2017

RCL FOODS LIMITED
GROUP FINANCIAL RESULTS
AND CASH DIVIDEND DECLARATION
FOR THE YEAR ENDED JUNE 2017

SUMMARY
CONSOLIDATED RESULTS

FOR THE YEAR ENDED JUNE 2017

REVENUE
R25,0 billion
↓ 0,3%

HEADLINE EARNINGS
R548,5 million
↓ 34,1%

NORMALISED HEADLINE EARNINGS
R593,1 million
↑ 7,7%

EBITDA
R1,7 billion
↓ 0,8%

CASH GENERATED
by operations
R2,3 billion
↑ 56,8%

FINAL DIVIDEND
per share
20,0 cents

KEY FEATURES

- Strong cash generation and early repayment of first debt tranche
- Drought impact and slow economic growth affect results across most categories
- Oversupplied local retail market due to dumped imports negatively impacts Chicken
- Certain key Grocery brands grow market share
- Price increases assist Sugar recovery
- Millbake improves due to turnaround of the Gauteng bakeries
- Chicken restructure impacts Logistics and Animal Feed H2 results

FINANCIAL HIGHLIGHTS

		June 2017	Restated June 2016	% change
Revenue	(R million)	**24 950,7**	25 025,2	(0,3)
EBITDA	(R million)	**1 747,6**	1 762,4	(0,8)
Headline earnings	(R million)	**548,5**	832,9	(34,1)
Headline earnings per share	(cents)	**63,5**	96,5	(34,2)
Normalised headline earnings	(R million)	**593,1**	550,7	7,7
Normalised headline earnings per share	(cents)	**68,6**	63,8	7,5
Total dividend per share	(cents)	**30,0**	30,0	-
Cash generated by operations	(R million)	**2 293,7**	1 462,4	56,8

INTRODUCTION

RCL FOODS' headline earnings for the year ended June 2017 amounted to R548,5 million (2016: R832,9 million). These results include certain once-offs, including a tax provision release and a profit on the exercise of the Zam Chick and Zamhatch put options ("Zam options") in the prior year, and in the current year, a foreign exchange loss on settlement of the Zam options, once-off costs incurred in relation to the Chicken restructure, and an insurance receipt related to the Pongola silo claim for which a portion of the business interruption claim related to the previous financial year. Excluding these items, normalised headline earnings for 2017 of R593,1 million (2016: R550,7 million) is up 7,7% on the prior year.

The Group's financial results were severely impacted by the performance of the Chicken business unit with the widely-reported poultry industry issues having decimated profits. Strategies implemented to ensure that the Chicken business unit will be more profitable and sustainable going forward, will ultimately benefit RCL FOODS as a Group, yet they have had a notable impact on the performance of the Logistics and Animal Feed business units, which both act as suppliers to Chicken.

The Group's pre-IAS 39 normalised EBITDA, excluding the Chicken business unit, was down 0,3% to R1 612,8 million at a margin of 9,6% (2016: R1 617,2 million at a margin of 9,7%). The profit recovery in the Sugar business unit and good progress made in the turnaround of the Gauteng bakeries was offset by higher input costs and slow demand in most of the other business units.

Material financial impacts over the current and prior period include:

- Impairments of R172,0 million (R123,8 million post-tax) in the Chicken business unit relating to redundant plant and equipment identified as part of the decision to reduce commodity chicken volumes and from the related decision to dispose of the Tzaneen Chicken operation;
- The recognition of R51,9 million (R37,4 million post-tax) in restructuring costs and fair value adjustments on biological assets, also associated with the decision to reduce chicken volumes;
- A R154,8 million (R117,6 million post-tax) insurance receipt for the Pongola silo claim in the Sugar business unit, of which R109,2 million related to the assets portion of the claim and the remaining R45,6 million related to business interruption and the higher costs of operating after the silo was damaged. R28,9 million of the business interruption portion related to the previous financial year;
- A negative IAS 39 adjustment associated with the Group's commodity raw material procurement strategy, which reduced EBITDA by R32,4 million (R23,3 million post-tax) for the current period (2016: R80,6 million negative adjustment, R58,0 million post-tax). The prior year negative adjustment was largely due to unfavourable currency positions resulting from the stronger rand, which has reversed in the current financial year. The R32,4 million negative adjustment for 2017 was due to falling maize and sunflower spot prices relative to our positions;
- A foreign exchange loss of R27,9 million relating to the settlement of the Zam options in the current year, with the prior period including a R67,7 million gain (R118,9 million headline earnings gain) related to the accounting for the exercise of the options;
- An impairment loss in the prior year of R642,8 million (goodwill R377,4 million and trademarks R265,4 million) relating to the Milling cash-generating unit in the Sugar & Milling division due to a combination of a competitive trading environment and increases in the ten-year government bond yield driving up the discount rate; and
- The prior period included the release of a R163,3 million provision for uncertain taxation disputes raised in terms of IFRS 3 (Business Combinations) as part of the Foodcorp acquisition. This matter was finalised with the South African Revenue Service and consequently the income tax expense for the year ended June 2016 was reduced by R163,3 million.

Severe drought conditions in the previous financial year coupled with a lack of economic growth over the past two years have intersected to create a tough environment for consumers and businesses alike. Demand and volumes have become constricted and record drought-related hikes in input costs could in many cases not be passed on, leading to contracting margins. Poultry imports, and more recently, rapidly increasing sugar imports, have been adding pressure to domestic supplies.

Against this negative background, a highlight of the year has been a higher sugar price which has compensated for the drought-related decline in production volumes. Similarly, the increased engagement and understanding among industry players and government in response to the poultry crisis will hopefully create a platform for a healthier industry going forward.

STRATEGIC PROGRESS

An update on our strategic progress against our six strategic thrusts in the 2017 financial year is shown below:

GROW THROUGH STRONG BRANDS

Consistent investment in our brands during the year has reaped rewards by enabling us to grow our categories and market shares even further. Nola and Yum Yum achieved market leadership in 7 and 6 out of the 12 months for the year respectively, with Nola reaching a record high market share of 51% in March 2017. Ouma and Catmor remained leading brands in their respective categories, whilst our dog food brands consistently gained market shares.

PARTNER WITH STRATEGIC CUSTOMERS

We continue to grow our basket with current and new customers, developing tailored solutions across various categories. A "ONE RCL FOODS" sales team was implemented during the year which played a vital role in strengthening our customer relationships and building mutual focus and trust. Key engagements with our customers' senior leadership teams have supported our common growth ambitions and assisted in maintaining market share.

EXTEND OUR LEADING VALUE CHAIN

During the year we have made good progress in optimising our value chain. The expansion of our Thekwini logistics hub was completed as part of an overall network investment plan of R325 million over two years to align us with customers as a specialist multi-temperature service provider. The commissioning of our pet food plant is on track and is expected to come into production in the 2018 financial year, which brings new innovation and technology to the portfolio. A continued focus on leveraging our enterprise resource planning ("ERP") systems to analyse spend across the Group has translated into a higher proportion of spend now under contract management. In addition, we have made further progress with integrating business platforms, profitability systems and aligning master data across business units.

EXPAND INTO AFRICA

We continued with our low-risk strategy in Africa, which has served us well in the past as well as under current more volatile political and economic circumstances. This entails following our established customers into selected locations, entering into joint ventures with other established food and route-to-market players and acquiring new businesses where appropriate to broaden ownership of our value chain. In the current financial year, our investment in Zambia was disposed of, with Zambeef Products PLC ("Zambeef") electing to settle our shareholding in cash instead of Zambeef shares. Investments were made within our existing joint ventures and associates with Senn Foods Logistics (Pty) Ltd ("Senn Foods") (Botswana) acquiring land in order to expand their ambient distribution capacity and Hudani Manji Holdings Ltd (Uganda) making further investments in their infrastructure. Whilst we continue to pursue opportunities in Africa, we remain cautious in our approach.

INSPIRE GREAT PEOPLE

Developing our talent and building leaders plays a crucial role in achieving our growth ambition and delivering on our Passion. During the year we continued with our roll out of our leadership development program, with more than 30% of management having now participated. We invested over R40 million in training our workforce through various training initiatives in the year. We strengthened our relationships with union partners through establishment of national working forums and collaborative efforts to raise awareness of the issues in the chicken industry. Our increased visibility on social and media platforms has proven highly successful in attracting and recruiting talented individuals.

DRIVE SUSTAINABLE BUSINESS

Commissioning of our Waste-To-Value plant in Worcester (Western Cape) was completed during the year, exceeding expectations in terms of post-treatment water quality and biogas volume. A number of water-smart initiatives were implemented in our Sugar business unit which helped reduce water requirements. We launched the "Do More Foundation", a separate non-profit organisation which will drive all our CSI initiatives going forward and enable us to partner with private or public organisations for bigger impact. Akwandze Agricultural Finance, a joint venture of the Group, completed its five-year R50 million rehabilitation of irrigation infrastructure using a Jobs Fund grant, which created approximately 1 300 permanent jobs and 1 600 short-term jobs. In addition RCL FOODS was 1 of only 11 companies in South Africa to achieve an "A" rating in the global Carbon Disclosure Project for 2016.

RCL FOODS FINANCIAL REVIEW

INCOME STATEMENT

RCL FOODS' revenue for the year ended June 2017 declined 0,3% to R25,0 billion (2016: R25,0 billion). EBITDA declined by 0,8% to R1 747,6 million from R1 762,4 million, with the associated margin flat on the prior year at 7,0%.

The table below shows EBITDA from a statutory perspective and adjusted for unrealised gains and losses on financial instruments (pre-IAS 39) used in the Group's commodity raw material procurement strategy. Reporting the financial effects of certain financial instruments used in the procurement strategy in terms of IAS 39 introduces volatility to the Group's financial results. For the period under review, the pre-taxation impact on the Group's results of these unrealised positions is a negative impact of R32,4 million (2016: R80,6 million negative), being largely related to falling maize and sunflower prices relative to our procurement positions.

	June 2017	Restated June 2016	% change
EBITDA (R million)			
— Statutory	**1 747,6**	1 762,4	(0,8)
— Pre-IAS 39	**1 780,0**	1 843,0	(3,4)
EBITDA margin (%)			
— Statutory	**7,0**	7,0	–
— Pre-IAS 39	**7,1**	7,4	(0,3)

The Consumer division's pre-IAS 39 EBITDA declined by 25,8% to R520,8 million (2016: R701,7 million). Excluding Chicken, the remaining Groceries business units' pre-IAS 39 EBITDA declined by 14,7% to R463,7 million at a margin of 8,5% (2016: 10,7%), largely due to challenges in the Speciality and Beverages business units.

The Sugar & Milling division's pre-IAS 39 EBITDA increased by 27,6% to R1 054,1 million (2016: R826,0 million) at a margin of 7,3% (2016: 5,5%). The good performance was due to a recovery in the Sugar business unit and an improved result at the Gauteng bakeries.

The Logistics division's EBITDA decreased by 22,1% to R203,1 million (2016: R260,7 million) at a margin of 10,0% (2016: 13,1%), impacted by the Chicken business unit restructure, which resulted in reduced loads through the network.

TAX

The Group's effective tax rate for the period excluding joint ventures and associates was 27,4%. The rate was impacted by the accounting for capital losses which was utilised against capital gains in the current year. This was partially offset by non-deductible items which included IFRS 2 share option expenses and the realised foreign exchange loss which arose on the settlement of the Zam options.

STATEMENT OF FINANCIAL POSITION

The decrease in property, plant and equipment is largely due to the R172,0 million Chicken impairment as well as the transfer of the Tzaneen Chicken operation assets of R55,3 million to "held for sale". Other major movements included capital expenditure investments of R793,2 million offset by depreciation charges of R675,5 million.

The increase in investment in associates is mainly due to the equity accounted earnings of The Royal Swaziland Sugar Corporation Limited ("RSSC"), which was partially offset by dividends received during the period.

Net working capital (including biological assets) has decreased by R808,6 million over the comparative period, and from 13,3% to 10,1% as a percentage of revenue. The prior year included the receivable on exercise of the Zam options, which was settled in the current year, resulting in proceeds of R289,5 million being received and a foreign exchange loss of R27,9 million on settlement. Inventory has reduced by R273,7 million, due to a shift from imports to locally sourced commodities which resulted in lower buffer stock requirements, and in addition, lower commodity prices which further drove the decrease at year end. Biological assets have reduced by R176,7 million, impacted by the decision to reduce commodity-driven volumes in the Chicken business unit, with some 4,5 million less birds on the ground over the comparative period.

The increase in cash on hand for June 2017 is largely attributable to the cash received on the exit from the Zam Chick and Zamhatch investments of R289,5 million as well as the lower investment in inventory and biological assets.

Included in "held for sale" assets of R88,7 million are the assets related to the Tzaneen Chicken operation, which is expected to be disposed of in the 2018 financial year.

Total interest-bearing liabilities have decreased by R406,0 million largely as a result of the repayment in January 2017 of the R498,0 million revolving credit facility portion of the term-funded debt package.

RCL FOODS FINANCIAL REVIEW CONTINUED

CASH FLOW AND WORKING CAPITAL

Net working capital requirements decreased by R708,9 million due to the lower stock and biological asset balances on hand for June 2017.

The cash outflow from investing activities includes capital expenditure (including intangibles) of R834,5 million which was reduced by the cash received on the exit from the Zam Chick and Zamhatch investments of R289,5 million.

The cash outflow from financing activities of R406,0 million resulted from the early repayment of the revolving credit facility from available cash resources, offset by loans received due to the internal funding of the cane growers being replaced with external funding.

Included in the non-cash items of R689.7 million are add backs of depreciation and amortisation charges of R792,6 million and net impairments of R178,5 million. These were offset by deductions of positive fair value adjustments on biological assets within the Chicken and Sugar business units of R39,1 million and R324,9 million respectively. Within the Sugar business unit, the entire biological assets balance is capitalised using a fair value adjustment, with the cost of sales impact of prior year's biological assets reflected under working capital movements (R355,3 million), resulting in a net R30,3 million decrease in Sugar biological assets for the year.

CAPITAL EXPENDITURE

Capital expenditure (including intangibles) for the year ended June 2017 was R834,5 million (2016: R1 049,3 million).

The prior year included expansionary spend on the Ultra-High Temperature ("UHT") project in the Beverages business unit, the upgrade to the pet food plant in the Grocery business unit and the expansion at the Logistics division's Peninsula and Thekwini sites, with additional spend to complete these projects in the current year. The upgrade to the pet food plant and the expansion at Thekwini progressed well during the period, with the Thekwini site being commissioned during H1.

In addition, investments have been made in optimising the ERP platforms within the Group, with SAP implementations having gone live in the Pies and Beverages business units.

An amount of R155,5 million (2016: R323,3 million) has been contracted and committed, but not spent, whilst a further R354,9 million (2016: R227,2 million) has been approved but not contracted. Major items included in these amounts relate to further spend required to restore the Pongola silo, investments in the ERP implementations across the Group and replacement spend on critical infrastructure.

IMPAIRMENT ASSESSMENT

RCL FOODS has assessed the need for impairments of assets and no further write-downs were required for June 2017.

REVIEW OF OPERATIONS

CONSUMER DIVISION

Revenue increased by 1,3% to R13,5 billion (2016: R13,3 billion), whilst pre-IAS 39 EBITDA for the division declined by 25,8% to R520,8 million (2016: R701,7 million). The Chicken business unit EBITDA was down R101,0 million or 63,9%. Most Grocery categories performed well, but a voluntary product withdrawal in Beverages, and operational issues in Speciality caused pre-IAS 39 EBITDA excluding Chicken to decline by 14,7% to R463,7 million.

Despite declining market volumes across most food categories, the Consumer division has shown pleasing volume growth on key grocery brands and good market share gains in a very competitive market environment. Good progress was made in terms of the integration of teams, setting up of a dedicated sales force and the bedding down of a "ONE RCL FOODS" customer interface, along with successful efforts to reduce costs.

Chicken

The local poultry market remains significantly oversupplied due to the substantial increase in dumped product that has occurred in recent years and which has continued to grow during the year. Input costs escalated substantially in the financial year as a result of the drought, and there was limited capacity to pass on the cost increases given the oversupplied market.

During the period the Chicken business unit implemented a new and more resilient business model designed to permanently reduce the reliance on commodity-driven categories. The Hammarsdale operation was reduced to a single shift and the Tzaneen operation is in the process of being sold, thereby eliminating a significant portion of loss-making Individually Quick-Frozen ("IQF") product. The total cost of implementing these strategic actions was R223,9 million, comprising:

- R172,0 million impairment to the fixed asset base as a consequence of the downsizing, predominantly in the IQF space;
- R42,9 million in restructuring costs; and
- R9,0 million in biological assets write-downs, directly related to the reduction in the size of flocks and bird numbers at Hammarsdale as a result of moving to a single shift.

The new business model has shown positive early results with a second half EBITDA profit in Chicken of R94,9 million relative to the normalised EBITDA profit of R14,1 million for the first six months of the year.

The Quick Service Restaurant ("QSR") category suffered the same consumer pressure as general grocery categories are under. This negatively affected Chicken results in this period as more of the mix needed to be sold in the retail sector.

The Rainbow Freezer to Fryer category was a highlight this year, growing volumes with market share up 10,4% to 34,1% and gaining key clients.

Groceries

(Grocery, Beverages, Pies and Speciality)

Pre-IAS 39 EBITDA declined by 14,7% to R463,7 million (2016: R543,6 million).

Commodity input cost pressure and volume challenges affected most of the food industry. ASK'd (an independent company that measures industry growth, trends and consumer dynamics for the majority of food manufacturers) indicates that RCL FOODS' declines were not as pronounced as the market which are clear signs that our internal change strategies are having an effect.

Grocery gained further market share in its top brands including Yum Yum Peanut Butter and Nola Mayonnaise and within the cat food category. Grocery is also working with key customers on exciting new ranges, launching new technologies into the trade and planning a range of key innovations for the next financial year.

The commissioning of the new pet food plant remains on track, with full production expected by December 2017. Grocery has had good success in the pet food category with leading market shares in mainstream pet food. In addition, RCL FOODS' premium supermarket pet food category, led by Canine Cuisine which has only been in existence for four years, is already competing for market leadership in that category. Our new pet food plant will feature innovation and technology that are not available in South Africa and will further assist to entrench and grow market leadership, with exciting new ranges on track for roll-out.

The Beverages business unit delivered disappointing results. Market share pressure from lower priced brands affected our Mageu range, while overall sluggish consumer demand and a cool summer led to reduced category consumption, which negatively affected volumes. This was compounded by the voluntary withdrawal of a long-life UHT Mageu innovation that was launched in the year, when it was found to thicken after being refrigerated and the consistency made it difficult to pour. The product was withdrawn and will be re-launched in the first quarter of the new financial year.

REVIEW OF OPERATIONS CONTINUED

The Pies business unit maintained volumes despite a very competitive environment. Key initiatives for the year included the successful launch of Mighty Fine, a lower-priced pie offering, an increase in the quality and fill level in the Classic Pie range, as well as reductions in the cost base. Pies has an innovation pipeline that will continue to be rolled out to drive profitability. The business has also identified numerous cost-saving initiatives that will be utilised to fund growth and defend price positions in the year ahead.

The Speciality business unit suffered as underlying market conditions caused lower than expected orders from key customers and factory efficiencies fell well short in some key months. Speciality remains a key priority for RCL FOODS and significant resource and focus are being applied to the business unit. The focus in the next year will be on positioning the Speciality business unit to be more innovative and responsive.

SUGAR & MILLING DIVISION

Whilst the Sugar & Milling division's revenue declined 3.0% to R14,5 billion, pre-IAS 39 EBITDA increased by 27,6% to R1 054,1 million (2016: R826,0 million), at a margin of 7,3% (2016: 5,5%). This performance was attributable to good increases in sugar prices and the operational turnaround of the Gauteng bakeries within the Millbake business unit.

The division also benefited from the R154,8 million payment of an insurance claim against the buckled sugar silo in Pongola which occurred in July 2015. Of the R154,8 million claim, R109,2 million related to the assets portion and was therefore excluded from headline earnings for the year. The remaining R45,6 million related to business interruption and the higher costs of operating, of which R28,9 million related to the previous financial year.

Sugar

Favourable sugar prices and an improved channel mix compensated for the drought-induced decline in production volumes and culminated in EBITDA increasing by 119,2% to R507,0 million (2016: R231,3 million).

The late onset of summer rain last year delayed replanting and will consequently impact production recovery. Sugar tons produced decreased by 77 284 tons (14.1%) in 2017 and is expected to gradually recover over the next two financial years with restoration to pre-drought sugar volumes expected in the 2019 financial year. Dam levels are now at acceptable levels to irrigate through winter.

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

Globally, sugar stocks are rising, driven by increased production mainly out of Pakistan and an embargo on sugar imports in China. This is putting pressure on the market and bringing global sugar prices down. Domestically, a stronger rand is causing imports to be cheaper and, at the same time, is placing a strain on sugar export margins. Imports have increased rapidly from the first quarter of the 2017 calendar year. Domestic sugar tariffs are not being gazetted timeously and are not sufficient to protect local farms from imports. Increasing supplies are causing mixed shifts towards lower margin exports and industrial sales, with a commensurate change in total realisation per ton of sugar.

Animal Feed

The need to import molasses due to the drought, combined with the high cost of raw materials, impacted on the results for Animal Feed. Volumes have reduced by 13,8%, due to smaller herds, induced by the drought, and cash-constrained farmers looking for alternative feeding methods. The Chicken business unit procures a substantial amount of product from Animal Feed and the revised business model has had a notable impact. In mitigation, the Pietermaritzburg mill eliminated one of its three shifts and is also pursuing other cost-saving measures. Pre-IAS 39 EBITDA declined by 16,8% to R268,3 million (2016: R322,4 million). The current focus remains on reducing the dependency on broiler feed and growing a more diversified product basket.

Millbake (Milling and Baking)

The Millbake business unit's results improved due to the operational turnaround in Baking, with pre-IAS 39 EBITDA of R278,9 million, up 2,4% (2016: R272,3 million).

Lower volumes and a steep increase in raw material costs negatively affected the Milling operation. Commodity prices have started to ease as a result of better rainfall and crops. This will improve operating conditions for Milling, but excess capacity in the industry remains a significant challenge.

The Baking business improved profitability after resolving most of the operational issues experienced at the Gauteng bakeries in the prior year. The resolution has resulted in increased service levels and a pleasing reduction in damages and returns. Previously unutilised capacity that was recommissioned to allow the remedial work to be done on the other bakeries, is now also available to grow volumes into the future.

REVIEW OF OPERATIONS CONTINUED

LOGISTICS DIVISION

Logistics achieved revenue growth of 2,3% to R2 033,1 million (2016: R1 986,9 million), with EBITDA declining 22,1% to R203,1 million at a margin of 10,0% (2016: R260,7 million, 13,1%). The generally muted economic environment and resulting subdued consumer spending, coupled with significant disruptions in the chicken industry, served to constrain growth during the period.

Highlights for the period included Logistics being awarded a key long-term contract by Pick n Pay, as well as increased volumes from the internal Grocery and Sugar business units. Logistics' strategy has been to align with customers as a specialist multi-temperature service provider for the industry, with a significant investment of R325 million in warehousing infrastructure over the last two years coupled with skills development.

Bulk storage recorded a poor performance for the year. Substantial excess capacity for most of the year was largely due to market pressures and volume reductions by key customers and significant overcapacity in this sector of the market. Food-service performed well for the first three quarters of the year, tapering off into the last quarter as consumer pressure tempered volume growth.

The downsizing of the Hammarsdale Chicken operation from February 2017 significantly affected the Logistics division. This impact is expected to continue until the revenue from this source has been replaced by new business. Logistics is also implementing cost containment initiatives including network redesign, hub and transport optimisation.

EQUITY ACCOUNTED INVESTMENTS

Royal Swaziland Sugar Corporation ("RSSC")

RCL FOODS' Sugar business unit has a 27,4% shareholding in RSSC. RSSC's results for the year ended June 2017 improved significantly due to improved sugar prices and access to additional water for irrigation. The after-tax profit contribution was R110,6 million (2016: R68,5 million).

Senn Foods

RCL FOODS has a joint venture with Senn Foods in Botswana. Senn Foods continued to deliver a sound performance with an after-tax profit contribution of R9,9 million (2016: R8,4 million).

CASH DIVIDEND DECLARATION

The directors have resolved to declare a final gross cash dividend (number 85) of 20,0 cents per share bringing the total dividend declared for the year ended June 2017 to 30,0 cents per share (2016: 30,0 cents).

The dividend has been declared from income reserves. Dividend tax, at the rate of 20%, will amount to 4,0 cents per share and consequently shareholders, who are not exempt from dividend tax will receive a net dividend amount of 16,0 cents per share. The issued share capital as at 2 July 2017 is 935 566 082. The company's income tax reference number is 9950019712.

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

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

Share certificates may not be dematerialised or rematerialised between Wednesday, 18 October 2017 and Friday, 20 October 2017 (both dates inclusive).

PROSPECTS

We believe that economic growth will continue to be lacklustre in the coming year, which implies that demand will remain constrained, with flat to declining volumes. On the positive side, the record maize crop, as well as improved supply of other crops should help to restore margins and contribute to welcome price relief for consumers.

The Chicken business unit is expected to achieve significant improvements in profitability relative to the past financial year, due to the revised business model as well as lower input costs. Production volumes in Sugar should improve on the back of renewed irrigation, although the increasing trend in sugar imports and its impact on local sugar prices remains a major concern and places Sugar's 2018 performance at risk.

Groceries has a good pipeline of innovations. A strong focus will also be placed on capitalising on opportunities that will become available as a result of the new plant and equipment coming into operation at the UHT and pet food plants.

Logistics will focus on operationalising the recent contract wins, pursuing further opportunities to replace the business that was lost through Chicken's restructuring, and the implementation of a number of cost containment initiatives. In addition, the Logistics division will look to capitalise on its new brand positioning launched in June 2017, which reflects a spirit of innovation and a desire to "go beyond" simply logistics and supply chain.

Further internal opportunities in synergies, overhead savings and production efficiencies that flow from our "ONE RCL FOODS" initiatives will continue to receive substantial focus.

The outcome of the chicken industry's crisis remains uncertain, but substantial work has been done between government and industry to find a sustainable solution.

We remain confident in our strategy and are making steady progress towards our goal of a diversified food portfolio, focused on adding higher margin, added value products and categories.

BASIS OF PREPARATION

The summarised consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the information required by IAS 34 (Interim Financial Reporting), IFRIC interpretations, SAICA financial reporting guides and in compliance with the Companies Act of South Africa and the Listing Requirements of the JSE Limited, under the supervision of the Chief Financial Officer, Robert Field CA (SA). The accounting policies comply with IFRS and are consistent with those applied in the previous year, except for the adoption of the amendments to IFRS effective 1 July 2016, which have had no effect on the results, apart from the amendments to IAS 16, (Property, plant and equipment) and IAS 41 (Agriculture) regarding bearer plants. The amendments to IAS 16 and IAS 41 require bearer plants to be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. The amendments to IAS 16 and IAS 41 have been applied retrospectively in accordance with the transitional provisions. Consequently, the Group has restated its reported results for the comparative period presented.

From the current financial year, the Group has reported on the retail calendar of trading weeks which treats each financial year as an exact 52-week period, incorporating trade from Monday to Sunday each week. This treatment effectively results in the loss of a day (or two in a leap year) per calendar year. These days are brought to account approximately every six years by including a 53rd week. Due to the transition to the new reporting period in the current financial year, the results for the year under review are for the period ended 2 July 2017, a 367-day period compared to a 366-day period in the previous financial year. This treatment will be applied prospectively and the impact on the current period is not considered material.

The effect of the application of the amendments to IAS 16 and IAS 41 on the reported results for the year ended June 2016 are as follows:

BASIS OF PREPARATION CONTINUED

	R'000 June 2016
Impact on profit for the period	
Decrease in operating profit before depreciation, amortisation and impairment (EBITDA)	(4 113)
Increase in depreciation, amortisation and impairment	(56 935)
Decrease in income tax expense	17 094
Decrease in amount attributable to the equity holders of the company	(28 827)
Decrease in amount attributable to the non-controlling interests	(15 127)
Impact on the statement of financial position	
Increase in property, plant and equipment	207 740
Decrease in non-current biological assets	(624 917)
Increase in current biological assets	356 399
Decrease in equity	(43 954)
Decrease in deferred income tax liabilities	(17 094)

These results are extracted from audited information, but are not themselves audited. The consolidated financial statements were audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The audited consolidated financial statements and the auditor's report thereon are available for inspection at the Company's registered office and shareholders are advised that, in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report together with the accompanying financial information. The auditor's report does not necessarily report on all the information contained in this announcement. The directors take full responsibility for the preparation of these results and confirm that the financial information has been correctly extracted from the underlying consolidated financial statements. The Integrated Annual Report will be posted to shareholders and made available on RCL FOODS' website on or before 29 September 2017.

For and on behalf of the Board

JJ Durand
Non-executive Chairman

M Dally
Chief Executive Officer

Durban
29 August 2017

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

** Executive Directors*

Company secretary: JMJ Maher

Registration number: 1966/004972/06

JSE share code: RCL

ISIN: ZAE000179438

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

Transfer secretaries: Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196

Auditors: PricewaterhouseCoopers Inc.

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

Bankers: ABSA Bank Limited, First National Bank of Southern Africa Limited, Standard Bank Limited

Website: www.rclfoods.com

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2 July 2017 R'000	Restated* 30 June 2016 R'000
ASSETS		
Non-current assets		
Property, plant and equipment	**5 720 285**	5 903 566
Intangible assets	**2 222 912**	2 283 999
Investment in joint ventures	**227 366**	206 036
Investment in associates	**513 323**	485 054
Deferred income tax asset	**6 876**	19 658
Loans receivable	**1 555**	1 555
Trade and other receivables	**12 788**	12 288
Goodwill	**2 658 493**	2 658 493
	11 363 598	11 570 649
Current assets		
Inventories	**2 666 622**	2 940 337
Biological assets	**791 469**	968 159
Trade and other receivables	**3 452 331**	3 926 404
Derivative financial instruments	**1 339**	8 036
Tax receivable	**70 410**	30 210
Loans receivable	**17 200**	41 342
Cash and cash equivalents	**1 056 660**	744 639
	8 056 031	8 659 127
Assets of disposal group classified as held for sale	**88 685**	
Total assets	**19 508 314**	20 229 776
EQUITY		
Capital and reserves	**10 386 753**	10 046 256
LIABILITIES		
Non-current liabilities		
Deferred income	**141**	734
Interest-bearing liabilities	**3 078 822**	3 598 846
Deferred income tax liabilities	**1 248 056**	1 352 915
Retirement benefit obligations	**136 668**	165 354
Trade and other payables	**3 157**	5 716
	4 466 844	5 123 565
Current liabilities		
Trade and other payables	**4 398 538**	4 514 392
Deferred income	**8 338**	3 928
Interest-bearing liabilities	**226 383**	112 402
Derivative financial instruments	**12 995**	38 828
Current income tax liabilities	**4 190**	8 966
Bank overdraft	**2 878**	381 439
	4 653 322	5 059 955
Liabilities of disposal group classified as held for sale	**1 395**	
Total liabilities	**9 121 561**	10 183 520
Total equity and liabilities	**19 508 314**	20 229 776

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

CONSOLIDATED INCOME STATEMENT

	June 2017 R'000	Restated* June 2016 R'000
Revenue	24 950 655	25 025 159
Operating profit before depreciation, amortisation and impairment (EBITDA)	1 747 633	1 762 387
Depreciation, amortisation and impairment	(971 125)	(1 445 222)
Operating profit	776 508	317 165
Finance costs	(373 741)	(365 194)
Finance income	40 999	38 361
Share of profits of joint ventures	48 577	44 527
Share of profit of associates	109 516	64 796
Profit before tax	601 859	99 655
Income tax expense	(125 552)	82 986
Profit for the period	476 307	182 641
Attributable to:		
Equity holders of the company	515 657	182 022
Non-controlling interests	(39 350)	619
HEADLINE EARNINGS		
Profit for the period attributable to equity holders of the company	515 657	182 022
(Profit)/loss on disposal of property, plant and equipment	(3 423)	12 365
Gain on disposal of subisidiary	(4 512)	
Insurance proceeds	(87 735)	152
Recycling of foreign exchange translation reserve		51 163
Impairments	128 554	587 211
Headline earnings	548 541	832 913
	Cents	Cents
Earnings per share attributable to equity holders of the company		
Basic earnings per share	59,7	21,1
Basic earnings per share — diluted	59,2	21,0
Headline earnings per share	63,5	96,5
Headline earnings per share — diluted	63,0	96,3

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

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

CONSOLIDATED CASH FLOW INFORMATION

	June 2017 R'000	Restated* June 2016 R'000
Operating profit	776 508	317 165
Non-cash items	689 669	1 026 605
Operating profit before working capital requirements	1 466 177	1 343 770
Working capital requirements	827 506	118 591
Cash generated by operations	2 293 683	1 462 361
Net finance cost	(325 081)	(325 470)
Tax paid	(262 030)	(254 560)
Cash available from operating activities	1 706 572	882 331
Dividends received	93 522	68 595
Dividends paid	(217 147)	(320 091)
Cash outflows from investing activities	(486 322)	(1 015 960)
Cash outflows from financing activities	(406 043)	(123 453)
Net movement in cash and cash equivalents	690 582	(508 578)
Cash and cash equivalents at the beginning of the period	363 200	870 506
Exchange rate translation		1 272
Cash and cash equivalents at the end of the period	1 053 782	363 200

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Stated capital R'000	Other reserves R'000	Common control reserve R'000	Share-based payments R'000	Retained earnings R'000	Controlling interest total R'000	Non-controlling interest R'000	Total R'000
Balance at 1 July 2015	9 992 815	24 447	(1 919 832)	391 716	1 545 571	10 034 717	78 782	10 113 499
Profit for the period*					182 022	182 022	619	182 641
Other comprehensive income for the period		1 070			(4 999)	(3 929)		(3 929)
Ordinary dividend paid					(319 092)	(319 092)	(999)	(320 091)
BEE share-based payments charge				17 600		17 600		17 600
Employee share option scheme:								
Proceeds from shares issued	30 989					30 989		30 989
Value of employee services				55 259		55 259		55 259
Exercise of employee share options				(29 712)		(29 712)		(29 712)
Balance at 30 June 2016*	10 023 804	25 517	(1 919 832)	434 863	1 403 502	9 967 854	78 402	10 046 256
Profit/(loss) for the period					515 657	515 657	(39 350)	476 307
Other comprehensive income for the period		(20 845)			5 623	(15 222)		(15 222)
Ordinary dividend paid					(216 079)	(216 079)	(1 068)	(217 147)
BEE share-based payments charge				17 600		17 600		17 600
Employee share option scheme:								
Proceeds from shares issued	17 886					17 886		17 886
Value of employee services				78 959		78 959		78 959
Exercise of employee share options				(17 886)		(17 886)		(17 886)
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**

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

SUPPLEMENTARY INFORMATION

		June 2017 R'000	June 2016 R'000
Capital expenditure contracted and committed		**155 492**	323 299
Capital expenditure approved but not contracted		**354 869**	227 199
STATISTICS			
Statutory ordinary shares in issue (includes BEE shares)	(000's)	**935 566**	934 410
Ordinary shares in issue for accounting purposes	(000's)	**864 807**	863 651
Weighted average ordinary shares in issue	(000's)	**864 167**	862 739
Diluted weighted average ordinary shares in issue	(000's)	**870 488**	864 727
Net asset value per share	(cents)	**1 201.0**	1 163.2
Ordinary dividends per share:			
Interim dividend declared	(cents)	**10,0**	15,0
Final dividend declared	(cents)	**20,0**	15,0
Total dividends	(cents)	**30,0**	30,0

SEGMENTAL ANALYSIS

	June 2017 R'000	Restated* June 2016 R'000
Revenue	**24 950 655**	25 025 159
Consumer	**13 474 031**	13 301 265
Sugar & Milling	**14 467 407**	14 914 754
Logistics	**2 033 102**	1 986 899
Sales between segments:		
Consumer to Sugar & Milling	**(230 274)**	(210 105)
Sugar & Milling to Consumer	**(3 713 778)**	(3 864 143)
Logistics to Consumer	**(1 050 894)**	(1 078 012)
Logistics to Sugar & Milling	**(28 939)**	(25 499)
Operating profit before depreciation, amortisation and impairment (EBITDA) — Pre IAS 39	**1 780 010**	1 842 957
Consumer	**520 790**	701 653
Sugar & Milling	**1 054 144**	826 010
Logistics	**203 117**	260 662
Unallocated group costs	**1 959**	54 632
IAS 39 Adjustment	**(32 377)**	(80 570)
Operating profit before depreciation, amortisation and impairment (EBITDA)	**1 747 633**	1 762 387
Depreciation, amortisation and impairment	**(971 125)**	(1 445 222)
Operating profit/(loss)		
Consumer	**(7 404)**	345 714
Sugar & Milling	**669 184**	(258 075)
Logistics	**121 776**	184 962
Unallocated group costs	**(7 048)**	44 564
Operating profit	**776 508**	317 165
Finance costs	**(373 741)**	(365 194)
Finance income	**40 999**	38 361
Share of profits of joint ventures	**48 577**	44 527
Sugar & Milling	**38 628**	22 661
Logistics	**9 949**	8 359
Zambian operations		13 507
Share of profit/(loss) of associates	**109 516**	64 796
Sugar & Milling	**110 590**	68 530
Ugandan Operation	**(1 074)**	(3 734)
Profit before tax	**601 859**	99 655

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

SEGMENTAL ANALYSIS CONTINUED

	June 2017 R'000	Restated* June 2016 R'000
ASSETS		
Consumer	**8 363 089**	9 903 523
Sugar & Milling	**8 208 674**	9 153 826
Logistics	**3 307 004**	3 341 240
Unallocated Group assets**	**833 157**	445 655
Ugandan operation	**58 146**	66 599
Set-off of inter-segment balances	**(1 261 756)**	(2 681 067)
Total per statement of financial position	**19 508 314**	20 229 776
LIABILITIES		
Consumer	**2 693 568**	3 368 466
Sugar & Milling	**2 484 827**	2 587 057
Logistics	**2 235 929**	3 089 711
Unallocated Group liabilities**	**2 968 995**	3 819 353
Set-off of inter-segment balances	**(1 261 758)**	(2 681 067)
Total per statement of financial position	**9 121 561**	10 183 520

**The prior year information has been restated for the impact of amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" regarding bearer plants.*
***Includes the assets and liabilities of the Group treasury company and consolidation entries.*

ANNEXURE — RECONCILIATION OF REPORTED RESULTS TO NORMALISED RESULTS

	June 2017 R'000	Restated* June 2016 R'000
Pre-IAS 39 EBITDA	**1 780 010**	1 842 957
Chicken restructure costs	**51 899**	
Pongola silo receipt — assets and prior year business interruption portion	**(138 079)**	
Zam options impact	**27 971**	(67 742)
Normalised pre-IAS 39 EBITDA	**1 721 801**	1 775 215
Chicken**	**108 977**	158 065
Normalised pre-IAS 39 EBITDA — excluding Chicken	**1 612 824**	1 617 150
Headline earnings	**548 541**	832 913
Chicken restructure costs	**37 367**	
Pongola silo receipt — prior year business interruption portion	**(20 757)**	
Zam options impact	**27 971**	(118 905)
Foodcorp tax release		(163 293)
Normalised headline earnings	**593 123**	550 715

Refer to the material financial items section for further details on the normalisation adjustments.
**The prior year information has been restated for the impact of amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" regarding bearer plants.*
***2017 excludes the R51,9m once-off costs already taken into account above.*