RCL FOODS LIMITED (RCL FOODS)

GROUP FINANCIAL RESULTS AND CASH DIVIDEND DECLARATION

FOR THE YEAR ENDED JUNE

2020

Highlights

Earnings in the current financial year have been materially impacted by impairments of R1 506,3 million, mostly related to the deterioration in the local economy, and the impact of COVID-19 on the business of R266,8 million.

Revenue

R27,8 billion
↑ 7.4%

Headline earnings

R114,2 million
↓ 65.4%

EBITDA

R1 636,0 million
↑ 7.2%

Cash generated
by operations

R2 571,4 million
↑ 222.7%

Headline earnings
per share (HEPS)

13,0 cents
↓ 65.7%

Total
dividend

25,0 cents
per share declared for the year

Key features

- COVID-19 impact most significant on Chicken and Vector Logistics
- Groceries continued to deliver robust performance
- Continued strong performance in the Pet Food category
- Pleasing Sugar recovery
- Vector Logistics acquired Imperial Logistics' cold chain business, but consolidation delayed due to pandemic
- Strong cash generation

Commentary

Introduction

Reported headline earnings decreased by 65.4% to R114,2 million (2019: R329,5 million). The headline earnings result was materially impacted by the COVID-19 pandemic and national lockdown in the last quarter of the current financial year.

Impact of COVID-19

Our priorities during the COVID-19 pandemic have been to ensure the safety of our employees, continued food supply, conservative cash management and supporting the communities we operate in. RCL FOODS is pleased to report a largely successful rise to the challenge, with operations and order fulfilment generally running smoothly.

Health and safety of our people

The safety of our employees amidst continued operations of our facilities has been paramount and stringent safety protocols have been implemented and confirmed by multiple successful facility audits from the Departments of Health and Labour.

Financial and operational impact

Our Chicken and Vector Logistics businesses have been most impacted by the lockdown, largely due to the closing of Quick Service Restaurants (QSRs). This resulted in considerable revenue loss in what are largely fixed cost businesses, significantly higher stock holding of chicken and an increase in associated costs. Significant additional costs were incurred to keep our people safe. Beverages and Pies' predominantly on-the-go consumption also suffered, somewhat countered by increasing volumes across the rest of the portfolio.

The impact of the pandemic on global economies and especially considering South Africa's already weak economic fundamentals, necessitated an evaluation of the carrying values of the Group's assets for possible impairments. An impairment value of R1,5 billion was processed largely due to a lower forecast of growth into the future and the lingering impact of COVID-19 throughout the business.

The direct cost impact of COVID-19 to date in terms of additional costs, amounts to R266,8 million.

Cash management and funding

A prioritisation of liquidity and a focus on cash preservation during the COVID-19 pandemic enabled the Group to operate with sufficient cash reserves to meet all obligations without risk or the need of cash injections.

We are actively engaging with suppliers and customers to ensure timely payments. Apart from the additional R48,1 million investment in additional capacity in Pies in the current year, all expansionary and non-immediate capital expenditure has been deferred.

Liquidity remains positive. Cash generated from operations for the year increased by 222.7% due to lower working capital requirements in the current year. The Group reported a net cash inflow of R1 140,4 million for the year.

Despite the adverse financial impact of the pandemic, debt covenants were again met with comfortable headroom. There are no debt repayments required within the forthcoming period.

Supporting our communities

Our DO MORE FOUNDATION has actively provided widespread assistance to alleviate hunger through the delivery of food parcels and meals to vulnerable communities near our operations and nationwide. Since the beginning of lockdown, the Group has sponsored over 3,5 million meals to people in need across eight provinces.

We also celebrated a few records during the pandemic, testament to the ability of our operations to perform during a crisis:

- We reached record bread sales per week of 4,9 million loaves;
- The Komati sugar mill crushed the highest daily cane crush in its history and the highest in South Africa since 1998;
- Milling recorded its highest daily flour production ever; and
- The Pet Food brands registered all time market share highs in this period.

A resilient business

We remain well-capitalised with good cash management and adequate liquidity. The diversity within our portfolio is providing the necessary resilience to maintain a reasonable level of profitability in uncertain times. The business has been functioning well and we are confident that the business has come through the worst of the disruptions. This is a credit to our people who have demonstrated an exceptional agility, adaptability and commitment in embracing a "new normal".

The good performance of the individual businesses has been particularly encouraging during this time. Sugar has performed particularly well, benefitting from efficiency improvements, revenue growth and an improved mix. Our Groceries portfolio continued to sustain and grow its strong market shares across a broad range of products. Our performance in the Pet Food category was exceptionally strong. Chicken has made pleasing progress in improving its agricultural performance following challenges experienced with the Cobb breed.

Strategic progress

RCL FOODS' strategic pillars are aimed at building an integrated business with a high-performance culture, optimising and leveraging our ONE RCL FOODS organisation, investing in our brands, and expanding into new products, channels and categories.

Growing our portfolio of leading brands

RCL FOODS continues to manage a diversified portfolio of branded products, as well as producing dealer-owned brands in support of our customers and their growth strategies. Our basket of leading brands in Groceries has continued to grow market share and deliver strong results. Pet Food's superb performance, innovations and new channel growth through the Optimizor brand, provides a prime example of our ability to develop and sustain brands through clear strategies, coupled with consistent investment and innovation.

In the current period, we have leveraged our market-leading Rainbow brand into the spices category and successfully launched product extensions in peanut butter, rusks, pet food and chicken. The COVID-19 pandemic has accelerated the revitalisation of the Rainbow brand and the re-establishment of a broader customer base in Chicken.

COVID-19 has brought an increase in e-commerce and home delivery, with Nielsen reporting that 37% of South Africans say they are shopping more online. We are well-positioned to take advantage of growth in e-commerce. We have an existing partnership with Takealot, and our product ranges are already available on a number of other online platforms. We have identified both Pet Food and Groceries as our two strategic growth areas, utilising existing e-commerce platforms.

RCL FOODS has expanded its portfolio by entering the plant-based foods category, with a strategic focus on the "alternative protein" segment. In January 2020, RCL FOODS secured a minority shareholding in the LIVEKINDLY Co., a start-up Swiss entity aimed at creating a vertically integrated plant-based food and beverage value chain of scale, with global reach. It is an exciting new space for the Group. The LIVEKINDLY Co. will partner with RCL FOODS in sub-Saharan Africa to utilise our well-established platform to sell plant-based meat alternatives, particularly to the QSR sector, which is increasingly offering meat-free products to cater for growing customer demand. The partnership is also considering ways to extend the opportunity into the rest of Africa. The investment represents a US dollar-based, global opportunity for RCL FOODS to grow its operations by including the targeted category of plant-based alternatives. This will allow us to augment our core Chicken protein offering, providing consumers with more choice and ultimately providing a widely affordable and sustainable protein alternative for a diverse and growing population.

Initiation of the Poultry Sector Master Plan

The Poultry Sector Master Plan launched by the Department of Trade and Industry (DTI), aims to stimulate local demand, boost exports and protect the domestic poultry industry against predatory practices through trade measures. Agreements between government and industry participants were signed in November 2019 and new tariffs were implemented in March 2020. It is not yet clear whether the tariffs will be effective in stemming the tide of dumped imports, however, there was an immediate reduction in imports in the first three months post the announcement.

Government is also driving an appeal to citizens to support local industries which, if effective, would provide further support to the industry. The Group is supportive of the Poultry Industry Master Plan and is hopeful that its implementation will strengthen the industry and support job creation in the medium-term.

Sugar Industry Master Plan announced

The sugar industry is in severe distress due to long-term structural supply-demand imbalances with devastating consequences for rural unemployment and poverty. The industry has participated in developing a Sugar Industry Master Plan under the guidance of the DTI. The aim of the plan is to put the sugar industry on a sustainable path by diversifying the sugarcane value chain, which currently produces only raw and refined sugar, to offering a wider range of globally competitive sugarcane-based products. Regulation for implementation of the plan was approved in June 2020, which also provides Competition Commission exemption, allowing industry stakeholders to collaborate on the implementation of the plan.

Further support for the plan will come from amendments to the Sugar Industry Agreement and the South African Sugar Association's Constitution, which was agreed in consultation with the industry.

Acquisition of Imperial Cold Chain (ICL) business

Vector Logistics acquired certain assets and related employees of ICL with effect from 1 December 2019. The transaction aligns with the long-term customer-centric strategy of Vector Logistics and positions it to become the largest frozen logistics player in South Africa. The transaction will ultimately enable Vector Logistics to consolidate the two, separate temperature-controlled distribution networks into a single optimised network. Vector Logistics has successfully onboarded the ICL assets and employees and has entered into new agreements with a number of previous ICL customers. The focus for the new year will be to consolidate and optimise the network to improve efficiencies.

Driving sustainable business

The prudence of RCL FOODS' recent investments in energy and water self-sufficiency projects has again demonstrated itself in the past year, as ongoing load shedding and water challenges have compounded operational risks. The focus on renewable energy generation – through sugar co-generation at our sugar mills, waste-to-value plants at our Chicken processing plants and solar power generation at various sites – has solidified our resilience as a business, while protecting the environment and strengthening our competitive advantage.

The Group's ambition is to become an energy self-sufficient and water-smart business with a 50% electricity self-sufficiency and similar water reduction in chicken processing by 2025. The export of the first power from the R330 million waste-to-value plant in Rustenburg to our Chicken plant was achieved in July 2020. The recently commissioned plant converts chicken litter and post-processing effluent into green energy and reusable water, as well as a fertiliser by-product. The plant will supply 65% of the energy for the Rustenburg Chicken and Animal Feed sites, 100% of the Animal Feed site's steam requirement and 40% of their combined water requirement. The savings generated by the plant provide an excellent return profile for the capital invested.

Growing after COVID-19

The initial weeks of the lockdown were focused predominantly on the safety of our employees and on maintaining production levels. The attention has since shifted to operating under COVID-19 conditions and looking for opportunities to mitigate the substantial on-cost associated with these conditions, whilst maintaining stringent safety protocols. Our focus is now turning to understanding the pandemic's recurring impact beyond the lockdown and pivoting our strategy to address risks and capitalise on opportunities brought about by a shift in consumer habits post COVID-19. This includes an anticipated reduced discretionary spend and lower out-of-home consumption.

We are initiating a strategic refresh conversation, from brand level all the way up to group portfolio review level, to ensure that our portfolio adjusts to a new COVID-19 reality. We acknowledge the key imperative to drive up earnings and margins whilst concurrently reducing our invested capital base.

RCL FOODS financial review

The Group adopted IFRS 16 Leases (IFRS 16) on 1 July 2019 using the modified retrospective approach, comparatives were not restated. The adoption of IFRS 16 had a positive EBITDA and negative headline earnings impact in the current period (refer page 12 of this announcement for more details).

Income statement

RCL FOODS' revenue for the year ended June 2020 increased 7.4% to R27,8 billion (2019: R25,9 billion). The increase was largely due to higher prices in Sugar and higher Vector revenue resulting from the take-on of Siqalo Foods in March 2019 and new customers that joined their network in December 2019 due to the ICL acquisition.

EBIT and EPS have been materially impacted in the current financial year by impairments to property, plant and equipment, goodwill and other intangible assets across most cash-generating units (CGUs), driven primarily by the negative impact of the COVID-19 pandemic on the global and South African economy.

EBITDA improved R110,4 million (7.2%) to R1 636,0 million (2019: R1 525,7 million) at a margin of 5.9% (2019: 5.9%). However, included in this result are a number of material once-off and accounting impacts, such as:

- A R266,8 million negative impact arising from COVID-19 direct costs incurred. This amount excludes the revenue impact of lockdown. The extent to which these direct costs will become permanent is currently unclear;
- A net gain on bargain purchase related to the gain arising from the initial accounting for the Vector acquisition of ICL, which is considered a "once off" profit. The total gain on bargain purchase of R277,5 million has been offset by costs related to the operation of a duplicated network for majority of the year;
- The implementation of IFRS 16 in the current period, which resulted in a R237,7 million increase in EBITDA with previously recorded lease payments being replaced by depreciation and interest, the latter reflected below the EBITDA line;
- Negative adjustments on the Group's commodity raw material procurement strategy, which decreased EBITDA by R13,1 million (2019: R32,4 million improvement);
- A R105,0 million profit on sale of dormant farms in the Chicken business unit in the prior financial year; and
- A R47,0 million profit on disposal of the prepared lines at the Speciality Bronkhorstspruit site in the prior financial year.

More detailed commentary is included in the Review of Operations section below.

Depreciation and amortisation

Depreciation and amortisation increased R144,3 million with the increase stemming from the additional depreciation arising on right-of-use assets capitalised following the IFRS 16 implementation.

Impairment

The severe decline in profitability in the Chicken and Vector Logistics operations as a result of COVID-19 and subsequent national lockdown was an indicator of impairment and as a result these were tested for impairment, in addition to the annual impairment test conducted on CGUs containing goodwill and other indefinite useful life intangible assets. Total impairments of R1 506,3 million were recognised in the current year (2019: R763,7 million). CGU specific impairments of R1 505,4 million were recognised in the Groceries, Baking, Chicken, Sugar and Vector business units (2019: R761,9 million relating to the Sugar CGU).

Net finance costs

Net finance costs increased by R178,1 million (64.4%) on the prior year due mainly to additional finance costs of R115,1 million arising from the implementation of IFRS 16 in the current year coupled with a negative R89,8 million fair value adjustment on the Group's interest rate collar hedges (2019: R29,8 million).

Net finance costs paid for the period of R257,7 million is R197,0 million lower than net finance costs expensed in the income statement mainly due to the non-cash leases interest charge (R115,1 million) and the unrealised portion of the fair value adjustment on the interest rate collar hedge (R81,9 million).

Tax

The Group's effective tax rate excluding joint ventures and associates was 13.4% (2019: (1.0%)). The current year tax rate was materially impacted by the impairment of goodwill which has no tax consequences (R167,4 million tax impact), the net gain on bargain purchase on the ICL acquisition, deferred tax assets not recognised in our 50% owned sugar cane-grower companies (R25,3 million tax impact) and a release of the deferred tax asset raised in previous years for future tax deductions on the Group's employee share schemes relating to unexercised share appreciation rights (SARs) and conditional shares (CSPs) awarded to employees (R43,1 million tax impact). Excluding the above items, the effective tax rate was 28.4%.

The 2019 effective tax rate was impacted by the deferred tax assets not recognised on sugar cane-grower companies (R51,8 million) and a deferred tax charge raised on share-based payment awards (R38,9 million tax impact).

Statement of financial position

Property, plant and equipment decreased by R127,4 million with capital expenditure totalling R785,4 million for the year and a R232,7 million revaluation of assets acquired as part of the ICL transaction, offset by depreciation charges of R611,3 million and the impairment on property plant and equipment of R496,4 million.

Capital expenditure (including intangibles of R26,0 million) for the year ended June 2020 was R811,4 million (2019: R1 151,4 million). Major spend items included:

- Completion of the construction of the Rustenburg waste-to-value plant which forms part of the Group's overall sustainability strategy (R131,0 million);
- Expansion of the Pies production lines (R48,1 million); and
- Investments in the Milling operations to support future growth (R28,3 million).

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

An amount of R325,8 million (2019: R502,5 million) has been contracted and committed, but not spent, whilst a further R279,1 million (2019: R251,4 million) has been approved but not contracted. Major items included in these amounts relate to:

- Final retention payments on the waste-to-value plant at our Rustenburg Chicken site (R29,3 million);
- Further investments within the Milling operating unit (R61,2 million); and
- Fleet replacement in Vector Logistics (R59,8 million).

On 1 July 2019, the Group implemented IFRS 16 using the modified retrospective approach without restating comparative information. Right-of-use assets amounting to R1 062,5 million were taken on at implementation date, with a further R544,9 million capitalised during the year (mainly ICL acquisition related), offset by depreciation of R226,7 million and impairments on right-of-use assets of R99,0 million.

Investment in associates increased by R63,9 million driven mainly by profits capitalised in the Royal Eswatini Sugar Corporation (RES) of R118,7 million, partially offset by dividends received from RES of R37,9 million and an impairment processed on the Group's investment in HMH Rainbow Limited (HMH) (Uganda) of R18,9 million. The investment in HMH was assessed for impairment during the 2020 financial year due to the continued after-tax losses delivered by HMH being an indicator of impairment and the impact of COVID-19 on growth projections.

Assets held-for-sale in the current year relate mainly to the disposal of Chicken farms for which transfer was pending at year end.

Net working capital (including biological assets) has decreased by R906,4 million over the comparative period and from 14.2% to 10.0% as a percentage of revenue.

Biological assets and inventory are largely in line with the prior year.

Trade and other receivables increased by R1 363,2 million and from 17.8% to 21.5% of revenue, whilst trade and other payables increased by R2 080,2 million and from 18.9% to 25.1% of revenue. The gross increase in both of these lines is largely due to the new customers taken on as part of the ICL acquisition. The trade receivables balance as a percentage of revenue was expected to increase due to Vector recording the gross trade receivables balance but only reflecting the distribution revenue. Similarly, trade payables as a percentage of revenue has increased due to the take-on of ICL. On a net basis, trade and other receivables and trade and other payables decreased by R717,1 million driven by the timing of year-end cut-off in the current year which resulted in trade creditors being processed for payment post year-end, coupled with a R646,0 million debtors receipt due to re-negotiated payment terms. Significant focus was placed on the management of the accounts receivable book in the current year to ensure that the Vector Logistics external debtors book remains working capital neutral from both a cash flow and economic perspective.

Cash on hand, net of overdrafts, has increased from a net overdraft position of R110,4 million in 2019 to a net positive position of R1 030,0 million at the end of the 2020 financial year. The increase was largely due to lower working capital requirements in the current year.

Total interest-bearing liabilities of R2 720,2 million are R101,0 million higher than last year with the increase mainly due to additional external funding being obtained in the Group's waste-to-value subsidiary in the current year.

Lease liabilities of R1 645,3 million are R1 443,5 million higher than last year with the increase mainly due to the implementation of IFRS 16 in the current year.

Cash flow

Cash generated by operations increased by R1 774,6 million (222.7%) to R2 571,4 million. The increase was largely driven by a R1 700,3 million decrease in working capital requirements. Both trade receivables and trade payables are up significantly on the prior year. The main driver behind this increase is the ICL transaction which drove the absolute balances of trade receivables and trade payables higher over the prior year. The decrease in working capital requirements is largely related to a lower net trade receivables/payables balance mainly due to significant management of the accounts receivable book. Trade and other receivables and payables in the current year were affected by the timing of the year-end cut-off falling two days before the calendar month end. As a result, payments to creditors were processed post year-end. An amount of R646,0 million was collected from the re-negotiation of payment terms on specific debtors in the current year. Due to the decrease in working capital requirements, the cash conversion ratio increased to 157% (2019: 52%).

Included in the non-cash items of R2 057,9 million are add-backs of depreciation, amortisation and impairment charges of R2 441,8 million and non-cash IFRS 2 and BEE charges of R138,0 million. These were offset by deductions of positive fair value adjustments on biological assets within the Chicken and Sugar business units of R22,6 million and R260,9 million respectively, as well as the net gain on bargain purchase arising on the ICL acquisition of R167,5 million. Within the Sugar business unit, the entire biological assets balance is capitalised using a fair value adjustment, with the realisation of the prior year's biological assets expensed through cost of sales and reflected under working capital movements (R306,0 million), resulting in a net R45,1 million decrease in Sugar biological assets for the year.

Investing activities spend has decreased by R265,0 million. Material items included within investing activities relate to capital expenditure (including intangibles) of R811,4 million (2019: R1 151,4 million), the investment in the LIVEKINDLY Co. of R114,2 million, an inflow of R110,0 million in relation to the ICL acquisition and proceeds on disposal of fixed assets and assets held-for-sale of R17,1 million (2019: R205,2 million).

Financing activities spend in the current year relates mainly to payments on lease liabilities capitalised due to the implementation of IFRS 16, offset partially by funding received for the Rustenburg waste-to-value project of R102,0 million from the external funders and outside shareholders of Matzonox Proprietary Limited, our waste-to-value subsidiary. Lease payments are now reflected under financing activities, whilst in the prior year these were included as part of cash generated by operations. Included in the prior year financing activities is an amount of R502,0 million relating to the repayment from restructuring the term-funded debt package.

Return on invested capital

Driving an improved efficiency and effectiveness of capital allocation remains a key strategic imperative for the Group. RCL FOODS uses return on invested capital (ROIC) as a metric to monitor its performance in this regard. ROIC is calculated using a rolling 12-month net operating profit after tax divided by invested capital. ROIC for the year under review was negative 6.3% (2019: negative 0.8%), largely impacted by the CGU impairments and COVID-19 lockdown impact. Invested capital for the current year includes the impact of the implementation of IFRS 16 which resulted in an additional R1,3 billion in right-of-use assets being recorded on the balance sheet at year-end and hence is not comparable to the prior year.

Review of operations

Food Division

		June 2020	June 2019	% change
Revenue	(Rm)	**26 127,1**	24 630,5	6.1
EBITDA	(Rm)	**1 277,3**	1 371,8	(6.9)
EBITDA margin	(%)	**4.9**	5.6	(0.7)ppts

Food Division restructuring

The restructuring into one Food Division comprising the four business units of Groceries, Baking, Chicken and Sugar, was implemented earlier this financial year. These closely aligned businesses operate off RCL FOODS' platform of common functions, creating synergies, optimising resource allocation with sharpened strategic focus. Senior talent was reinvested behind key priorities and the positive impact is already evident in improved insight and accelerating initiatives in Beverages, Chicken and Sugar.

The Food Division's operations are repositioning for the needs coming out of COVID-19 and the constrained consumer economy, with a shift in emphasis from innovation and new launches towards a value focus.

Groceries

		June 2020	June 2019	% change
Revenue	(Rm)	**4 984,2**	4 832,0	3.2
EBITDA	(Rm)	**522,4**	528,6	(1.2)
EBITDA margin	(%)	**10.5**	10.9	(0.4)ppts

Revenue grew 3.2% to R4 984,2 million, driven by volumes gains in the Grocery categories. Pies and Beverages volumes were muted as a result of the national lockdown, with pie sales impacted by the restrictions on the sale of hot food under level 5 of the lockdown and Beverages impacted by reduced "on-the-go" consumption. EBITDA decreased by 1.2% to R522,4 million at a margin of 10.5% (2019: R528,6 million at a margin of 10.9%). The direct cost of COVID-19 was R13,4 million.

Groceries delivered a strong performance, driven by volume growth, especially in Pet Food, Peanut Butter and Rusks. The national lockdown negatively impacted volumes in Pies and Beverages.

Yum Yum market share has come under pressure due to price increases implemented to recover a peanut cost push. The failed local peanut crop has necessitated imports at significantly increased prices. The inconsistency in duties on peanuts but not on peanut butter, led to significant imports of peanut butter, especially in the dealer-owned brands. There has, however, been a good recovery in recent volumes and the Rand devaluation should support a reduction in imported peanut butter going forward.

Ouma Rusks continued to be a dependable performer with good volume growth and sustained strong market share.

Nola Mayonnaise maintained its position as South Africa's No. 1 mayonnaise. Mayonnaise volumes declined during the year due to price increases and lower promotional activity by food retailers but have recently started to recover.

Pet Food has been a star performer, both in terms of market share and profitability. All the brands achieved notable market share gains. Premium Recipe Ultra Dog extension and Catmor 2 in 1 Plus innovations were launched this year. Ultra Cat's performance has exceeded expectations, reaching out to the value tier in the vet segment. The expansion into the Co-op distribution channel has been a major success – Optimizor's brand revenue has soared and considerable opportunity remains.

Successful launch of Yum Yum Chocolate Dreams.

Our peanut butter rusk innovation launched during the year was well received.

Optimizor brand revenue at R100 million within 11 months.

The newly launched **Rainbow Spices** has performed well where it has been put on shelf, despite aggressive price promotions from competitors. The focus remains to drive consumer trial and market penetration.

Beverages' performance was modest, largely due to lost volumes during lockdown. The category's strategic direction, as well as operational stability, have been improved by the extension of the Groceries' management team into the Beverages space. Plans to address low utilisation of the Ultra-High Temperature (UHT) facility should see a recovery in the beverage operation going forward.

The shutdown of retail trading in hot food during lockdown had a notable impact on **Pies.** A strong promotional plan is being launched to boost volumes now that the shutdown has been lifted. Innovation had to be delayed due to new capacity and capability coming on stream in August 2020 and will be launched in coming months. Competitive pressure in this category remains high.

Baking

		June 2020	June 2019	% change
Revenue	(Rm)	**5 195,1**	5 060,8	2.7
EBITDA	(Rm)	**371,7**	411,8	(9.7)
EBITDA margin	(%)	**7.2**	8.1	(0.9)ppts

Revenue of R5 195,1 million was up 2.7% on the prior year, largely driven by higher volumes in Bread, buns and rolls. The revenue growth was partially offset by lower volumes in Speciality due to the disposal of the Speciality prepared lines in the second half of the previous year and higher raw material input costs in Milling. Volume and margin challenges in Bread, buns and rolls and Milling put pressure on Baking profitability. EBITDA decreased by 9.7% to R371,7 million at a margin of 7.2% (2019: R411,8 million at a margin of 8.1%). The direct cost of COVID-19 was R24,4 million. The prior year result includes a profit on disposal of the prepared lines of R47,0 million.

Speciality experienced double-digit volume growth. The closure of coffee shops and restaurants, combined with consumers' need to spoil themselves in tough times, generated substantial demand for speciality products for at-home consumption. The refocus on baking and desserts exclusively, as well as the additional controls and process enhancements, supported the strong performance.

Bread, buns and rolls performed well, especially in recent months, with record weekly bread sales.

Increasing efficiencies and record throughput in recent months in **Milling** were negated by significant price increases in wheat, which affected both prices and volumes in the flour and bread markets. Forward integration efforts at Milling are expected to deliver growth going forward.

Chicken (including Epol Animal Feed)

		June 2020	June 2019	% change
Revenue	(Rm)	**8 813,6**	8 632,5	2.1
EBITDA	(Rm)	**28,2**	397,1	(92.9)
EBITDA margin	(%)	**0.3**	4.6	(4.3)ppts

Revenue of R8 813,6 million was up 2.1% on the prior year driven by higher volumes. The volume growth was partially offset by lower pricing as a result of the national lockdown with QSR volumes being redirected to the Retail Wholesale (RWS) channel at lower prices or being held in stock. EBITDA declined by 92.9% to R28,2 million at a margin of 0.3% (2019: R397,1 million at a margin of 4.6%). The direct cost (excluding revenue impact) of COVID-19 was R169,6 million. The prior year result includes farm sale profits of R105,0 million.

Chicken appointed a new management team and implemented a re-focused strategy in the year, which is targeted at fixing agricultural operations, improving competitiveness, re-establishing the Rainbow brand and focusing more from a regional demand and profitability perspective. The new strategy gained pleasing momentum pre-lockdown. Benefits of the corrective action taken to improve the Cobb genetic lines have started to flow through the supply chain. Viennas, Polony and the Freezer-to-Fryer categories all generated pleasing market share growth. Good inroads were made in delivering savings.

A revised chicken import tariff was implemented in March 2020 which will benefit operations in the new financial year. The good South African maize crop bodes well for input prices, and foreign denominated commodity pricing has been relatively stable, albeit countered by the weak Rand.

Speciality delivered a pleasing performance.

460 tons of chicken per day impacted by Quick Service Restaurants' shutdown.

The closure of restaurants and fast food outlets under the national lockdown severely impacted the Chicken operations. The sudden closure of the QSR channel in April and May meant that some 42% of total daily volume had to be resolved in the RWS channels, with demand proving to be insufficient to take up total excess production. Additional storage space had to be secured at substantial cost. Despite implementation of some supply chain easing and a reduction in volumes in the system, significant oversupply continues. This began moderating once fast food outlets commenced trading under the most recent lockdown regulations, and initial demand has been positive. Given the extent of the oversupply, it is unlikely that supply will normalise over the short-term.

The external **Grain-based Feed** business improved its performance on the prior year, delivering volume growth and margin improvement.

Sugar (Including Molatek Animal Feed)

		June 2020	June 2019	% change
Revenue	(Rm)	**7 621,8**	6 612,7	15.3
EBITDA	(Rm)	**354,9**	34,2	937.1
EBITDA margin	(%)	**4.7**	0.5	4.2ppts

Sugar has delivered a significant improvement in profitability, albeit off a low base. Revenue increased by 15.3% to R7 621,8 million, driven by higher sugar sales volumes, increased prices and improved mix. EBITDA increased by 937.1% to R354,9 million at a margin of 4.7% (2019: R34,2 million at a margin of 0.5%). The direct cost of COVID-19 was R16,7 million.

Strong Sugar sales volumes and improved mix.

The implementation of the Health Promotion Levy in 2018 has brought about substantial and permanent reduction in industrial demand. However, retail demand improved significantly during the year. Lower imports also contributed to a successful shift in sales mix, weighted towards higher priced local sales. The weaker exchange rate shielded some of the decline in the international sugar price.

The sugar crop of 5,3 million tons of cane was 4.8% lower than prior year. Sugar production volumes decreased by 4.8% to 646 275 tons (2019: 679 000 tons), however volumes are above the long-term average.

In addition to the higher volumes, cost savings were delivered in agriculture and supply chain, along with improved operational efficiencies. A decision was taken to mothball the refinery at the Pongola Mill. And our Sugar team continue to work with the South African Sugar Association to reduce industry-related costs.

Molatek was impacted by the substitution of molasses for cheaper energy product, coupled with a reduction in demand post-lockdown.

Sugar's community-based cane-growers supply 40% of our sugarcane. The funding of these 50:50 sugar cane-grower companies is a continuing challenge. Issues of sustainability are being addressed through cost reduction and exiting unprofitable farms or planting alternative crops. Some element of recapitalisation may become necessary and we are exploring a variety of options in this regard.

The supply demand imbalance, both globally and locally, as well as the structural decline in demand for sugar continues. RCL FOODS supports the development of the Sugar Industry Master Plan, diversifying into ethanol fuel and other cane-derived products, as well as suitable alternative crops. Successful implementation of these initiatives is expected to lead to a more sustainable industry, by structurally reducing the amount of sugar produced and decreasing the industry's loss-making export exposure.

Vector Logistics

		June 2020	June 2019	% change
Revenue	(Rm)	**2 589,4**	2 182,8	18.6
EBITDA	(Rm)	**244,3**	118,5	106.1
EBITDA margin	(%)	**9.4**	5.4	4.0ppts

The current financial period has been a watershed year for Vector Logistics. The successful take-on of Siqalo Foods in the first half of the year and the acquisition of ICL in the second half, drove the top line growth. Cost increases of 25.2% were driven by the ICL take-on, the operation of a duplicated network for majority of the year, retrenchment and relocation costs and directly attributable COVID-19 costs. Vector Logistics' results included a R277,5 million gain on bargain purchase arising from the ICL transaction's asset valuation. Excluding this impact, Vector Logistics made a loss for the year.

The impact of the COVID-19 lockdown in the Food Service business has been significant, with no revenue for two months and a large monthly cost base.

A significant take-on of new business in the period, through Siqalo Foods and the ICL acquisition.

The most significant COVID-19 impact was the shutdown for two months of the Customer Secondary Distribution (CSD) business due to the closure of restaurants, fast food outlets, hotels and guesthouses. The reopening of QSR has brought welcome relief but many restaurants are still finding it difficult to open given anticipation of limited business volume. The direct cost of COVID-19 was R42,7 million.

Lockdown has also delayed the synergising of the duplicated networks and every effort is being made to finalise this as soon as practically possible. The project is now back on track and is targeted to be finalised by December 2020.

IFRS 16 had a substantial impact on the Vector Logistics balance sheet, with property, plant and equipment almost doubling in the past year.

The industry seems likely to consolidate further in the current challenging environment, which will be conducive to sustainably improved margins over the medium-term.

Equity accounted investments

Associates

Royal eSwatini Sugar Corporation (RES) (eSwatini) (29.1846%)

RCL FOODS share of RES's after-tax results for the year ended June 2020 was up 37.9% to R118,7 million (2019: R86,7 million). The current year improvement was due to higher selling prices as a result of price increases implemented in November 2019.

L&A Logistics (L&A) (Zambia) (45.0%)

The Group acquired a 45.0% stake in L&A on 1 October 2018 and equity accounted only six months of L&A's result in the prior year. The current year share of profits of R1,5 million was R1,3 million higher than last year (2019: R0,2 million) mainly driven by the current year including a full year result and the take-on of new business. The result was partially offset by foreign exchange losses due to the weakening of the Zambian Kwacha against the Rand and the US Dollar.

HMH Rainbow (HMH) (Uganda) (33.5%)

Despite an increase in revenue, HMH's results were impacted by the COVID-19 pandemic in the current year, with lower volumes during the last quarter of the financial year. Its after-tax contribution was a loss of R1,9 million (2019: R1,8 million loss). An impairment of R18,9 million was recognised on the investment in HMH in the current financial year.

Joint ventures

Akwandze Agricultural Finance (Akwandze) (South Africa) (50.0%)

The Akwandze investment contributed an after-tax profit of R3,1 million for the 12 months to June 2020 (2019: R5,8 million), with the decline mainly due to lower interest received as a result of prime rate decreases during the year and lower loan balances receivable.

Mananga Sugar Packers (Mananga) (eSwatini) (50.0%)

Mananga delivered an after-tax profit of R24,9 million, up R1,0 million on the prior year (2019: R23,9 million) largely driven by improved volumes.

Senn Foods Logistics (Senn) (Botswana) (49.0%)

Senn delivered another sound performance driven by increased net revenue largely as a result of the take-on of new business. Its after-tax contribution of R18,2 million was R4,5 million up on prior year (2019: R13,6 million).

Group focus areas for 2021

Growth and performance improvement areas that will be pursued in the coming financial year include:

- Agricultural recovery in Chicken;
- Sugar diversification and resolution of the sugar cane-growers' funding challenges;
- Pies expansion and innovation;
- Traction in the Beverages recovery plan;
- Finalising the plant-based joint venture and accelerating execution in terms of the opportunities; and
- Finalising Vector Logistics' network consolidation.

Prospects

We expect the current tough economic environment to persist, if not worsen, with continued pressure on consumers.

Chicken enters the new financial year with significant stock holding levels and the down placement implemented in Chicken production will further dent revenues. Despite these challenges, progress with internal strategic initiatives, the confirmation of a higher import tariff and further work by government on other protection measures, as well as the projected lower maize pricing, all point to improving resilience in the Chicken business. The Group remains confident that, once through an anticipated difficult 2021, it will be back on track with what it wants to achieve for the Chicken business unit.

A price increase in South African sugar is expected, which should have a further positive impact on our Sugar operations. We welcome the Master Plan proposals for poultry and sugar and are committed to meaningfully contributing to solutions to ensure the future viability of both industries.

Groceries will shift its short-term focus towards a value proposition for consumers and will continue to drive investment in its brands and efficiencies to generate volume growth and enhance profitability.

Amidst ongoing local and global uncertainty, the Group will utilise its resilient portfolio with strong brands, its healthy liquidity and its committed and creative people as the foundation for navigating current challenges and implementing future-fit strategies for the post-COVID-19 world. With its strong integrated platforms, customer and shared services capabilities and a low gearing profile, RCL FOODS remains well-positioned to consider further strategic opportunities that may present themselves.

Cash dividend declaration

Notice is hereby given that the directors have declared a final gross cash dividend (number 91) of 10.0 cents (8.00000 cents net of dividend withholding tax) bringing the total dividend declared for the year ended June 2020 to 25.0 cents (2019: 25.0 cents).

The dividend has been declared from income reserves.

A dividend withholding tax of 20% will be applicable to all shareholders who are not exempt.

The issued share capital at the declaration date is 959 004 383 ordinary shares. The company's income tax reference number is 9950019712.

The salient dates for the dividend will be as follows:

Publication of declaration data	Monday, 31 August 2020
Last day of trade to receive a dividend	Tuesday, 27 October 2020
Shares commence trading "ex" dividend	Wednesday, 28 October 2020
Record date	Friday, 30 October 2020
Payment date	Monday, 2 November 2020

Share certificates may not be dematerialised or rematerialised between Friday, 30 October 2020 and Monday, 2 November 2020, both days inclusive.

Restatement

As a result of the change in the Group's operating segments, mentioned above, 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 to reflect the new segments.

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 circulars 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, except for the adoption of new and amended accounting standards, which did not have an impact on the Group's results, apart from the adoption of IFRS 16. The impact of IFRS 16 on the Group's results is set out in the Change in accounting policies section from page 12.

These results are extracted from audited information, but are not themselves audited. The consolidated financial statements were audited by PricewaterhouseCoopers Inc., who expressed an unqualified opinion thereon.

The audited consolidated financial statements and the auditor's report thereon are available for inspection on our website www.rclfoods.com or 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 28 September 2020.

RCL FOODS 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. The financial statements and results for 2020 are presented for the 364-day period ended 28 June 2020, compared to a 364-day period in the previous financial year which ended on 30 June 2019.

Change in accounting policies

This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 July 2019.

The Group has adopted IFRS 16 retrospectively from 1 July 2019 but has not restated comparatives for the 2019 financial year, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

a) Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17 Leases (IAS 17). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 8.6%.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

	R'000
Operating lease commitments disclosed at 30 June 2019	834 305
Discounted using lessee's incremental borrowing rate at date of initial application	(162 266)
Add: finance lease liabilities recognised as at 30 June 2019	201 782
(Less): short-term leases recognised on a straight-line basis as an expense	(19 441)
(Less): low-value leases recognised on a straight-line basis	(24 032)
Add: lease extensions (highly likely to be exercised)	338 384
(Less): leases included in operating lease commitments, not yet capitalised, due to lease commencing post 1 July 2019	(1 538)
Add: arrangements containing a lease*	125 788
Lease liability recognised as at 1 July 2019	1 292 982
Of which are:	
Current lease liabilities	142 821
Non-current liabilities	1 150 161

** Arrangements containing a lease relate to certain assets included under service contracts, for which RCL FOODS has the right-of-use of the asset. These assets were assessed as leases in terms of IFRIC 4 Determining whether an Arrangement contains a Lease (IFRIC 4), however, it was impracticable to separate the lease component from the other elements of the service contract. On implementation of IFRS 16, negotiations were held with the relevant suppliers to ensure that their systems would be updated to be able to supply the necessary information in order to comply with the provisions of IFRS 16 and record the right-of-use asset.*

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 June 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets (including previously recognised leased assets) relate to the following types of assets:

R'000	28 June 2020	1 July 2019
Land and Buildings	**1 208 552**	1 010 146
Plant and Equipment	**60 075**	69 089
Vehicles	**115 127**	137 112
Total right-of-use assets	**1 383 754**	1 216 347

The change in accounting policy affected the following items in the balance sheet on 1 July 2019:

- Property, plant and equipment – increase by R1 062,5 million
- Trade and other payables – decrease by R28,7 million
- Interest-bearing liabilities – increase by R1 091,2 million

i) Net impact on segment disclosures and earnings per share

EBITDA, EBIT, segment assets and segment liabilities for June 2020 all increased as a result of the change in accounting policy. The following segments were affected by the change in policy:

R'000	EBITDA	EBIT	Segment assets	Segment liabilities
Groceries	**4 288,8**	**347,7**	**6 238,0**	**15 035,1**
Baking	**16 375,4**	**1 497,6**	**90 995,2**	**95 448,7**
Chicken	**42 739,9**	**4 260,2**	**111 851,3**	**114 665,0**
Sugar	**26 206,8**	**4 624,0**	**54 550,4**	**71 253,3**
Vector	**106 191,8**	**19 770,6**	**864 980,3**	**896 440,0**
Group	**41 881,2**	**7 459,0**	**227 516,7**	**259 669,0**
Total	**237 683,9**	**37 959,1**	**1 356 131,9**	**1 452 511,1**

The table above reflects the net impact on each of these line items as a result of the implementation of IFRS 16.

Earnings per share decreased by 6.3 cents per share for the year ended June 2020 as a result of the adoption of IFRS 16.

ii) Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4.

b) The Group's leasing activities and how these are accounted for

The Group leases various offices, warehouses, farming land, equipment, delivery vehicles and cars. Rental contracts are typically made for fixed periods of three to 12 years but may have extension options as described in (ii) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the end of the 2019 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets in terms of IFRS 16 comprise smaller items of equipment. The Group has also applied materiality in excluding certain company vehicles, forklifts and waste management equipment for which there isn't a substantial lease term remaining. Materiality was assessed against the impact these leases would have on the individual balance sheet and income statement lines. These leases will be reassessed should they be renewed.

i) Variable lease payments

Estimation uncertainty arising from variable lease payments

Variable lease payments relate to:

Lease	Variable element
Contract grower property and equipment leases	Rental payments to contract growers for use of their property and equipment is based 100% on the kilograms of chicken delivered by the growers to RCL FOODS
Solar panels	Rental payments for solar panels are based 100% on the energy generated by the solar panels
Sugarcane farms	Rental payments for the leasing of sugarcane farming land are linked to the proceeds from the sale of cane

Variable payment terms are used for a variety of reasons but are mainly used where the lessor is also a supplier to the Group and the assets being leased are part of the supplier's asset base used for delivery of their service. The calculation of the variable rental payment due is based on the output produced by the leased assets. This allows the Group to better manage overhead costs in line with the service being received from the supplier.

Variable lease payments mentioned above are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

ii) Extension and termination options

Extension and termination options are included in a number of leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. Approximately 6.2% of the total lease payments made in the year ended June 2020 were optional. Optional lease payments relate to payments made on leases for which the Group is in the extension option period.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The Group has various property leases within the Baking segment for which the lease term has expired but the lease has continued on a month-to-month basis. Due to these properties housing business operations, the Group has estimated the term over which the Group will continued to occupy the property based on its business strategy and terms of similar leases in determining a lease term for these properties.

Potential future cash outflows of R349,0 million have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the current financial year, the lease term for one lease contract was revised as a result of changes in our view on the extension option which resulted in the right-of-use asset and lease liability both decreasing by R19,7 million. There were no other revisions of lease terms during the current year.

For and on behalf of the Board

JJ Durand
Non-executive Chairman

M Dally
Chief Executive Officer

Durban
31 August 2020

Sponsor
Rand Merchant Bank
(A division of FirstRand Bank Limited)

Corporate information

Directors
HJ Carse, JJ Durand (Non-executive Chairman),
M Dally (CEO)*, RH Field*, CJ Hess,
K Tielenius Kruythoff** (appointed 22 April 2020), PR Louw,
NP Mageza, PM Moumakwa, DTV Msibi, PJ Neethling***,
MM Nhlanhla, RV Smither, GM Steyn and GC Zondi.

** Executive directors ** Dutch *** Alternate director*

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
FirstRand Bank Limited
Investec Bank Limited
Nedbank Limited
Standard Bank Limited

Website
www.rclfoods.com

Consolidated statement of **financial position**

	28 June 2020 R'000	30 June 2019 R'000
ASSETS		
Non-current assets		
Property, plant and equipment	**5 285 323**	5 412 709
Right-of-use asset	**1 383 754**	153 814
Intangible assets	**1 737 932**	2 102 156
Investment in joint ventures	**310 309**	288 241
Investment in associates	**676 856**	612 918
Deferred income tax asset	**86 428**	71 400
Loans receivable	**66 964**	91 561
Trade and other receivables	**23 060**	127 025
Investment in financial asset*	**137 039**	
Goodwill	**1 939 123**	2 537 076
	11 646 788	11 396 900
Current assets		
Inventories	**2 980 665**	3 108 568
Biological assets	**805 088**	866 493
Trade and other receivables	**5 965 279**	4 602 122
Derivative financial instruments	**9 723**	4 644
Tax receivable	**44 358**	46 213
Loan receivable	**2 500**	2 500
Cash and cash equivalents	**1 030 041**	376 843
	10 837 654	9 007 383
Assets of disposal group classified as held-for-sale	**2 134**	2 585
Total assets	**22 486 576**	20 406 868
EQUITY		
Capital and reserves	**9 821 976**	10 834 026
LIABILITIES		
Non-current liabilities		
Interest-bearing liabilities	**2 477 189**	2 458 843
Lease liabilities	**1 482 769**	180 520
Deferred income tax liabilities	**1 034 622**	1 211 607
Retirement benefit obligations	**101 269**	126 590
Trade and other payables	**3 059**	6 326
	5 098 908	3 983 886
Current liabilities		
Trade and other payables	**6 973 515**	4 893 301
Deferred income	**2 741**	3 970
Interest-bearing liabilities	**243 036**	160 372
Lease liabilities	**162 509**	21 262
Derivative financial instruments	**124 811**	22 830
Current income tax liabilities	**59 080**	
Bank overdraft		487 221
	7 565 692	5 588 956
Total liabilities	**12 664 600**	9 572 842
Total equity and liabilities	**22 486 576**	20 406 868

* *In January 2020 RCL FOODS secured a minority shareholding in the LIVEKINDLY co. (formerly Foods United Incorporated), a start-up Swiss entity with a vision to create a vertically integrated plant-based food and beverage value chain of scale and with global reach.*

Consolidated **income statement**

	Year ended June 2020 R'000	Year ended June 2019 R'000
Revenue from contracts with customers	**27 803 611**	25 887 506
Operating profit before depreciation, amortisation and impairments^ (EBITDA)	**1 636 037**	1 525 659
Depreciation and amortisation (excluding IFRS 16)	**(735 826)**	(791 273)
Depreciation on right-of-use assets (IFRS 16)*	**(199 725)**	
Impairments^	**(1 506 283)**	(763 713)
Operating loss	**(805 797)**	(29 327)
Finance costs	**(393 060)**	(325 201)
Finance costs on lease liabilities*	**(115 126)**	
Finance income	**53 457**	48 585
Share of profits of joint ventures	**46 267**	43 318
Share of profits of associates	**118 338**	84 523
Impairment of associate	**(18 897)**	
Loss before tax	**(1 114 818)**	(178 102)
Income tax credit/(expense)	**155 780**	(5 860)
Loss for the period	**(959 038)**	(183 962)
Attributable to:		
Equity holders of the company	**(901 396)**	(110 541)
Non-controlling interests	**(57 642)**	(73 421)
HEADLINE EARNINGS		
Loss for the period attributable to equity holders of the company	**(901 396)**	(110 541)
Loss/(profit) on disposal of property, plant and equipment and assets held for sale	**257**	(93 957)
Gain on bargain purchase	**(246 740)**	
Insurance proceeds	**(5 871)**	(19 833)
Impairments of fixed assets and intangibles	**1 249 463**	553 820
Gain on remeasurement of leases	**(447)**	
Impairment of associate	**18 897**	
Headline earnings	**114 163**	329 489

	Cents	Cents
Earnings per share attributable to equity holders of the company		
Basic earnings per share	**(103.0)**	(12.7)
Basic earnings per share – diluted	**(102.9)**	(12.5)
Headline earnings per share	**13.0**	37.9
Headline earnings per share – diluted	**13.0**	37.3

* *Relates only to amounts in respect of assets capitalised and lease liabilities recognised due to the implementation of IFRS 16 from 1 July 2019.*
^ *Impairments relate only to impairments of property, plant and equipment, goodwill and intangible assets.*

Consolidated statement of **comprehensive income**

	June 2020 R'000	June 2019 R'000
Loss for the period	**(959 038)**	(183 962)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurement of retirement medical obligations – net of tax	**18 982**	12 275
Share of associates other comprehensive income	**408**	2 244
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	**11 389**	5 637
Other comprehensive income for the period – net of tax	**30 779**	20 156
Total comprehensive income for the period	**(928 259)**	(163 806)
Total comprehensive income for the period attributable to:		
Equity holders of the company	**(870 617)**	(90 385)
Non-controlling interests	**(57 642)**	(73 421)
	(928 259)	(163 806)

Consolidated **cash flow information**

	June 2020 R'000	June 2019 R'000
Operating loss	**(805 797)**	(29 327)
Non-cash items	**2 057 895**	1 207 100
Operating profit before working capital requirements	**1 252 098**	1 177 773
Working capital requirements		
Movement in inventories	**127 903**	(167 544)
Movement in biological assets	**344 961**	293 754
Movement in trade and other receivables	**(1 259 192)**	(277 256)
Movement in trade and other payables	**2 105 614**	(229 983)
Cash generated by operations	**2 571 384**	796 743
Net finance cost	**(257 724)**	(257 344)
Tax paid	**(47 852)**	(133 155)
Cash available from operating activities	**2 265 808**	406 244
Dividends received	**69 197**	50 208
Dividends paid	**(221 751)**	(348 610)
Cash outflows from investing activities		
Replacement property, plant and equipment	**(375 152)**	(464 660)
Expansion property, plant and equipment	**(410 239)**	(666 206)
Intangible asset additions	**(25 991)**	(20 504)
Acquisition of businesses	**110 000**	(60 947)
Investment in financial asset	**(114 196)**	
Acquisition of associate		(40 638)
Advances of interest-bearing loans	**(10 737)**	(15 646)
Advances of non-interest-bearing loans	**(9 234)**	(20 054)
Proceeds on disposal of non-current assets held-for-sale	**10 311**	183 923
Proceeds on disposal of property, plant and equipment and intangible assets	**6 769**	21 307
Net cash outflow from investing activities	**(818 469)**	(1 083 425)
Cash outflows from financing activities		
Repayment of interest-bearing liabilities	**(265 013)**	(554 726)
Advances of interest-bearing liabilities	**110 647**	127 067
Additional capital contribution by non-controlling interest		29 500
Net cash outflow from financing activities	**(154 366)**	(398 159)
Net movement in cash and cash equivalents	**1 140 419**	(1 373 742)
Cash and cash equivalents at the beginning of the period	**(110 378)**	1 263 364
Cash and cash equivalents at the end of the period	**1 030 041**	(110 378)

Consolidated statement of **changes in equity**

	Stated capital R'000	Share-based payments R'000	Other reserves R'000	Common control reserve R'000	Retained earnings R'000	Controlling interest total R'000	Non-controlling interest R'000	Total R'000
Balance at 1 July 2018	10 087 241	632 920	(5 806)	(1 919 832)	2 336 451	11 130 974	48 729	11 179 703
Change in accounting policy*					(6 288)	(6 288)	(159)	(6 447)
Balance at 2 July 2018	10 087 241	632 920	(5 806)	(1 919 832)	2 330 163	11 124 686	48 570	11 173 256
Loss for the period					(110 541)	(110 541)	(73 421)	(183 962)
Other comprehensive income for the period			5 637		14 519	20 156		20 156
Additional capital contribution by non-controlling interest							29 500	29 500
BEE share-based payments charge		17 600				17 600		17 600
Employee share scheme:								
Value of employee services		139 089				139 089		139 089
Equity component of tax on share-based payments		(13 003)				(13 003)		(13 003)
Exercise of employee share awards	47 333	(47 333)						
Ordinary dividend paid					(347 360)	(347 360)	(1 250)	(348 610)
Balance at 30 June 2019	**10 134 574**	**729 273**	**(169)**	**(1 919 832)**	**1 886 781**	**10 830 627**	**3 399**	**10 834 026**
Loss for the period					**(901 396)**	**(901 396)**	**(57 642)**	**(959 038)**
Other comprehensive income for the period			**11 389**		**19 390**	**30 779**		**30 779**
BEE share-based payments charge		**17 600**				**17 600**		**17 600**
Employee share scheme:								
Value of employee services		**120 359**				**120 359**		**120 359**
Equity component of tax on share-based payments		**1**				**1**		**1**
Exercise of employee share awards	**183 505**	**(183 505)**						
Ordinary dividend paid					**(220 251)**	**(220 251)**	**(1 500)**	**(221 751)**
Balance at 28 June 2020	**10 318 079**	**683 728**	**11 220**	**(1 919 832)**	**784 524**	**9 877 719**	**(55 743)**	**9 821 976**

* *In the prior financial year retained earnings was restated for the impact from the implementation of IFRS 9 Financial Instruments, relating to the adoption of an expected credit loss model for impairments of financial assets.*

Supplementary information

		June 2020 R'000	June 2019 R'000
Capital expenditure contracted and committed		**325 800**	502 490
Capital expenditure approved but not contracted		**279 079**	251 402
STATISTICS			
Statutory ordinary shares in issue (includes BEE shares)	(000's)	**959 004**	940 902
Ordinary shares in issue for accounting purposes	(000's)	**888 246**	870 143
Weighted average ordinary shares in issue	(000's)	**875 497**	868 897
Diluted weighted average ordinary shares in issue	(000's)	**876 172**	883 210
Net asset value per share	(cents)	**1 105.8**	1 245.1
Ordinary dividends per share:			
Interim dividend declared	(cents)	**15.0**	15.0
Final dividend declared	(cents)	**10.0**	10.0
Total dividends	(cents)	**25.0**	25.0

Segmental analysis

	June 2020 R'000	June 2019 R'000
Revenue from contracts with customers	**27 803 611**	25 887 506
Groceries	**4 984 240**	4 831 990
Baking	**5 195 089**	5 060 840
Chicken	**8 813 581**	8 632 454
Sugar	**7 621 791**	6 612 691
Vector	**2 589 368**	2 182 820
Group#	**166 188**	122 541
Sales between segments:		
Groceries sales to Baking	**(747)**	(302)
Groceries sales to Chicken	**(103 369)**	(128 516)
Groceries sales to Sugar	**(7 170)**	
Baking sales to Groceries	**(123 830)**	(119 432)
Baking sales to Chicken	**(106 229)**	(111 632)
Chicken sales to Groceries	**(14 176)**	(1 698)
Chicken sales to Baking		(14 985)
Sugar sales to Groceries	**(70 100)**	(73 309)
Sugar sales to Baking	**(59 676)**	(57 607)
Sugar sales to Chicken	**(2 257)**	
Vector sales to Groceries	**(273 519)**	(230 509)
Vector sales to Baking	**(19 461)**	(12 680)
Vector sales to Chicken	**(731 544)**	(759 566)
Vector sales to Sugar	**(34 075)**	(24 676)
Group sales to Chicken	**(20 493)**	(20 918)
Operating profit before depreciation, amortisation and impairments^ (EBITDA)	**1 636 037**	1 525 659
Groceries	**522 415**	528 627
Baking	**371 745**	411 821
Chicken	**28 200**	397 116
Sugar	**354 936**	34 224
Vector	**244 266**	118 504
Group+	**114 475**	35 367
Depreciation and amortisation	**(735 826)**	(791 273)
Depreciation on right-of-use assets*	**(199 725)**	
Impairments^	**(1 506 283)**	(763 713)
Groceries	**(300 767)**	
Baking	**(388 187)**	2 915
Chicken	**(346 259)**	(4 716)
Sugar	**(52 641)**	(761 912)
Vector	**(418 429)**	

Group revenue relates to management fees for shared services performed for Siqalo Foods Proprietary Limited and the revenue earned by Matzonox Proprietary Limited.
^ *Impairments relate only to impairments of property, plant and equipment and intangible assets.*
+ *Includes the operating costs of RCL Foods Limited, RCL Group Services Proprietary Limited and Matzonox Proprietary Limited, losses/gains on the Group's self-insurance arrangement and profit from management fees earned on shared services functions for Siqalo Proprietary Limited.*
* *Relates only to amounts in respect of assets capitalised and lease liabilities recognised due to the implementation of IFRS 16 from 1 July 2019.*

Segmental analysis continued

	June 2020 R'000	June 2019 R'000
Operating loss	**(805 797)**	(29 327)
Groceries	**99 842**	412 701
Baking	**(184 112)**	268 875
Chicken	**(560 540)**	190 928
Sugar	**156 178**	(948 074)
Vector	**(366 524)**	39 586
Group+	**49 359**	6 657
Finance costs	**(393 060)**	(325 201)
Finance costs on lease liabilities*	**(115 126)**	
Finance income	**53 457**	48 585
Share of profits of joint ventures	**46 267**	43 318
Sugar	**28 087**	29 678
Vector	**18 180**	13 640
Share of profits of associates	**118 338**	84 523
Sugar	**118 744**	86 119
Ugandan Operation	**(1 861)**	(1 753)
Vector	**1 455**	157
Impairment of Ugandan Operation	**(18 897)**	
Loss before tax	**(1 114 818)**	(178 102)
ASSETS		
Groceries	**4 497 593**	4 452 065
Baking	**3 821 745**	4 130 024
Chicken	**4 242 863**	3 756 983
Sugar	**4 263 020**	4 558 069
Vector	**5 835 607**	4 044 417
Unallocated Group assets**	**1 811 929**	546 782
Ugandan operation	**37 464**	54 027
Set-off of inter-segment balances	**(2 023 645)**	(1 135 499)
Total per statement of financial position	**22 486 576**	20 406 870
LIABILITIES		
Groceries	**1 332 062**	1 174 178
Baking	**1 114 381**	852 623
Chicken	**1 788 261**	1 547 543
Sugar	**1 672 192**	1 244 394
Vector	**5 712 356**	2 834 216
Unallocated Group liabilities**	**3 068 993**	3 055 387
Set-off of inter-segment balances	**(2 023 645)**	(1 135 499)
Total per statement of financial position	**12 664 600**	9 572 841

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

* *Relates only to amounts in respect of assets capitalised and lease liabilities recognised due to the implementation of IFRS 16 from 1 July 2019.*

** *Includes assets and liabilities of the Group treasury company, Matzonox Proprietary Limited and consolidation entries.*

Revenue

	June 2020 R'000	June 2019 R'000
Disaggregation of revenue from contracts[1] with customers		
Revenue	**27 803 611**	25 887 506
Groceries	**4 984 240**	4 831 990
Groceries	**4 454 350**	4 304 166
Sundry sales*	**529 890**	527 824
Baking	**5 195 089**	5 060 840
Chicken	**8 813 581**	8 632 454
Chicken	**8 506 521**	8 305 368
Sundry sales*	**307 060**	327 086
Sugar	**7 621 791**	6 612 691
Vector	**2 589 368**	2 182 820
Group#	**166 188**	122 541
Sales between segments	**(1 566 646)**	(1 555 830)
Timing of revenue recognition[2]	**27 803 611**	25 887 506
Point in time	**26 087 091**	24 599 717
Over time	**1 716 520**	1 287 789

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

\# *Group revenue relates to management fees earned for shared services performed for Siqalo Foods Proprietary Limited and the revenue earned by Matzonox Proprietary Limited.*

[1] *An agreement between two or more parties that creates enforceable rights and obligations. Can be written, oral or implied by customary business practices.*

[2] *Revenue recognised at a point in time relates to the sale of goods whilst revenue recognised over time relates to the sale of services.*

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