52% (2018: 87%).

Included in the non-cash items of R1 207,1 million are add-backs of depreciation, amortisation and impairment charges of R1 555,0 million and non-cash IFRS 2 and BEE charges of R156,7 million. These were offset by deductions of positive fair value adjustments on biological assets within the Chicken and Sugar business units of R43,9 million and R309,0 million respectively. Within the Sugar business unit, the entire biological assets balance is capitalised using a fair value adjustment, with the realisation of the prior year's biological assets expensed through cost of sales and reflected under working capital movements (R324,9 million), resulting in a net R15,9 million decrease in Sugar biological assets for the year.

Investing activities spend has increased by R245,4 million. Material items included within investing activities relate to capital expenditure (including intangibles) of R1 151,4 million (2018: R849,1 million) and proceeds on disposal of fixed assets and assets held-for-sale of R205,2 million (2018: R157,1 million).

Financing activities spend in the current year relates mainly to the R502,0 million repayment on restructuring on the term-funded debt package, offset partially by funding received for the Rustenburg waste-to-value project of R50,0 million from the outside shareholders of Matzonox Proprietary Limited, our waste-to-value subsidiary.

CFO'S REPORT CONTINUED

SUMMARISED CASH FLOW INFORMATION

R million	June 2019	June 2018
Opening balance*	**1 263,4**	1 053,8
Operating profit adjusted for non-cash flow items	**1 177,8**	1 783,0
Working capital changes	**(381,0)**	1,6
Net finance costs paid	**(257,3)**	(257,9)
Tax paid	**(133,2)**	(180,4)
Dividends paid	**(348,6)**	(304,6)
Dividends received	**50,2**	62,4
Capital expenditure (including intangibles)	**(1 151,4)**	(849,1)
Proceeds on disposal assets held-for-sale	**183,9**	41,6
Acquisition of Driehoek Voere	**(60,9)**	
Acquisition of Matzonox		(56,3)
Investment in associate (2019; L&A, 2018: RSSC)	**(40,6)**	(26,4)
Proceeds on sale of property, plant and equipment	**21,3**	115,5
Interest-bearing liabilities	**(427,7)**	(56,5)
Other	**(6,3)**	(63,3)
Closing balance*	**(110,4)**	1 263,4

** Net of overdrafts*

RETURN ON INVESTED CAPITAL (ROIC)

The Group makes use of ROIC to assess the efficiency in allocating the capital under its control to profitable operations. The ratio is calculated by dividing net operating profit after tax by invested capital (which excludes net cash, investments in joint ventures and associates and other non-operating assets). The Group monitors ROIC at a business unit level and is a key metric used in allocating resources between business units as part of the annual business planning process, in order to optimise the use of funding and maximise returns to shareholders and debt providers. The 2019 Group ROIC has decreased 8.9ppts from 8.1% to negative 0.8%. The decline in ROIC was largely attributable to the lower profits (including the Sugar impairment).

%	June 2019	June 2018
Group*	**(0.8)**	8.1
Consumer	**6.4**	9.1
Sugar & Milling*	**(8.9)**	7.8
Logistics	**2.5**	13.0

** Materially impacted by Sugar impairment, excluding which Sugar & Milling ROIC would be 1.1% and the Group ROIC 3.4%.*

ACCOUNTING POLICIES

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

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

The Group has adopted IFRS 15 "Revenue from contracts with customers" and IFRS 9 "Financial instruments" in the current financial year and will adopt IFRS 16 "Leases" from 1 July 2019. The impact of the adoption of these standards are illustrated in the Annual Financial Statements available on our website www.rclfoods.com/financial-results-and-investor-presentations-2019

PRESENTATION DATE OF RESULTS

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

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

The financial statements and results for 2019 are presented for the 364-day period ended 30 June 2019, compared to a 364-day period in the previous financial year which ended on 1 July 2018.

CASH DIVIDEND DECLARATION

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

The directors have resolved to declare a final gross cash dividend (number 89) of 10,0 cents per share bringing the total dividend declared for the year ended June 2019 to 25,0 cents per share (2018: 40,0 cents). Dividend tax will amount to 2,0 cents per share and consequently shareholders, who are not exempt from dividend tax, will receive a net dividend amount of 8,0 cents per share.

FINANCIAL STRATEGY

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

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

ONE Shared Services

During the current financial year, the Group continued to expand its shared services hub for the fixed assets, creditors and sales administration finance functions for the business units that are currently on SAP, through the implementation of centralised structures and appointing a single point of oversight. This has allowed us to enforce alignment on best practice policies and processes across the Group and provides the foundation for the evaluation and adoption of artificial intelligence tools in these functions going forward. The shared services platform we have built over the past few years enabled us to migrate Siqalo Foods seamlessly onto RCL FOODS best practice finance processes and procedures as part of our management of their shared service functions.

ERP Systems implementation

SAP was successfully rolled out to the Speciality business unit in July 2018. Benefits have already been seen in the inventory management processes through SAP bringing transparency in a more efficient manner to inventory production and consumption and greater insight on new product development/innovation currently in production.

The project to consolidate all bakeries within the Baking operations onto a single Syspro instance has progressed well during the 2019 year with the Nelspruit, Bushbuckridge, Tzaneen and Gauteng bakeries going live.

With the further alignment of the Group's ERP systems, the Group's centralised Master Data team have been able to align the additional ERP information data on a centralised masterdata hub. One of the key benefits derived has been the consistency in standard header information loaded for order-to-cash and procure-to-pay records across the Group. This has improved the efficiency of reporting and analysis through the on-demand availability of consistent sales and profitability information on a customer basis and total spend by vendor across our divisions. The masterdata hub has also improved the enforcement of standardised payment terms across our vendor population, which has allowed us to better manage our working capital and short-term cash requirements across the Group.

STRATEGIC SOURCING

Group Strategic Sourcing works with the various business units across the Group to identify spend savings opportunities, investigate the total cost of ownership of that value spend and then collaborate with supplier partners to leverage and reduce the cost to the Group. SAP ERP Contract Management systems are used for all business units on SAP ERP with a targeted 85% of the total value spent being contract managed. Alternative manual contract management systems are relied on where the existing ERP systems have not been replaced with SAP ERP contract management. Group Master Data has been working with these non-SAP ERP business units to help align their spend materials to the Group listed SAP materials, so that the Group will still be able to analyse spend by material irrespective of what ERP system it transacts on. Contract management has assisted the Group in driving cost savings through leveraging consolidated purchasing power, optimising the number of vendors and reducing non-contracted spend.

All existing Group suppliers are vetted on their B-BBEE accreditation and are encouraged to improve their scoring, else the Group will utilise alternative suppliers who are able to meet the B-BEEE accreditation, provided they are able to meet quality and service delivery requirements and are competitive in terms of price. In respect of new tendered spend, the B-BBEE score of the respective tenderers' accounts for more than 20% of the matrix score.

INFORMATION SECURITY

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

In response to the heightened level of information security risk, the Group established a project team in 2017 to perform a holistic review and assessment of information security risk across the Group. The approach used ensures that business users are made aware of all the risks associated with all the information they collate, change, store, share and manage. This culminated in a formal Group-wide information security policy, encompassing our information security approach and strategy and ensures compliance with the Protection of Personal Information Act.

The Group did not identify any material information security breaches in the current financial year. Cyber insurance cover has been renewed and is available in the event of a financial loss resulting from an information security breach subject to the terms of the policy. The Group has robust disaster recovery plans and backup strategies in place to ensure the availability of systems and data in the event of a disaster. These plans are tested on a regular basis.

INSURANCE

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

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

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

Globally, the insurance market has remained under pressure due to high claim values in recent years which have depleted reserves. The Group's insurance renewals have seen significant increases in premiums and deductibles as insurers look to limit exposure.

Major insurance events in the 2019 financial year included a fire at the Pies bakery for which proceeds of R9,8 million were received. No further insurance recoveries were received in the current year in respect of the losses that stemmed from Listeriosis in the prior financial year, however discussions with our legal advisors and insurers are on-going.

The Group has comprehensive risk management processes in place and continues to work in conjunction with insurers in maintaining acceptable levels of insurance cover. In the current financial year, R32,5 million in fire safety investments was made whilst an additional R0,8 million was spent on fire prevention training across our sites. Increased awareness around the Tip-offs anonymous line and fraud indicators is being driven through Group-wide communications that is in the process of being rolled out.

Refer to Our Material Risks section from page 16 for a discussion over our material risks and responses.

BEE SCHEME

A new BEE scheme was implemented in January 2014, the details of which are set-out in note 32 of the consolidated financial statements. A pre-requisite for the scheme to deliver value to its participants was for the RCL FOODS share price of R17.32 at implementation date to grow by a factor linked to the prime interest rate. Due to the ongoing challenges experienced in the poultry market resulting from dumping and the recent challenges experienced in the local sugar market, as highlighted in the Chairman's report from page 46, the Group has not seen the anticipated growth in share price. As a result, the current BEE scheme is significantly underwater and is unlikely to deliver any value to participants.

CENTRAL TREASURY AND DEBT REFINANCE

The inheritance of significant debt levels through the Foodcorp acquisition led to an increased focus on gearing and cash flow management and the subsequent establishment of a centralised treasury function. The treasury function is our single point of reference with funders and is tasked with minimising our cost of funding across the Group.

The objective of the centralised treasury function is to:

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

In order to optimise the achievement of the above objectives, the Group implemented a cash and treasury management system (Kyriba) in the previous financial year. Kyriba has provided a central repository for the recording of daily cash requirements and foreign currency transactions across the Group. Kyriba has improved controls over the monitoring of cash requirements and optimal use of foreign currency instruments across the Group, whilst also driving more efficient reporting in these areas.

OUR DEBT HISTORY

The Group acquired R5,5 billion in Euro-denominated debt through the Foodcorp acquisition in 2013. In the 2015 financial year, the Euro debt was replaced with a R4,5 billion bridging loan, before being replaced with a R3,35 billion long-term term-funded debt package. During the previous financial year, the Group repaid the revolving credit facility portion of the debt package of R498,0 million from available cash resources. In the current financial year, the Group restructured its term-funded debt package to take advantage of favourable capital market conditions.

The restructuring resulted in the existing remaining package of R2 852,0 million being replaced with a R2 350,0 million debt package, with the R502,0 million reduction being settled from cash resources. 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% and 1.55%, compared to a rate of three-month JIBAR plus a margin of 1.8% and 2.25% on the previous package. The first capital payment on the new debt package is due in December 2021. The Group has entered into a collar structure for R1 762,5 million of the total debt package to hedge interest rate variability, effective from 1 April 2019 to 31 March 2022.

Key covenants on the current debt package are net interest-bearing senior debt/pre-IFRS 9 commodity adjustments headline EBITDA cover ratio of less than 3.0 and a senior interest cover ratio of greater than 3.5. All covenants have been met in the 2019 financial year.

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

Term	Value Rm	Year 1* (Dec 2019)	Year 2 (Dec 2020)	Year 3 (Dec 2021)	Year 4** (Dec 2022)	Year 5 (Dec 2023)
5 year	837.50					
RCF	837.50					
4 year	281.25					
RCF	281.25					
3 year	56.25					
RCF	56.25					
Total	2 350					
Hedged		75%	75%	75%	75%	0%

Hedged 3M Jibar (collar with a 7.0% floor and 8.5% cap)

Unhedged

Partial hedge (50%)

* *Hedged commences 1 April 2019*

** *Hedge ends 31 March 2022*

CONCLUSION

The 2019 financial year has been challenging as reflected in the financial results and the impairments that were required.

Significant focus is being placed on cash management given the challenges in Sugar and decline in cash resources at year-end, through working capital management and tighter control over capital expenditures.

Despite the decline in profitability, the Group has maintained the strength of its balance sheet, whilst reducing our long-term debt exposure in the current year. Good strides were made on our shared services journey and we are confident that the structures put in place will drive financial insights, efficiencies and improved governance across the Group going forward.

RH Field
Chief Financial Officer

DEFINITIONS AND RATIOS

SHAREHOLDER RATIOS

EARNINGS PER SHARE

Profit for the year attributable to equity holders of the Company divided by weighted average ordinary shares in issue

DILUTED EARNINGS PER SHARE

Profit for the year attributable to equity holders of the Company divided by diluted weighted average ordinary shares in issue

HEADLINE EARNINGS PER SHARE

Headline earnings divided by weighted average ordinary shares in issue

DIVIDEND COVER

Headline earnings per share divided by dividends per share

NET ASSET VALUE PER SHARE

Total equity divided by ordinary shares in issue at year-end

RESULTS RATIOS

EBITDA MARGIN

EBITDA expressed as a percentage of revenue

OPERATING PROFIT MARGIN

Operating profit expressed as a percentage of revenue

RETURN ON NET ASSETS

Profit before tax, expressed as a percentage of net assets

NET ASSET TURNOVER

Revenue divided by net assets

RETURN ON INVESTED CAPITAL

Net operating profit after tax divided by invested capital

STATEMENT OF FINANCIAL POSITION

TOTAL ASSETS

Non-current and current assets

TOTAL LIABILITIES

Non-current and current liabilities

NET ASSETS

Total assets less total liabilities

INVESTED CAPITAL

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

INCOME STATEMENT

OPERATING PROFIT BEFORE DEPRECIATION, AMORTISATION AND IMPAIRMENT (EBITDA)

Operating profit before depreciation, amortisation and impairment is earnings before depreciation, amortisation, impairments of property, plant and equipment and intangible assets, interest and tax

OPERATING PROFIT (EBIT)

Operating profit is earnings before interest and tax

RETURN ON EQUITY

Profit attributable to equity holders of the Company expressed as a percentage of average total equity

SHARE INFORMATION

PE RATIO

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

DEBT RATIOS

NET SENIOR DEBT

Total unsubordinated debt less cash and cash equivalents

SENIOR LEVERAGE RATIO

Net senior debt divided by pre-IFRS 9 commodity adjustments, headline earnings before interest, tax, depreciation, amortisation and impairment.

SENIOR INTEREST COVER RATIO

Pre-IFRS 9 commodity adjustments, headline earnings before interest, tax, depreciation, amortisation and impairment divided by senior net finance charges.

SENIOR NET FINANCE CHARGES

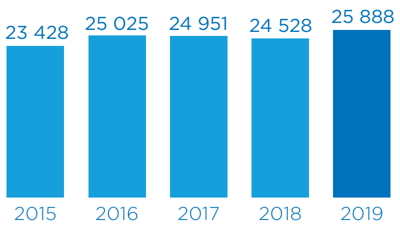
Finance charges on unsubordinated debt less interest income

GEARING RATIO

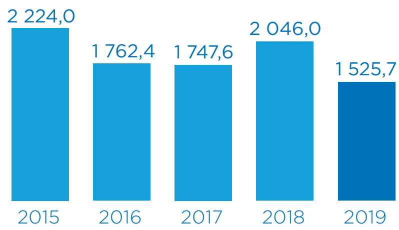
Total interest-bearing liabilities as a percentage of total equity

FIVE-YEAR REVIEW

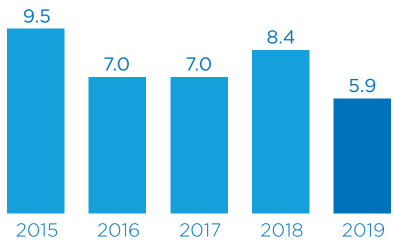
REVENUE (R million)



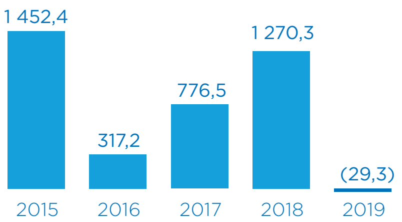
EBITDA (R million)



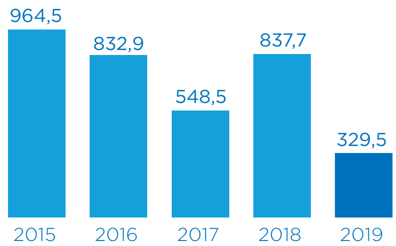
EBITDA MARGIN (%)



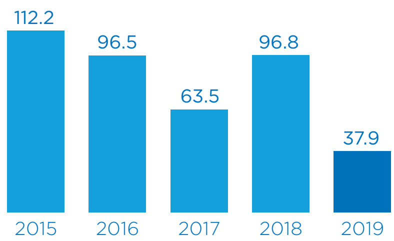
EBIT (R million)



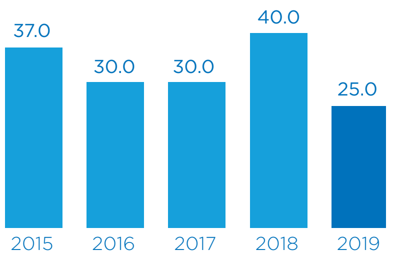
HEADLINE EARNINGS from continuing operations attributable to equity holders of the Company (R million)



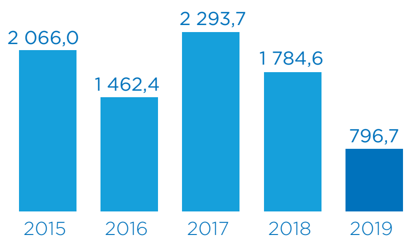
HEADLINE EARNINGS PER SHARE from continuing operations attributable to equity holders of the Company (cents)



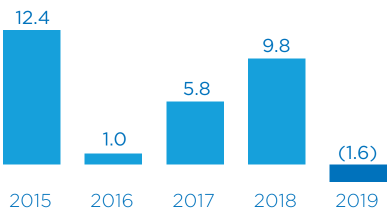
DIVIDENDS PER SHARE (cents)



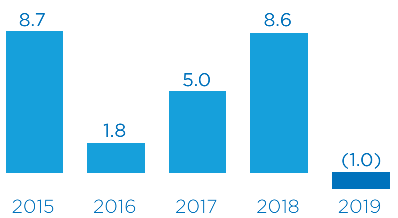
CASH GENERATED BY OPERATIONS (R million)



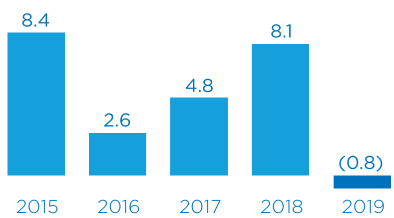
RETURN ON NET ASSETS (%)



RETURN ON EQUITY (%)



RETURN ON INVESTED CAPITAL (%)



FIVE-YEAR REVIEW CONTINUED

	2019 R'000	2018 R'000	2017 R'000	2016 R'000	2015 R'000
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION					
ASSETS					
Property, plant and equipment	**5 566 523**	5 922 829	5 720 285	5 903 566	5 461 690
Intangible assets	**4 639 232**	4 695 990	4 881 405	4 942 492	5 675 862
Investment in joint ventures	**288 241**	248 570	227 366	206 036	416 626
Investment in associates	**612 918**	526 437	513 323	485 054	406 250
Deferred income tax asset	**71 400**	28 448	6 876	19 658	8 320
Loans receivable	**91 561**	35 920	1 555	1 555	1 555
Trade and other receivables	**127 025**	58 010	12 788	12 288	
Current assets	**9 009 967**	9 475 093	8 144 716	8 659 127	7 722 892
Total assets	**20 406 868**	20 991 297	19 508 314	20 229 776	19 693 195
EQUITY AND LIABILITIES					
Equity	**10 834 026**	11 179 703	10 386 753	10 046 256	10 113 499
Deferred income		22	141	734	1 849
Interest-bearing liabilities	**2 639 363**	1 965 983	3 078 822	3 598 846	3 511 271
Deferred income tax liabilities	**1 211 607**	1 253 584	1 248 056	1 352 915	1 458 933
Retirement benefit obligations	**126 590**	135 072	136 668	165 354	187 656
Trade and other payables	**6 326**	6 410	3 157	5 716	8 567
Current liabilities	**5 588 956**	6 450 523	4 654 717	5 059 955	4 411 420
Total equity and liabilities	**20 406 868**	20 991 297	19 508 314	20 229 776	19 693 195
CONSOLIDATED INCOME STATEMENTS					
Continuing operations					
Revenue	**25 887 506**	24 527 961	24 950 655	25 025 159	23 428 206
Operating profit before depreciation, amortisation and impairment (EBITDA)	**1 525 659**	2 045 984	1 747 633	1 762 387	2 224 045
Depreciation, amortisation and impairment	**(1 554 986)**	(775 640)	(971 125)	(1 445 222)	(771 654)
Operating profit	**(29 327)**	1 270 344	776 508	317 165	1 452 391
Finance costs	**(325 201)**	(315 104)	(373 741)	(365 194)	(373 607)
Finance income	**48 585**	62 624	40 999	38 361	52 056
Share of profits of joint ventures	**43 318**	28 268	48 577	44 527	38 004
Share of profits of associates	**84 523**	51 834	109 516	64 796	84 178
(Loss)/profit before tax	**(178 102)**	1 097 966	601 859	99 655	1 253 022
Income tax expense	**(5 860)**	(219 589)	(125 552)	82 986	(359 160)
(Loss)/profit for the year from continuing operations	**(183 962)**	878 377	476 307	182 641	893 862
(Loss)/profit for the year from discontinued operation					(31 905)
(Loss)/profit for the year	**(183 962)**	878 377	476 307	182 641	861 957
(Loss)/profit for the year attributable to:					
Equity holders of the Company	**(110 541)**	922 439	515 657	182 022	848 121
Non-controlling interests	**(73 421)**	(44 062)	(39 350)	619	13 836

		2019	2018	2017	2016	2015
KEY STATISTICS						
Earnings per share from continuing operations	cents	**(12,7)**	106,6	59,7	21,1	102,4
Diluted earnings per share from continuing operations	cents	**(12,5)**	104,1	59,2	21,0	101,7
Headline earnings per share from continuing operations	cents	**37,9**	96,8	63,5	96,5	112,2
Dividends per share	cents	**25,0**	40,0	30,0	30,0	37,0
Dividend cover	times	**1,5**	2,4	2,1	3,2	3,0
Cash generated by operations	R million	**797**	1 785	2 294	1 462	2 066
Capital expenditure (excluding intangibles)	R million	**1 131**	815	793	1 035	757
Net assets	R million	**10 834**	11 180	10 387	10 046	10 113
Net asset value per share	cents	**1 245,1**	1 289,0	1 201,0	1 163,2	1 173,9
RESULTS RATIOS						
EBITDA margin	%	**5.9**	8.4	7.0	7.0	9.5
Operating profit margin	%	**(0.1)**	5.2	3.1	1.3	6.2
Return on net assets	%	**(1.6)**	9.8	5.8	1.0	12.4
Net asset turnover	times	**2,4**	2,2	2,4	2,5	2,3
Return on equity	%	**(1.0)**	8.6	5.0	1.8	8.7
Return on invested capital	%	**(0.8)**	8.1	4.8	2.6	8.4
DEBT RATIOS						
Senior leverage ratio	times	**2,3**	1,1	1,4	1,8	1,3
Senior interest cover ratio	times	**4,8**	7,4	5,0	5,8	6,6
Gearing ratio	%	**26.0**	29.1	31.8	36.9	34.7
SHARE INFORMATION						
Number of ordinary shares						
– weighted average in issue*	000	**868 897**	865 649	864 167	862 739	859 611
– diluted weighted average in issue*	000	**883 210**	886 486	870 908	864 727	865 355
– at year-end (statutory, includes BEE shares)	000	**940 902**	938 087	935 566	934 410	932 325
– at year-end (for accounting purposes)*	000	**870 143**	867 328	864 807	863 651	861 566

* *Excludes shares issued in terms of the BEE schemes, refer to note 32 of the consolidated financial statements.*

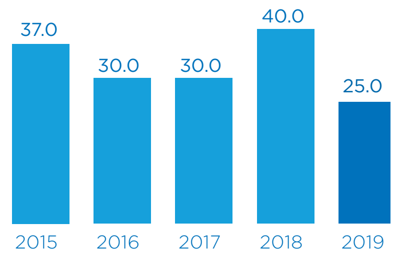
For further details pertaining to shareholder information refer to note 11 of the consolidated financial statements.

Consolidated financial statements are included in the Annual Financial Statements available on our website at www.rclfoods.com/financial-results-and-investor-presentations-2019

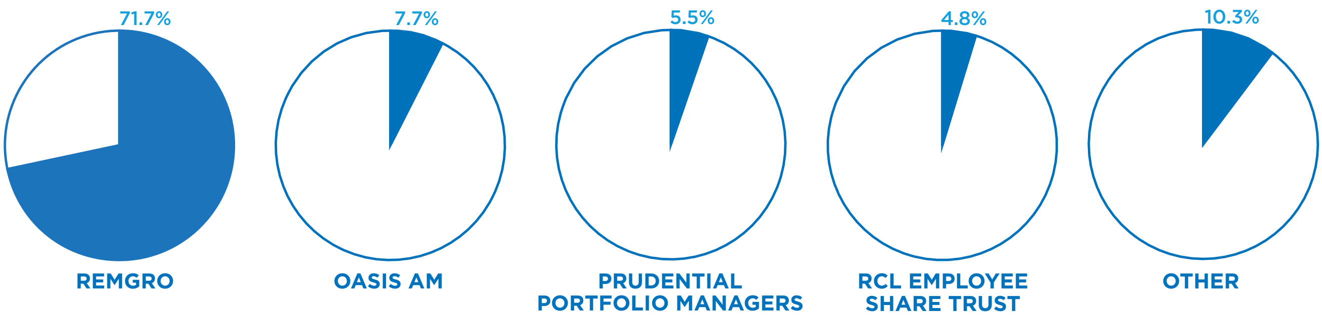
SHAREHOLDER INFORMATION

RCL FOODS SHARE PRICE (cents)

DIVIDENDS PER SHARE (cents)



SHAREHOLDERS



STOCK EXCHANGE PERFORMANCE

12 months		**June 2019**	June 2018
Share price			
– lowest	cents	**1 100**	1 363
– highest	cents	**1 825**	1 995
– at year-end	cents	**1 180**	1 728
Number of shares traded	million	**42,4**	77,6
Value traded	R million	**651,9**	1 210,9
Number of shares in issue at year-end	’000	**940 902**	938 087
PE ratio at year-end		**31,1**	17,9
Market capitalisation	R billion	**11,1**	16,2

LISTING INFORMATION

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

REPORTING DATES

Interim results:	February 2020
Year-end results:	August 2020
Annual report published:	September 2020
Annual General Meeting:	November 2020

ENVIRONMENTAL AND SOCIAL REVIEW

		June 2019	June 2018
ENVIRONMENTAL PERFORMANCE INDICATORS			
Water consumption	Mℓ	**5 739**	5 972
Energy consumption:			
– electricity (Eskom)	GWh	**511**	526
– electricity (own generation)	GWh	**207**	178
– coal	tons	**176 540**	173 455
– gas	kℓ	**3 356**	3 126
– diesel	kℓ	**18 957**	16 456
Recycled waste products:			
– cardboard waste (includes paper)	tons	**3 314**	1 529
– plastic waste	tons	**429**	654
– scrap metal and timber	tons	**567**	319
– treated water discharged to municipality	kℓ	**2 523 503**	2 508 360
– treated water as a percentage of total water consumption	%	**44**	42
Non-compliance, prosecution and fines	R'000	**1 659**	1 392
SOCIAL PERFORMANCE INDICATORS			
Full-time employees		**21 046**	20 581
Net full-time employees increase		**465**	470
Bargaining unit employees	%	**75**	76
Training expenditure	Rm	**44,4**	39,9
Disabling incident frequency rate:			
– Consumer		**1,17**	1,16
– Sugar & Milling		**1,07**	1,1
– Logistics		**1,04**	1,8
Number of working days lost through strike action		**2**	8

ABRIDGED FINANCIAL STATEMENTS 2019

REGULATORY APPROVALS

ABRIDGED FINANCIAL STATEMENTS

SHAREHOLDER INFORMATION

RCL FOODS LIMITED
Ten The Boulevard
Westway Office Park
Westville
3629

Dear shareholder,

Kindly note that the information contained in this printed version of the Abridged Integrated Annual Report represents a summary of the information contained in the full Integrated Annual Report published on the RCL FOODS website at www.rclfoods.com/financial-results-and-investor-presentations-2019, on 30 September 2019.

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

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

Yours faithfully

JJ Durand
Non-executive Chairman

CHAIRMAN J.J. Durand **CHIEF EXECUTIVE OFFICER** M. Dally **DIRECTORS** H.J. Carse, R.H. Field, C.J. Hess, P.R. Louw, N.P. Mageza, P.M. Moumakwa, D.T.V. Msibi, M.M. Nhlanhla, P.J. Neethling*
R.V. Smither, G.M. Steyn, G.C. Zondi **HEAD OFFICE** Ten The Boulevard • Westway Office Park • Westville • 3629 • **PO Box** 2734 • Westway Office Park • 3635 KZN • South Africa
TEL +27 31 242 8600 **RCL FOODS LIMITED REGISTRATION NO.** 1966/004972/06

*ALTERNATE DIRECTOR

REPORT OF THE AUDIT COMMITTEE

FOR THE YEAR ENDED JUNE 2019

REPORT OF THE AUDIT COMMITTEE

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 included in the Annual Financial Statements available on our website at www.rclfoods.com/financial-results-and-investor-presentations-2019, 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 Listing's Requirements and that the designated registered auditor is within their tenure and rotation requirements.

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

During the period, PwC provided certain non-audit services, including tax services and agreed-upon procedures compliance audits. Total fees incurred during the 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

ABRIDGED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June 2019 R'000	1 July 2018 R'000
ASSETS		
Non-current assets		
Property, plant and equipment	**5 566 523**	5 922 829
Intangible assets	**2 102 156**	2 162 828
Investment in joint ventures	**288 241**	248 570
Investment in associates	**612 918**	526 437
Deferred income tax asset	**71 400**	28 448
Loans receivable	**91 561**	35 920
Trade and other receivables	**127 025**	58 010
Goodwill	**2 537 076**	2 533 162
	11 396 900	11 516 204
Current assets		
Inventories	**3 108 568**	2 926 748
Biological assets	**866 493**	807 331
Trade and other receivables	**4 602 122**	4 254 014
Derivative financial instruments	**4 644**	5 031
Tax receivable	**46 213**	32 953
Loans receivable	**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	**2 585**	156 580
Total assets	**20 406 868**	20 991 297
EQUITY		
Capital and reserves	**10 834 026**	11 179 703
LIABILITIES		
Non-current liabilities		
Deferred income		22
Interest-bearing liabilities	**2 639 363**	1 965 983
Deferred income tax liabilities	**1 211 607**	1 253 584
Retirement benefit obligations	**126 590**	135 072
Trade and other payables	**6 326**	6 410
	3 983 886	3 361 071
Current liabilities		
Trade and other payables	**4 893 301**	5 116 615
Deferred income	**3 970**	7 835
Interest-bearing liabilities	**181 634**	1 282 673
Derivative financial instruments	**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

ABRIDGED CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED JUNE 2019

		June 2019 R'000	June 2018 R'000
Revenue from contracts with customers*		**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		**(761 912)**	
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
Share of profits of associates		**84 523**	51 834
(Loss)/profit before tax		**(178 102)**	1 097 966
Income tax expense		**(5 860)**	(219 589)
(Loss)/profit for the period		**(183 962)**	878 377
Attributable to:			
Equity holders of the Company		**(110 541)**	922 439
Non-controlling interests		**(73 421)**	(44 062)
HEADLINE EARNINGS			
(Loss)/profit for the year attributable to equity holders of the Company		**(110 541)**	922 439
Profit on disposal of property, plant and equipment and assets held-for-sale		**(93 957)**	(77 583)
Insurance proceeds		**(19 833)**	(11 931)
Impairments		**553 820**	6 107
Insurance proceeds included in equity-accounted earnings of associates			(2 344)
Loss on disposal of property, plant and equipment included in equity-accounted earnings of associates			1 047
Headline earnings		**329 489**	837 735
Earnings per share attributable to equity holders of the Company			
Basic earnings per share	(cents)	**(12,7)**	106,6
Basic earnings per share – diluted	(cents)	**(12,5)**	104,1
Headline earnings per share	(cents)	**37,9**	96,8
Headline earnings per share – diluted	(cents)	**37,3**	94,5

* *Revenue for 2018 has been restated due to a classification error identified on implementation of IFRS 15, "Revenue from Contracts with Customers".*

** *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.*

ABRIDGED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 2019

	June 2019 R'000	June 2018 R'000
(Loss)/profit for the period	**(183 962)**	878 377
Other comprehensive income		
Items that will not be reclassified to profit and loss		
Remeasurement of retirement medical aid obligations – net of tax	**12 275**	9 041
Share of associates other comprehensive income	**2 244**	(664)
Items that may subsequently be reclassified to profit and loss		
Cash flow hedges – net of tax		(467)
Currency translation differences	**5 637**	(10 011)
Other comprehensive income/(loss) for the year – net of tax	**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

ABRIDGED CONSOLIDATED CASH FLOW INFORMATION

FOR THE YEAR ENDED JUNE 2019

	June 2019 R'000	June 2018 R'000
Operating profit	**(29 327)**	1 270 344
Non-cash items	**1 207 100**	512 686
Operating profit before working capital requirements	**1 177 773**	1 783 030
Working capital requirements	**(381 029)**	1 587
Cash generated by operations	**796 743**	1 784 617
Net finance cost	**(257 344)**	(257 901)
Tax paid	**(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)
Cash outflows 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	**(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 outflows from financing activities		
Repayment of interest-bearing liabilities	**(554 726)**	(189 389)
Advances of interest-bearing liabilities	**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	**(110 378)**	1 263 364

ABRIDGED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 2019

	Attributable to the equity holders of the Company							
	Stated capital R'000	Other reserves R'000	Common control reserve R'000	Share-based payments R'000	Retained earnings R'000	Controlling interest total R'000	Non-controlling interest R'000	Total R'000
Balance at 2 July 2017	10 041 690	4 672	(1 919 832)	513 536	1 708 703	10 348 769	37 984	10 386 753
Profit/(loss) for the period					922 439	922 439	(44 062)	878 377
Other comprehensive income for the period		(10 478)			8 377	(2 101)		(2 101)
Acquisition of subsidiary							56 349	56 349
Ordinary dividend paid					(303 068)	(303 068)	(1 542)	(304 610)
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 tax on share-based payments				13 005		13 005		13 005
Exercise of employee share awards	45 551			(45 551)				
Balance at 1 July 2018	10 087 241	(5 806)	(1 919 832)	632 920	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	(5 806)	(1 919 832)	632 920	2 330 163	11 124 686	48 570	11 173 256
Loss for the period					**(110 541)**	**(110 541)**	**(73 421)**	**(183 962)**
Other comprehensive income for the period		**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 dividend paid					**(347 360)**	**(347 360)**	**(1 250)**	**(348 610)**
Balance at 30 June 2019	**10 134 574**	**(169)**	**(1 919 832)**	**729 273**	**1 886 781**	**10 830 626**	**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.*

SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 2019

		June 2019 R'000	June 2018 R'000
Capital expenditure contracted and committed		**502 490**	327 259
Capital expenditure approved but not contracted		**251 402**	586 140
Additions due to replacement of property, plant and equipment		**(464 660)**	(521 798)
Additions due to expansion of property, plant and equipment		**(666 206)**	(293 150)
Intangible asset additions		**(20 504)**	(34 108)
Amount expensed as write-down to net realisable value		**71 944**	65 026
Statistics			
Statutory ordinary shares in issue (includes BEE shares)	(000's)	**940 902**	938 087
Ordinary shares in issue for accounting purposes	(000's)	**870 143**	867 328
Weighted average ordinary shares in issue	(000's)	**868 897**	865 649
Diluted weighted average ordinary shares in issue	(000's)	**883 210**	886 486
Net asset value per share	(cents)	**1 245,1**	1 289,0
Ordinary dividends per share:			
Interim dividend paid	(cents)	**15,0**	15,0
Final dividend declared/paid	(cents)	**10,0**	25,0
Total dividends	(cents)	**25,0**	30,0

ABRIDGED SEGMENTAL ANALYSIS

FOR THE YEAR ENDED JUNE 2019

	June 2019 R'000	June 2018 R'000
Revenue*	**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)	**1 525 659**	2 045 984
Consumer	**853 885**	985 205
Sugar & Milling	**518 265**	869 037
Logistics	**118 504**	204 341
Group+	**35 005**	(12 599)
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
Unallocated Group assets^	**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
Unallocated Group liabilities^	**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".*

\# *Group revenue relates to management fees earned for shared services performed for Siqalo Foods.*

< *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 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.*

^ *Includes assets and liabilities of the Group treasury and shared service companies, waste-to-value operation and consolidation entries.*

1. BASIS OF PREPARATION

The Abridged Consolidated Annual Financial Statements have been extracted from the Audited Annual Financial Statements for the year ended June 2019, available at www.rclfoods.com/financial-results-and-investor-presentations-2019
The Abridged Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the information required by IAS 34 (Interim Financial Reporting), IFRIC interpretations, SAICA financial reporting guides and in compliance with 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). The accounting policies comply with IFRS and are consistent with those applied in the previous year and corresponding interim period, except for the adoption of IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from contracts with customers'.

2. 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**
	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
	12 708	972	11 962	674	26 316

* *Bonus payments 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)		
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 Consultancy Proprietary Limited.*

2. DIRECTORS' EMOLUMENTS CONTINUED

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

Share appreciation rights awarded to executive directors and unexpired or unexercised as at June 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	
		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	
		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		
		6 242 251	1 284 422	(1 482 689)	6 043 984	18 886	1 153 912	4 941
RH Field	16,45	364 999		(364 999)				373
	13,20	374 505		(123 586)	250 919	649	250 919	687
	16,54	621 765			621 765	2 031	410 364	
	15,93	559 397			559 397	1 522	184 601	
	15,92	319 448			319 448	1 003		
	14,05	1 087 325			1 087 325	3 327		
	15,36		669 653		669 653	2 277		
		3 327 439	669 653	(488 585)	3 508 507	10 808	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 all rights outstanding at the end of the year. This cost will be expensed over the rights' vesting period.*

2. DIRECTORS' EMOLUMENTS CONTINUED

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

	Conditional shares at June 2018	Conditional shares settled during the year	Conditional shares forfeited during the year	Conditional shares at June 2019	Fair value of rights awarded* R'000	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 all rights outstanding at the end of the year. This cost will be expensed over the rights' vesting period.*

Interests of directors of the Company in stated capital

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

	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
	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 interest 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.

2. DIRECTORS' EMOLUMENTS CONTINUED

Directors' emoluments paid by Remgro Limited

	Fees R'000	Salaries R'000	Retirement fund R'000	Other benefits* R'000	Total R'000
June 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.*

2. DIRECTORS' EMOLUMENTS CONTINUED

Variable pay – long-term incentive plans

Remgro Equity Settled Share Appreciation Right's 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
	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 will be expensed over the rights' vesting period.*

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

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

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	Grant date fair value of CSPs* 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

	2019 R'000	2018 R'000
3. 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
4. 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
	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
	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 institutional borrowings approximates their fair values.

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 the loan approximates its fair value.

4. INTEREST-BEARING LIABILITIES CONTINUED

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:

	Amount R'000	Term years	Effective interest rate
Type			
Facility A	1 175 000	5 years	8.39%
Facility B	1 175 000	5 years	8.36%
Total	2 350 000		

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

	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 ratio	>3.50 :1	>3,5:1

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

4. INTEREST-BEARING LIABILITIES CONTINUED

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 approximates their fair values.

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 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. 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 approximates their fair values.

5. SUGAR IMPAIRMENT

During the current financial year, a total impairment of R761,9 million was recognised within the Sugar cash-generating unit (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 stated below. 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.

		2019 R'000
The impairment recognised in the respective categories of property, plant and equipment and intangible assets is as follows:		
Property, plant and equipment		
Land and buildings		54 258
Plant, equipment and furniture		689 676
Intangible assets		
Goodwill		17 978
		761 912
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	(%)	+2
– Impairment	(Rm)	170,1
Perpetuity growth rate		
– Movement	(%)	(0.5)
– 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 cash-generating unit.*

6. RELATED PARTY TRANSACTIONS

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

The ultimate controlling party of the Group is Remgro Limited.

Group

As detailed in note 1 to the Company financial statements included in the Annual Financial Statements for the year ended June 2019, available at www.rclfoods.com/financial-results-and-investor-presentations-2019, 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

6. RELATED PARTY TRANSACTIONS CONTINUED

	2019 R'000	2018 R'000
Transactions 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

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

NOTICE TO SHAREHOLDERS

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

In terms of section 59(1)(a) of the Companies Act of South Africa, No 71 of 2008, as amended, ("the Companies Act") the record date for the purpose of determining which shareholders of the Company are entitled to receive notice of the Annual General Meeting is Friday, 20 September 2019. In terms of section 59(1)(b) of the Companies Act, the record date for the purpose of determining which shareholders of the Company are entitled to participate in and vote at the Annual General Meeting is Friday, 15 November 2019. Accordingly, the last day to trade in order to be registered in the register of members of the Company and therefore be eligible to participate in and vote at the Annual General Meeting is Tuesday, 12 November 2019.

Notice is hereby given that the 53rd Annual General Meeting of shareholders of RCL Foods Limited will be held at Ten The Boulevard, Westway Office Park, Westville, KwaZulu-Natal on Wednesday, 20 November 2019 at 08:30 to consider and, if deemed fit, to pass the following ordinary and special resolutions with or without modification and to transact such other business as may be transacted at an Annual General Meeting.

ORDINARY RESOLUTIONS

1. ADOPTION OF ANNUAL FINANCIAL STATEMENTS

ORDINARY RESOLUTION NUMBER 1

Resolved that the audited annual financial statements of the Company and the Group, including the Report of the Directors, Report of the Audit Committee and Independent Auditor's Report, for the year ended June 2019 be received and adopted.

2. ELECTION AND RE-ELECTION OF DIRECTORS

ORDINARY RESOLUTION NUMBER 2.1

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

ORDINARY RESOLUTION NUMBER 2.2

Resolved that Dr PM Moumakwa, having been appointed since the last Annual General Meeting, be elected as a non-executive director of the Company.

ORDINARY RESOLUTION NUMBER 2.3

Resolved that Mr PJ Neethling, having been appointed since the last Annual General Meeting, be elected as an alternate non-executive director to Mr JJ Durand.

ORDINARY RESOLUTION NUMBER 2.4

Resolved that Mr JJ Durand, who retires by rotation in accordance with the Memorandum of Incorporation of the Company and who, being eligible, has offered himself for re-election, be re-elected as a non-executive director of the Company.

ORDINARY RESOLUTION NUMBER 2.5

Resolved that Mr PR Louw, who retires by rotation in accordance with the Memorandum of Incorporation of the Company and who, being eligible, has offered himself for re-election, be re-elected as a non-executive director of the Company.

ORDINARY RESOLUTION NUMBER 2.6

Resolved that Mr DTV Msibi, who retires by rotation in accordance with the Memorandum of Incorporation of the Company and who, being eligible, has offered himself for re-election, be re-elected as a non-executive director of the Company.

ORDINARY RESOLUTION NUMBER 2.7

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

ORDINARY RESOLUTION NUMBER 2.8

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

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

3. RE-APPOINTMENT OF EXTERNAL AUDITORS

ORDINARY RESOLUTION NUMBER 3

Resolved that the re-appointment of PricewaterhouseCoopers Incorporated as the Company's auditors, as nominated by the Company's Audit Committee, be approved, and to note that the individual registered auditor who will undertake the audit during the financial year ending June 2020 is Mrs S Randelhoff.

4. ELECTION OF MEMBERS OF THE AUDIT COMMITTEE

ORDINARY RESOLUTION NUMBER 4.1

Resolved that Mrs CJ Hess, an independent non-executive director of the Company, be elected as a member of the Audit Committee until the next Annual General Meeting.

ORDINARY RESOLUTION NUMBER 4.2

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

ORDINARY RESOLUTION NUMBER 4.3

Resolved that, subject to re-election under ordinary resolution 2.6, Mr DTV Msibi, an independent non-executive director of the Company, be elected as a member of the Audit Committee until the next Annual General Meeting.

ORDINARY RESOLUTION NUMBER 4.4

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

ORDINARY RESOLUTION NUMBER 4.5

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

5. CONTROL OF AUTHORISED BUT UNISSUED SHARES

ORDINARY RESOLUTION NUMBER 5

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

Explanation

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

6. ENABLING RESOLUTION

ORDINARY RESOLUTION NUMBER 6

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

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

ORDINARY RESOLUTION NUMBER 7

Resolved that the Remuneration Policy, as described in the Remuneration Report on pages 3 and 4 available on our website at www.rclfoods.com/financial-results-and-investor-presentations-2019, is hereby approved by way of a non-binding advisory vote, as recommended in the King IV Report on Corporate Governance for South Africa 2016, commonly referred to as King IV.

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

ORDINARY RESOLUTION NUMBER 8

Resolved that the Implementation Report contained in the Remuneration Report on pages 4 to 7 available on our website at www.rclfoods.com/financial-results-and-investor-presentations-2019, is hereby approved by way of a non-binding advisory vote, as recommended in the King IV Report on Corporate Governance for South Africa 2016, commonly referred to as King IV.

SPECIAL RESOLUTIONS

1. FINANCIAL ASSISTANCE IN TERMS OF SECTIONS 44 AND 45 OF THE COMPANIES ACT, 2008

SPECIAL RESOLUTION NUMBER 1

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

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

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

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

Explanation

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

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

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

2. APPROVAL OF NON-EXECUTIVE DIRECTORS' REMUNERATION

SPECIAL RESOLUTION NUMBER 2

Resolved as a special resolution that, unless otherwise determined by the Company in a general meeting, the annual fees, excluding VAT where applicable, payable by the Company to its non-executive directors, with effect from 1 October 2019, be approved as follows:

R	Current	Proposed
Board		
Chairperson	321 602	339 290
Members	321 602	339 290
Audit Committee		
Chairperson	268 462	283 227
Members	134 892	142 311
Remuneration and Nominations Committee		
Chairperson	158 697	167 425
Members	99 185	104 640
Risk Committee		
Chairperson	158 697	167 425
Members	99 185	104 640
Social and Ethics Committee		
Chairperson	113 733	119 988
Members	68 769	72 551

Explanation

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

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

APPROVALS REQUIRED FOR RESOLUTIONS

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

Ordinary resolutions numbers 7 and 8 are required to be endorsed, through a non-binding advisory vote, by members present or represented by proxy at the Annual General Meeting. In the event of the resolutions being voted against by 25% or more of the votes exercised on them, the Company shall engage with members as to the reasons therefor, as set out in the Remuneration Report, available on our website at www.rclfoods.com/financial-results-and-investor-presentations-2019

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

ATTENDANCE AND VOTING BY MEMBERS OR PROXIES

Ordinary members who have not dematerialised their ordinary shares, or who have dematerialised their ordinary shares with own name registration, are entitled to attend and to vote at the meeting. Any such member may appoint a proxy/proxies to attend, speak and vote in their stead (on a poll) at the meeting. A proxy need not be a member of the Company. Forms of proxy should be completed and returned to the transfer secretaries Computershare Investor Services Proprietary Limited at Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, or posted to PO Box 61051, Marshalltown, 2107, to be received by 08:30am on Monday, 18 November 2019 for administrative purposes, or alternatively handed to the Company Secretary of the Company or the Chairperson of the Annual General Meeting prior to its commencement at 08:30am on Wednesday, 20 November 2019.

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

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

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

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

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

- must contact the Company Secretary (by email at the address: John.Maher@rclfoods.com) by no later than 08:30am on Wednesday, 13 November 2019 in order to facilitate participation; and
- the electronic communication is at the expense of the shareholders or proxy.

PROOF OF IDENTIFICATION REQUIRED

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

JMJ Maher
Company Secretary

30 August 2019

Registered office
Ten The Boulevard
Westway Office Park
Westville
3629


YUM
YUM
OUMA
KARRING
MELK
BESKUIT
BOLLETJIES
Supreme
THE PROFESSIONAL BAKERS CHOICE
SINCE 1919
CAKE
WHEAT FLOUR
SUPER
2 kg

FORM OF PROXY

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

This form of proxy is only for use by:

1. Registered shareholders who have not yet dematerialised their ordinary shares

2. Registered shareholders who have already dematerialised their ordinary shares and registered them in their own name*
** See explanatory note 3 overleaf*

I/We (name in block letters)

Of (address)

Telephone number Cellphone number

being a member/members of RCL Foods Limited (registration number 1966/004972/06) and the registered holder/s of ordinary shares in the Company, hereby appoint (see instruction 1 overleaf)

1. or failing him/her

2. or failing him/her

3. the Chairperson of the Annual General Meeting,

as my/our proxy to attend, speak and vote for me/us and on my/our behalf or to abstain from voting at the Annual General Meeting of the Company to be held at Ten The Boulevard, Westway Office Park, Westville, KwaZulu-Natal on Wednesday, 20 November 2019 at 08:30am and at any adjournment thereof as follows:

ORDINARY RESOLUTIONS		For	Against	Abstain
1.	Adoption of annual financial statements			
2.	Election and re-election of directors			
2.1	Mr RV Smither			
2.2	Dr PM Moumakwa			
2.3	Mr PJ Neethling			
2.4	Mr JJ Durand			
2.5	Mr PR Louw			
2.6	Mr DTV Msibi			
2.7	Mr M Dally			
2.8	Mr RH Field			
3.	Re-appointment of external auditors			
4.	Election of members of the Audit Committee			
4.1	Mrs CJ Hess			
4.2	Mr NP Mageza			
4.3	Mr DTV Msibi			
4.4	Mr RV Smither			
4.5	Mr GM Steyn			
5.	Control of authorised but unissued shares			
6.	Enabling resolution			
7.	Non-binding advisory vote in respect of the Remuneration Policy			
8.	Non-binding advisory vote in respect of the Remuneration Implementation Report			
	SPECIAL RESOLUTIONS	For	Against	Abstain
1.	Financial assistance in terms of sections 44 and 45 of the Companies Act, 2008			
2.	Approval of non-executive directors' remuneration			

(Indicate instructions to proxy by way of a cross in the space provided). Unless otherwise instructed, my/our proxy may vote as he/she thinks fit.

Signed this day of 2019.

Signature

(Please read the notes and instructions overleaf) cid:image011.jpg@01D56C92.6EB1F8C0

NOTICE TO THE FORM OF PROXY

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

INSTRUCTIONS ON SIGNING AND LODGING THE FORM OF PROXY:

1. A member may insert the name of a proxy or the names of two alternative proxies of the member's choice in the space/s provided overleaf, with or without deleting "the Chairperson of the Annual General Meeting", but any such deletion must be initialled by the member. Should this space be left blank, the proxy will be exercised by the Chairperson of the Annual General Meeting. The person whose name appears first on the form of proxy and who is present at the Annual General Meeting will be entitled to act as pr,oxy to the exclusion of those whose names follow.
2. A member's voting instructions to the proxy must be indicated by the insertion of an "X", or the number of votes exercisable by the member, in the appropriate spaces provided overleaf. Failure to do so shall be deemed to authorise the proxy to vote or to abstain from voting at the Annual General Meeting, as he/she thinks fit in respect of all the member's exercisable votes. A member or his/her proxy is not obliged to use all the votes exercisable by him/her or by his/her proxy, but the total number of votes cast, or those in respect of which abstention is recorded, may not exceed the total number of votes exercisable by the member or by his/her proxy.
3. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries.
4. To be valid, the completed forms of proxy should be completed and returned to the transfer secretaries Computershare Investor Services Proprietary Limited at Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, or posted to PO Box 61051, Marshalltown, 2107, to be received by 08:30am on Monday, 18 November 2019 for administrative purposes, or alternatively handed to the Company Secretary of the Company or the Chairperson of the Annual General Meeting prior to its commencement at 08:30am on Wednesday, 20 November 2019.
5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the transfer secretaries or waived by the Chairperson of the Annual General Meeting.
6. The completion and lodging of this form of proxy shall not preclude the relevant member from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such member wish to do so.
7. The completion of any blank spaces overleaf need not be initialled. Any alterations or corrections to this form of proxy must be initialled by the signatory/ies.
8. The provisions of the Companies Act in relation to the revocation of the appointment of a proxy apply. A member may accordingly revoke a proxy appointment by cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of such revocation to the proxy and the Company.
9. The Chairperson of the Annual General Meeting may reject or accept any form of proxy which is completed other than in accordance with these instructions provided that he/she is satisfied as to the manner in which a member wishes to vote.

SHAREHOLDERS' DIARY

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

CORPORATE INFORMATION

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

MORE FOOD
TO MORE
PEOPLE
MORE OFTEN

www.rclfoods.com