# RCL FOODS LIMITED UNAUDITED GROUP FINANCIAL RESULTS AND CASH DIVIDEND DECLARATION

for the six months ended 31 December 2015

# FINANCIAL HIGHLIGHTS

for the six months ended 31 December 2015

**REVENUE**

R12,9 billion ↑ 7,0%

**EBITDA**

R1,1 billion ↓ 5,0%

**HEADLINE EARNINGS FROM CONTINUING OPERATIONS**

R751,8 million ↑ 25,0%

**HEADLINE EARNINGS PER SHARE FROM CONTINUING OPERATIONS**

87,2 cents ↑ 24,5%

**INTERIM DIVIDEND PER SHARE**

15,0 cents

**CASH GENERATED BY OPERATIONS**

R373,0 million ↓ 39,6%

## KEY FEATURES

- Recent acquisitions and integration initiatives have created a substantially more balanced portfolio
- Strong growth in the Consumer division for all business units except the Chicken business unit
- Oversupply in the poultry industry impacted the Chicken business unit's profitability
- Solid performances from the Logistics division and Animal Feed business unit
- Adverse impact of the drought on the Sugar business unit, affecting production volumes and crop valuations
- Progress in the Millbake business unit, but issues not yet fully resolved
- Results include a positive pre-tax IAS 39 adjustment of R43,1 million (H1 2015: R 110,6 million)
- Results include a release of R163,3 million relating to a provision raised as part of the Foodcorp acquisition for uncertain tax positions.

# ABRIDGED CONSOLIDATED UNAUDITED RESULTS

for the six months ended 31 December 2015

## FINANCIAL HIGHLIGHTS

| | | Six months 31 December 2015 | Six months 31 December 2014 | % change |
|---|---|---|---|---|
| Revenue | (Rbillion) | **12,9** | 12,0 | Up 7,0 |
| EBITDA | (Rbillion) | **1,1** | 1,2 | Down 5,0 |
| Headline earnings from continuing operations | (Rmillion) | **751,8** | 601,6 | Up 25,0 |
| Headline earnings per share from continuing operations | (cents) | **87,2** | 70,0 | Up 24,5 |
| Interim dividend per share | (cents) | **15,0** | 15,0 | |
| Cash generated by operations | (Rmillion) | **373,0** | 616,7 | Down 39,6 |

## INTRODUCTION

RCL FOODS is reporting on its new segments for the first time in this set of results. These segments are "Consumer" (which includes the Chicken, Grocery, Beverages, Pies and Speciality business units) and "Sugar & Milling" (which includes the Sugar, Animal Feed and Millbake business units), while the Logistics division (Vector) continues to operate as a stand-alone business, ultimately responsible for Group operations' route to market.

RCL FOODS reported headline earnings from continuing operations for the six months ended 31 December 2015 of R751,8 million (H1 2015: R601,6 million), which translated into headline earnings per share of 87,2 cents (H1 2015: 70,0 cents). Excluding the once-off tax provision release, headline earnings and headline earnings per share from continuing operations is R588,5 million and 68,3 cents, a decline of 2,2% and 2,5% respectively. The Board has declared an interim dividend of 15,0 cents per share (H1 2015: 15,0 cents). Strong performances were recorded in the Grocery, Pies, Speciality, Beverages, Animal Feed and Logistics businesses, but the Sugar and Chicken businesses remained under pressure.

Significant individual financial impacts in the current period include:

- The release of a R163,3 million provision for uncertain tax positions raised in terms of IFRS 3 (Business Combinations) as part of the Foodcorp acquisition. This matter has now been finalised with the South African Revenue Service and consequently the income tax expense for the period has been reduced by R163,3 million;
- A substantially lower IAS 39 adjustment, relating to the Group's Animal Feed raw material procurement strategy, which has added R43,1 million to profits for the current period relative to R110, 6 million in the comparable period. These movements are attributable to rising commodity prices and a depreciating rand exchange rate which gave rise to positive mark-to-market adjustments;
- A year-on-year reduction in the valuation of biological assets (sugar cane crop) as a result of the drought – lower yields, expectations of further drought conditions and damage to current crops (R19,0 million relating the Sugar business unit and a R15,8 million impact on the Group's share of profits of associates);
- Net finance costs of R133,7 million for the current period, relative to R171,4 million for the comparable period. The positive movement is related to the replacement of the R4,5 billion bridging loan facility with a more appropriate debt structure in 2015 and a positive mark–to-market valuation of R34,2 million relating to the interest rate hedges taken out on the debt package; and
- Industrial action in the Logistics and Consumer division reduced profits by R40,0 million in the comparable period, which was not repeated in the period under review.

The single biggest operational feature of the period being reported on has been the severe drought which has ravaged large parts of South Africa and surrounding areas. The drought has had a pervasive impact on the business during this period. The increase in commodity input prices has been exacerbated by the substantial decline in the value of the rand, which more than off-set any benefit that may have been gained from the lower international oil price. In addition, consumers remain under pressure with lower disposable income, increasing debt levels and rising interest rates, as well as high unemployment.

## STRATEGIC PROGRESS

The recent integration of the four businesses into "One Company" has been critically important from a strategic perspective. It has created a simplified structure for a diversified business with a well-balanced portfolio across the food spectrum. The Group has remained steadfast in its focus on implementing the strategic imperatives notwithstanding the volatile operating conditions.

RCL FOODS has committed dedicated senior resources to the Transformation Management Office (TMO) to drive integration projects associated with the new business structure. TMO's focus is to prioritise projects that deliver maximum benefit, leveraging synergies across the divisions and implementation of the detailed structures, processes and systems. There are currently 15 key business transformation programmes in place, covering compliance, business legal structure and business enablement. Significant benefits have already been realised as set out below:

- The combination of the Consumer businesses and moving the former Foodcorp brands into an enhanced and focused team is already showing signs of delivering value. This can be seen in increased sales and market share and in the advances in the mayonnaise, pet food and peanut butter categories. Additional benefit is becoming evident from an innovation and improved customer management point of view and from the ability to better identify value-enhancing opportunities;
- Opportunities in Quick Service Restaurants (QSRs) to extend the basket and provide a range of new products to these strategic customers have been realised. These include mayonnaise, sauces, salad dressings, cakes and desserts among others;
- In February 2016 a single RCL FOODS customer team was established. This team will represent all consumer brands across both the Consumer and Sugar & Milling divisions, effectively presenting "one face" to our retail and wholesale customers;
- The integration of management teams and the supply chain has generated cost savings and improved efficiencies;
- Rainbow's chicken is now being used in a new range of pies;
- The Animal Feed business unit has increased the utilisation of Millbake by-products such as bran;
- The merger of Epol and Molatek has created one of the largest feed companies in the country, substantially increasing the sales footprint and product offering. It has also allowed the rationalisation and related cost benefit of Epol and Molatek sales and marketing effort;
- Centralised strategic sourcing continues to generate very real cost savings across the entire Group; and
- Logistics will ultimately manage the route to market for the entire Group and has been improving market access and reducing costs across the Group's supply chain, while assimilating a sales and merchandising team in excess of 1 000 staff dedicated to RCL FOODS' business units.

## RCL FOODS FINANCIAL REVIEW

### Income statement

RCL FOODS' revenue for the six months to December 2015 increased by 7,0% to R12,9 billion (H1 2015: R12,0 billion). EBITDA declined by 5,0% to R1 145,8 million from R1 206,1 million, with the associated margin decreasing from 10,0% to 8,9%.

The table below depicts EBITDA from a statutory perspective and adjusted for unrealised gains and losses on financial instruments (pre-IAS 39) used in Animal Feed's raw material procurement strategy. Reporting the financial effects of certain financial instruments used in the feed procurement strategy in terms of IAS 39 introduces volatility to the Group's financial results. For the period under review, the pre-tax impact on the Group's results of these unrealised positions is a positive impact of R43,1 million (H1 2015: R110,6 million), being largely related to the increase in the maize price and rand depreciation.

| | | Six months 31 December 2015 | Six months 31 December 2014 | % change |
|---|---|---|---|---|
| **EBITDA** | | | | |
| – Statutory | (Rmillion) | **1 145,8** | 1 206,1 | (5,0) |
| – Pre-IAS 39 | (Rmillion) | **1 102,7** | 1 095,4 | 0,7 |
| **EBITDA margin** | | | | |
| – Statutory | (%) | **8,9** | 10,0 | (1,1) |
| – Pre-IAS 39 | (%) | **8,6** | 9,1 | (0,5) |

The Consumer division achieved strong results in all business units excluding Chicken, resulting in the EBITDA for the period growing by 8,8% to R501,6 million (H1 2015: R461,2 million) and a margin of 7,1% (H1 2015: 7,5%).

Sugar & Milling's EBITDA decreased by 10,4% to R472,9 million (H1 2015: R527,9 million) with a resulting margin of 6,2% (H1 2015: 7,2%). Operating profit was impacted by the negative movement in the biological asset fair value adjustment versus the comparable period of R19,0 million relating to the effect of the drought on crop valuations as well as lower production volumes.

EBITDA for the Logistics division increased by 22,0% to R134,9 million (H1 2015: R110,5 million) with a margin of 13,6% (H1 2015: 11,2%), despite modest growth in revenue. The comparative numbers were negatively impacted by R20,0 million of costs related to labour strikes.

## Statement of financial position

Investment in associates has increased largely due to the additional investment of R61,5 million in Hudani Manji Holdings Limited, a poultry producer in Uganda. The purchase price allocation exercise has not yet been finalised.

The reduction in cash and cash equivalents by R1 118,0 million largely relates to the reducing of the debt package by R750,0 million and higher working capital requirements.

As reported at June 2015, the majority of the interest rate exposure on the debt package was fixed for the first 24 months. During the period under review, RCL FOODS hedged the interest rates on R1,5 billion of the R3,35 billion debt package relating to years 3 and 4. These hedges are proving valuable in the current increasing interest rate environment.

Following the refinancing process in February 2015, the Group's debt is now held in the Group's treasury company which forms part of the unallocated segment, which explains the significant movement in segmental assets and liabilities from the comparable period.

## Cash flow and working capital

The Group's working capital requirement seasonally peaks over the December trading period. It increased by 15,4% to R801,8 million mainly as a result of cost push from a range of commodities and higher stock holdings as well as an increase in debtors as a result of higher sales.

Net finance costs per the income statement are lower than net finance costs paid due to the positive mark-to-market valuation of R34,2 million relating to the interest rate hedges which have no cash flow impact.

Cash from investing activities was distorted in the previous period as a result of a R424,0 million inflow from a money market account that was closed. In order to realign its cash resources, the Group disinvested from the money market account which, due to its maturity profile, was not classified as cash and cash equivalents.

Return on equity, which is calculated on a rolling 12-month basis, increased to 9,5% (H1 2015: 3,8%).

## Capital expenditure

Capital expenditure (excluding intangibles) for the six-month period was R530,0 million (H1 2015: R342,8 million). Significant spend includes the UHT project at the Beverage 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.

An amount of R386,9 million (H1 2015: R147,1 million) has been contracted and committed, but not spent, whilst a further R254,5 million (H1 2015: R153,3 million) has been approved but not contracted. These projects mainly relate to continued investment in the projects above.

## REVIEW OF OPERATIONS

### CONSUMER DIVISION

The Consumer division grew revenue by 9,0% to R6,7 billion (H1 2015: R6,2 billion). EBITDA for the division grew by 8,8% to R501,6 million (H1 2015: R461,2 million) but was characterised by very different results from Chicken (EBITDA down 15,3%), relative to the rest of the business units (EBITDA up 37,0%). A 30,0% higher investment in the brands and strong operational performances translated into pleasing market share gains for most of the business units. This was achieved despite weak demand and aggressive competitor activity. The Consumer division has made use of ask'd, an independent company that specialises in providing benchmarks that measure industry growth and trends, company performance and consumer dynamics for a defined group, representing the majority of food manufacturers. For the six months ended 31 December 2015 the Consumer division's sales volumes, excluding the chicken category, grew by 18,4% whilst the ask'd basket sales volumes declined by 2,0%.

The division had a strong focus on cost control, synergies, as well as on appropriate pricing strategies targeted to recover cost pressure whilst growing market share. Chicken managed its costs admirably, given the lower bird volumes as a consequence of constrained QSR demand.

#### Chicken

The Chicken business unit delivered a first half EBITDA result of R210,8 million (H1 2015: R249,0 million), down 15,3% on the comparable period. Within Chicken, gains were made in QSR share while chilled processed meat markets were more competitive as consumers traded down in tough times.

The market remains massively oversupplied as a result of local production as well as dumping. The new model in the Chicken business strives to reduce exposure to commodity based lines by growing QSR volumes while retaining/reducing bird numbers. During this period, QSR growth has been muted for some customers, which required that overall bird numbers be reduced further to limit additional consequential volume.

Chicken has been successful in reducing its cost base to mitigate against the lower revenue, despite the difficulties of maintaining operational efficiencies in the face of lower volume throughput. The business has achieved very good agriculture performance which assisted with the cost management efforts. The sharp increase in the price of yellow maize and other soft commodities used in poultry feed was to a large extent effectively hedged in this reporting period, but will affect feed cost significantly going forward.

The poultry industry remains exposed to two critical issues, those being imports including dumping of leg quarters and the brining injection cap proposed by government.

- Impact of the African Growth and Opportunity Act (AGOA) – The negotiations around AGOA have culminated in, amongst others, an agreement to allow the importation, free of anti-dumping duty, of 65 000 tons of chicken from the United States. The AGOA agreement and the risk of associated dumping exacerbates the already substantial dumped product that is finding its way into the market and which is disrupting pricing and supply dynamics in the poultry industry.
- Brining – RCL FOODS continues to support the concept of a brining injection cap as well as the introduction of new legislation as proposed by The Department of Agriculture, Forestry and Fisheries. These initiatives should help to ensure a level playing field that will ultimately protect consumers and the future of the South African chicken industry. RCL FOODS looks forward to a speedy resolution of this important matter.

#### Groceries (Grocery, Beverages, Pies and Speciality)

Notwithstanding a very competitive environment, the remaining business units achieved an outstanding performance driven by a revised pricing strategy and well executed marketing and sales plans. EBITDA was R290,7 million (H1 2015: R212,2 million), up 37,0% on the comparable period.

An enhanced focus on basic marketing and sales strategy has seen the Grocery business unit achieve robust volume growth and market share gains in a range of key product categories, with mayonnaise overtaking competitors to become the market leader in its category during this period. A strong focus on costs allowed the business unit to reduce its R/ton operational cost base. As mentioned in the strategic section, Grocery has made great strides in offering further innovation and a range of new products to its respective markets. The new ranges of dressing and spreads that are now produced for KFC and Chicken Licken are prime examples. Good share gains have been seen in premium pet food, the key growth sector of pet food, with Canine Cuisine and Ultra Dog growing market share. A sizeable investment in pet food will be rolled out over the next 18 months. Whilst aggressive competitor activity was experienced in the peanut butter and rusk categories, Yum Yum peanut butter held market share and Ouma rusks had a record winter season.

The Pies business unit has progressively reduced its cost base, and the focus for the next six months will be directed at rolling out customer-specific plans, scaling up in-store visibility and introducing new innovation in the product ranges. The Pie category is showing positive signs of a resurgence and recovery.

A heat wave in most parts of South Africa during December 2015, as well as increased depth of distribution and service levels has contributed to the strong performance of Mageu No. 1. The Beverage business unit continues to see challenges from competition given low barriers to entry, however the investment in UHT capability is expected to enhance the competitive advantage and introduce new consumers to extended offerings.

The winning of QSR business and disciplined cost control in Speciality allowed the business unit to generate an improved result after excluding the base effect of the R20,0 million strike impact in the comparable period. The Speciality margin remains below acceptable levels.

## SUGAR & MILLING DIVISION

The Sugar & Milling division grew revenue by 3,9% to R7,6 billion (H1 2015: R7,3 billion). Pre-IAS 39 EBITDA declined by 10,4% to R472,9 million (H1 2015: R527,9 million).

### Sugar

While the decline in sugar imports as a result of the increased sugar tariff should have been positive for the profits of South African sugar companies, the ongoing drought has proven to be a significant challenge, impacting production volumes, yields and crop valuations. RCL FOODS Sugar was less affected than the rest of the industry as its use of irrigation has largely protected it from the conditions during the first year of the drought. However, the absence of rain in the Malalane area in recent months and the need to moderate irrigation because of declining dam levels and potential poor rainfall in the coming months, also influenced its operational performance. The reduction in available cane supply resulted in the Pongola and Komatipoort mills shutting down earlier than expected. Consequently, sugar production as well as cane valuations have been impacted during this period. The cane crop decreased by 577 000 tons, resulting in some 88 000 tons less sugar produced than the comparable period with a negative R19,0 million year-on-year impact from crop valuations.

As a result of an expected decline in sugar availability in the country, the sugar industry reduced its exports in order to ensure sufficient sugar for the domestic market. The increased sales in the domestic market significantly changed the mix of retail, wholesale and industrial business for RCL FOODS Sugar, which put margins under pressure. The South African Sugar Association (SASA) recovers its costs from industry members through an industrial levy on a R/ton basis. Despite the Sugar business unit's lower manufacturing volumes, the significantly lower industry crop has resulted in a higher R/ton charge. This, together with the Sugar business unit's increase in share of South African sugar production, has resulted in an overall increase in Sugar's share of industry costs. RCL FOODS is currently engaging with SASA and other millers and growers to review the level and costs of SASA's operations given the current economic and drought conditions. The results were further impacted by the cost push from higher cane costs, lower throughput and increased energy cost, resulting in EBITDA declining 29,9% to R163,6 million.

For a number of reasons, Massingir, the greenfield sugar project in Mozambique has been shelved and a R13,0 million final impairment has been raised.

### Animal Feed

The Animal Feed business unit experienced good growth of 5,5% with a pre-IAS 39 EBITDA of R169,9 million (H1 2015: R161,1 million), and improved margins as a result of a better sales mix. The business unit significantly reduced exposure to "pure commodity" segments of the market and increased its focus on the higher margin horse and game sector, where it has managed to build a strong brand reputation.

The merging of Epol and Molatek into one Feed business unit with an integrated route to market strategy has been a great success. The combined, comprehensive range of products is of value to farmers as it meets their entire spectrum of feed requirements. Animal Feed has become a more resilient business with a diversified product range, customer profile and species spread.

### Millbake (Milling & Baking)

The Milling and Baking businesses were combined during the previous financial year recognising their highly integrated nature. Millbake operates in a highly competitive market, made more difficult with wheat prices 23,5% higher since the start of the financial period. Notwithstanding these challenges, the business unit achieved growth of 4,3% with an EBITDA of R139,4 million (H1 2015: R133,6 million). The Sunbake brand was successfully relaunched with a new packaging design positively received by consumers. Millbake continues to experience significant challenges with the Gauteng bakeries, however, growth in milling volumes and in rural bakeries has offset this. The optimisation of the Gauteng distribution network and plans to rectify the problems experienced with the commissioning of the new Gauteng plant are expected to positively impact results from the last quarter of the financial year. The EBITDA margin remains significantly below expectations for this business unit.

## LOGISTICS DIVISION

Logistics' revenue growth for the six months of 0,8% to R994,5 million (H1 2015: R986,7 million) was subdued, as expected, after the loss of some larger customers in the current and previous financial year. The business has been successful in gaining new business to replace most of the lost revenue, although it has come on stream in staggered intervals and customers are feeling the pressure of the tight economic conditions. Volumes in the Foodservice industry remain resilient.

EBITDA increased 22,0% to R134,9 million (H1 2015: R110,5 million). Excluding the impact of the labour disruptions (R20,0 million) in the comparable period, EBITDA increased by 3,5%, a pleasing result which indicates sound cost control.

The new leased facility in Port Elizabeth (Coega) was successfully commissioned in July 2015. The expansion of both the Thekwini and Peninsula depots are progressing well, with elements of the Peninsula expansion already complete; both facilities are expected to be operational by June 2016.

## EQUITY ACCOUNTED INVESTMENTS

### Royal Swaziland Sugar Corporation ("RSSC")

RCL FOODS' Sugar holds a 27,4% shareholding in RSSC. RSSC's results for the six months were impacted upon by similar conditions to the South African operations such that its after-tax contribution to RCL FOODS declined by 25,2% to R78,3 million (H1 2015: R104,7 million). The Group's share of the negative fair value biological asset valuation was an after-tax amount of R15,8 million.

### Senn Foods Logistics ("Senn Foods")

RCL FOODS acquired 49,0% of Senn Foods in Botswana during 2014. Senn Foods continued to deliver satisfactory results notwithstanding the challenging economic conditions with an after-tax profit contribution of R3,9 million (H1 2015: R3,9 million).

### Zam Chick Limited ("Zam Chick")

Zam Chick equity accounted earnings increased by 68,2% versus the comparable period to R7,4 million (H1 2015: R4,4 million). The new breeding operations and hatchery (Zamhatch) were successfully commissioned in the current period.

## CASH DIVIDEND DECLARATION

The directors have resolved to declare an interim gross cash dividend (number 82) of 15,0 cents per share for the six months ended 31 December 2015 (H1 2015: 15,0 cents).

The dividend has been declared from income reserves. Dividend tax, at the rate of 15,0%, will amount to 2,25 cents per share and consequently shareholders, who are not exempt from dividend tax, will receive a net dividend amount of 12,75 cents per share. The issued share capital as at date of declaration is 934 409 058. 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 | Friday, 15 April 2016 |
| Ordinary shares trade ex dividend | Monday, 18 April 2016 |
| Record date | Friday, 22 April 2016 |
| Payment date | Monday, 25 April 2016 |

Share certificates may not be dematerialised or rematerialised between Monday, 18 April 2016 and Friday, 22 April 2016 (both dates inclusive).

## PROSPECTS

Key features for the next reporting period will be the pervasive impact of the drought as well as the impact of the weak rand on soft commodity prices. These two issues are expected to drive food inflation and consequently challenge margins across most categories. RCL FOODS is in the process of developing proactive pricing strategies designed to protect market share as far as possible, whilst still recovering cost pressure. However, aggressive competition and a distressed consumer will make it difficult to fully recover these increases from the market. Negative growth in real consumer spending is expected over the next 12-18 months.

As a result, synergies, overhead savings and production efficiencies will continue to receive substantial focus in the next period. In addition, innovation including formats and pack sizes suitable for "hard times" and export opportunities are being evaluated.

The Chicken business is contemplating a further reduction in production volumes to both mitigate against the exposure to commodity-based lines and to extend current feed procured positions.

A recovery in sugar production during the next season is dependent on a return to normal rainfall levels. The expectation of a global production deficit and some recovery in world market prices is encouraging. However, if the drought persists, sugar availability will remain under pressure, as will the financial results for this business unit.

The Logistics division expects relatively stable growth going forward as its customer base settles.

RCL FOODS expects that cash flows in the business will remain positive. However, the current capital expenditure investment programme will be reviewed and tempered as appropriate to the changing market environment. It remains RCL FOODS' intention to explore opportunities in strategic growth markets in the food sector in South Africa and sub-Saharan Africa in line with its long-term aspirations.

## 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 Listings Requirements of the JSE Limited, under the supervision of the Chief Financial Officer, Robert Field CA(SA). The accounting policies comply with IFRS and are consistent with those applied in the previous year.

### Restatement

As a result of the Group changing its operating structure from the four operating subsidiaries, Foodcorp, Rainbow, TSB and Vector to three business divisions: Consumer, Sugar & Milling and Logistics, the Group has updated the disclosures of the previously disclosed segments to align with the information reviewed by the Group's chief operating decision-maker for the purpose of allocating resources. The prior year segmental reporting has been restated and is presented in the segmental analysis below.

For and on behalf of the Board

**JJ Durand**
*Non-executive Chairman*

**M Dally**
*Chief Executive Officer*

Durban
23 February 2016

**Directors:** JJ Durand (Non-executive Chairman), M Dally (CEO)*, HJ Carse, RH Field*, PR Louw, NP Mageza, DTV Msibi, MM Nhlanhla, RV Smither, GM Steyn, GC Zondi. * *Executive directors*
**Company secretary:** JMJ Maher
**Registration number:** 1966/004972/06 **JSE share code:** RCL **ISIN:** ZAE000179438
**Registered office:** RCLFoods Limited, Six The Boulevard, Westway Office Park, Westville, 3629
**Transfer secretaries:** Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg, 2001
**Auditors:** PricewaterhouseCoopers Inc.
**Sponsor:** RAND MERCHANT BANK (a division of FirstRand Bank Limited)
**Bankers:** ABSA Bank Limited, First National Bank, Standard Bank Limited
**Website:** www.rclfoods.com

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2015

| | 31 December 2015 R'000 | 31 December 2014 R'000 | 30 June 2015 R'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | **5 540 755** | 5 184 483 | 5 193 089 |
| Intangible assets | **2 591 346** | 2 689 977 | 2 640 039 |
| Biological assets | **457 652** | 424 519 | 549 608 |
| Investment in joint ventures | **412 427** | 407 560 | 416 626 |
| Investment in associates | **533 777** | 443 248 | 406 250 |
| Deferred income tax asset | **21 488** | 8 911 | 8 320 |
| Loans receivable | **42 681** | 1 555 | 1 555 |
| Goodwill | **3 035 823** | 3 035 823 | 3 035 823 |
| | **12 635 949** | 12 196 076 | 12 251 310 |
| **Current assets** | | | |
| Inventories | **2 869 626** | 2 787 326 | 2 761 151 |
| Biological assets | **540 280** | 528 100 | 548 525 |
| Trade and other receivables | **3 773 155** | 3 372 346 | 3 156 670 |
| Derivative financial instruments | **40 393** | 6 025 | 10 438 |
| Tax receivable | | 850 | 9 923 |
| Loan receivable | | | 5 239 |
| Investment in money market fund | | 22 000 | |
| Cash and cash equivalents | **765 150** | 1 395 950 | 873 397 |
| Assets of disposal group classified as held for sale | | 446 754 | 76 542 |
| | **7 988 604** | 8 559 351 | 7 441 885 |
| **Total assets** | **20 624 553** | 20 755 427 | 19 693 195 |
| **EQUITY** | | | |
| Capital and reserves | **10 662 334** | 9 900 308 | 10 113 499 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Deferred income | **3 127** | 2 854 | 1 849 |
| Interest-bearing liabilities | **3 640 094** | 339 076 | 3 511 271 |
| Deferred income tax liabilities | **1 454 057** | 1 438 363 | 1 458 933 |
| Retirement benefit obligations | **189 538** | 233 399 | 187 656 |
| Trade and other payables | | 8 827 | 8 567 |
| | **5 286 816** | 2 022 519 | 5 168 276 |
| **Current liabilities** | | | |
| Trade and other payables | **3 904 256** | 3 889 361 | 4 184 985 |
| Deferred income | **4 178** | 4 978 | 5 239 |
| Interest-bearing liabilities | **127 948** | 4 632 512 | 131 559 |
| Derivative financial instruments | **14 208** | 18 557 | 16 277 |
| Current income tax liabilities | **72 629** | 51 189 | 52 680 |
| Bank overdraft | **552 184** | 64 975 | 2 891 |
| Liabilities of disposal group classified as held for sale | | 171 028 | 17 789 |
| | **4 675 403** | 8 832 600 | 4 411 420 |
| **Total liabilities** | **9 962 219** | 10 855 119 | 9 579 696 |
| **Total equity and liabilities** | **20 624 553** | 20 755 427 | 19 693 195 |

# CONSOLIDATED INCOME STATEMENT

for the six months ended 31 December 2015

| Continuing operations | | Six months 31 December 2015 R'000 | Six months 31 December 2014 R'000 | Year ended 30 June 2015 R'000 |
|---|---|---|---|---|
| **Revenue** | | **12 875 309** | 12 029 301 | 23 428 206 |
| **Operating profit before depreciation, amortisation and impairment (EBITDA)** | | **1 145 825** | 1 206 059 | 2 224 045 |
| Depreciation, amortisation and impairment | | **(363 410)** | (339 945) | (771 654) |
| **Operating profit** | | **782 415** | 866 114 | 1 452 391 |
| Finance costs | | **(143 237)** | (202 018) | (373 607) |
| Finance income | | **9 532** | 30 586 | 52 056 |
| Share of profits of joint ventures | | **20 974** | 18 432 | 38 004 |
| Share of profit of associates | | **76 244** | 104 723 | 84 178 |
| **Profit before tax** | | **745 928** | 817 837 | 1 253 022 |
| Income tax expense | | **(29 595)** | (223 791) | (359 160) |
| **Profit after tax from continuing operations** | | **716 333** | 594 046 | 893 862 |
| Profit/(loss) for the period from discontinued operation | | | 6 862 | (31 905) |
| **Profit for the period** | | **716 333** | 600 908 | 861 957 |
| **Attributable to:** | | | | |
| Equity holders of the company | | **745 846** | 612 758 | 848 121 |
| Non-controlling interests | | **(29 513)** | (11 850) | 13 836 |
| **HEADLINE EARNINGS** | | | | |
| **Continuing operations** | | | | |
| Profit for the period attributable to equity holders of the company | | **745 846** | 606 140 | 880 026 |
| Profit on disposal of property, plant and equipment | | **(9 853)** | (7 624) | (3 920) |
| Loss on disposal of biological assets | | **6 795** | | |
| Profit on sale of investment | | | | (1 546) |
| Insurance (gain)/loss on disposal of assets | | **(2 880)** | | 630 |
| Impairment loss | | **11 906** | 3 101 | 89 269 |
| **Headline earnings from continuing operations** | | **751 814** | 601 617 | 964 459 |
| **Discontinued operation** | | | | |
| Profit/(loss) for the period attributable to equity holders of the company | | | 6 618 | (31 905) |
| Loss on disposal of discontinued operation | | | | 28 193 |
| Impairment to fair value less cost to sell | | | | 11 424 |
| **Headline earnings from discontinued operation** | | | 6 618 | 7 712 |
| **Earnings per share from continuing and discontinued operations attributable to equity holders of the company** | | | | |
| **Continuing operations** | | | | |
| Basic earnings per share | (cents) | **86,5** | 70,6 | 102,4 |
| Basic earnings per share – diluted | (cents) | **86,5** | 70,4 | 101,7 |
| Headline earnings per share | (cents) | **87,2** | 70,0 | 112,2 |
| Headline earnings per share – diluted | (cents) | **87,2** | 69,8 | 111,5 |
| **Discontinued operation** | | | | |
| Basic earnings per share | (cents) | | 0,8 | (3,7) |
| Basic earnings per share – diluted | (cents) | | 0,8 | (3,7) |
| Headline earnings per share | (cents) | | 0,8 | 0,9 |
| Headline earnings per share – diluted | (cents) | | 0,8 | 0,9 |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 31 December 2015

| | Six months 31 December 2015 R'000 | Six months 31 December 2014 R'000 | Year ended 30 June 2015 R'000 |
|---|---|---|---|
| Profit for the period | **716 333** | 600 908 | 861 957 |
| **Other comprehensive income** | | | |
| ***Items that will not be reclassified to profit and loss*** | | | |
| Remeasurement of retirement medical obligations – net of tax | | | (4 299) |
| Share of associates other comprehensive income | | | 854 |
| ***Items that may be reclassified subsequently to profit and loss*** | | | |
| Cash flow hedges | **(12 940)** | 3 505 | 28 114 |
| Currency translation differences | **384** | (2 059) | (6 129) |
| Other comprehensive income for the period – net of tax | **(12 556)** | 1 446 | 18 540 |
| **Total comprehensive income for the period** | **703 777** | 602 354 | 880 497 |
| **Total comprehensive income for the period attributable to:** | | | |
| Equity holders of the company | **733 290** | 614 204 | 866 661 |
| Non-controlling interests | **(29 513)** | (11 850) | 13 836 |
| | **703 777** | 602 354 | 880 497 |

# CONSOLIDATED CASH FLOW INFORMATION

for the six months ended 31 December 2015

| | Six months 31 December 2015 R'000 | Six months 31 December 2014 R'000 | Year ended 30 June 2015 R'000 |
|---|---|---|---|
| **Operating profit** | **782 415** | 866 114 | 1 452 391 |
| Non-cash items | **392 443** | 445 634 | 462 448 |
| **Operating profit before working capital requirements** | **1 174 858** | 1 311 748 | 1 914 839 |
| Working capital requirements | **(801 821)** | (695 004) | 151 276 |
| **Cash generated by operations** | **373 037** | 616 744 | 2 066 115 |
| Net finance cost | **(161 570)** | (164 427) | (322 558) |
| Net cash flows from operating activities – discontinued operation | | 98 069 | 54 275 |
| Tax paid | **(180 769)** | (105 134) | (280 896) |
| **Cash available from operating activities** | **30 698** | 445 252 | 1 516 936 |
| Dividend received | **33 281** | 21 948 | 46 955 |
| Dividends paid | **(190 545)** | (172 576) | (301 777) |
| Cash (outflows)/inflows from investing activities – continuing operations | **(549 758)** | 47 899 | (80 720) |
| Cash outflows from investing activities – discontinued operation | | (11 288) | (17 510) |
| Cash inflows/(outflows) from financing activities – continuing operations | **18 784** | (26 295) | (1 320 625) |
| Cash outflows from financing activities – discontinued operation | | (682) | (1 455) |
| **Net movement in cash and cash equivalents** | **(657 540)** | 304 258 | (158 196) |
| Cash and cash equivalents at the beginning of the period | **870 506** | 1 026 717 | 1 026 717 |
| Exchange rate translation | | | 1 985 |
| **Cash and cash equivalents at the end of the period** | **212 966** | 1 330 975 | 870 506 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 31 December 2015

| | 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 2014** | 9 955 700 | 2 462 | (1 919 832) | 330 338 | 1 005 921 | 9 374 589 | 61 697 | 9 436 286 |
| Profit/(loss) for the period | | 1 446 | | | 612 758 | 614 204 | (11 850) | 602 354 |
| Ordinary dividend paid | | | | | (171 763) | (171 763) | (813) | (172 576) |
| BEE share-based payments charge | | | | 8 800 | | 8 800 | | 8 800 |
| Employee share option scheme: | | | | | | | | |
| Proceeds from shares issued | 2 635 | | | | | 2 635 | | 2 635 |
| Value of employee services | | | | 22 809 | | 22 809 | | 22 809 |
| **Balance at 31 December 2014** | 9 958 335 | 3 908 | (1 919 832) | 361 947 | 1 446 916 | 9 851 274 | 49 034 | 9 900 308 |
| Profit for the period | | | | | 235 363 | 235 363 | 25 686 | 261 049 |
| Other comprehensive income for the period | | 20 539 | | | (3 445) | 17 094 | | 17 094 |
| Ordinary dividend paid | | | | | (129 200) | (129 200) | (1) | (129 201) |
| Transfer of non-controlling interests to retained earnings | | | | | (4 063) | (4 063) | 4 063 | |
| BEE share-based payments charge | | | | 8 800 | | 8 800 | | 8 800 |
| Employee share option scheme: | | | | | | | | |
| Proceeds from shares issued | 34 480 | | | | | 34 480 | | 34 480 |
| Value of employee services | | | | 20 969 | | 20 969 | | 20 969 |
| **Balance at 30 June 2015** | **9 992 815** | **24 447** | **(1 919 832)** | **391 716** | **1 545 571** | **10 034 717** | **78 782** | **10 113 499** |
| Profit/(loss) for the period | | | | | **745 846** | **745 846** | **(29 513)** | **716 333** |
| Other comprehensive income for the period | | **(12 556)** | | | | **(12 556)** | | **(12 556)** |
| Ordinary dividend paid | | | | | **(189 545)** | **(189 545)** | **(1 000)** | **(190 545)** |
| BEE share-based payments charge | | | | **8 800** | | **8 800** | | **8 800** |
| Employee share option scheme: | | | | | | | | |
| Proceeds from shares issued | **30 979** | | | | | **30 979** | | **30 979** |
| Value of employee services | | | | **(4 176)** | | **(4 176)** | | **(4 176)** |
| **Balance at 31 December 2015** | **10 023 794** | **11 891** | **(1 919 832)** | **396 340** | **2 101 872** | **10 614 065** | **48 269** | **10 662 334** |

# SUPPLEMENTARY INFORMATION

for the six months ended 31 December 2015

| | | Six months 31 December 2015 R'000 | Six months 31 December 2014 R'000 | Year ended 30 June 2015 R'000 |
|---|---|---|---|---|
| Capital expenditure contracted and committed | | **386 903** | 147 063 | 461 742 |
| Capital expenditure approved but not contracted | | **254 480** | 153 306 | 460 658 |
| **STATISTICS** | | | | |
| Statutory ordinary shares in issue (includes BEE shares) | (000's) | **934 409** | 929 740 | 932 325 |
| Ordinary shares in issue for accounting purposes | (000's) | **863 650** | 858 981 | 861 566 |
| Weighted average ordinary shares in issue | (000's) | **861 837** | 858 854 | 859 611 |
| Diluted weighted average ordinary shares in issue | (000's) | **861 844** | 861 345 | 865 355 |
| Net asset value per share | (cents) | **1 234,6** | 1 152,6 | 1 173,9 |
| Ordinary dividends per share: | | | | |
| Interim dividend declared | (cents) | **15,0** | 15,0 | 15,0 |
| Final dividend declared | (cents) | | | 22,0 |
| **Total dividends** | (cents) | **15,0** | 15,0 | 37,0 |

# SEGMENTAL ANALYSIS

## for the six months ended 31 December 2015

| | Six months 31 December 2015 R'000 | Restated Six months 31 December 2014 R'000 | Restated Year ended 30 June 2015 R'000 |
|---|---|---|---|
| **Revenue** | **12 875 309** | 12 029 301 | 23 428 206 |
| Consumer | **6 708 636** | 6 157 280 | 12 084 157 |
| Sugar & Milling | **7 612 137** | 7 329 118 | 14 121 534 |
| Logistics | **994 505** | 986 664 | 1 883 664 |
| Sales between segments: | | | |
| Consumer to Sugar & Milling | **(100 982)** | (111 325) | (213 331) |
| Sugar & Milling to Consumer | **(1 790 613)** | (1 849 301) | (3 484 062) |
| Logistics to Consumer | **(535 058)** | (475 750) | (950 309) |
| Logistics to Sugar & Milling | **(13 316)** | (7 385) | (13 447) |
| **Operating profit before depreciation, amortisation and impairment (EBITDA) – Pre IAS 39** | **1 102 712** | 1 095 424 | 2 117 833 |
| Consumer | **501 621** | 461 188 | 868 806 |
| Sugar & Milling | **472 851** | 527 867 | 1 047 177 |
| Logistics | **134 866** | 110 538 | 206 190 |
| Unallocated group costs | **(6 626)** | (4 169) | (4 340) |
| IAS 39 adjustment | **43 113** | 110 635 | 106 212 |
| **Operating profit before depreciation, amortisation and impairment (EBITDA)** | **1 145 825** | 1 206 059 | 2 224 045 |
| Depreciation, amortisation and impairment | **(363 410)** | (339 945) | (771 654) |
| **Operating profit/(loss)** | | | |
| Consumer | **328 911** | 285 205 | 513 712 |
| Sugar & Milling | **359 167** | 501 647 | 790 955 |
| Logistics | **101 653** | 85 310 | 153 570 |
| Unallocated group costs | **(7 316)** | (6 048) | (5 846) |
| **Operating profit** | **782 415** | 866 114 | 1 452 391 |
| Finance costs | **(143 237)** | (202 018) | (373 607) |
| Finance income | **9 532** | 30 586 | 52 056 |
| **Share of profits of joint ventures** | | | |
| Sugar & Milling | **9 736** | 10 151 | 19 815 |
| Logistics | **3 850** | 3 890 | 7 569 |
| Zambian operations | **7 388** | 4 391 | 10 620 |
| **Share of profits of joint ventures** | **20 974** | 18 432 | 38 004 |
| **Share of profit of associates** | | | |
| Sugar & Milling | **78 312** | 104 723 | 84 178 |
| Ugandan Operation | **(2 068)** | | |
| **Share of profit of associates** | **76 244** | 104 723 | 84 178 |
| **Profit before tax** | **745 928** | 817 837 | 1 253 022 |
| **ASSETS** | | | |
| Consumer | **9 863 288** | 8 770 694 | 9 259 852 |
| Sugar & Milling | **9 455 520** | 9 617 979 | 9 174 697 |
| Logistics | **3 227 553** | 2 739 318 | 2 609 742 |
| Unallocated segment (treasury and consolidation entries) | **290 805** | 617 319 | 370 641 |
| Zambian and Ugandan operations | **292 416** | 228 007 | 230 382 |
| Set-off of inter-segment balances | **(2 505 029)** | (1 217 890) | (1 952 119) |
| **Total per statement of financial position** | **20 624 553** | 20 755 427 | 19 693 195 |
| **LIABILITIES** | | | |
| Consumer | **3 220 773** | 6 284 362 | 2 908 280 |
| Sugar & Milling | **2 575 917** | 3 709 708 | 2 793 750 |
| Logistics | **2 846 514** | 1 988 111 | 2 382 657 |
| Unallocated segment (treasury and consolidation entries) | **3 824 044** | 90 828 | 3 447 128 |
| Set-off of inter-segment balances | **(2 505 029)** | (1 217 890) | (1 952 119) |
| **Total per statement of financial position** | **9 962 219** | 10 855 119 | 9 579 696 |