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RCL FOODS LIMITED

ABRIDGED INTEGRATED ANNUAL REPORT

FOR THE YEAR ENDED JUNE

2020

About the **report**

Boundary and scope

The aim of this Abridged Integrated Annual Report is to provide stakeholders with a balanced and holistic view of the financial, social, environmental and economic impacts of RCL Foods Limited ("RCL FOODS" or "Group") to enable them to obtain a better understanding of the Group's long-term prospects. The report includes all the subsidiaries of RCL FOODS. It covers the performance for the year ended June 2020 and provides an overview of operations of the Group with relevant comparatives to the previous period.

Material aspects and comparability

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

Assurance and approval

The Board acknowledges its responsibility for the content of RCL FOODS' Integrated Annual Report. The Board has assessed the content of this report and believes that it addresses all material issues and fairly presents the integrated performance of the Group. The Board has authorised the release of this report at the RCL FOODS Board meeting held on 28 August 2020.

The information in this report has been verified by a combination of internal and external assurance providers. Details of the assurance element and providers are set out on pages 8 to 13 of the Annual Financial Statements, available on our website at www.rclfoods.com/financial-results-and-reports-2020

RCL FOODS values feedback and therefore welcomes any questions or comments regarding this report. These can be emailed to the Company Secretary, John Maher, at john.maher@rclfoods.com. Stakeholders are also directed to the Group's website for this report and other relevant additional supporting reports and compliance information such as the Sustainable Business Report for the 2020 financial year, King IV application register and Board committee charters.

Related reports

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

Sustainable Business Report

Annual Financial Statements

Corporate Governance Report

Remuneration Report

King IV Application Register

Reporting framework

RCL FOODS LIMITED ABRIDGED INTEGRATED ANNUAL REPORT 2020

Icon **references**

Our capitals

- Financial capital
- Human capital
- Intellectual capital
- Manufactured capital
- Natural capital
- Social and relationship capital

Our stakeholders

- Communities
- Consumers
- Customers
- Employees
- Government
- Investors
- Suppliers

Our strategic thrusts

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

Navigation

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

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

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

GOV *Directs readers to the page in the Corporate Governance Report with more details*

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

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About the report

Our business at a glance

Value we create

Our 2020 financial highlights

Revenue
R27,8 billion
↑ 7.4%

EBITDA
R1 636,0 million
↑ 7.2%

Underlying* EBITDA
R1 510,7 million
↑ 12.6%

Headline earnings
R114,2 million
↓ 65.4%

Underlying* headline earnings
R450,4 million
↑ 47.1%

Headline earnings per share (HEPS)
13.0 cents
↓ 65.7%

Underlying* HEPS
51.4 cents
↑ 45.9%

Cash generated by operations
R2 571,4 million
↑ 222.7%

Total dividend
25.0 cents
per share declared for the year

** The underlying view of the results excludes material once-offs and accounting adjustments. More detail on these is available in the CFO's report from page 70.*

Value **we create**

The value we created for our stakeholders in 2020

For our Communities

R9,0 million in corporate social investment via the **DO MORE FOUNDATION**

Over **8 million* meals donated in 2020** through the DO MORE FOUNDATION

** of which over 3,5 million were for COVID-19 relief*

Small-scale growers generated R350 million in turnover from supplying cane to our mills

R43 million in lease payments received by beneficiaries from three partnering land claimant communities

For our Consumers

Over 30 much-loved South African brands

10 category-leading brands

NOLA, OUMA, NUMBER 1, Rainbow Simply Chicken*, Selati**, Monati, Bobtail, Canine Cuisine, Catmor, Epol***

** Freezer to Fryer category*
*** Core sugars*
**** Horse Feed*

We kept South Africans fed during the COVID-19 pandemic – delivering 1 500 tons each of flour and sugar, 700 000 loaves of bread, 500 tons of chicken, 270 tons of pet food and 97 tons of mayonnaise DAILY during level 5 lockdown

An opportunity to help feed the hungry through the DO MORE FOUNDATION's **#GiveItUp** COVID-19 relief initiative

For our Customers

Produced fit-for-purpose private label brands for major customers in seven categories

12 former ICL* principals taken into our Logistics network as customers

** Imperial Logistics South Africa Group Proprietary Limited's cold chain business*

Successfully **incorporated Siqalo Foods** into our platform

Strong volume growth for Chicken, Sugar, Bread, Peanut Butter, Maize Flour and Pet Food (branded and private label)

For our Employees

R31,8 million spent on training nearly 10 000 people

3 000 staff members enabled to work from home during lockdown

R52,7 million* spent directly on keeping our employees safe during the COVID-19 pandemic

** Relates only to Cleaning, Health & Safety and Medical supplies and services for our employees*

A chance for employees to DO MORE for vulnerable communities via monthly payroll contributions and active participation in DO MORE FOUNDATION activities

For our Environment

First power produced by our **Waste-to-Value plant** in Rustenburg

Water use in our Sugar business has **reduced by 9.3% since 2017**

We have committed to step-change our plastic packaging by 2025 to reduce waste and promote recycling

3% reduction in our carbon footprint in 2020

For our Government

R47,9 million paid in **income tax** and **R731,6 million** paid in **VAT**

Public-private partnerships help implement Government policy for **Early Childhood Development and land reform**

Supported Government's call for **participation in the Y.E.S.* Programme** and for **contributions to the Solidarity Fund**

** Youth Employment Service*

Engagement with Government in development of Poultry Sector and Sugar Industry Master Plans

For our Investors

We paid **R221,8 million in dividends** in 2020

We paid **R257,7 million in interest** in 2020

For our Suppliers

41% of Chicken supplied through **contract growers**

Nearly 1,7 million tons of sugarcane (32%) supplied to our mills through **small-scale farmers, community joint ventures and long-term land reform partnerships**

R77,5 million in contracts awarded to companies owned by **land reform beneficiaries** from our community-based joint ventures

R7,2 billion spent on **procurement through B-BBEE**

Our business profile

RCL FOODS is a leading South African food manufacturer that produces a wide range of branded and private label food products in various categories, ranging from staples to value-added high-end speciality offerings, which we distribute to our retail and food service customers through Vector Logistics, our own route-to-market supply chain specialist.

With R8,4 billion in market capitalisation and more than 20 000 employees, we are one of the top 100 companies listed on the JSE. Driven by Our Ambition and Our Passion, and guided by Our Values, our strategy is about creating the future Our Way.

Our Passion

More Food to More People, More Often

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

Our Ambition

To build a profitable business by creating food brands that matter

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

Our Strategic Thrusts

Our Passion and Ambition are enabled by six strategic thrusts:

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

Our Values

Four powerful values drive the way we do business:

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

Our Way

Inspired by Our Passion and Our Values

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

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

Over 230 operations across South Africa and Africa (including joint ventures)

Home to more than **30 of South Africa's much-loved brands**

DO MORE FOUNDATION

Founder and partner of the DO MORE FOUNDATION which aims to DO MORE for young children, youth and to ease hunger in vulnerable communities

More than **20 000 employees**

110 million cases delivered annually by Vector Logistics, our route-to-market specialist

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

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

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

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

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

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

1989
Rainbow Chicken Limited was listed on the JSE.

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

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

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

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

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

A new B-BBEE transaction was implemented.

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

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

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

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

2020
A minority shareholding in the LIVEKINDLY co. was acquired.

Vector Logistics acquired certain key assets of Imperial Logistics South Africa Group Proprietary Limited's cold chain business (ICL).

Our structure

In line with our strategy to create a single, integrated RCL FOODS united by a common Passion, Ambition and culture (Our Way), we transformed from four separate businesses (TSB Sugar, Rainbow Chicken, Foodcorp and Vector Logistics) into one company in 2015. This consisted of three divisions (Consumer, Sugar & Milling and Logistics), supported by common Group functions. This structure served us well as we bedded down a common RCL FOODS identity while driving synergies across the business and expanding into new categories.

In the 2020 financial year we took the next step in our evolution into a truly integrated "ONE RCL FOODS" by restructuring our Consumer and Sugar & Milling Divisions into a single Food Division.

Consumer Division + Sugar & Milling Division = Food Division

With our simpler, more focused two-division structure – Food and Logistics – we aim to drive further synergies and optimisation across the company whilst leveraging our "ONEness" to bring More Food To More People, More Often.

Food Division

Groceries
Grocery + Pies + Beverages

Baking
Millbake + Speciality

Chicken
Chicken + Animal Feed (Epol)

Sugar
Sugar + Animal Feed (Molatek)

Logistics Division

- Sales Solutions
- Supply Chain Intelligence
- Warehousing
- Distribution
- Imports/Exports
- Credit Management

Supported by Group Functions

- Finance
- Information Technology
- Human Resources
- Chief Executive Officer (CEO's) office

Our brands

We own over 30 brands, many of which are market leaders in their respective categories. Spanning from much-loved South African classics generating over R1 billion in annual revenue, to newer ones with growing relevance, our basket of brands enables us to meet the diverse and evolving needs of consumers across the market.

In line with Our Ambition of building a profitable business by creating food brands that matter, we are constantly investing in our diverse portfolio of strong brands in order to increase our market share in existing categories and find new consumers in new categories and markets.

R1 billion +

RAINBOW, Supreme Flour, Sunbake, Selati, Epol, Nola

R400 million - R1 billion

Pieman's, Molatek, Ouma, Number 1

R100 - R400 million

Yum Yum, Rainbow Simply Chicken, Bobtail, Catmor, Driehoek Feeds

R100 million & under

Ultra Dog, Ultra Cat, Canine Cuisine, Optimizor, Feline Cuisine, Mnandi Amahewu, Bonzo, Dogmor, Tafelberg, Farmer Brown, Rainbow Spices, Safari, Foodcorp, Cobb, Monati, Selati Sweetener, A1, 5 Star

How we operate

Our business model

We create value for our stakeholders by using our six capitals to manufacture, distribute and sell a wide range of branded and private label food products. In line with our business model, our business activities centre on maximising profit in our core categories and accelerating growth in our added-value categories. A strong focus is provided by Our Ambition – to build a profitable business by creating food brands that matter – and the six strategic thrusts that support its realisation.

Since our ability to generate value is impacted by our dynamic operating context and a constantly evolving set of risks and opportunities, identifying and proactively managing these is key to our business operation. Equally important is the enabling role played by our unique culture, Our Way, and our integrated ONE RCL FOODS structure.

Capital Inputs

Financial Capital

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

Human Capital

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

Intellectual Capital

Our organisational knowledge, systems, procedures and intangibles associated with the brands developed.

Manufactured Capital

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

Natural Capital

The natural resources our operations depend on, with the ambition of becoming Energy self-sufficient, Water-smart and Waste-free.

Social and Relationship Capital

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

Our Strategic Thrusts

inform the allocation of capitals and the way we conduct our operations:

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

Our Operating Context

We keep a close eye on the external operating environment to ensure that we remain relevant to our consumers' needs and resilient in changing times. These include:

- Demanding Economic Conditions
- Pressure on Food Systems
- Food Security Threats
- Changing Consumer Behaviour

Refer to page 20 for an analysis of our operating context and trends.

Maximise profit in our core categories

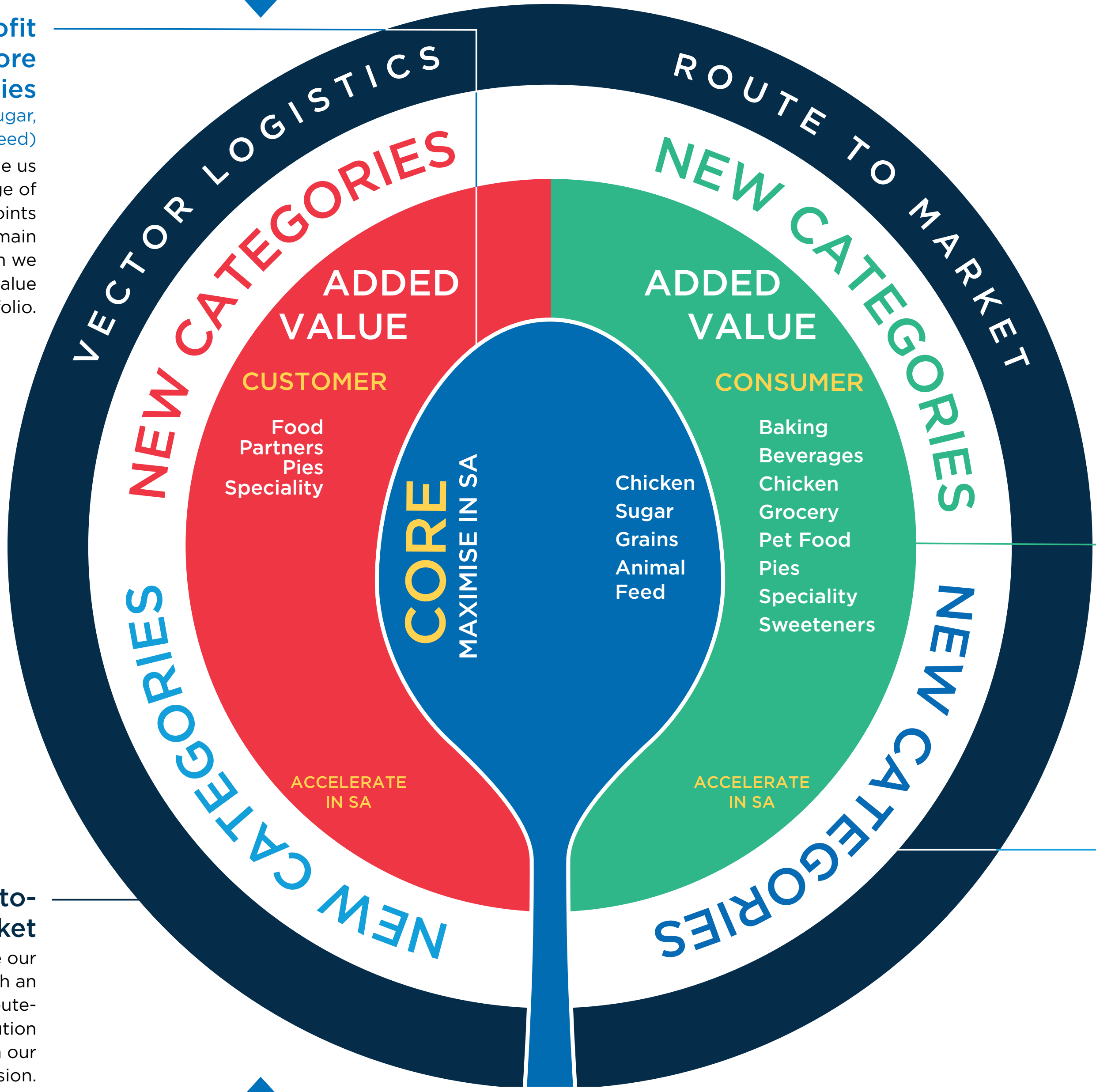
(Chicken, Sugar, Grains, Animal Feed)

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

Accelerate growth of our added-value categories

(Baking, Beverages, Chicken, Grocery, Pet Food, Pies, Speciality, Sweeteners)

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



Route-to-market

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

New categories

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

Our Key Risks

The top risks that we update regularly and manage on an ongoing basis are:

1. Reduced Demand
2. Pricing Pressure
3. Liquidity Risk
4. Commodity Price Fluctuations
5. Business Interruption – Health & Safety and Supply Chain
6. Regulatory Intervention & Policy Uncertainty
7. Societal Risks
8. Food & Product Safety
9. Climate Change
10. Non-compliance
11. Information Security

Outputs

Utilising our six capital inputs, and guided by Our Way and our six Strategic Thrusts:

- More than 30 brands produced by our Food Division
- Industry-leading route-to-market services provided by our Logistics Division

Creating Value for our Stakeholders

Our Communities

Our Consumers

Our Customers

Our Employees

Government

Media

Our Suppliers

Refer to pages 42 and 43 for a review of the value created through our use of the six capitals and the value this provides for our key stakeholders.

Our sustainable business drive

Our Sustainable Business Drive is about **creating the future.** Underpinned by **Our Passion,** it sets out **our response** to the most critical social and environmental challenges we face. Our sustainable business drive enables us to **secure the future** for our business, whilst establishing **competitive advantage** in a fast-changing world.

① Nourishing people

More nutritionally creative solutions

1.1 MORE NUTRITIOUS PRODUCTS

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

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

1.2 MORE NUTRITIONAL THOUGHT LEADERSHIP

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

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

1.3 MORE BASIC NUTRITION FOR CHILDREN

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

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

② Enriching communities

More socially creative solutions

2.1 MORE INSPIRED EMPLOYEES

We will build a unique organisation where work is safe, fun, meaningful and enriching in a way that unlocks the potential and creativity of our more than 20 000 people.

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

2.2 MORE ECONOMICALLY DEVELOPED COMMUNITIES

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

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

2.3 MORE SOCIALLY DEVELOPED COMMUNITIES

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

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

③ Sustaining resources

More environmentally creative solutions

3.1 MORE ENERGY SELF-SUFFICIENT OPERATIONS

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

Ambition
To become an energy self-sufficient business.

3.2 MORE WATER-SMART OPERATIONS

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

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

3.3 MORE WASTE-FREE OPERATIONS

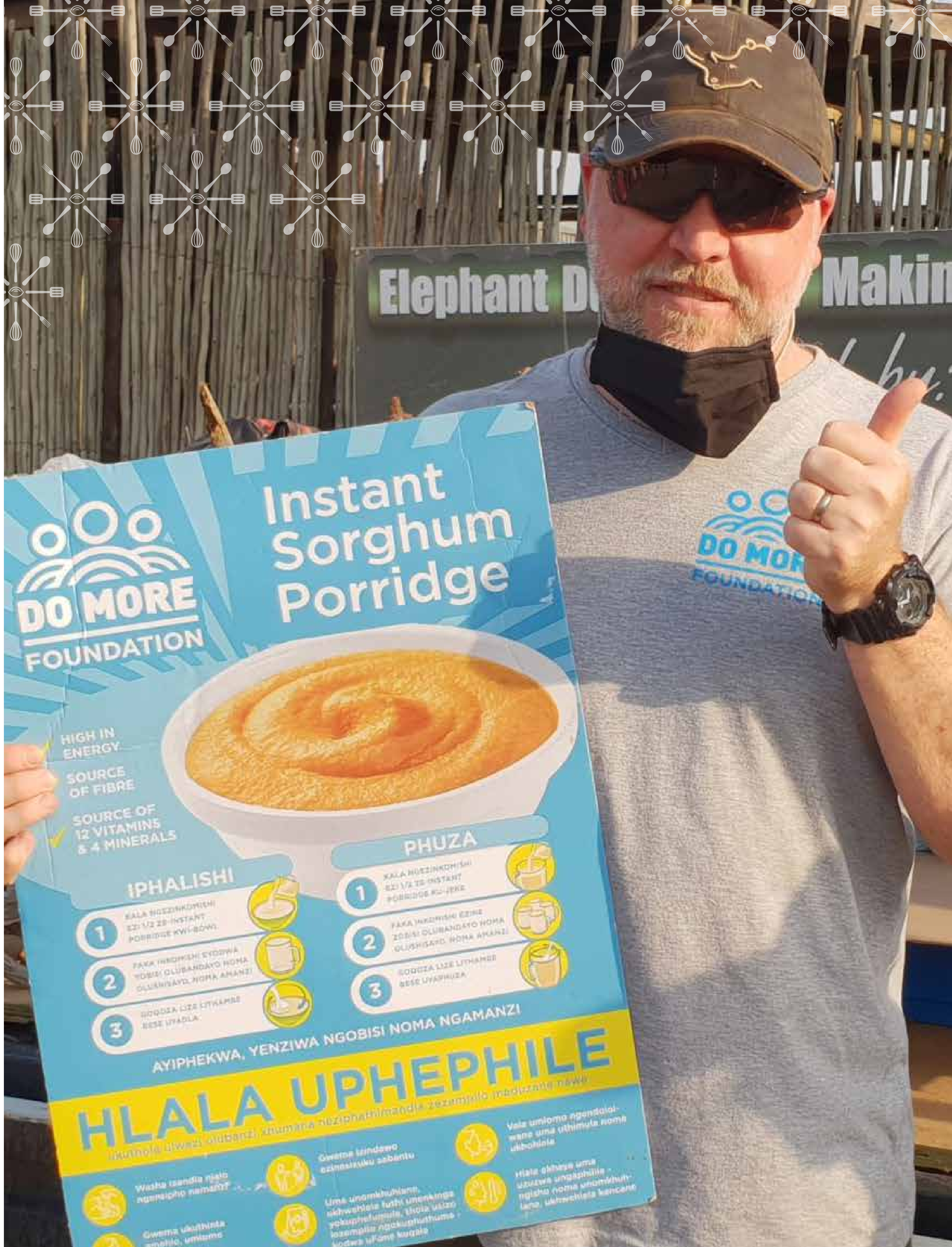
We will invest in new business opportunities that turn our waste into value (through circular economy principles), and minimise our waste to landfill.

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

UNDERPINNED BY NEW DISRUPTIVE MODELS

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

SBR *For more information, please refer to the Sustainable Business Report, available at www.rclfoods.com/financial-results-and-reports-2020*



A member of Kingsley Holgate's team which delivered the newly-launched DO MORE FOUNDATION instant sorghum porridge in KwaZulu-Natal

Our **sustainable business drive** in action

Nourishing people

Investing in the future of food with the LIVEKINDLY co.

Climate change, population growth, chronic hunger, obesity and a related rise in non-communicable diseases mean that food producers need to find more sustainable ways of nourishing people. One that is gaining recognition worldwide is a plant-based diet, considered to be "kind" to both people and the environment. Identifying plant-based protein as a key strategic investment, we ventured into this fast-growing category with our recent acquisition of a minority shareholding in the LIVEKINDLY co.

Founded by the leading plant-based investor Blue Horizon AG, the LIVEKINDLY co. is a visionary new US-based company that aims to transform the global food system by rapidly creating a plant-based food "ecosystem" of scale, that extends from farm to fork and has global reach. To do so, the LIVEKINDLY co. is building a strategic portfolio of brands which so far include LIVEKINDLY Media, LikeMeat, Oumph! and the well-known South African brand, the Fry Family Food Co.

Key to its strategy is entering into strategic partnerships with established platforms like RCL FOODS that seek to embrace plant-based options. We believe our unique farm-to-fork capability and established market presence would position us well to help build a robust plant-based ecosystem in South Africa – from agriculture through to go-to-market brands and infrastructure.

The plant-based protein industry is still at an early stage in South Africa, but improvements in the affordability, taste and texture of plant-based alternatives are expected to grow the category into a meaningful market in both retail and foodservice channels.

Offering plant-based options alongside traditional (chicken) protein will meet our desire to provide our diverse consumer population with more choice, whilst also preparing us to meet future protein needs in a sustainable way.

Enriching communities

Y.E.S. candidates with Charmaine Boshoff, HR Executive: Learning, at RCL FOODS' national office in Durban

We say YES to youth

Creating a secure future for our company and country starts with inspiring great people – youth included. Against a backdrop of rising youth unemployment, RCL FOODS has been working to make a difference to young people's lives both within and beyond the organisation. Our participation in the Y.E.S. (Youth Employment Service) Programme is one initiative we are particularly proud of, and momentum is building for even MORE IMPACT in the youth space going forward.

The Y.E.S. Programme is a business-led collaboration with Government that focuses on previously disadvantaged youth between the ages of 18 and 35 by providing work experience for one year. This gives young people a chance to demonstrate their abilities, establish their work ethic and prove their worth.

Last year we placed over 330 young people in newly created 12-month fixed term contract work experience opportunities across our business. Of these, 55 have now been placed in permanent positions (a 16.6% absorption rate) and one has been selected for our Management Trainee Programme which focuses on building future leaders. This means that the Y.E.S. Programme is not only transforming and empowering our communities, but building a pipeline of talented employees for RCL FOODS.

Alongside the Y.E.S. Programme, we also ran two other brand new youth development initiatives this year: the Siyabhaka Academy which trained 10 aspiring young professionals in the Baking business, and the National Qualifications Framework (NQF) level 2 Sugar Processing learnership, whose 50 learners include 24 young people who have been equipped with critical skills for the sugar industry. Through these initiatives we are helping empower youth for a brighter future – especially post COVID-19.

Sustaining resources

Second Waste-to-Value plant commences operation in Rustenburg

As the 2020 financial year came to a close, we reached an important milestone in our ambition to become energy self-sufficient: our much-anticipated second Waste-to-Value (W2V) plant was commissioned at our chicken plant and feed mill in Rustenburg. This will generate an additional 34.1 GWh of renewable energy for our internal consumption, increasing our own generation by approximately 22%.

Constructed in partnership with GreenCreate, the new plant will more than double our current W2V output. A daily 135 tons of energy-rich wastewater from our chicken processing plant and chicken litter from our farms will be converted into renewable energy and steam – enough to provide 65% of the energy requirements of our chicken plant and the adjacent animal feed mill, and 100% of the mill's heat requirements. This means that in the event of a power outage, at least half of our chicken plant and animal feed mill can continue working, minimising disruptions in supply.

The remaining water will be further treated in a reverse osmosis plant, allowing it to be safely reused on site for all non-food-contact and non-feed-contact applications.

This new plant will not only reduce our dependence on coal-fired energy and fresh water supplies, but ensure that nothing at all goes to waste – including the by-products from the waste conversion process, which will be sold as solid and liquid fertilisers enriched with high levels of nitrogen, phosphorus and potassium. The project has added value from a social point of view too, providing for 102 local labour appointments and 15 local contract and supplier appointments.

Our new Waste-to-Value plant in Rustenburg

Our operating context and trends

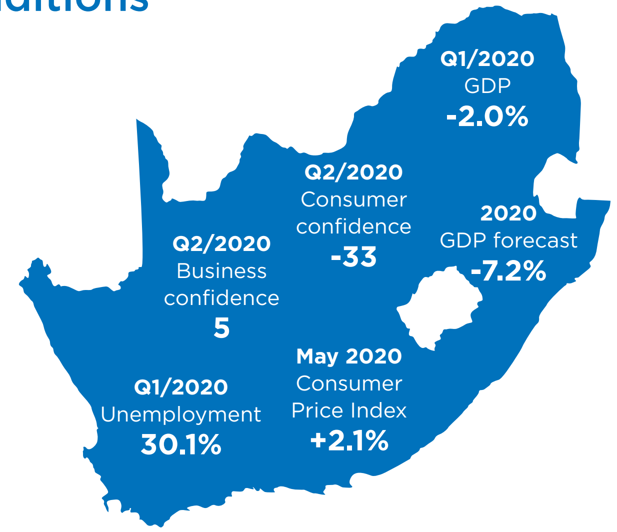
Our business is impacted by various issues, events and trends that present opportunities and risks for the way we generate value for all our stakeholders.

The COVID-19 pandemic has been a key feature of our operating landscape this year, accelerating certain trends and highlighting areas where we need to 'see and do things differently' in order to sustainably provide More Food to More People, More Often. These are summarised below.

More detail on the key macroeconomic factors impacting our business in 2020 can be found in the CFO's report from page 70.

1 Demanding economic conditions

South Africa was already facing significant financial headwinds prior to the COVID-19 pandemic, being in a technical recession that coincided with a sovereign rating downgrade. As a result, consumer confidence in the first quarter of 2020 was at -9 points (down from -7 in the previous quarter) and business confidence was at 18 (down from 26)[1]. **The COVID-19 lockdown exacerbated these difficult economic conditions,** causing consumer and business confidence to fall further to -33 and 5 respectively. Whilst the full impact of the lockdown has yet to be quantified, we will undoubtedly see a further Gross Domestic Product (GDP) contraction of around 7% for 2020, with increased unemployment resulting in further pressure on already cash-strapped consumers.[2]



2 Pressure on food systems

More and more food is required to feed the growing population, yet large-scale food production poses an increasing threat to the environment through biodiversity loss, deforestation, soil degradation and water scarcity. Current food systems are also unsustainable from a health perspective, with poor diets in both low-income and affluent contexts contributing to the rising incidence of non-communicable diseases, particularly diabetes, hypertension and heart disease. **With these and obesity being risk factors for severe COVID-19, the pandemic has highlighted the key role of diet in maintaining a healthy population.**

Chronic disease prevention has already become a key government concern, as evidenced by the introduction of the Health Promotion Levy, new brining regulations, limitations on salt and sugar in foodstuffs and increased food labelling requirements. As a leading food manufacturer in South Africa, it is our responsibility to keep abreast of these developments, engage with regulators, provide thought leadership where appropriate, and ensure compliance whilst managing the impacts on our business. As our population grows and the demand for food increases, our challenge is to provide a balanced basket of safe, high-quality, healthy food that meets consumers' changing needs.

[1] *According to the First National Bank/Bureau for Economic Research (BER) Consumer Confidence Index (CCI) and the Rand Merchant Bank/BER Business Confidence Index (BCI)*

[2] *Multiple sources: StatsSA and BER*

3 Food security threats

Although South Africa produces enough food to feed its population, at least 20% of households have inadequate or severely inadequate access to food due to poverty and unemployment. This is exacerbated by the rise in food costs, driven by an array of factors including fuel price hikes, exchange rate volatility and drought. On top of this, the dumping of surplus poultry and sugar in the largely unprotected local market has impacted severely on the viability of the local poultry and sugar sectors, leading to job losses which add to the existing burden of unemployment and food insecurity. The Government recently announced master plans for both sectors which include an adequate level of protection, as well as diversification into export markets, as essential ingredients to safeguard their future as employers and producers of vital food categories.

Despite this, the ongoing economic slowdown in South Africa – coupled with the devastating unemployment impacts of COVID-19 – mean that food insecurity will remain a challenge for the foreseeable future. We are working to sustainably improve food security through our work with small-scale sugar cane and vegetable growers, and reaching out via our DO MORE FOUNDATION to meet the acute nutritional needs that exist in our communities through food support to young children and vulnerable families.

SBR *For more information refer to the Sustainable Business Report, available at www.rclfoods.com/financial-results-and-reports-2020*

4 Changing consumer behaviour

A number of trends have emerged in the South African consumer landscape over the last few years, and the COVID-19 pandemic has accelerated the adoption of many of them. A common trend across both upper and lower Living Standards Measure (LSM) groups is a growing emphasis on value, with private labels gaining increased popularity and the majority of consumers being driven by price and affordability. Another trend is a rising demand for convenience as consumers across the board become more time-poor. Online shopping is taking off rapidly among higher LSM groups, especially since the start of the pandemic, and these groups are also increasingly interested in foods that are good for people and the planet, as well as locally produced foods with more transparent supply chains[3].

The upper LSM groups' growing demand for products linked to health and hygiene presents an opportunity for us to meet those evolving needs, whilst leveraging innovation, economies of scale and education to take new food categories to the bulk of the market. One example is plant-based foods which we plan to grow into a meaningful market in South Africa and beyond, making plant-based protein a widely affordable alternative for consumers.

[3] *Multiple sources: IRI and others*

Our COVID-19 **impacts and response**

Whilst we were fortunate to be able to continue operating as an essential service during the COVID-19 lockdown, the virus and measures to mitigate it have had a profound impact on our business, our employees and their communities. **In navigating this unprecedented challenge, our response was guided by the following imperatives:**

Our COVID-19 response

Employees

Keeping our employees safe

This has always been our highest priority. We implemented a number of further actions designed to reduce the chance of employees becoming infected or transmitting the virus on site. This was accompanied by a step-change in employee communication, with our mobile app playing a key role.

Operations

Maintaining food production and distribution

By doing our utmost to keep our employees safe, and ensuring contingency plans were in place in the event of supply chain issues, we were able to continue running our operations at (or near) normal levels. This was supported by positive ongoing feedback by the Departments of Labour and Health on our exemplary implementation of COVID-19 mitigation protocols.

Community

Assisting our communities

In addition to supporting the country by keeping supermarket shelves stocked, we have also actively assisted vulnerable communities, both where we operate and nationwide, through our DO MORE FOUNDATION.

Refer to page 53 for more information.

Cash and liquidity

Safeguarding our cash flow and liquidity

Maintaining adequate cash and liquidity has been key to operating sustainably through the crisis. We are actively engaging with all stakeholders to ensure that we honour our obligation to pay our suppliers in a timely manner, whilst also holding customers accountable for payments to us.

Refer to the CFO's report from page 70 for more information.

SBR *Read more about our employee safety response and community assistance in the Sustainable Business Report at www.rclfoods.com/financial-results-and-reports-2020*

Commercial impact on our business

The pandemic and related lockdown have had a significant impact on our business from a commercial perspective, amounting to an on-cost of some R266,8 million pre-tax. The closure of restaurants and fast food outlets, together with the ban on hot food sales, significantly impacted our trade volumes in Chicken, Vector Logistics, Pies and Beverages.

This has resulted in significantly higher stock holding of Chicken and an increase in the costs associated with this. We also incurred direct costs in ensuring our employees' safety and maintaining food supply throughout South Africa.

For more information refer to the CFO's report from page 70 for more information.

Lockdown restrictions in food service operations

Level 5 Restrictions	Level 4 Restrictions	Level 3 Restrictions	Advanced Level 3 Restrictions
× Sit down restaurants	× Sit down restaurants	× Sit down restaurants	✓ Sit down restaurants
× Take-away	× Take-away	✓ Take-away	✓ Take-away
× Retail hot food	× Retail hot food	✓ Retail hot food	✓ Retail hot food
× Delivery	✓ Delivery	✓ Delivery	✓ Delivery

Rural grandmothers receive the newly-launched DO MORE FOUNDATION instant sorghum porridge from Kingsley Holgate's team

Mapping a "new normal" in shopper behaviour

COVID-19 has impacted significantly on what shoppers purchase and how they do so, and this is likely to continue.

- **Upper LSM consumers are showing preference for products linked to health and hygiene** (especially immune-boosting foods), quality local brands that they trust, and small indulgences they can consume at home.
- **Lower LSM shoppers are driven mainly by affordability,** resulting in more focus on staples, trading down, switching pack sizes and excluding discretionary products.
- **Shoppers across the board are more value and cost conscious, showing willingness to switch pack formats or trade down to meet their needs.** Less frequent shopping trips are being made, with upper LSM shoppers buying more at a time and lower LSM shoppers buying less. Shopping is also taking place closer to home due to lack of transport and increased convenience, highlighting the importance of product availability across multiple channels and outlets.
- **There has been an accelerated adoption of food and grocery e-commerce, particularly amongst higher LSM shoppers,** driven by convenience and residual fear of public spaces. The trend has been further supported by development of retailer and 3rd party e-commerce platforms.

TRADING DOWN
or less consumption

RISE OF PRIVATE LABEL
Value and quality

PRIVATE LABEL

GROWTH OF ONLINE
Trust and continued use

PACK FORMAT SWITCH
to larger or smaller packs – LSM dependent

CHANNEL SHIFT
Shopping closer to home
Less feet in hyper formats

SNACKING ON THE UP
and small indulgences

Treat yourself

IN HOME CONSUMPTION
At home scratch cooking, baking and family entertainment

LOCAL IS LEKKER
Support my fellow South Africans when I purchase

Applicable to **all LSMs**

Higher LSM prevalence

Lower LSM prevalence

Multiple sources: IRI and others

Whilst the future landscape of South Africa's food sector is uncertain, **RCL FOODS is well positioned to meet the changing needs of our customers and consumers** – backed by a diverse portfolio of high quality, proudly South African branded products, as well as fit-for-purpose private label offerings, combined with the **agility and adaptability** to pivot our offerings to capitalise on an **ever-evolving consumer and customer.**

Our material risks

The dynamic environment in which we operate means that our risks are constantly evolving and our risk profile needs to be constantly evaluated. We do so by means of the Enterprise Risk Management (ERM) process which is fundamental to our business activities and supports the identification and evaluation of key risks and opportunities. The RCL FOODS Risk Methodology provides the basis for all of our risk management processes, and our Board monitors these through its Risk Committee. The Board recognises that our risk management processes are effective, both in continuously assessing risks and opportunities, and in ensuring that they are managed in line with business strategy.

Key insights

COVID-19 has fundamentally altered the global risk landscape, including the material risks we face as a business. Whilst continuing to operate as an essential service during the COVID-19 period, our business model has been exposed to a range of major direct and indirect implications and challenges. The combined effect of COVID-19 and the lockdown implemented as part of Government's risk-adjusted strategy, have had significant direct impacts on our business, our customers, suppliers and consumers. This has elevated several specific risks to our business and generally increased the likelihood of all the material risks we face. Since the onset of the pandemic the Group's key focus areas have been:

- The health and safety of our **Employees**
- The continuity and resilience of our **Operations**
- The security of our **Cash flow and Liquidity,** and
- Assisting the **Communities** we work in.

The risks below were identified through our ERM process as being the most material risks that could adversely impact business performance and our ability to achieve our strategic objectives. They have been prioritised on an inherent basis (i.e. according to the likelihood and impact of each risk prior to management controls being implemented). The key Group risks were derived from a series of interviews and workshops with senior leadership and agreed upon by the Risk Committee.

Please refer to page 2 of this report for icon references.

Top risks

1. Reduced demand (customer and consumer)
2. Pricing pressure
3. Liquidity risk
4. Commodity price fluctuations
5. Business interruption – health & safety and supply chain
6. Regulatory intervention and policy uncertainty
7. Societal risks
8. Food and product safety
9. Climate change
10. Non-compliance with laws and regulations
11. Information security

Refer to the Corporate Governance Report, available at www.rclfoods.com/financial-results-and-reports-2020

MATERIAL ISSUE

1 Reduced demand (customer and consumer)

Reduced consumer demand has been primarily driven by Government's intervention, via the COVID-19 risk-adjusted strategy, to restrict Quick Service Restaurant (QSR) chains from trading primarily during lockdown levels 5 and 4. This has materially impacted on the demand within our Chicken and Vector Logistics businesses. From a macroeconomic perspective, this risk is exacerbated by decreased demand in RCL FOODS' categories due to reduced household disposable income of consumers and a possible shift in consumer purchasing behaviour (i.e. value brands, prioritisation of hygiene products, etc.)

Risks

Failure to deliver an effective strategy to respond to the implications of COVID-19 in terms of restricted trading conditions. The following existing risks have been amplified by the COVID-19 crisis:

- Decrease in demand from key customers
- Loss of key customers due to customer pressures/ changes in operating environment
- Increased competition resulting in declining market share of product categories
- Changing consumer buying behaviours attributed to lower household disposable income

Stakeholders

Strategic thrusts

Capitals

Risk response strategies and opportunities

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

MATERIAL ISSUE

2 Pricing pressure

COVID-19 has adversely impacted our ability to increase prices, making it difficult to offset the higher costs of the pandemic through pricing. Weakened demand from consumers has also increased the available supply, particularly within Chicken. We continue to face the ongoing challenge of high levels of sugar and poultry imports in the local market, along with weak tariff protection on imports, amplifying the impact of this risk on the Group's performance.

Risks

- Oversupply of chicken in the local market due to increased imports and the reduction in demand due to COVID-19
- Global oversupply of sugar coupled with weak local tariff protection
- Exposure to sugar price variations (i.e. world sugar price volatility)
- Ongoing impact of the Health Promotion Levy (HPL) (also known as Sugar Tax) reducing demand

Stakeholders

Strategic thrusts

Capitals

Risk response strategies and opportunities

- Continued focus on the revised business model for the Chicken business which is targeted at fixing agricultural operations, improving competitiveness, re-establishing the Rainbow brand and focusing more from a regional demand and profitability perspective
- Building our brands through innovation and marketing initiatives
- Diversification and forward integration in order to protect and enhance Sugar returns while reducing our exposure to exports, improving profitability and reducing volatility
- Strong drive of industry transformation agenda with South African Poultry Association (SAPA) and South African Sugar Association (SASA)
- Revised Dollar-Based Reference and tariff protection granted by the Department of Trade and Industry
- Emphasis on cost reductions, operational effectiveness and increasing cost competitiveness
- Robust strategic planning that positions us to address pricing pressure risks proactively
- Establishing robust partnerships with key customers
- New acquisition opportunities enabling an extension of product range into new categories
- Ongoing engagement with Government to find appropriate solutions for all stakeholders

Our material risks continued

MATERIAL ISSUE

3 Liquidity risk

The adequacy of cash flow and liquidity management for the Group has been elevated as a key risk due to COVID-19. This risk is characterised by the onslaught of supply chain disruptions and a reduction in demand that adversely affects our key customers. As a consequence, customers are requesting an extension of payment terms, which puts strain on our cash flow.

Risks

- Loss of revenue due to cancelled contracts and projects
- Delayed receivable collections
- Loss of revenue due to solvency issues of key customers
- Inability to service debts

Stakeholders

Strategic thrusts

Capitals

Risk response strategies and opportunities

- The Credit Committee, chaired by the CFO and Financial Executives, monitors the payment terms of large customers and manages liquidity and cash flow risks
- Monitoring of cash flow forecasts
- Execution of cash flow optimisation measures (receivables, inventory and payables)
- Implementation of cost reduction measures
- Modelling of changing customer needs and behaviours
- Curtailment of capital investment, except for essential items
- Government tax relief provisions pursued

MATERIAL ISSUE

4 Commodity price fluctuations

The cost of our products is affected by the cost of the underlying commodities and materials. Our exposure to commodity pricing risk is increased by currency fluctuations linked to political uncertainty; changes in global and local market conditions; adverse climate conditions and the extended impact of COVID-19.

Risks

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

Stakeholders

Strategic thrusts

Capitals

Risk response strategies and opportunities

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

For detail on commodity price activity, refer to the CFO's Report from page 70.

MATERIAL ISSUE

5 Business interruption (Health & safety and supply chain)

The risk posed by the COVID-19 pandemic is ultimately a health and safety risk which, given its potential impact on personnel availability, could significantly impact our manufacturing sites' ability to continue operating. The health and safety of our employees remains our top priority and a critical factor in maintaining business continuity. COVID-19 is unlikely to end suddenly, given the lack of available therapeutics and the uncertain timing of a vaccine. This means that the new and enhanced employee health and safety protocols we have implemented are likely to become the new norm. Our supply chain will continue to remain challenged from multiple perspectives, including our ability to source raw materials due to limitation of supply or logistical constraints brought about by the ongoing impact of COVID-19.

Risks

- Significant increase in absenteeism of employees due to COVID-19 infections
- Supply disruption due to shortage of raw material supply
- Fire in plant/warehouse
- Disease outbreak impacting our chicken flock
- Business interruption due to failure in critical equipment
- Labour unrest, prolonged strike action
- Energy and water shortages

Stakeholders

Strategic thrusts

Capitals

Risk response strategies and opportunities

- COVID-19 task team in place to manage and implement COVID-19 mitigating strategies
- Alternative labour arrangements in place
- Continuous engagement with customers and suppliers
- Establishment of COVID-19 policies and procedures to ensure continuity of supply chain
- Close engagement with external risk assessors and insurers to ensure that all facilities have adequate fire detection and prevention measures in place
- Adherence to good farming practices and extensive precautionary measures to ensure chicken flock health
- Implementation of enhanced biosecurity procedures in light of the previous outbreak of Highly Pathogenic Avian Influenza (HPAI) in Southern Africa
- Business continuity and disaster recovery plans in place to deal with major incidents or crises
- Strike action plans in place
- Continued focus on forging strong relationships with the unions of our different business units
- Internal and/or external certification of key Group suppliers, with regular monitoring of quality of material
- Business continuity plans in place for key suppliers

MATERIAL ISSUE

6 Regulatory intervention and policy uncertainty

Regulatory intervention and Government policy can have a significant impact on our business. Government policy implementation and changes relating to COVID-19 have further elevated this risk's potential impact on us.

Risks

- Heightened regulatory scrutiny
- New COVID-19 regulatory requirements impacting operations and trading conditions
- Uncertainty around legislation at a national level
- Lack of coordinated communication between Government and the food industry
- Tariff structures and trade agreements

Stakeholders

Strategic thrusts

Capitals

Risk response strategies and opportunities

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

MATERIAL ISSUE

7 Societal risks

Harmful acts, compromised continuity of operations due to employee strikes, society protests and turbulence in the wider external community all pose a risk to the health and safety of our employees and our productivity.

Risks

- Industrial action
- Community disruption
- Criminal activity harming employees (e.g. hijackings)

Stakeholders

Strategic thrusts

Capitals

Risk response strategies and opportunities

- Maintaining good relationships with local communities, governments, customers and employees
- Monitoring the evolving public environment to identify potential political, reputational or security threats
- Minimising the business interruption impact through legal processes, with a coordinated and sustainable community engagement strategy underway

MATERIAL ISSUE

8 Food and product safety

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

Risks

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

Stakeholders

Strategic thrusts

Capitals

Risk response strategies and opportunities

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

MATERIAL ISSUE

9 Climate change

Climate change has the potential to fundamentally disrupt the food production industry across the globe and specifically within Africa. Failure to adapt to climate change, or deliver an effective mitigation strategy in response to it, could have a significant impact on our ability to meet our strategic objectives. Given the complex global challenges and uncertainties related to climate change and resource scarcity, we consider it critical to monitor and respond to the related issues of climate change and sustainability through a dedicated Sustainability team. In this way we aim to position ourselves well against future environmental threats in the long term.

Risks

We consider key environmentally-related risks including:

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

Stakeholders

Strategic thrusts

Capitals

Risk response strategies and opportunities

- A dedicated Sustainability team at Group level proactively drives our sustainability agenda, focusing largely on energy, water and waste
- Inclusion of Sustainability in our Group Strategy, with progress against targets monitored by the Group Executives and Risk Committee
- Robust strategic planning to ensure our operations are resilient against energy and water shortages
- Implementation of energy and water efficiency and conservation projects

SBR
For further details, refer to the Sustainable Business Report available at www.rclfoods.com/financial-results-and-reports-2020

MATERIAL ISSUE

10 Non-compliance with laws and regulations

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

Risks

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

Stakeholders

Strategic thrusts

Capitals

Risk response strategies and opportunities

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

MATERIAL ISSUE **11**

Information technology security and support

The work landscape after COVID-19 will be different from before. COVID-19 forced a sudden and dramatic change in the office-based workplace: rather than being an exception, remote work is now the norm for previously office-based staff. Whilst technology to support remote work has been in place for some time, the pandemic served as a real test both for the technology itself, as well as users and support staff. There is now an increased reliance on technology support which increases the risk associated with it.

Risks

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

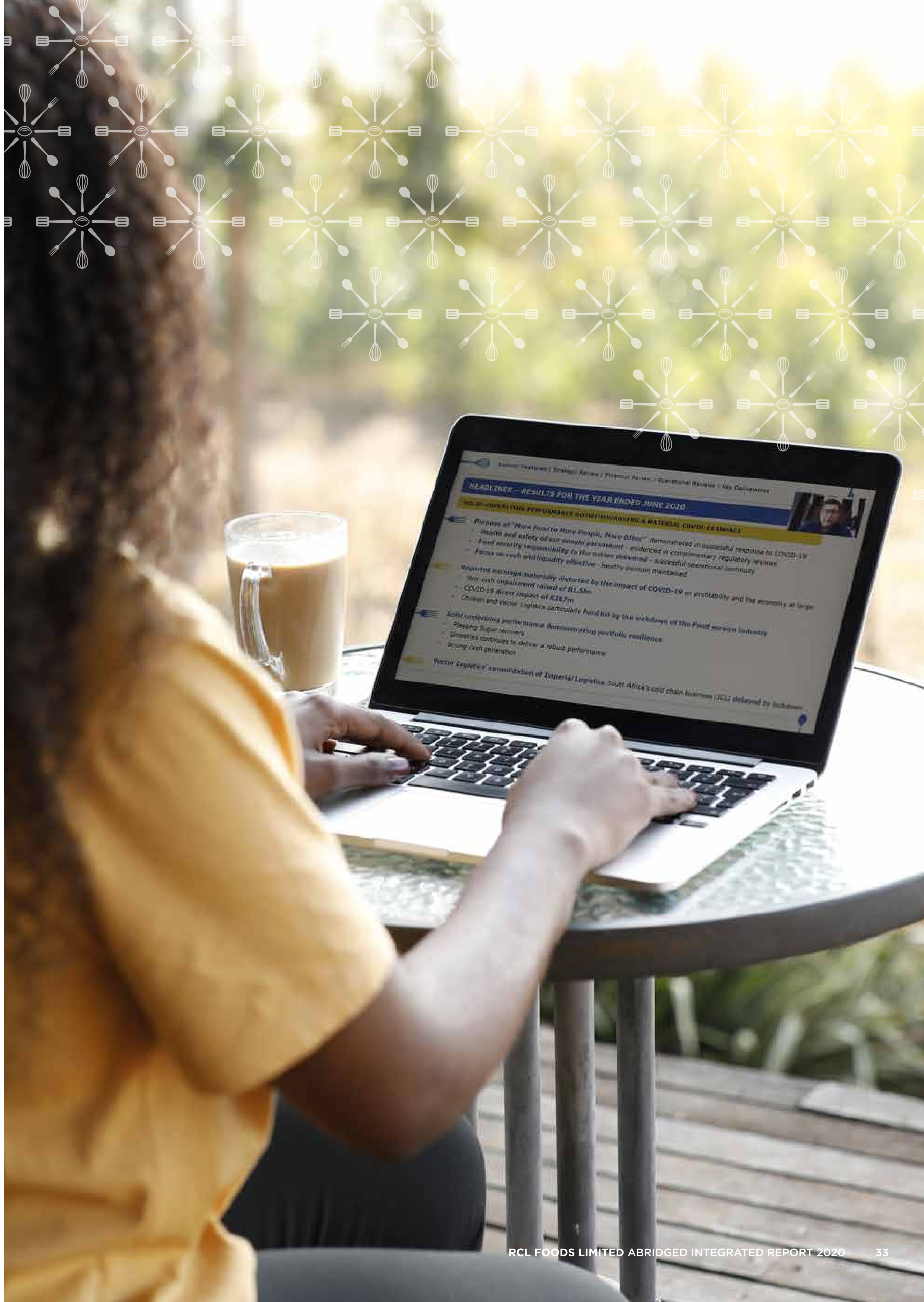
Stakeholders

Strategic thrusts

Capitals

Risk response strategies and opportunities

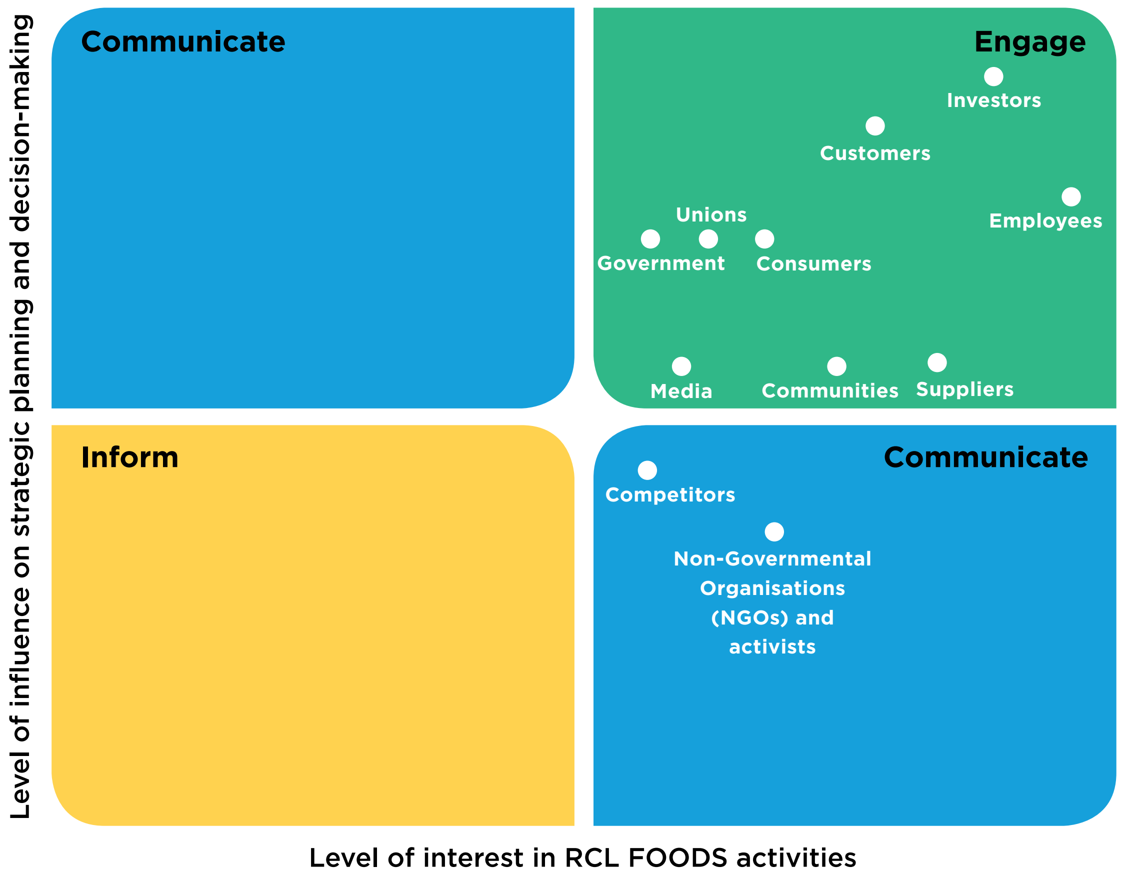
- Our IT infrastructure is safeguarded through a robust and effective IT General Control (ITGC) environment which covers all the layers of the IT infrastructure. Support for IT services is provided by a team of in-house and outsourced resources. Assurance over the controls and processes are obtained through various reviews performed by both internal and external experts.
- Key fraud prevention controls and security at RCL FOODS include, but are not limited to:
  - Segregation of duties
  - Network security
  - Antivirus and Malware protection
  - Email security
  - Data classification and retention
  - Use of reputable service providers
  - Secure configuration
  - Incident management
  - Managing user privileges
  - Threat and Vulnerability assessments
  - Information security maturity assessments
  - Ongoing training and awareness-raising regarding information security
  - Disaster recovery plans and back-up strategies
  - External assurance of ITGCs performed for applicable business units
  - Insurance cover in place to offset potential losses from cyber risk incidents

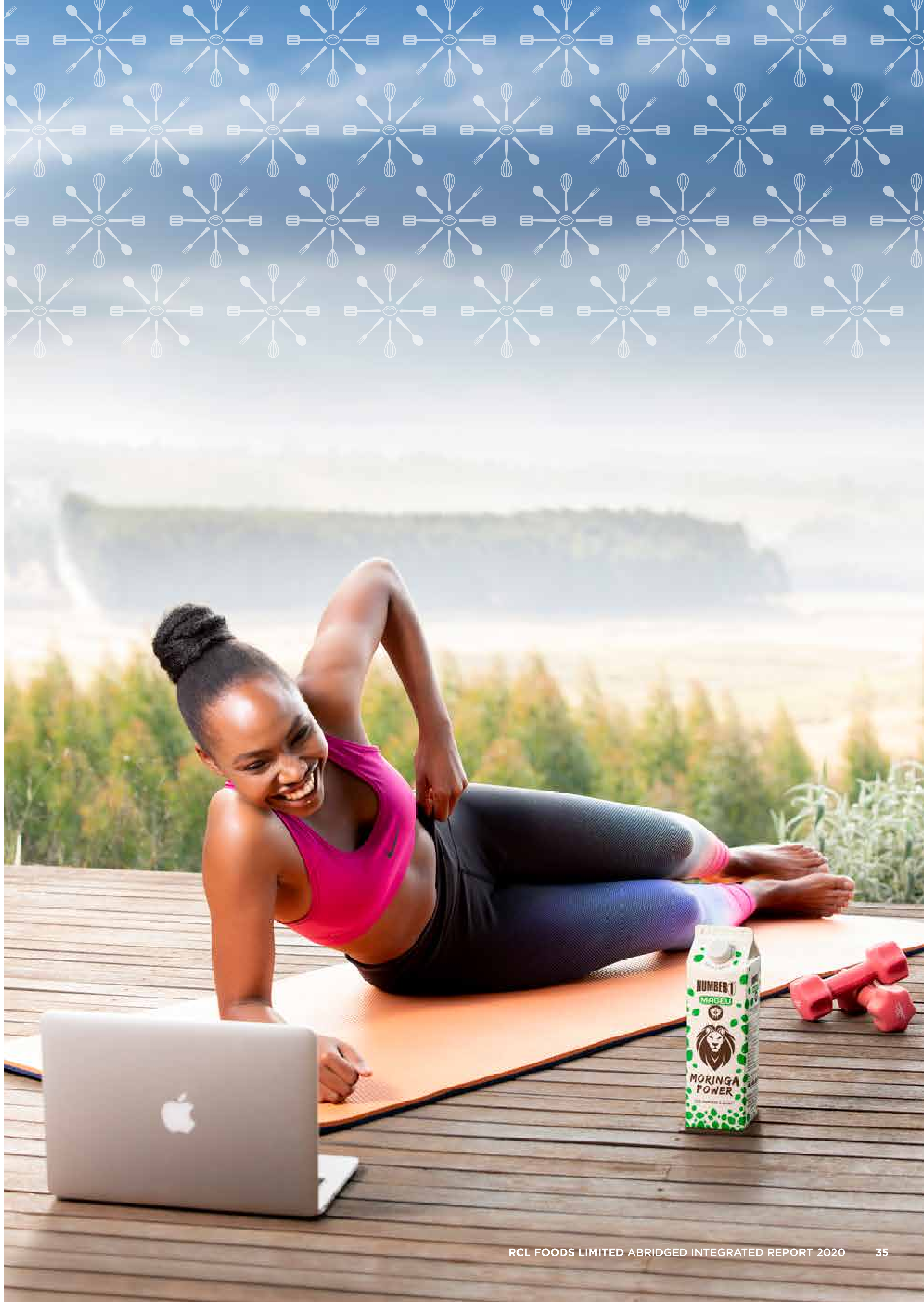


Our stakeholder engagement

Each of our key stakeholders has a critical part to play in helping us achieve Our Passion to provide More Food to More People, More Often. We believe that building a sustainable future for our people and business depends on establishing and growing strong stakeholder partnerships that generate shared value. For this reason our stakeholder engagement framework places strong emphasis on cultivating positive relationships, and we follow a partnership approach where possible to drive business solutions jointly.

To this end, we aim to ensure constructive and co-operative engagements characterised by openness and transparency; mutual respect; regular, structured interaction that is supportive and responsive; and a focus on outcomes linked to business-critical aspects and national priorities.





Our stakeholder engagement continued

Our stakeholder universe includes a broad range of stakeholders with an interest in our business, products, activities and initiatives, as well as those on whom our business has an impact. Whilst we consider the entire universe of stakeholders in our engagement planning, we focus our reporting on key stakeholders.

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

Stakeholder	How we create value	How we engage	Key issues	Our response
Communities	We strive to uplift the communities around our operations by creating meaningful value through: • Investing in social and economic development initiatives that positively impact their lives, with a focus on Early Childhood Development (ECD), youth empowerment and hunger alleviation • Actively empowering communities to sustain themselves by enabling them to contribute to our value chain, or by linking them to other economic opportunities	• Social development initiatives facilitated by our non-profit organisation (NPO), the DO MORE FOUNDATION • Community-based joint ventures (CBJVs) with land claim beneficiary communities and economic development partnerships with small-scale farmers, contract growers and community enterprises • Collaborative partnerships with NGOs, NPOs, government departments, community leaders and other businesses • Provision of support services and training to growers and farmers • Regular CBJV Board meetings and partnership meetings • Direct engagements via meetings and training, and indirect engagement via our social partners driving project implementation	• Unemployment, especially among youth • Need for skills transfer • Need for enterprise development • Food insecurity • Nutritional stunting in ECD	• Leading the nutrition agenda in ECD and zero stunting initiatives • Implementing multi-stakeholder social and economic development initiatives in three impoverished communities where we operate: Worcester, Nkomazi and Hammarsdale • Empowering our sugar grower communities through sustainable farming programmes and interconnected business models
Consumers	We strive to create value for our consumers by building brand trust through: • Providing a growing portfolio of leading food brands that meet their needs • Providing our consumers with safe, high-quality food products supported by international quality and food safety standards in all our facilities • Continuing to provide a broad range of affordably priced, staple food products and competitively priced household brands • Embedding International Standards Organisation (ISO) principles into our integrated management systems across the supply chain • Complying with relevant regulatory requirements • Providing opportunities to DO MORE to make a positive difference in their families and community	• 24-hour RCL FOODS Consumer Care Line • Multiple media platforms • Our website: www.rclfoods.com	• Product quality and food safety • Product affordability • Product convenience • Commitment to and compliance with issues regulated by Government (e.g. labelling, salt and sugar) • Contributing to social development	• Consistent investment in our brands, resulting in market share growth in many categories • Continuously strengthening our food safety and quality assurance standards in line with international best practice • Innovating to offer greater convenience within our product ranges • Continuing to provide a broad range of affordably priced, staple food products and competitively priced household brands • Pricing strategies that respect consumer affordability • Embedding ISO principles into our integrated management systems across the supply chain • Engaging and complying with relevant regulatory requirements • Leveraging the growing reputation of the DO MORE FOUNDATION to inspire consumers (and companies they represent) to support our large-scale social development initiatives e.g. the #GiveItUp campaign for COVID-19

Our stakeholder engagement continued

Stakeholder	How we create value	How we engage	Key issues	Our response
Customers	We strive to meet the needs of our customers by partnering with them to provide growth opportunities to meet their business objectives	• Our Chief Customer Officer and dedicated customer executives meet periodically with our customers' senior leaders • Joint strategic business planning sessions • Dedicated sales interface team that uses "best in class" service methodologies	• Product quality and food safety • Growth and profitability • Responsiveness • Tailored sales solutions • Mutually beneficial partnerships	• A single sales force interface that drives common ways of working across all customer teams with "best in class" service methodologies • Leveraging our enhanced capabilities to provide our food service customers with a growing and profitable portfolio of solutions • Providing technical expertise and support in the animal feed and industrial flour sectors • Expanding our basket to offer a broader range of product solutions
Employees	We are committed to engaging the hearts and minds of our more than 20 000 people by creating value through: • Employment and growth opportunities • Investing in training and development to build a high-performance culture • Ensuring employee health and safety in the workplace • Actively driving transparent, open and meaningful engagement with employee representative forums • Investing in effective communication channels to connect with our people wherever they are • Actively prioritising diversity and inclusivity • Through the DO MORE FOUNDATION, providing a channel for RCL FOODS employees to contribute to the upliftment of vulnerable communities via monthly payroll deductions, participation in the Foundation's various annual campaigns, and rewarding those who regularly volunteer in their communities	• Daily communication through our digital communication channels • Regular management updates via live and virtual presentations and other communication channels • Employee satisfaction and feedback surveys • Tailored skills development and training • Ongoing engagement with employee representative forums • Employee tip-off hotline • Our DO MORE HEROES – on-site "cheerleaders" for DO MORE FOUNDATION programmes and events • Wellness days enabling employees to engage with various service providers • Occupational healthcare clinics at our main operating sites and mobile clinics for outlying sites	• Career development and growth • Education and training • Diversity and equal opportunities in the workplace • Constructive employee relations and engagement • Employee wellness • Remuneration and benefits • Making a difference in the community	• Continuing to deliver against our "Inspire Great People" strategic thrust, focusing on our commitment to building a community of inspirational and productive people with a common passion • To facilitate our growth ambition and make RCL FOODS "THE place to work", we are focusing our efforts on four key areas: » Develop leaders and grow talent » Culture and diversity (creating a more diverse and inclusive RCL FOODS) » Collaborative employee relations and engagement » Employee health, safety and wellness • Implementing our "Total Rewards" strategy to ensure competitive remuneration • Connecting with over 12 500 employees via our mobile communication app, *Let's Talk* • Employee involvement events and initiatives through the DO MORE FOUNDATION • Annual DO MORE HEROES Conference held to engage with heroes' feedback, plan together and acknowledge their support

Our stakeholder engagement continued

Stakeholder	How we create value	How we engage	Key issues	Our response
Government	We are committed to supporting Government in achieving the National Development Goals and other governance needs by: • Contributing to the fiscal revenue • Supporting the transformation agenda • Operating our business ethically and ensuring good governance practices • Advancing Government's social and economic development agenda through Corporate Social Investment (CSI) initiatives and economic partnerships in impoverished communities where we operate	• Direct engagement on key issues • Joint planning sessions • Meetings with local government • Participating in industry structures • Periodic reporting in the form of annual and interim reports	• Future sustainability of the poultry and sugar industries • Alignment on industry growth and development plans • Sustainable land reform • Industry transformation • Ongoing compliance with regulatory framework • Partnerships for joint solutions • Employment creation and transformation	• Active monitoring of all compliance requirements and engagement with Government to understand any proposed changes. *Refer to the Chairman's Report from page 58 for more information* • Extensive engagements and inputs to the Poultry Sector and Sugar Industry Master Plans, resulting in these being finalised in November 2019 and June 2020 respectively. *Refer to the Chairman's Report from page 58 for more information* • Another key output of these industry engagements was the long-awaited increase in Most Favoured Nation (MFN) tariffs finally gazetted in March 2020. *Refer to the Chairman's Report from page 58 for more information* • Ensuring transformation in our mill areas through sustainable land reform and community economic development • With the support of the Department of Rural Development and Land Reform, our Sugar business unit partnered with small-scale growers in Mpumalanga to produce 590 000 tons of sugarcane during the 2019/20 season • Collaborating with Government to implement the National Integrated ECD Policy in two wards of Nkomazi
Investors	We strive to provide our investors with value through: • Consistent financial returns in the form of dividends and share price growth • Effective management of our financial resources and appropriate capital allocation decisions	• Periodic investor briefings and site visits • Regular engagement with investors, analysts and fund managers which includes strategy updates • Direct engagement on proposed resolutions prior to annual and extraordinary general meetings • Annual General Meeting • Dedicated investor section at www.rclfoods.com	• Oversupply in the chicken and sugar markets and related regulatory environments • Impact of Health Promotion Levy (sugar tax) • Consumer demand • The impact of COVID-19 on our business	• Ongoing engagement with the Government and industry to manage dumping and improve the sustainability of the local poultry and sugar industries. *Refer to the Chairman's Report from page 58 for more information* • Moving towards a more balanced and diversified portfolio that incorporates higher-margin added-value components • Hedging instruments purchased to manage exposure to raw material and currency fluctuations • Strong focus on cash and liquidity management during the COVID-19 pandemic to ensure sustainability of our business
Media	We see the media as a partner in relaying relevant information to our broader stakeholder community	• Press releases • Advertising • Face-to-face, telephonic and webcast engagement • Interviews with the CEO, CFO and other key executives • Product launches • Our website: www.rclfoods.com • DO MORE FOUNDATION website: www.domore.org.za	• RCL FOODS' operational and financial performance • Current industry issues • Current consumer issues • CSI initiatives • Environmental sustainability initiatives	• Enhanced media engagement through our dedicated communications department • All queries responded to within a specified period • Access to the CEO and CFO for editors and journalists • Increased participation in industry-related issues • Sponsorship of radio programmes, conferences and exhibitions in support of key CSI initiatives
Suppliers	We strive to create value for our suppliers by promoting enterprise development through the purchase of goods and services from B-BBEE accredited suppliers	• Regular review of suppliers in the market by performing analysis on spend categories and looking for new competitive suppliers	• Lack of accredited suppliers of certain key purchased ingredients and materials in the South African market and hence reliance on non-accredited international suppliers • Ability to supply RCL FOODS in terms of meeting the minimum requirements of food safety	• Continued support to develop domestic farmers through inter-connected business models • R7,2 billion spent with B-BBEE compliant suppliers

Our use of the **six capitals to create value**

Through our use of the six capitals, we are committed to creating and sharing value for and with our stakeholders.

Financial capital

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

The resources we use to create value

- Market capitalisation of R8,4 billion
- Finance income R53,5 million
- Finance costs of R508,2 million, of which R115,1 million relates to IFRS 16 *Leases*
- Funding facilities available of R5,25 billion, of which R2,35 billion was utilised

The outcomes in 2020

- R1,6 billion operating profit before depreciation, amortisation and impairment
- R2,6 billion cash generated by operations
- Return on invested capital negative 6.3%, materially impacted by profitability in Chicken and Vector Logistics (including R1,5 billion impairment across the Group)
- Net borrowings to shareholders' equity (gearing): 44.4%
- R114,2 million headline earnings
- R221,8 million dividends paid to shareholders

Human capital

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

The resources we use to create value

- A workforce of 20 823 people with relevant skills, knowledge and experience
- A strong leadership team that is driving a unique, high-performance culture according to Our Way and our leadership standards
- A strong focus on employee skills development, including leadership development

The outcomes in 2020

- R5,0 billion paid in wages and benefits
- R31,8 million invested in training and development
- Nearly 10 000 people upskilled and trained
- 333 employees currently registered on apprenticeships and learnerships accredited by the Sector Education and Training Authorities (SETAs)
- 163 young graduates have entered our Management Trainee Programme since its launch eight years ago

Intellectual capital

Our organisational knowledge, systems, procedures and intangibles associated with the brands developed.

The resources we use to create value

- R&D investment ensures that we provide our consumers with the best quality products
- Our commitment to food safety and quality is assured via international standards bodies
- Our commitment to creating food brands that matter has driven brand investment and grown our market share
- IT is a fundamental enabler in creating ONE RCL FOODS, optimising resources and unlocking business value through integrated platforms

The outcomes in 2020

- 100% of our sites certified by international standards bodies for food safety
- R26,0 million invested in IT systems and infrastructure
- Resilient Food Division performance aided by strong performance in branded portfolio

Manufactured capital

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

The resources we use to create value

- Over 230 operations in South and Southern Africa relating to our Food and Logistics divisions, supported by our National Office
- These include rearing, laying and broiler farms and hatcheries; chicken processing plants; sugar, flour and animal feed mills; groceries operations; bakeries; plant-based cold storage sites; and warehousing and distribution facilities

The outcomes in 2020

- R811,4 million capital investment in fixed and intangible assets
- Acquisition of key ICL assets, which resulted in a total gain on bargain purchase of R277,5 million
- Invested R114,2 million in a minority shareholding in the LIVEKINDLY co.
- 2.4 billion tons of chicken, animal feed, milling and grocery products sold
- 110 million cases delivered
- 55 million litres of beverages sold
- 32 million units of speciality products sold
- 211 million loaves of bread sold

Natural capital

Guided by our Sustainable Business Drive, we strive to apply alternative business models in our consumption of natural resources in order to achieve Energy self-sufficient, Water-smart and Waste-free operations.

The resources we use to create value

- 717 GWh total electricity used (including self-generated power)
- 174 298 tons coal used
- 19 441 kl diesel used (excluding 3rd party logistics)
- 5 491 megalitres (Ml) municipal water used
- 1 049 876 tons of greenhouse gas emissions

The outcomes in 2020

- 0.1% more electricity used
- 183 GWh renewable energy generated (26% self-sufficient)
- 1.3% less coal used
- 5.1% more diesel used
- 0.9% less municipal water used
- Approximately 5 250 tons of waste converted to biogas at our W2V plant in Worcester
- 9 078 tons of waste recycled consisting of plastic, paper, cardboard, timber and scrap metal
- 3% lower carbon footprint than last year

Social & relationship capital

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

The resources we use to create value

We are committed to improving the lives of the communities in which we operate through:

- Collaborative partnerships with our community suppliers
- Promoting enterprise development through the purchase of goods and services from B-BBEE accredited suppliers
- Providing safe, high quality food products through the implementation of international systems and processes at our facilities

The outcomes in 2020

- R9,0 million invested in community social development via the DO MORE FOUNDATION
- 1 144 vegetable farmers assisted in association with The Jobs Fund
- 1 200 small-scale growers generated R350 million in turnover through the supply of 590 000 tons of sugarcane to our mills
- R7,2 billion goods and services purchased from B-BBEE suppliers
- R47,9 million tax paid
- R36,1 million skills development levy paid

Our corporate governance

We are committed to the highest standards of corporate governance, principles and practices as set out in the King IV Code of Corporate Governance (King IV). We advocate the ethical attributes of integrity, competence, responsibility, fairness, and transparency and our Board is tasked with ensuring that these values and characteristics are embodied within our business through ethical, effective leadership.

Our Board is itself held accountable for providing ethical and effective leadership, and an annual evaluation is performed to assess its effectiveness (and that of its committees and individual members) in doing so. For the period under review, the Board is of the opinion that RCL FOODS has operated in accordance with the requirements of King IV. It is further satisfied that it has met the requirements of the Companies Act of South Africa and the JSE Listings Requirements and has fulfilled its responsibilities in accordance with its approved Board Charter. The Board confirms the Group's compliance with the Companies Act and the Company's Memorandum of Incorporation for the reporting period.

Our governance framework

RCL FOODS' governance framework consists of the Board, its sub-committees and various related structures and compliance processes. Together they ensure that the four governance outcomes espoused in King IV – ethical culture, effective control, legitimacy and good performance – are achieved across all aspects of the Group. The composition of the Board and its committees are in line with King IV requirements.

RCL FOODS Board

gives strategic direction to RCL FOODS, whilst retaining full and effective control over the company and monitoring executive management in implementing plans and strategies. The roles and responsibilities of the Board are set out in a formal Board Charter, which is reviewed annually. In discharging its duties, the Board has delegated certain functions to its sub-committees below.

- **Audit Committee**
- **Social and Ethics Committee**
- **Remuneration and Nominations Committee**
- **Risk Committee**

There is a clear balance of power within the Board and its sub-committees to ensure that no individual has undue decision-making powers. Each committee has its own terms of reference which set out its roles and responsibilities and are approved by the Board. In the case of the Risk Committee and the Social and Ethics Committee, where the Chairman is not independent, other Committee directors take responsibility for ensuring that the Chairman encourages proper deliberation on all matters requiring the Committee's attention. The composition of the Board and its committees is considered by the Remuneration and Nominations Committee, taking into account experience, skills, applicable regulations and committee mandates.

Our governance framework is reviewed regularly to ensure that our Board exercises effective and ethical leadership, conducts its affairs as a good corporate citizen and takes appropriate decisions to ensure sustainable value creation for all its stakeholders.

For more information on the Board and its sub-committees' roles and responsibilities, refer to the Governance section of our website at www.rclfoods.com/governance. Details of the Group's Corporate Governance structures and activities for the period under review are included in the Corporate Governance Report, available on our website at www.rclfoods.com/financial-results-and-reports-2020

Our strategic progress

Key highlights

Our ambition of building a profitable business by creating food brands that matter, remains the driving force behind everything we do. Our game plan for achieving this ambition is to develop and execute winning strategies across our six long-term strategic thrusts.

Our primary competitive advantage is rooted in our people's ability to constantly see and do things differently and to find new and unique ways to achieve our goals. In all our endeavours, we remain attentive to our impact on society, our people, our shareholders and the environment.

Strategic Thrust	2020 Highlights	
1 Grow through strong brands	10 brands retained number one status in their categories	Double-digit growth in our Pet Food category, with most brands growing market share
2 Partner with strategic customers	Achieved 16% growth in our retail & wholesale channel in partnership with major customers	Successfully partnered with food service customers to help them navigate the COVID-19 crisis
3 Extend our leading value chain	Leveraged our shared services platform for seamless integration of Siqalo Foods* into our value chain	Vector Logistics' acquisition of the cold chain network and key assets of ICL positions it as the leader in temperature-controlled logistics
4 Inspire great people	Successfully embedded new Food Division structure, creating an even more integrated "ONE RCL FOODS"	Enabled our more than 20 000 people to keep working safely during the COVID-19 lockdown
5 Expand into the rest of Africa	Double-digit growth of exports into Africa	Established a presence in Kenya, via HMH Rainbow
6 Drive sustainable business	Invested in the LIVEKINDLY co. to enter the plant-based foods category – helping create a future-ready portfolio	Our second W2V plant completed, providing for a 22% increase in energy self-sufficiency once fully commissioned

* *Siqalo Foods Proprietary Limited*

1

Grow through strong brands

The strategic thrust of growing through strong brands centres on maximising the potential of our core categories whilst accelerating growth in value-added categories, tailored to customer and consumer needs and leveraging our capabilities. Our diverse portfolio and strong brands are key to our growth ambitions and enable our resilience in uncertain times, as demonstrated during the COVID-19 pandemic.

We aim to strengthen and grow our portfolio through continuous investment in our existing brands – including expanding their categories, channels and market penetration and producing appropriate product extensions – and by acquiring and developing additional brands and/or entities in strategic new growth categories.

Our success is measured by our market share growth across our key brands, our total brand basket growth versus the rest of the market, and our brands' extension into new geographies, channels and categories.

Delivering on our strategy in 2020

- **Our Pet Food category achieved double digit volume growth and all our Pet Food brands achieved notable market share gains,** driven by innovation, product extensions, and channel expansion.
  - » The Pet Food category now covers the premium, mainstream and value sectors, with leading brands in each.
  - » **Optimizor grew 156% in volume and became a R100 million brand in less than a year** by capitalising on our recent investment in Pet Food manufacturing capability and leveraging our existing Epol/Molatek route to market to expand into the co-op channel.
- **Ten of our brands were number one in their categories** – Nola (mayonnaise), Number 1 (fermented beverages), Selati (core sugars), Ouma (rusks), Simply Chicken (freezer to fryer), Monati (cooked sorghum), Bobtail and Catmor (mainstream retail), Canine Cuisine (premium retail), and Epol (horse feed).
- **Rainbow grew 29% within the retail and wholesale channel** in line with its revised strategy, accelerated by the demands of the COVID-19 lockdown. This is attributable to the strength of the brand and our solid relationships in this channel.
- **We delivered 75% volume growth in Rainbow Simply Chicken** and positioned the brand for further growth, again showing the brand's strength and the quality of our offering.
- **We leveraged our strong brands and innovation** to launch a raft of **new products**. These included brand extensions into new products (e.g. Yum Yum Chocolate Dreams), and brand extensions into new categories (e.g. Rainbow Spices).
- **Our strong brands contributed to our staples basket growing 8.5% ahead of the industry** over the last 12 months.

2021 key deliverables

- We will **accelerate our e-commerce** through established online platforms, with a focus on Pet Food and Groceries.
- We will **create future-ready brand strategies and drive rapid delivery** in response to a COVID-19 induced new reality.
- We will **accelerate growth in Chicken value-added business** by maximising our **Simply Chicken** brand.
- We will **drive growth in Sunbake** (Bread, Buns & Rolls) and **forward integrate Milling.**
- We will **drive branded product growth in the plant-based category** once collaboration opportunities with the LIVEKINDLY co. have been finalised.

For more information on the LIVEKINDLY co. investment, refer to page 18.

2

Partner with strategic customers

Strong, mutually-beneficial partnerships with strategic customers in the foodservice and retail & wholesale sector are key to realising our respective growth and profitability aspirations. In the foodservice space, we are a leading integrated food solutions partner to key Quick Service Restaurant (QSR) clients, as well as other foodservice customers. Through our diversified portfolio and broad manufacturing capabilities we are ideally positioned to support various channels, such as retail in-store bakeries and delis where our culinary capabilities allow us to provide a broad range of meal solutions.

In the retail and wholesale space, a key focus of our strategy is to align with strategic partners on own-brand and private label ranges that will assist in driving revenue and category growth.

We measure our success by the growth in our relationship with existing strategic customers and the formation of new strategic partnerships, and by the impact of these on category growth in our customers' business.

Delivering on our strategy in 2020

- We had a **very successful year in our retail and wholesale channel,** enabled by our strong customer relationships.
  - » **Strong volume growth in the Chicken, Sugar, Rusks, Bread, Maize Flour and Pet Food categories** helped us achieve our **largest turnover month in history in June 2020.**
- We **seamlessly incorporated Siqalo Foods' Spreads category into our trading platform,** leveraging the strength of our relationships in the retail and wholesale channel.
  - » Both **Siqalo Foods and our trading partners have responded positively** to our management of the category.
  - » This has **proven our ability to leverage our structure, capabilities and relationships to bolt on and add value to new categories and brands** on behalf of partners.
- Despite being significantly impacted by the sudden closure of restaurants and retail hot food sales during the COVID-19 lockdown, our **Food Partners** channel (formerly known as FoodSolutions) **continued to work with foodservice customers to help their businesses navigate through difficult conditions.**

2021 key deliverables

- We will continue to **differentiate our customer strategies and execute tailored channel activation plans** to strengthen our partnerships with customers.
- We will **maintain our efforts to support and re-activate the food service industry,** including participating in collaborative initiatives such as the #OneMealManyThanks campaign.
- We aim to enhance our partnership development capability **to deliver solutions for bottom of the pyramid channels** in a post-COVID-19 world.
- We will **keep leveraging our broadened product portfolio and forward integrate** it into existing and new customer relationships.
- **Private label brands** in categories that make good business sense will continue.

3 Extend our leading value chain

Our integrated value chain is a key differentiator for us. It permits us to increase our competitiveness by optimising resources and costs in key shared services (such as Finance, Information Technology, Resources and Systems, Strategic Sourcing, and People and Organisational Management) whilst also providing opportunities for us to leverage our integrated capabilities to customers outside our business.

A key component of our value chain includes Vector Logistics, whose specialist capabilities (warehousing and distribution, call centres, sales and merchandising and debtors & information management) are leveraged across RCL FOODS with the aim of Vector influencing 100% of our route to market.

We measure success in this area by the extension of our integrated shared service platform (via the successful implementation of new technological advances, the expansion of manufacturing and service capabilities, and improved efficiencies) across the major functions of RCL FOODS as well as beyond our business, together with the sustainable transformation of our value chain.

Delivering on our strategy in 2020

- As a result of the strength of the shared services platform we have developed, we were able to **deliver on an innovative new operating model for Siqalo Foods**, deriving a market-related fee for such services.
- **Vector Logistics' acquisition of certain key assets and people of Imperial Logistics South Africa Group Proprietary Limited's cold chain business (ICL),** positions it as the leading participant in the temperature-controlled logistics space.
- We delivered **digitisation of the entire outbound process for Vector Logistics**, enabling electronic proof of delivery (ePOD) and integrated back-end invoicing in the food service and retail & wholesale channels.
- The **resilience of our value chain ensured that we were able to continue operating uninterrupted throughout the COVID-19 lockdown.**
  - **Order fulfilment generally ran smoothly** despite an unprecedented surge in volumes in the first few weeks.
  - We **took an active role in ensuring compliance with COVID-19 safety protocols** in our extended agricultural value chain.
  - Our **information technology (IT) architecture** facilitated **a smooth transition to remote working** for more than 3 000 of our employees.

For more information on our COVID-19 response, please refer to page 22.

- We **acquired a digital freight matching platform, Empty Trips,** to allow for dynamic freight matching with available vehicles, enabling better transport utilisation across the market.

2021 key deliverables

- We will **consolidate and synergise our Vector Logistics and ICL networks** to create a single temperature-controlled network.
- We will **focus on integrating plant-based categories** into our platforms once our partnership with the LIVEKINDLY co. is finalised.

For more information on the LIVEKINDLY co. investment, refer to page 18.

- We will **implement Empty Trips** to drive new revenue streams through an asset-light, knowledge-heavy digitised logistics service.
- We will **accelerate our route-to-market initiatives across our entire portfolio** to improve customer service, drive efficiencies and allow RCL FOODS to capitalise on new opportunities in the digital arena.
- We will **leverage the expansion of our Pies capability** to enable new customers, channels and categories through increased capacity and innovation.

4 Inspire great people

Our business is built around great people whose talent, passion and leadership drive our business forward. We embrace inclusivity and diversity as key assets to enable us to see and do things differently.

In order to achieve our growth ambitions and deliver on Our Passion, developing our talent and building a strong pipeline of leaders is crucial. The leadership attributes and behaviours we see as key in developing a performance-driven organisation are set out in our leadership standards.

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

Delivering on our strategy in 2020

- Delivering **a new Food Division structure has allowed us to create a more** focused and internally aligned business, bringing us a step closer to a unified "ONE RCL FOODS" with a consistent and compelling culture.
- The **safety of our people was our top priority during the COVID-19 lockdown,** and we were commended by Government for our excellent protective measures.

For more information on our COVID-19 response, please refer to page 22.

- Our **B-BBEE score improved from a Level 4 to a Level 3** for the first time.
  - This was largely driven by our **participation in the Youth Employment Service (Y.E.S.)** during the year, which provided over 330 unemployed youth with newly created 12-month fixed-term work experience contracts.
  - **55 of these candidates have since been employed on a permanent basis,** an absorption rate of 16.6%.

For more information on the Y.E.S. Programme, refer to page 19.

- **We met and exceeded our 5-year transformation targets,** with excellent progress at management and lower levels.
  - **Stretching new targets for 2025** have been set, with a focus on greater transformation at our top leadership level.
- Based on insights gained from a Diversity & Inclusivity Study we conducted in 2019, we launched a series of **Inclusivity Circle Conversations as the first step towards building a more inclusive and diverse culture and organisation.**

2021 key deliverables

- We will continue to drive **transformation at senior levels,** working to deliver **a more diverse leadership team,** from a race and gender perspective.
- **Diversity and Inclusivity** will be a strong focus across the business in the year ahead, supported by our executive.
- **We will continue to support new ways of working** as part of our 'new normal' post COVID-19, keeping employee safety as our priority.
- We will finalise the **review of our variable compensation incentive schemes** and increase alignment in our remuneration structures to deliver a high-performance culture.
- We will complete the **integration of ICL employees** into our expanded logistics business.

5 Expand into the rest of Africa

We pursue a low-risk strategy to capitalise on opportunities in the rest of Africa. This entails following established customers into selected locations, entering into joint ventures with other established food and route-to-market businesses, and acquiring or establishing new businesses where appropriate to expand ownership of our value chain.

In addition to expanding our physical footprint, we constantly engage with our multi-national partners to identify and capitalise on export opportunities in this space.

The risks associated with political and economic instability in certain areas, combined with the intensifying need to conserve capital amid tough economic conditions in South Africa, exacerbated by the COVID-19 pandemic, currently inhibit investment.

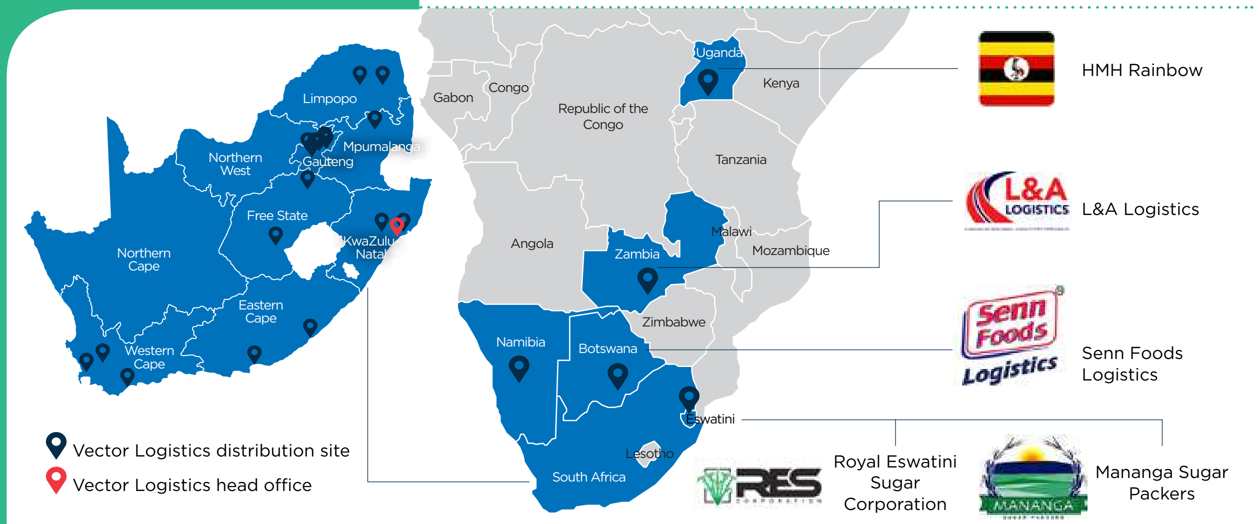
Notwithstanding this, our healthy balance sheet and gearing profile continue to support the pursuit of expansion and acquisition initiatives in South Africa and Africa, where appropriate.

Delivering on our strategy in 2020

- **Exports into Africa generated double-digit growth**, despite challenges relating to restrictions on cross-border activity during the COVID-19 pandemic. The closure of QSRs under lockdown conditions had a negative impact on some African operations.
- **HMH Rainbow Limited, our associate in Uganda, experienced some COVID-19 related challenges,** but made **good progress in establishing a presence in Kenya,** opening several of our own retail stores in Nairobi.
- **Senn Foods Limited, our logistics joint venture in Botswana, generated strong growth** to their March year-end. More recently, volumes were negatively affected by COVID-19 restrictions.
- **L&A Logistics Limited, our associate in Zambia, performed satisfactorily.** The company attracted new business from Unilever and Upfield during the year, which was countered by the impact of COVID-19 and a declining exchange rate.
- We have resumed **maize meal exports,** providing a good opportunity to build on our Milling performance going forward.

2021 key deliverables

- We will continue to **drive exports in the Botswana, Namibia and Eswatini markets** as well as looking to accelerate our participation in **new export markets, specifically for Chicken** in line with the Poultry Industry Master Plan.
- We will **explore opportunities to drive plant-based protein in Africa** as an ultimately widely affordable option for the general population.
- We will continue to **cautiously consider good, low-risk strategic expansion** opportunities on the continent.



6 Drive sustainable business

Driving sustainability is not purely about reducing our impact on the environment; it is about creating a secure future for our business and stakeholders. We developed our Sustainable Business Framework in response to the key social and environmental challenges we face.

Through our Sustainable Business Drive, we focus on integrating the Framework's three pillars – Nourishing People, Enriching Communities and Sustaining Resources – into the way we do business. Delivering on our ambitions in these key areas requires us to constantly see and do things differently, and find new business models and partnership opportunities that provide sustainable, win-win solutions, whilst remaining cognisant of the need to lighten our environmental footprint.

For more information on our Sustainable Business Drive and the highlights below, please refer to the Sustainable Business Report, available at www.rclfoods.com/financial-results-and-reports-2020

Delivering on our strategy in 2020

- We **invested in creating a future-ready portfolio by acquiring a minority shareholding in the LIVEKINDLY co.** in January 2020.
  - » Entry into the plant-based foods category, and particularly the "alternative protein" segment, will enable us to provide a widely affordable alternative protein offering to meet the needs of a growing population.

For more information access https://www.livekindly.co/our-company/

- Progressing our **ambition to become energy self-sufficient, we have completed our second W2V plant in Rustenburg.** Once fully commissioned, it will provide 65% of our Chicken Processing and Feed Mill site's electricity needs, while increasing Group energy self-sufficiency by approximately 22%.

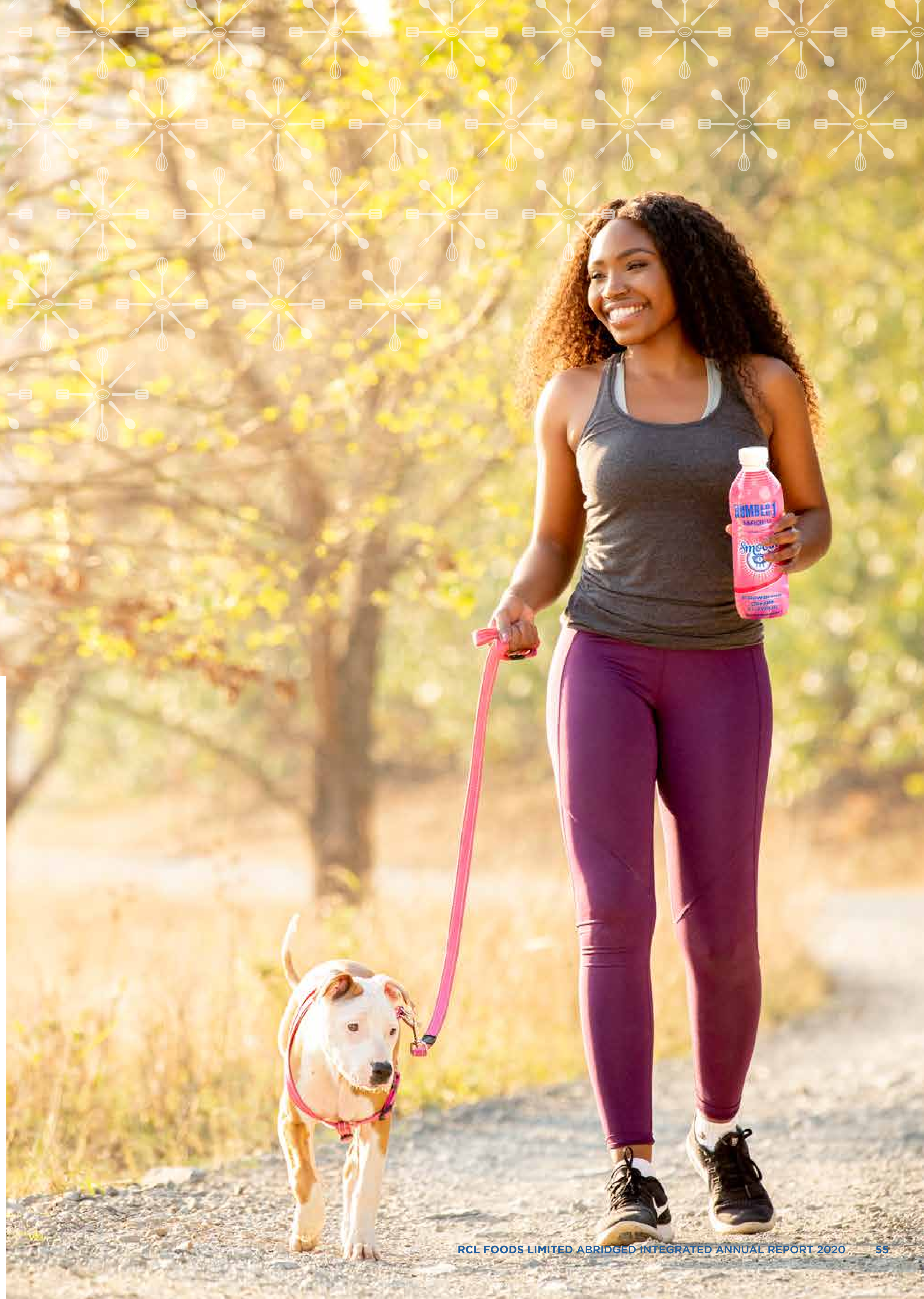
For more information on the W2V plant, refer to page 19.

- We **joined the South African Plastics Pact** (SA Plastics Pact), aimed at reducing problematic or unnecessary plastic packaging through redesign, innovation or reuse delivery models.
- **1 200 small-scale sugarcane growers supplied approximately 590 000 tons of cane** to our sugar mills, generating approximately R350 million in revenue.
  - » **Small-scale growers reinvested more than R165 million into their own operations** through retention savings and new loans, facilitated by our financial services joint venture with the growers.
- **R9,0 million was invested in social development initiatives** executed through our DO MORE FOUNDATION in 2020, aimed at supporting young children and youth, and easing hunger.
  - » We helped the DO MORE FOUNDATION **make a record-breaking 107 418 peanut butter sandwiches in one hour** for children in impoverished communities last World Food Day.
  - » Through the DO MORE FOUNDATION's COVID-19 relief initiative, **we provided over 3,5 million meals by the end of June 2020** to alleviate hunger in vulnerable communities affected by the COVID-19 lockdown.
  - » As part of this initiative, **the DO MORE FOUNDATION launched its own branded fortified sorghum porridge** for donation purposes only. The first loads were distributed by Kingsley Holgate and his team to remote communities in KwaZulu-Natal's wildlife areas.

2021 key deliverables

- We will finalise how collaboration with **the LIVEKINDLY co. can contribute to Nourishing People.**
- We will implement further initiatives to **increase our energy self-sufficiency and drive water savings and waste reduction.**
- Through the DO MORE FOUNDATION **we will continue to drive social development initiatives** in the communities in which we operate.
- Sustainably transforming our **agricultural value chain** remains a key priority.

Our leadership and reviews



Our leaders

Key to Committees

- Audit Committee (RV Smither, Chairman)
- Remuneration and Nominations Committee (NP Mageza, Chairman)
- Risk Committee (GC Zondi, Chairman)
- Social and Ethics Committee (GC Zondi, Chairman)
- Alternate to JJ Durand

Non-executive directors

JJ (Jannie) Durand (53)
Non-executive Chairman
BAcc (Hons), MPhil (Oxon), CA(SA)

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

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

RV (Roy) Smither (75)
Lead independent non-executive director
CA(SA)

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

CJ (Cindy) Hess (44)
Independent non-executive director
BCom (UWC), PGDA (UCT), CA(SA)

Appointed: February 2018
Directorships: Truworths International Limited, University of the Western Cape Council (Deputy Chair).

Cindy has served as Chief Financial Officer at Media24 Holdings Proprietary Limited, Pioneer Food Group Holdings Proprietary Limited and Sea Harvest Holdings Proprietary Limited (now Sea Harvest Group Limited). She started her career at KPMG in 1999 and has since held executive positions at Woolworths and within the Transnet Group.

NP (Peter) Mageza (65)
Independent non-executive director
ACCA (UK)

Appointed: September 2009
Directorships: Anglo American Platinum Limited, Remgro Limited and SAPPI Limited.

Peter was formerly the Chief Operations Officer of the Absa Group. He is a Chartered Certified Accountant and a Fellow of The Association of Chartered Certified Accountants (ACCA) UK. He has gained extensive experience through holding various executive positions in the audit, financial services and transport and logistics sectors.

PM (Penny) Moumakwa (56)
Independent non-executive director
MBChB, MAP (Wits), GMP (Harvard)

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

Penny is the Chief Executive Officer and founder of Mohau Equity Partners. She has worked in multiple senior executive roles within Discovery and as a member of the board of Discovery Health. She has also been the Chief Executive Officer of the Board of Healthcare Funders and was also its Deputy Chairperson. In addition to being a qualified medical doctor, she has numerous international business qualifications including from Harvard and Columbia.

DTV (Derrick) Msibi (51)
Independent non-executive director
BBusSc (Hons), BCom (Hons), MCom, CA(SA)

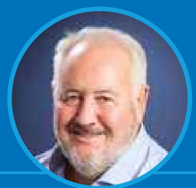
Appointed: August 2013
Directorships: STANLIB Asset Management Proprietary Limited, STANLIB Wealth Proprietary Limited, STANLIB Collective Investments Proprietary Limited, Real People Investment Holdings Proprietary Limited, Real People Assurance Company Limited and Bakwena Platinum Concessionaire Company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

Derrick is currently Chief Executive Officer of STANLIB Asset Management and Executive for the Asset Management Cluster of Liberty Group Holdings Limited. He served as the managing director of Investment Solutions (now Alexander Forbes Investments) from 2009 to 2017. Derrick is an independent investment committee member of Trinitas Private Equity Fund, among numerous other governance roles.

MM (Manana) Nhlanhla (68)
Independent non-executive director
BSc, MA (Information Science)

Appointed: July 2005
Directorships: Mion Holdings and all its subsidiaries, Vunani Fund Managers Proprietary Limited, Prospect Resources Proprietary Limited and Gold Circle Proprietary Limited.

Manana's experience includes 10 years as a university lecturer in Information Science, serving on various boards as a non-executive director and being the executive chairperson of Mion Holdings, a company she co-founded in 2003.



GM (George) Steyn (61)
Independent non-executive director
BA (Law) LLB

Appointed: August 2013
Directorships: Du Toit Group Proprietary Limited (Chairman) and Kaap Agri Limited (Chairman).

George joined the Pepkor Group in 1986, serving as an executive director of Pep Retail Limited and Pepkor Retail Limited from 1991 to 2005, and then as managing director from 2005 to 2011. He served as a non-executive director of Pepkor Retail Limited until 2015. George is also Chairman of the Stellenbosch University Council

HJ (Hein) Carse (59)
Non-executive director
M Eng (US), MBA (UP)

Appointed: February 2013
Directorships: : Air Products SA Proprietary Limited, eMedia Investments Proprietary Limited, Seacom Limited, Historical Homes of South Africa Limited.

Hein joined Rupert International in 1996 and continued to serve the Remgro Group as an investment executive first of VenFin Limited and then Remgro Limited. He has gained extensive knowledge through holding positions on various boards and committees during his career.

PR (Pieter) Louw (51)
Non-executive director
CA(SA)

Appointed: December 2008
Directorships: Various wholly-owned subsidiaries within the Remgro Group and Distell Group Holdings Limited.

Pieter is a Chartered Accountant who qualified with PricewaterhouseCoopers Inc. before joining the Remgro Group in 2001. He is currently Head of Corporate Finance.

GCJ (Kees) Tielenius Kruythoff (51)*
Non-executive director
Business Economics (Erasmus University, Rotterdam, Netherlands)

Appointed: 22 April 2020
Directorships: the LIVEKINDLY co. (Chairman and CEO), Enactus International (Chairman), MrGreenAfrica (Chairman), Distell Group.

Kees is a uniquely global leader with extensive experience in brand building, strategic direction and performance management, and strategically repositioning businesses for growth. He was previously General Manager of Unilever South Africa, General Manager of Unilever Brazil, President of Unilever North America, and more recently, President of Unilever Home Care Division.

*Dutch

GC (Gcina) Zondi (47)
Non-executive director
BCompt (Hons), AGA (SA)

Appointed: July 2008
Directorships: Imbewu Capital Partners, Isegen South Africa, Container Conversions, Icon Construction, International Facilities Services (SA) and Hulamin Limited.

Gcina is the founding chief executive of Imbewu Capital Partners. He is a qualified General Accountant and has more than 21 years experience in the private equity industry, of which six years were spent with Nedbank Capital Private Equity as a Private Equity Manager.

PJ (Paul) Neethling (35)
Alternate non-executive director
BCom (Hons)

Appointed: June 2019
Directorships: : Paul is a director of Remgro Limited and also serves as a director on various agricultural, wine and distribution businesses.

Paul has a BCom (Hons) in Financial and Investment Management and served as an investment executive at Remgro Management Services.

Executive directors

M (Miles) Dally (63)
Executive director – Chief Executive Officer
BCom

Appointed: February 2003
Directorships: RCL Foods Limited and its subsidiary companies.

Miles has been Chief Executive Officer of RCL FOODS since 2003. Prior to that he was Group Managing Director of Robertsons Holdings Proprietary Limited from 1995 to 2002. He has previously served as the non-executive chairman of SC Johnson and Son South Africa Proprietary Limited, as co-chairman of the Consumer Goods Council of South Africa and as a member of the board of Umhlanga College (now Reddam House Umhlanga).

RH (Rob) Field (49)
Executive director – Chief Financial Officer
CA(SA)

Appointed: July 2004
Directorships: RCL Foods Limited and its subsidiary companies.

Rob is a Chartered Accountant who qualified with Deloitte & Touche in Durban. Prior to joining Rainbow in May 2003, he spent four years as Commercial Director of Robertsons Homecare Proprietary Limited.

Chairman's report

> We salute the work done at all levels of the organisation to continue to serve our customers and consumers amidst significant challenges, including surges and dips in demand, and the need to ensure employees' safety as a priority.

Jannie Durand
Non-executive Chairman

EBITDA
R1 636,0 million
↑ 7.2%

HEPS
13.0 cents
↓ 65.7%

Total dividend
25.0 cents
per share declared for the year

Market conditions

South Africa entered a technical recession in 2020, which was further deepened by the COVID-19 pandemic and the nationwide lockdown implemented by the South African government. These conditions have had a significant impact on citizens and business operations across the country. This has created unprecedented circumstances which nobody was prepared for.

The South African government expects GDP to contract by a record 7.2% for the calendar year 2020, with slow recovery thereafter. South Africa's debt to GDP ratio looks set to accelerate significantly to finance support programmes triggered by COVID-19. The country received a sovereign ratings downgrade earlier this year and further ratings downgrades are likely, increasing the cost of doing business. The pandemic has already manifested in large-scale changes in consumer behaviour and demand, which are set to continue as economic growth slows.

COVID-19 response

RCL FOODS' response to the pandemic is well documented in various parts of this Abridged Integrated Annual Report.

We salute the work done at all levels of the organisation to continue to serve our customers and consumers amidst significant challenges, including surges and dips in demand, and the need to ensure employees' safety as a priority. The work that our DO MORE FOUNDATION has done to support and feed communities in need also deserves a special mention. It is a tribute to the prudent management of RCL FOODS' balance sheet and cash flows that the Group has remained well capitalised and funded throughout this period.

Financial performance

For the 2020 financial year, RCL FOODS reported EBITDA of R1 636,0 million (up 7.2%), headline earnings of R114,2 million (down 65.4%) or 13.0 cents per share and declared dividends of 25.0 cents per share. Return on invested capital has declined to negative 6.3% (2019: negative 0.8%). In an environment of unprecedented challenges and volatility, this performance again demonstrates the underlying resilience we have achieved in recent years through our more diversified and balanced portfolio.

Regulatory environment

The COVID-19 pandemic has brought its own set of trials that require close cooperation between business and government in order to protect our citizens and industries and to reset the economy for growth. Since the onset of the crisis, we have had continuous engagement with the Department of Trade and Industry (DTI) to unlock barriers to trade and ensure local food security.

Progress has also been made in strengthening the vulnerable sugar and poultry industries which are vital to the country in terms of providing food security and large-scale employment, especially in poverty-stricken rural areas. Both industries have been weakened by prolonged dumping of excess supply from foreign markets, often resulting in local producers being forced to sell at below cost of production – despite being recognised globally as efficient producers.

Government's acknowledgement that healthy and growing local poultry and sugar industries could stimulate significant growth in the agricultural value chain has been particularly encouraging. Increased local production would stimulate agricultural growth and provide jobs for small-scale farmers and their surrounding communities. We view government's "Buy Local" campaign as a positive initiative in this regard. Efforts to make these industries more sustainable through protective measures, diversification and creation of alternative markets, have also gained momentum and have culminated in the announcement of master plans for the poultry and sugar industries during the current financial year.

Poultry Sector Master Plan

The new Poultry Sector Master Plan was launched by the DTI in November 2019 and aims to stimulate local demand, boost exports and protect the domestic poultry industry through trade measures. As part of the plan, new tariffs were implemented in March 2020. It is not yet clear whether these will be effective in stemming the tide of dumped imports; however, there was a reduction in imports in the first three months post the announcement, further supported by the devaluation of the Rand.

Sugar Industry Master Plan

The long-term structural supply-demand imbalance in the sugar industry has caused severe distress 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 Sugar Industry Master Plan was gazetted in June 2020 and aims to put the sugar sector on a sustainable path by diversifying the value chain based on sugarcane and producing a wider range of globally competitive sugarcane-based products. The industry has been designated for an exemption in terms of the Competition Act to allow industry stakeholders to collaborate on the implementation of the Sugar Industry Master Plan.

The amendments to the Sugar Industry Agreement and the South African Sugar Association's Constitution, which have also been agreed in consultation with the industry, should further support the objectives of the plan.

The Group is supportive of both the Poultry and Sugar Master Plans and is hopeful that their further implementation will strengthen these industries and support job creation in the medium-term.

New avenues of growth

The infrastructure and processes that have been put in place to create the ONE RCL FOODS platform following the consolidation of the Sugar, Chicken and Grocery businesses, have taken on increased importance in the last year and have added significant value. Not only have they allowed RCL FOODS to take on the full shared services and distribution requirements for Siqalo Foods Proprietary Limited (Siqalo Foods), they have also enabled Vector Logistics to successfully consolidate South Africa's frozen distribution network through its acquisition of certain Imperial Logistics Group South Africa Proprietary Limited's cold chain business (ICL) assets, as well as taking on a range of new customers in the middle of the pandemic. The pandemic has created delays in fully integrating the ICL assets, but we are confident that it will be successful.

The divisional restructure and Vector Logistics' expanded network provide exciting opportunities to further scale the RCL FOODS business, extract efficiencies and provide additional scope for growth.

More detail is provided in the CEO's report from page 62.

It is part of RCL FOODS' DNA to continuously consider alternative business models and to strive to see and do things differently. Our investment in alternative proteins via the LIVEKINDLY co. provides a tangible example of our actions to develop alternative avenues for growth within our industry.

Considerable opportunity also exists for RCL FOODS to leverage its capabilities into adjacent categories in sectors where it already has experience, well established networks and a strong customer base. Another exciting opportunity lies in expanding its product ranges by tiering into premium, mainstream and value categories, and by taking existing ranges and extending those into other geographies, categories and broader markets.

Dividend declaration

The directors have resolved to declare a final gross cash dividend (number 91) of 10.0 cents per share, which brings the total dividend for the year ended June 2020 to 25.0 cents per share (2019: 25.0 cents).

Changes to the Board

Shareholders are advised that Mr GCJ (Kees) Tielenius Kruythoff, Chairman and Chief Executive Officer of the LIVEKINDLY co., was appointed as a non-executive director of the Company, with effect from 22 April 2020. The Board welcomes Kees to the RCL FOODS family and looks forward to his contribution.

Prospects

The full impact of the COVID-19 pandemic is still emerging and it is clear that the associated economic and social ramifications for South Africa will be felt for a long period. We expect an already weak consumer demand to deteriorate further as growing unemployment takes its toll on financial well-being. RCL FOODS will continue to position itself optimally to survive and thrive under these tough conditions through innovation and resilience.

COVID-19 is a scourge against which we need to rally as a nation. It is up to government, business and civil society to collaboratively implement and support appropriate policies to improve the economic and social trajectory of the country. At RCL FOODS, we are confident that we have managed to build a resilient foundation through our forward-thinking and inclusive culture, our integrated ONE RCL FOODS platform, our balanced and diverse portfolio and our relentless drive to improve efficiencies and reduce costs.

We are comfortable with our low gearing and healthy liquidity profile in these uncertain times. Whilst we will continue to focus on the sustained resilience of our own businesses, our strong balance sheet provides ample support to consider attractive strategic opportunities that might be forthcoming in the market.

Acknowledgements

I would like to express my sincere condolences to the families of colleagues that we have lost during these unprecedented times.

I am grateful and extremely proud of our RCL FOODS people for remaining fully operational without missing a beat, as well as for their commitment to thriving in this "new" world. Sincere appreciation is also extended to our Board members for their valued guidance and sound judgement during the year. Finally, to our shareholders and customers, thank you for your continued support and interest in our Group.

JJ Durand
Non-executive Chairman

CEO's report

> Notwithstanding the material impacts of the COVID-19 pandemic, the resilience of our diverse portfolio delivered strong cash generation at year-end, and ensured we were able to help maintain the nation's food supply chain.

Miles Dally
Chief Executive Officer

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

- We had our highest turnover month ever in June;
- We reached record weekly bread sales of 4,9 million loaves;
- The Komati sugar mill recorded 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.

Reported earnings in the current financial year have been materially impacted by non-cash impairments of R1 506,3 million, mostly related to the deterioration in the local economy and the direct impact of COVID-19 on the business of R266,8 million. This led to reported headline earnings decreasing by 65.4% to R114,2 million (2019: R329,5 million). However, our underlying headline earnings increased by 47.1% to R450,4 million, mainly driven by an improved Sugar result and a resilient performance in Groceries, whilst cash generation remained positive.

Impact of COVID-19

The global COVID-19 pandemic has delivered a devastating blow to South Africa's already weakened economy, with the virus and associated national lockdown further decreasing economic growth and consumer demand. In this context, we have been acutely aware of our privileged position in being able to continue operating as a provider of essential goods and services throughout the lockdown. Our response to COVID-19 has been focused on the following three key imperatives: keeping our people safe, keeping South Africans fed and maintaining a strong focus on cash and liquidity to sustain our business.

Embracing our Passion of "More Food to More People, More Often", we rose to the challenge successfully overall. Our COVID-19 mitigation measures have been implemented with impressive diligence and commitment, earning positive feedback from government during multiple COVID-19 inspections at our facilities. Our operations have continued uninterrupted and order fulfilment has generally run smoothly despite an unprecedented surge in volumes in most categories during the initial lockdown.

However, we have not been immune to the impacts of COVID-19. With the virus moving swiftly though communities, first in the Western Cape and then in the northern and eastern parts of the country, a number of our employees were infected during the period and three tragically lost their lives. We are deeply saddened by this and our thoughts are with their loved ones. Equally disturbing is the very real pandemic of hunger and economic hardship that the lockdown unleashed. Through our DO MORE FOUNDATION's dedicated COVID-19 relief initiative, we were privileged to provide over 3,5 million meals during the financial period, to alleviate hunger in vulnerable communities affected by the lockdown. Our senior leadership team also led the way in donating a portion of their salaries to the Solidarity Fund, resulting in nearly R5,0 million being donated to help protect the country and support its people.

The financial and operational impact of the pandemic on our business is discussed throughout this Abridged Integrated Annual Report. Whilst Groceries and Sugar benefited from a surge in demand, the closure of fast food outlets, restaurants and other dining operations during the initial phases of lockdown had a massive impact on our Chicken and Vector Logistics businesses, as well as "on-the-go" categories such as Pies and Beverages. The financial impact of the COVID-19 pandemic during the period was R266,8 million, relating to significant direct on-costs resulting from new ways of working, as well as supply chain relief in Chicken. Prioritising liquidity and focusing on cash preservation during the crisis enabled us to operate comfortably, however, with sufficient cash reserves to meet all obligations without risk or need of further cash injections.

> RCL FOODS estimates that the total financial impact of the COVID-19 pandemic, in terms of direct added costs, was approximately R266,8 million during the financial period.

More detail on the financial impact of COVID-19 is available in the CFO's report from page 70.

Underlying performance

Notwithstanding the material impacts of the COVID-19 pandemic, the resilience of our diverse portfolio delivered strong cash generation at year-end and ensured we were able to help maintain the nation's food supply chain. The increase in our underlying headline earnings was driven by Sugar's improvement off a low base and a solid performance in Groceries and Baking. These positives were partially offset by declines in Chicken mainly driven by the closure of restaurants and fast food outlets under the national lockdown, as well as in Vector Logistics due to the COVID-19 lockdown delaying the synergising of ICL into the Vector Logistics network.

In this context, the good underlying performance of the individual businesses amidst weak economic conditions has been particularly encouraging. This is dealt with in more detail in the Review of Operations which follows the Strategic Overview section below.

Strategic overview

Progress on our journey towards more sustainable quality of earnings

During the period under review, we continued to position ourselves for growth and more sustainable quality of earnings by relooking at both our structure and our portfolio positioning. We restructured our Consumer and Sugar & Milling divisions into a single Food Division with four closely aligned and integrated business units, providing a solid foundation for creating further synergies, optimising resource allocation and sharpening our strategic focus. The new structure was successfully embedded during the latter half of the financial year and quickly proved its worth in the focused and cohesive way in which we were able to manage the COVID-19 onslaught.

> The diversity within our portfolio and the strength of our brands, aided by greater integration and focus within our structure, are providing the necessary resilience to maintain profitability and cash generation in uncertain times. The commitment and adaptability of our people has also played a critical role in enabling our business to continue functioning well despite the disruption of the COVID-19 pandemic.

From a portfolio point of view, we have now created a single Food business that stands alongside our Vector Logistics business that can be further refined against strategic fit criteria in the future. Against this backdrop, we are initiating a multi-level strategic refresh conversation – from brands all the way up to group portfolio review – to ensure that our portfolio adjusts to a new COVID-19 reality and reflects our broader branded FMCG ambitions.

I will now reflect briefly on how we are progressing strategically in each business unit with the aim of creating a more profitable and resilient business for the future.

The Pet Food category had a particularly strong performance, with the phenomenal growth of Optimizor dog food proving our ability to develop and sustain brands through clear brand strategies, coupled with consistent investment and innovation. Other exciting applications of our strategic emphasis on growing through strong brands have been the launch of product extensions in several categories and the leveraging of our market-leading Rainbow brand into the spices category. With COVID-19 having brought an increase in e-commerce and home delivery, we are well-positioned to take advantage of growth in e-commerce via established partnerships with online platform partners.

Notwithstanding the impact of COVID-19, Groceries performed well and made pleasing market share gains, supported by a strong pipeline of innovation, first-rate execution and continued investment behind the brands.

In a context of fierce competitor activity, constrained margins and an oversupplied flour market, **Baking** has steadfastly pursued its strategy of driving growth in the Bread, Buns and Rolls category and forward integrating flour into its own production. Whilst we delivered record bread volumes during the lockdown, progress in this area remains constrained at an underlying level due to margin and volume pressure. In contrast, the Speciality category has progressed extremely well against its strategy, having exited prepared lines in the previous financial year to focus exclusively on the baked range. A more profitable sales mix, improved efficiencies and volume growth in the ambient cake and bakery lines have contributed to a promising turnaround.

Over the last year we have implemented a revised strategy in **Chicken** to restore profitability which has been under pressure during the last few years, due to lower volumes impacting on cost absorption and efficiencies. A key element of the strategy is a strong focus on cost competitiveness and addressing ongoing challenges in agriculture, especially within the Cobb breeding operations. Good progress has been made in this space and further opportunities will be unlocked. In addition to investing in dedicated teams, the revitalisation of the Rainbow brand in the retail channel is another core focus. With the successful embedding of a new executive team and focused implementation of the revised strategic plan, Chicken performed well on an underlying basis in the year. The impact of the COVID-19 lockdown, particularly the immediate shutdown of the foodservice sector, was significant and served to offset gains made to a material extent. We remain confident in our plans to restore margins to acceptable levels once the demand curve normalises, and we are hopeful that this will be supported through effective implementation of the Poultry Sector Master Plan which aims to stimulate local demand, boost exports and protect the local industry against dumping through trade measures.

With the entire local sugar industry in distress due to the ongoing market oversupply and low sugar prices, we have continued to focus on improving the competitiveness of our **Sugar** business, with the ambition of being the lowest cost producer in South Africa. We have progressed well against our strategy of becoming more operationally efficient and reducing our cost base in Sugar agriculture, whilst optimising and improving our mix. Aiding this has been an improvement in pricing from last year's record low. We have also commissioned a commercial study into potential diversification opportunities which aligns with the intent of the new Sugar Industry Master Plan to ensure sustainability by diversifying the value chain. We are supportive of this plan and are committed to collaborating to strengthen the industry and support job creation.

In its dual role as our in-house route-to-market specialist and third-party logistics provider to principals and customers across South Africa, our **Logistics** Division (Vector Logistics) plays a key role in our strategic thrusts of partnering with strategic customers and extending our leading value chain. Vector Logistics' successful take-on of Siqalo Foods, as well as its acquisition of the cold chain network and key assets of ICL, represent a significant milestone in its evolution. Whilst the ICL transaction has had a cost impact in the short-term, exacerbated by COVID-19 which delayed further network synergisation, it positions Vector Logistics to become the largest frozen logistics player in South Africa. Synergising Vector Logistics' and ICL's networks in a single temperature-controlled distribution grid has already attracted additional customers and will be a key focus for the new year, along with consolidating and optimising the network to improve efficiencies. This will be a crucial driver in helping us achieve our longstanding ambition of moving to a customer-centric logistics model.

Our six strategic thrusts continue to enhance the performance of our business units and drive the underlying strategy of each category in which we operate.

Our efforts in this regard are documented in detail in the Strategic Review section from page 46.

Driving sustainable business

We continue to drive towards future-focused models that will sustain our business, our people, our communities and our environment in the long-term. I would like to touch briefly on two areas below.

Creating a future-ready portfolio

Putting our core value of "seeing and doing things differently" into action, we have expanded our portfolio by entering the plant-based foods category through our recent investment in a minority shareholding in the LIVEKINDLY co. As part of its vision of creating a vertically-integrated, plant-based food ecosystem of scale, with global reach, the LIVEKINDLY co. seeks to enter into strategic partnerships with established platforms like RCL FOODS that wish to embrace plant-based options. We believe our unique farm-to-fork capability and established market presence will position us well to help build a robust plant-based ecosystem in South Africa, with a strategic focus on the "alternative protein" segment. This will enable us to provide our diverse consumer population with more choice and prepare us to meet future protein needs in a sustainable way.

Sustaining our natural resources

The Group's ambition is to become a more energy self-sufficient, water-smart and waste-free business. The prudence of our 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 co-generation at our sugar mills, Waste-to-Value (W2V) plants at our Chicken processing operations and solar power generation at various sites – has solidified our resilience as a business, whilst protecting the environment and strengthening our competitive advantage.

A specific highlight during this period has been the completion of our R330 million W2V plant in Rustenburg, which converts chicken litter and post-processing effluent into renewable energy, reusable water and a by-product that can be sold as a fertiliser. Once fully commissioned, the plant will supply 65% of the combined energy requirements of our Rustenburg Chicken and Animal Feed sites, 100% of their non-food-contact water requirements and 100% of the Animal Feed site's steam requirement. The savings generated by the plant will provide an excellent return profile for the capital invested, whilst boosting our energy self-sufficiency by 22%.

SBR *More detail on our efforts to drive sustainable business is provided in the Sustainable Business Report, available on our website at www.rclfoods.com/financial-results-and-reports-2020.*

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
Underlying EBITDA	(Rm)	**1 423,8**	1 187,3	19.9
Underlying EBITDA margin	(%)	**5.4**	4.8	0.6ppts

The creation of a single Food Division, with four closely aligned businesses operating off a common platform of Group functions, has already had a positive impact with divisional revenue increasing 6.1% to R26 127,1 million. The reinvestment of senior talent behind key priorities is delivering 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
Underlying EBITDA	(Rm)	**535,6**	525,8	1.9
Underlying EBITDA margin	(%)	**10.7**	10.9	(0.2)ppts

RCL FOODS' total food staple basket grew 8.5% ahead of the industry over the last 12 months

Source: Ask'd

Groceries revenue grew 3.2% to R4 984,2 million, driven by volume growth, especially in Pet Food, Peanut Butter and Rusks. Pies volumes were impacted by restrictions on the sale of hot food under level 5 of the lockdown, whilst Beverages volumes declined due to reduced "on-the-go" consumption. Underlying EBITDA increased by 1.9% to R535,6 million at a margin of 10.7% (2019: R525,8 million at a margin of 10.9%).

Yum Yum market share came under pressure due to the implementation of price increases to recover a peanut cost push caused by the failure of the local peanut crop. However, there has been a good recovery in recent volumes. **Ouma Rusks** and **Nola Mayonnaise** maintained their market leading positions, with Ouma launching a new peanut butter innovation and Nola managing to keep its position despite volume pressure linked to price increases and promotional activity by food retailers. **Pet Food** has been a star performer, both in terms of market share gains and profitability. Premium Recipe Ultra Dog extension and Catmor 2 in 1 Plus innovations were launched this year, whilst Ultra Cat performed beyond expectations in the value tier of the vet segment. Optimizor's brand revenue soared with its expansion into the Co-op distribution channel.

Optimizor brand revenue at R100 million within 11 months

A more modest performance was recorded by the newly-launched **Rainbow Spices** which performed well where it has been put on shelf, despite aggressive price promotions from competitors. Although **Beverages** lost volumes during lockdown, the category's strategic direction and operational stability have been improved with the extension of the Groceries management team into the Beverages space.

Pies volumes were significantly affected during the first part of the lockdown and competitive pressure in this category remains high. A strong promotional plan is being launched to boost volumes, and new capacity and capability are due to be launched soon.

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
Underlying EBITDA	(Rm)	**379,7**	364,8	4.1
Underlying EBITDA margin	(%)	**7.3**	7.2	0.1ppts

Baking revenue of R5 195,1 million was up 2.7% on the prior year, largely driven by higher volumes in the Bread, Buns and Rolls category. The revenue growth was partially offset by lower volumes in Speciality due to the disposal of the 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. Underlying EBITDA increased by 4.1% to R379,7 million at a margin of 7.3% (2019: R364,8 million at a margin of 7.2%).

Speciality delivered a pleasing performance

Speciality experienced double-digit volume growth, boosted by higher demand for speciality products for at-home consumption during the lockdown. The performance was supported by the refocus on baking and desserts exclusively, as well as additional controls and process enhancements. **Bread, Buns and Rolls** performed well, especially in recent months, with record weekly bread sales. Whilst **Milling** benefited from increasing efficiencies and record throughput in recent months, this was negated by significant price increases in wheat, which affected both prices and volumes in the flour and bread markets.

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
Underlying EBITDA	(Rm)	**163,0**	262,6	(37.9)
Underlying EBITDA margin	(%)	**1.8**	3.0	(1.2)ppts

Chicken revenue of R8 813,6 million was up 2.1% on the prior year, driven by higher volumes. These were partially offset by an unfavourable sales mix as a result of the national lockdown, with QSR volumes being redirected to the Retail and Wholesale (RWS) channel at lower prices or being held in stock. Underlying EBITDA declined by 37.9% to R163,0 million at a margin of 1.8% (2019: R262,6 million at a margin of 3.0%).

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

Chicken appointed a new management team and implemented a re-focused strategy in the year, targeted at fixing agricultural operations, improving cost competitiveness, re-establishing the Rainbow brand and focusing more on regional demand. The new strategy gained pleasing momentum prior to lockdown and added-value categories generated pleasing market share growth. The closure of restaurants and fast food outlets under the national lockdown severely impacted Chicken operations. Some 42% of total daily volume had to be redirected into RWS channels, yet demand proved insufficient to take up total excess production and 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
Underlying EBITDA	(Rm)	**345,4**	34,2	909.3
Underlying EBITDA margin	(%)	**4.5**	0.5	4.0ppts

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. Underlying EBITDA increased by 909.3% to R345,4 million at a margin of 4.5% (2019: R34,2 million at a margin of 0.5%).

Strong Sugar sales volumes and improved mix

Whilst industrial demand has reduced significantly since the implementation of the Health Promotion Levy in 2018, retail demand improved significantly during the year. Lower import volumes also contributed to a successful shift in sales mix towards higher-priced local sales, with the weaker exchange rate shielding us from some of the decline in the international sugar price.

The sugarcane crop was 4.8% lower than last year, resulting in sugar production volumes decreasing to 646 275 tons (2019: 679 000 tons); however, volumes are above the long-term average. Cost savings and improved operational efficiencies were delivered in agriculture and the supply chain, and the refinery at the Pongola mill was mothballed. Our Sugar team continue to work with the South African Sugar Association to reduce industry-related costs. . We are also exploring various solutions to funding challenges in our community-based joint ventures in Sugar and are investigating opportunities to diversify into other cane-derived products to create a more sustainable business.

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

Logistics Division (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
Underlying EBITDA	(Rm)	**13,2**	118,5	(88.9)
Underlying EBITDA margin	(%)	**0.5**	5.4	(4.9)ppts

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 certain key ICL assets 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 most 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. Underlying EBITDA decreased by 88.9% to R13,2 million (2019: R118,5 million) due to the duplicated network costs, and costs incurred to maintain service levels on the increased volumes following the ICL acquisition on 1 December 2019, coupled with delays in synergising the networks due to the national COVID-19 lockdown. The synergisation project is now back on track and is targeted to be finalised by December 2020.

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

The most significant COVID-19 impact was the two-month shutdown of Vector Logistics' Customer Secondary Distribution (CSD) business due to the closure of the foodservice industry. 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 implementation of IFRS 16 Leases (IFRS 16) on 1 July 2019 had a substantial impact on the Vector Logistics balance sheet, with property, plant and equipment almost doubling in the past year.

Prospects

As Trade and Industry Minister Ebrahim Patel has said, the COVID-19 crisis is a one-in-a-hundred-year event and it will make a deep impact on the economy. Going forward, we expect a muted economic outlook and continued pressure on consumers. Our Group focus for 2021 will therefore be on resetting our operations for growth and completing our portfolio review to lay the foundation for a future-ready portfolio shape that accommodates the post-COVID-19 environment.

Chicken enters the new financial year with significant stock holding levels and the down placement implemented in Chicken production will dent revenues. Progress with further 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. We will continue with our focus on agricultural recovery in Chicken whilst rebalancing our sales mix in a new COVID-19 reality. We remain confident that once through this difficult period, we will be back on track with our turnaround plan for the Chicken business unit.

A price increase in South African sugar is expected, which should have a further positive impact on Sugar operations. We will continue with our sugar diversification plans and pursue resolution of the funding challenges in our community-based joint ventures in Sugar. 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, volume-led competitive advantage and efficiencies to enhance profitability. The Pies expansion will be a key opportunity in the coming period, permitting further differentiation through innovation. We will also be working towards gaining further traction with the Beverages recovery plan.

Vector Logistics should benefit from increased volumes from Siqalo Foods and ICL customers as well as a significant reduction in costs as the duplication within its network is resolved.

Uncertainty remains high on both the local and global stage. RCL FOODS 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 our strong, integrated platforms, customer and shared services capabilities and low gearing profile, we remain well-positioned to consider further strategic opportunities that may present themselves. In this regard, we look forward to finalising the plant-based JV and accelerating execution in terms of the opportunities.

I would like to thank each of our employees for the role they have played and will continue to play as we navigate the path ahead. I would also like to express my sincere thanks to all our other stakeholders for their continued support, which has not only helped us weather the current storm but strengthen relationships for the future.

May we all stay safe and healthy in the year ahead.

M Dally
Chief Executive Officer

CFO's report

"Despite the tough economic environment, the Group's underlying profitability continues to improve; it has maintained the strength of its balance sheet and improved cash generation in the current year."

Rob Field
Chief Financial Officer

EBITDA
R1 636,0 million
↑ 7.2%

HEPS
13.0 cents
↓ 65.7%

Cash generated by operations
R2 571,4 million
↑ 222.7%

Overview of market conditions

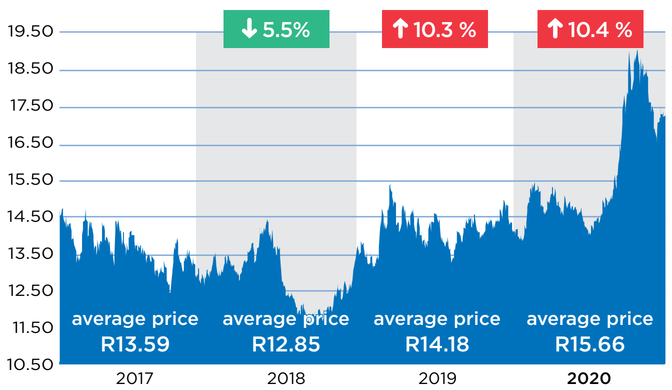
Global economic growth over the past 12 months has been dismal with the second half of calendar 2019 seeing growth depressed to a pace last seen during the global financial crisis of 2008/09. Major headwinds over the second half of 2019 were the rise in trade tensions particularly between the United States of America (USA) and China, and the impact of a post-Brexit Eurozone. These global uncertainties hurt confidence, dampened overall sentiment and curtailed investment spending. Emerging nations, South Africa in particular, were negatively affected as a result of tighter financial conditions, geopolitical tensions, social unrest and high unemployment.

Weaker global economies, highlighted by the negative movement globally of durable goods and machinery, was reacted to decisively by central banks. During calendar 2019 the USA Federal Reserve, the European Central Bank (ECB) and the large emerging market central banks all cut interest rates to spur growth. Closer to home the South African Reserve Bank (SARB) opted to keep interest rates largely flat between July 2019 and January 2020 at which point rates were cut 25 basis points, as a result of soft local inflationary data and poor growth forecasts. The advent of the COVID-19 pandemic and initial fallout across China and Europe from mid-January can only be described as unprecedented from both an economic and humanitarian perspective. With shockwaves reverberating across the globe, the SARB in the last six months of the period under review has cut interest rates from 6.25% to 3.75% to mitigate against the expected major decline in economic growth this year.

The South African Government expects GDP to contract by a record 7.2% for the calendar year 2020, whilst tax revenues are projected to fall R300 billion short of that estimated in the February 2020 budget. COVID-19 has decimated small businesses and many larger established corporates face significant challenges. The unemployment situation in South Africa can been described as a timebomb with high levels of youth unemployment. Government's initial response to the COVID-19 pandemic has been laudable and the improved relationship between government and business in South Africa is significantly encouraging.

Trends and volatility on the forex pair in the first half of the period under review were as mentioned directed by USA–China trade tensions as well as local growth concerns. For the period under review the Rand traded between R13.80 and R19.34 to the US Dollar, a range of R5.54 and trading against the backdrop of a long expected and seemingly inevitable sovereign ratings downgrade in late March, the global COVID-19 pandemic and resultant economic lockdown. The average Rand/Dollar exchange rate for this reporting period is R15.66 compared to the previous period of R14.18, a deterioration of 10.4%.

EXCHANGE RATE
(Rand/USD)



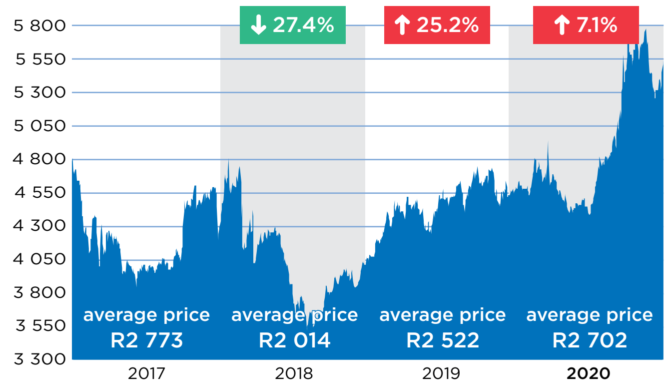
Source: Reuters

Soft commodity procurement

Maize (Corn)

The USA had a problematic start to its corn season with major planting delays. Eventually the area planted ended slightly higher than the previous season (36,3 million hectares versus 36,1 million hectares), but yields were compromised due to the less than favourable growing conditions, decreasing from 11,1 tons per hectare to 10,5 tons per hectare. These lower yields resulted in a smaller crop (347,8 million tons versus the previous year's 364,3 million tons). Corn prices on the Chicago Board of Trade (CBOT) peaked during July 2019 trading at $4,60 per bushel ($181 per ton), thereafter prices traded downward to end at $3,00 per bushel ($118 per ton) during May 2020. The 2020 planting season in the USA was off to a good start with pace ahead of the five-year average.

SAFEX YELLOW MAIZE
(R/ton)



Source: Reuters

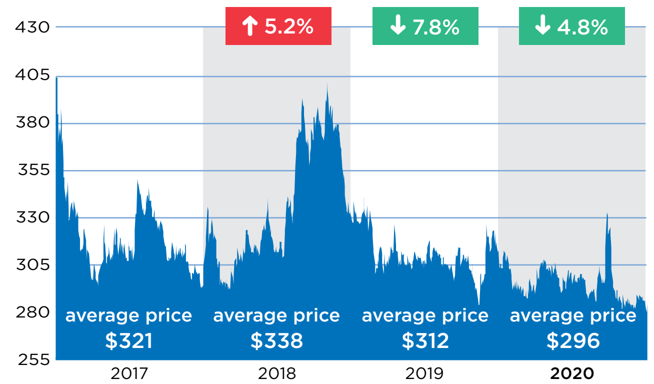
South Africa produced a crop of 11,3 million tons during the 2018/2019 production season, down 1,2 million tons (10%) from the previous crop of 12,5 million tons. Annual consumption in South Africa is around 11,3 million tons per year, sufficient pipeline stocks were maintained by imports of 0,5 million tons of South American corn.

The average SAFEX yellow maize price for this reporting period was R2 702 per ton compared to the previous period of R2 522 per ton, an increase of R180 per ton (7.1%).

Soybean meal

Soya prices traded at an average of $296 per short ton for the period July 2019 to June 2020. Prices opened at levels of $304 and ended the year at levels of $286. The market was volatile during May and June 2019 as the USA experienced planting delays due to very wet weather. In this period the market peaked at a level of $327. The adverse weather resulted in yields dropping to 47,4 bushels per acre compared to a yield of 50,6 bushels per acre in the previous year. Although production in the USA was lower, prices were stable, being driven mainly by a big carry in stock number from the previous year as well as lower export demand. Fears around the COVID-19 pandemic and concerning news that one of the major players in the Argentine crushing industry would close, caused a significant spike in prices during March 2020. Prices have subsequently recovered.

CME SOYBEAN MEAL PRICE
($/ton)



Source: Reuters

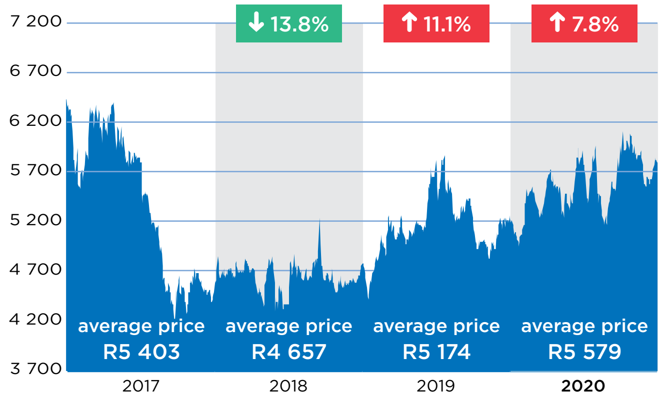
In the other major soya producing regions, the Argentinian crop is at this stage projected at 50 million tons compared to 55 million tons in the previous year. The crop in Brazil is expected in the region of 124 million tons compared to 119 million tons the previous year. The latest estimate of the South African soybean crop is at 1,2 million tons up about 7% from the previous year's crop.

Sunflower seed

The domestic sunflower seed season for 2019/20 had an opening stock as at 1 March 2019 of 120 000 tons. The area planted and yield was 18% below and 3% above the five-year average respectively, resulting in a relatively poor crop of 678 000 tons and giving a total supply of close to 800 000 tons against a requirement of closer to 900 000 tons (excluding season carry-out stock requirement of approximately 100 000 tons). The shortfall was replaced by imported sunflower oil rather than by seed, with local crush "rationed" to 657 000 tons against the prior year of 893 000 tons as local seed prices firmed up over the period, climbing from around R5 000/ton to over R5 800/ton, an increase of 16%.

The projection for the 2020/21 crop has edged up by 13% to 766 000 tons, this together with season opening stock of 135 000 tons leaves local supply short over 100 000 tons. As a result, prices remain firm and supported by the weaker Rand/Dollar exchange rate.

SAFEX SUNSEED
(R/ton)



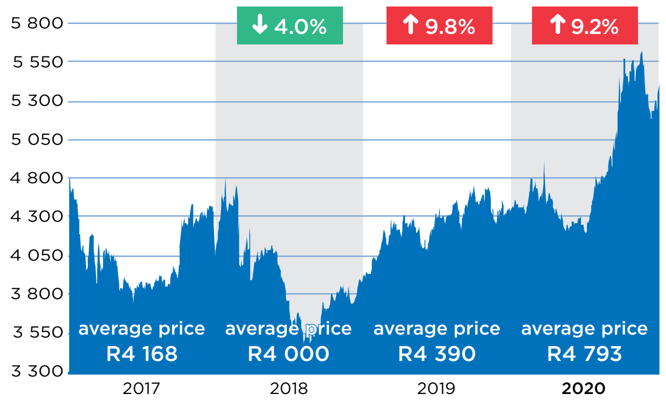
Source: Reuters

Internationally the world sunflower seed crop for 2019/20 increased 9% to 55 million tons with a further 3% increase projected for 2020/21, most of the growth in Russia and the Ukraine. Increasing demand sees the world season ending carry-out stock-to-use ratio remaining tight at 4% to 5%. World sunflower oil production follows the trend in seed production, but with the stock-to-use ratio closer to 10%.

Wheat

The local prices of wheat on SAFEX rallied sharply this past year, primarily due to the weakening of the Rand which influences the derived import parity price of local wheat. Spot SAFEX wheat prices bottomed at R4 334 per ton on 11 November 2019 as the Rand strengthened and peaked at R5 630 on 18 May 2020 soon after the Rand tumbled to its weakest level in the period. This move represents a 23% increase in wheat prices from the low to the high during the period under review. This dramatic swing in the local wheat price was despite the wheat tariff declining from R1 008,60 per ton, gazetted on 29 October 2019, to the current tariff of R516,60 per ton which was gazetted on 2 March 2020. There were four wheat tariff changes during the financial year with wheat tariffs continuing to severely impact local prices especially as the triggering period and the actual promulgation into law is unpredictable. These regulated import tariffs are derived from U.S Hard Red Winter (HRW) wheat prices in the U.S Gulf and are applied on all imports.

SAFEX WHEAT
(R/ton)



Source: Reuters

South Africa remains a net importer of wheat which means that local prices are import parity based and derived from a similar grade of wheat imported with prices converted from US Dollars into Rands. Of the total local wheat usage an estimated 56% or 1,8 million tons of imports are required this season to meet demand. Despite concerted industry efforts to revive the local wheat market, early indications are that the wheat plantings for 2020 are going to be lower than the current year despite SAFEX local wheat prices increasing on average by 9.2% this past year.

Sorghum

The local sorghum crop for 2019/20 was disappointing given the significant 75% increase in area planted, the average yield declined from 4,0 tons per hectare to just 2,5 tons per hectare. South Africa had to import 60 000 tons to balance the local supply and demand which supported local prices, particularly relative to maize prices as the country was a net-exporter of maize for the season.

Local plantings for the 2020/21 season were lower than expected mainly due to seed supply issues with the crop projection up only around 7% to 135 685 tons with prices expected to remain relatively firm.

On the global market the 2019/20 sorghum crop was down over 3% from the prior year on the back of lower crops in North America and sub-Saharan Africa. The world crop is projected to recover for 2020/21 to close on 60 million tons, although the season ending carry-out stock-to-use ratio is projected to remain low at below 7%.

Peanuts

The 2019/20 local peanut crop was the lowest ever with only 20 000 hectares planted 70% lower than the prior year due to a lack of rainfall and concomitant poor soil moistures in the relatively short peanut planting "window". The final crop was estimated at a dismal 19 400 tons with the country having to import some 40 000 tons of peanuts to balance local supply and demand. Local peanut butter manufacturers and peanut roasters lost market share to imported material due to there being a 10% import duty on raw peanuts whilst the imported peanut butter and roasted peanuts did not attract this duty.

The 2020/21 crop is estimated to be up by over 200% with area planted up 87% and expectations of above-average yields after a good growing season. South Africa will remain a net-importer to balance local supply and demand and local prices should remain firm, supported by the weaker Rand/Dollar exchange rate.

The international crop remains relatively steady at around 46 million tons with global season-ending stocks projected at 8% to 10%.

Financial review

Financial highlights		June 2020	June 2019	%
Revenue	Rm	**27 803,6**	25 887,5	7.4
EBITDA	Rm	**1 636,0**	1 525,7	7.2
EBITDA margin	%	**5.9**	5.9	
Operating loss	Rm	**(805,8)**	(29,3)	(2 647.7)
Operating loss margin	%	**(2.9)**	(0.1)	(2.8)ppts
Net finance cost	Rm	**454,7**	276,6	64.4
Headline earnings	Rm	**114,2**	329,5	(65.4)
Headline earnings per share	cents	**13,0**	37,9	(65.7)
Capital expenditure (including intangibles)	Rm	**811,4**	1 151,4	(29.5)
Return on invested capital	%	**(6.3)**	(0.8)	(5.5)ppts
Cash generated by operations	Rm	**2 571,4**	796,7	222.7

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 Logistics 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.

Operating profit and earnings per share 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 the COVID-19 crisis and relating to additional direct costs incurred;
- A net gain on bargain purchase related to the gain arising from the initial accounting for the Vector Logistics 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 the 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.

The underlying EBITDA excluding the above items is reflected in the table below:

R million	June 2020	June 2020 margin %	June 2019	June 2019 margin %	% change	Margin change (ppts)
Underlying EBITDA	**1 510,7**	**5.4**	1 341,3	5.2	12.6	0.2
Groceries	**535,6**	**10.7**	525,8	10.9	1.9	(0.2)
Baking	**379,7**	**7.3**	364,8	7.2	4.1	0.1
Chicken	**163,0**	**1.8**	262,6	3.0	(37.9)	(1.2)
Sugar	**345,4**	**4.5**	34,2	0.5	909.3	4.0
Vector	**13,2**	**0.5**	118,5	5.4	(88.9)	(4.9)
Group	**73,8**		35,4			

The Group's underlying EBITDA improved R169,5 million (12.6%), driven mainly by gains in Sugar (up R311,2 million), partially offset by declines in Chicken (down R99,6 million) and Vector Logistics (down R105,3 million).

RCL FOODS' underlying headline earnings for the year ended June 2020 increased by 47.1% to R450,4 million. Results were driven by an improved Sugar result and a resilient performance in Groceries. 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.

Return on invested capital declined 5.5 ppts to negative 6.3% (2019: negative 0.8%), largely impacted by the 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 and hence is not comparable to the prior year. Expressing return on invested capital on an underlying adjusted basis results in a 6.4% return for the current financial year (2019: 4.0%). Underlying adjusted return on invested capital excludes the material impact of the once-off items above, impairments as well as the Foodcorp acquisition purchase price allocation for intangible assets, property, plant and equipment balances and related amortisation, depreciation and tax.

The negative impact of the COVID-19 pandemic on the global and South African economy was an indicator of impairment and as a result most CGUs across the business were tested for impairment, in addition to the annual impairment test conducted on CGUs containing goodwill and other indefinite useful life intangible assets.

The Group bases its impairment review on value-in-use calculations which involves discounting future cash flows expected to be generated at a CGU level. The operations within the RCL FOODS Group undergo an annual five-year business planning process culminating in a five-year business plan which is signed off by the RCL FOODS Board in November each year. The business plan includes projections on sales volumes, revenue, profitability and capital expenditures. The five-year cash flow forecast used to calculate the value-in-use is based on the five-year approved business plans. Due to the impact of COVID-19 on results in the second half of the 2020 financial year and the poor economic outlook, the cash flows used in the forecast have been adjusted from the five-year approved business plans, using a conservatised approach. The approach applied a probability weighting to each of the conservatised scenarios to obtain the most appropriate value-in-use. Forecasts beyond year five (terminal value) assume that the Group will maintain existing margins and volumes, with capital expenditures equal to asset depreciation. Growth beyond year five assumes only nominal growth from food price inflation, benchmarked to long-term food inflation trends.

Total net impairments of R1 506,3 million on CGUs were recognised during the year. The impairments relate to the following business units:

R million	Property, plant and equipment	Trademarks	Goodwill	Total
Groceries	**64,1**		**236,6**	**300,7**
Baking	**(0,8)**	**315,1**	**74,0**	**388,3**
Chicken	**346,3**			**346,3**
Sugar	**52,6**			**52,6**
Vector	**131,0**		**287,4**	**418,4**
Total	**593,2**	**315,1**	**598,0**	**1 506,3**

In the prior year, an impairment of R761,9 million was recognised in the Sugar CGU.

Impairments on goodwill will not reverse. In order for the remaining impairments to reverse, there would need to be a sustained turnaround in the economy and general operating environment of RCL FOODS, supporting a sustained improvement in profitability going forward.

Loans granted to Siyathuthuka Sugar Estate Proprietary Limited (Siyathuthuka) and TSGRO Proprietary Limited (TSGRO) (refer note 5 of the consolidated financial statements), were assessed for impairment based on the requirements of IFRS 9's expected credit loss model. The Siyathuthuka loan of R65,2 million is secured by a mortgage bond over the farming land. TSGRO is a joint venture of the Group which provides farm management, development, engineering and procurement services to the small-scale sugarcane farmers. The loan granted to TSGRO of R45,8 million is unsecured. The Group has reviewed the financial results and forecasts of Siyathuthuka and TSGRO and due to the expected depressed outlook on the local sugar market, has recorded a R37,0 million and R11,5 million expected credit loss provision against the outstanding loan balances for Siyathuthuka and TSGRO, respectively.

The Group has a 50% shareholding in three community-based cane-grower companies, which are consolidated for accounting purposes in terms of IFRS 10. The cane-grower companies are operated in partnership with the local Nkomazi community as part of the sustainable land reform programme. These companies rely on funding for working capital, replant and fixed asset investment in order to operate, with the proceeds from the sale of their harvested cane being used to repay the funds advanced. In recent years, the profitability and liquidity of these entities has declined significantly due to the drought and low world sugar prices, exacerbated by the negative impact of sugar tax on local market demand and higher sugar industry costs. Management continue to engage with government on the implementation of a long-term funding solution for the cane-growers as well as with industry stakeholders on a sustainable and affordable local industry structure. The Group has reviewed the assets in these entities for impairment which resulted in an impairment of property, plant and equipment being recognised within Sivunosetfu Farming Services Proprietary Limited of R11,3 million and deferred tax assets of R84,8 million relating to the temporary differences and assessed losses in these companies not being recognised in the current financial year.

Finance costs

Net finance costs increased 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).

The Group's primary debt relates to the term-funded debt package, which was restructured in the 2019 financial year. Interest on the Group's term-funded debt package is payable at a rate of three-month JIBAR plus a margin of between 1.5% and 1.55%. The Group has entered into a collar structure for R1 762,5 million of the total debt package to hedge interest rate variability, effective from 1 April 2019 to 31 March 2022.

Equity accounted investments

For a description of the main business operations of our joint ventures and associates refer to notes 3 and 4 of the consolidated financial statements, available on our website at www.rclfoods.com/financial-results-and-reports-2020.

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). 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. 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 was R18,2 million was R4,5 million up on prior year (2019: R13,6 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 deferred tax charge raised due to the 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 deferred tax charge raised on share-based payment awards (R38,9 million tax impact).

Statement of financial position

Key statement of financial position items are highlighted below.

Non-current assets

Property, plant and equipment (PP&E)

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:

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

Right-of-use assets

On 1 July 2019, the Group implemented IFRS 16 using a 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 and joint ventures

Investment in associates increased by R63,9 million driven mainly by profits capitalised in the RES of R118,7 million, partially offset by dividends received from the RES of R37,9 million and an impairment processed on the Group's investment in 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.

Held-for-sale assets and liabilities

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

Current assets and current liabilities

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.

Within our Sugar business unit, the sugarcane crop consists of cane roots and the sugarcane plants. The cane roots are classified as bearer plants and accounted for under property, plant and equipment. During the current financial year, the Group has capitalised R2,4 million in additions to bearer plants. The Group's policy on capitalisation of bearer plants costs is in line with IAS 16, with only costs directly attributable to the roots being capitalised and specifically excludes any administration and general overhead allocations. Sugarcane plants are classified as biological assets and accounted for at fair value. The determination of fair value takes into account the expected quantity of sucrose in the existing crop which is based on the tons of cane on hand and cane quality multiplied by the expected price to be realised at year-end. The Group applies a conservative approach in determining the expected quantity of sucrose in the crop, factoring in fallow areas, water availability based on rainfall trends, and using rolling average cane yields to prevent single period distortions. The published SASA recoverable value (RV price) is used as the benchmark expected price to be realised before adjusting for selling and distribution costs.

Trade and other receivables increased R1 363,2 million and from 17.8% to 21.5% of revenue, whilst trade and other payables increased 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 Logistics 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 cashflow 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 lower working capital requirements in the current year.

Long and short-term interest-bearing liabilities

Total interest-bearing liabilities of R2 720,3 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

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.

Other non-current liabilities

Deferred tax liabilities of R1 034,6 million (2019: R1 211,6 million) arises from numerous temporary differences across the Group and has declined mainly due to the impairments in the Groceries, Baking and Chicken CGUs.

The post-retirement medical obligation of R101,3 million (2019: R126,6 million) arises from the actuarial valuation of the Group's potential liability resulting from post-retirement medical aid contributions in respect of current and future retirees. This liability is unfunded. The obligation of the Group to pay medical aid benefits after retirement is no longer part of the conditions of employment of the Group.

Cash flow and working capital

Cash generated by operations 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 on restructuring on the term-funded debt package.

Summarised cash information

R million	2020	2019
Opening balance*	**(110,4)**	1 263,4
Operating profit adjusted for non-cash flow items	**1 252,1**	1 177,8
Working capital changes	**1 319,3**	(381,0)
Net finance costs paid	**(257,7)**	(257,3)
Tax paid	**(47,9)**	(133,2)
Dividends paid	**(221,8)**	(348,6)
Dividends received	**69,2**	50,2
Capital expenditure (including intangibles)	**(811,4)**	(1 151,4)
Proceeds on disposal of assets held-for-sale	**10,3**	183,9
Acquisition of ICL	**110,0**	
Acquisition of investment in the LIVEKINDLY co.	**(114,2)**	
Acquisition of Driehoek		(60,9)
Investment in associate – L&A Logistics		(40,6)
Proceeds on sale of PP&E	**6,8**	21,3
Interest-bearing liabilities	**(154,3)**	(427,7)
Other	**(20,3)**	(6,3)
Closing balance*	**1 030,0**	(110,4)

** Net of overdrafts*

Return on invested capital (ROIC)

The Group makes use of ROIC to assess the efficiency in allocating the capital under its control to profitable operations. The ratio is calculated by dividing net operating profit after tax by invested capital (which excludes net cash, investments in joint ventures and associates and other non-operating assets). The Group monitors ROIC at a business unit level and is a key metric used in allocating resources between business units as part of the annual business planning process, in order to optimise the use of funding and maximise returns to shareholders. The reported 2020 Group ROIC has decreased 5.5% from negative 0.8% to negative 6.3%. ROIC for the current year was materially impacted by the impairments recognised. In addition to the reported ROIC, an underlying view and underlying adjusted view is presented below.

%	June 2020 Reported	June 2019 Reported	June 2020 Underlying*	June 2019 Underlying*	June 2020 Underlying Adjusted**	June 2019 Underlying Adjusted**
Group	**(6.3)**	(0.8)	**4.2**	2.5	**6.4**	4.0
Groceries	**(0.1)**	9.1	**8.5**	9.1	**17.3**	23.1
Baking	**(5.7)**	5.5	**5.5**	5.3	**14.4**	17.1
Chicken	**(14.6)**	7.0	**0.4**	1.7	**0.4**	1.7
Sugar	**1.4**	(26.6)	**4.0**	5.0	**4.0**	5.0
Logistics	**(30.5)**	2.5	**(20.6)**	2.5	**(20.6)**	2.5

** Excludes the material impact of once-offs and accounting adjustments.*
*** Excludes the material impact of once-offs and accounting adjustments as well as the Foodcorp acquisition purchase price allocation for intangible assets, PP&E balances and related amortisation, depreciation and tax.*

Accounting policies

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

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

The Group has adopted IFRS 16 from 1 July 2019. The impact of the adoption of IFRS 16 is presented on pages 112 to 115 of the consolidated financial statements, available on our website at www.rclfoods.com/financial-results-and-reports-2020.

Change in presentation date of results

From the 2018 financial year, the Group has reported its results on the retail calendar of trading weeks which treats each financial year as an exact 52-week period, incorporating trade from Monday to Sunday each week. This treatment effectively results in the loss of a day (or two in a leap year) per calendar year. These days are brought to account approximately every six years by including a 53rd week.

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

The financial statements and results for 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.

Prior period restatement

During the current financial year, RCL FOODS restructured its business by combining the Consumer and Sugar & Milling divisions into a single Food Division with the previous eight business units restructured into four new business units: Groceries, Baking, Chicken and Sugar. The remaining Vector, Group and Ugandan operations segments are unchanged. As a result of the restructure, 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.

Cash dividend declaration

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

The directors have resolved to declare a final gross cash dividend (number 91) of 10.0 cents per share bringing the total dividend declared for the year ended June 2020 to 25.0 cents per share (2019: 25.0 cents). Dividend tax will amount to 2.0 cents per share and consequently shareholders, who are not exempt from dividend tax, will receive a net dividend amount of 8.0 cents per share.

Financial strategy

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

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

ERP Systems implementation

The project to consolidate all bakeries within the Bread, Buns and Rolls operations onto a single Syspro instance was successfully completed in the current year.

Digital automation strategy

Finance is an area that has been impacted greatly by robotic process automation of routine processes. There is an opportunity to implement digital automation to assist with these routine processes in RCL FOODS, which will improve efficiency and effectiveness. Focus has been placed on the Accounts Payable process as the first area for automation. As at year-end, an evaluation of options relating to process automation for supplier statement reconciliations has been evaluated, with the BEST tool being selected. The planned completion date of the project is October 2020. Further investigation into digital automation, relating to data management and supplier invoice processing, is also planned for the forthcoming financial year.

Strategic sourcing

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

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

Information security

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

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

The Group did not identify any material information security breaches in the current financial period. Cyber insurance cover has been renewed and is available in the event of a financial loss resulting from an information security breach subject to the terms of the policy.

Insurance

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

The Group strategy is to keep insurance to a minimum without exposing the Group's assets or profitability to unacceptable financial loss which could materially affect either trading results or cash flow. RCL FOODS' balance sheet has allowed more scope to self-insure predictable losses and less material risks which are not administratively cost effective to transfer to insurers. A risk-bearing capacity exercise was completed in conjunction with our brokers during the financial year which highlighted the opportunity to increase our self-insurance levels in conjunction with our robust risk management programme that is in place. It is our intention to methodically increase these self-insurance levels over time to manage the absolute total cost of insurance to an optimal level.

The increased scale of the Group's assets has also allowed the underwriting to be broadened to include international insurance markets. A balanced placement of underwriting between local and international underwriters is considered to be more cost effective over the long-term, as it protects the Group should any market experience excessive claims. The value of this strategy has been seen in the latest renewal period with a more balanced local/international split of placement which lowered the average cost of insurance and ensured that there was sufficient capacity from the insurers to place the full insurance programme.

Major insurance events in the 2020 financial year included a fire at a Pies bakery for which proceeds of R19,5 million were received. No further insurance recoveries were received in the current year in respect of the losses that stemmed from Listeriosis in the 2018 financial year, however, discussions with our legal advisors and insurers are ongoing. Potential insurance claims relating to COVID-19 losses are under discussion with our brokers and insurers. We are awaiting the resolution of recent test cases that have been widely reported regarding the potential trigger events under COVID-19 lockdown. Any potential claim is sub-limited under the policy to a maximum of R50 million.

The Group has comprehensive risk management processes in place and continues to work in conjunction with insurers in maintaining acceptable levels of insurance cover. Increased awareness around the tip-offs anonymous line and fraud indicators is being driven through Group-wide communications that is in the process of being rolled out.

Refer to Our material risks section from page 26 for a discussion over our material risks and responses.

BEE Scheme

A new BEE scheme was implemented in January 2014, the details of which are set out in note 33 of the consolidated financial statements. A pre-requisite for the scheme to deliver value to its participants was for the RCL FOODS share price of R17.32 at implementation date to grow by a factor linked to the prime interest rate. Due to the ongoing challenges experienced in the poultry market resulting from dumping, the recent challenges experienced in the local sugar market and the impact of the COVID-19 crisis in the current financial year, as highlighted in the Chairman's Report from page 58, the Group has not seen the growth in share price anticipated. As a result, the current BEE scheme is significantly underwater and is unlikely to deliver any value to participants. The vesting dates related to the scheme are 1 July 2021 and 17 January 2022 and the Group is currently reviewing the terms and conditions of the scheme.

Central treasury and debt refinance

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

The objective of the centralised treasury function is to:

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

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

Our debt history

The Group acquired R5,5 billion in Euro-Denominated debt through the Foodcorp acquisition in 2013. In the 2015 financial year, the Euro debt was replaced with a R4,5 billion bridging loan, before being replaced with a R3,35 billion long-term term-funded debt package. During the 2018 financial year, the Group repaid the revolving credit facility portion of the debt package of R498,0 million from available cash resources. In the 2019 financial year, the Group restructured its term-funded debt package to take advantage of favourable capital market conditions.

The restructuring resulted in the previous remaining package of R2 852,0 million being replaced with a R2 350,0 million debt package. The R502,0 million reduction in the debt package was settled from cash resources. The current debt package has a five-year term expiring in December 2023, with interest at a rate of three-month JIBAR plus a margin of between 1.5% and 1.55%. The first capital payment on the new debt package is due in December 2021. In the prior financial year, the Group entered into a collar structure for R1 762,5 million of the total debt package to hedge interest rate variability, effective from 1 April 2019 to 31 March 2022.

A summary of the remaining construct of the term-funded debt package is illustrated below.

Key covenants on the current debt package are net interest-bearing senior debt/adjusted EBITDA cover ratio of less than 3.0 and a senior interest cover ratio of greater than 3.5. All covenants have been met in the 2020 financial year.

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

Hedged 3 month JIBAR (collar with a 7.0% floor and 8.5% cap)

Unhedged

Partial hedge (50%)

* *Hedged commences 1 April 2019*

** *Hedge ends 31 March 2022*

Conclusion

The COVID-19 crisis and national lockdown has had a significant impact on results for the 2020 financial year as reflected in the financial results and the impairments that were required.

Despite the above and the tough economic environment, the Group's underlying profitability continues to improve, it has maintained the strength of its balance sheet and improved cash generation in the current year.

RH Field
Chief Financial Officer

Our performance

Definitions and ratios

Shareholder ratios

Earnings per share
Profit for the year attributable to equity holders of the company divided by weighted average ordinary shares in issue

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

Headline earnings per share
Headline earnings divided by weighted average ordinary shares in issue

Dividend cove
Headline earnings per share divided by dividends per share

Net asset value per share
Total equity divided by ordinary shares in issue at year-end

Results ratios

EBITDA margin
EBITDA expressed as a percentage of revenue

Operating profit margin
Operating profit expressed as a percentage of revenue

Return on net assets
Profit before tax, expressed as a percentage of net assets

Net asset turnover
Revenue divided by net assets

Return on invested capital
Net operating profit after tax divided by invested capital

Statement of financial position

Total assets
Non-current and current assets

Total liabilities
Non-current and current liabilities

Net assets
Total assets less total liabilities

Invested capital
Total equity and interest-bearing liabilities less non-operating assets, cash and investments in joint ventures and associates

Income statement

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

Operating profit (EBIT)
Operating profit is earnings before interest and tax

Return on equity
Profit attributable to equity holders of the company expressed as a percentage of average total equity

Share information

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

Debt ratios

Net senior debt
Total unsubordinated debt less cash and cash equivalents

Senior leverage ratio
Net senior debt divided by pre-IFRS 9 EBITDA adjusted for amounts attributable to non-controlling interests, asset revaluations, profits or losses on disposals of property, plant and equipment and the impact of IFRS 16

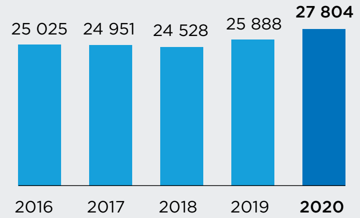
Senior interest cover ratio
Pre-IFRS 9 EBITDA adjusted for amounts attributable to non-controlling interests, asset revaluations, profits or losses on disposals of property, plant and equipment and the impact of IFRS 16

Senior net finance charges
Finance charges on unsubordinated debt less interest income

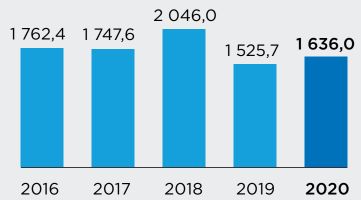
Gearing ratio
Total interest-bearing liabilities as a percentage of total equity

Five-year review

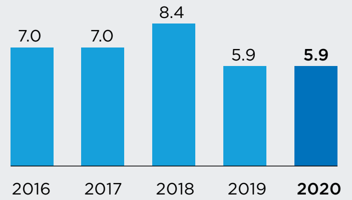
REVENUE
(R million)



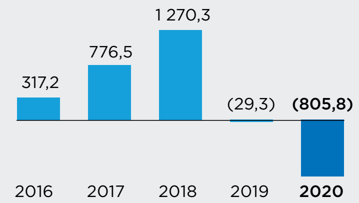
EBITDA
(R million)



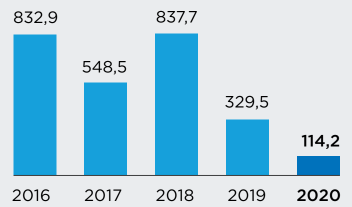
EBITDA MARGIN
(%)



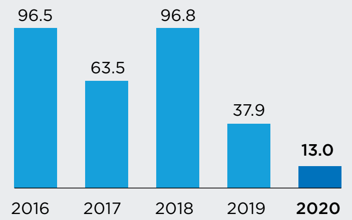
EBIT
(R million)



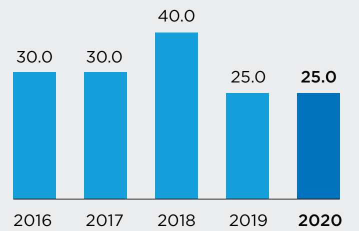
HEADLINE EARNINGS
attributable to equity holders of the Company
(R million)



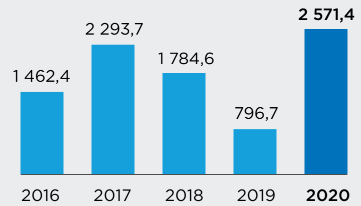
HEADLINE EARNINGS PER SHARE
attributable to equity holders of the Company
(cents)



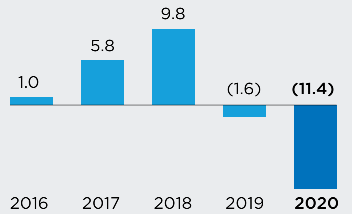
DIVIDENDS PER SHARE
(cents)



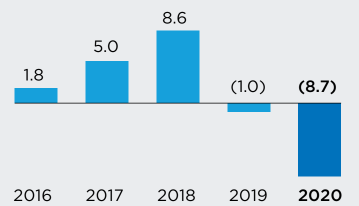
CASH GENERATED BY OPERATIONS
(R million)



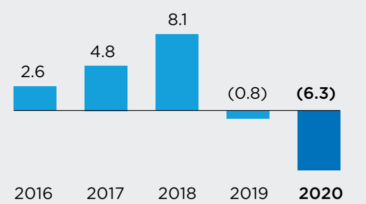
RETURN ON NET ASSETS
(%)



RETURN ON EQUITY
(%)



RETURN ON INVESTED CAPITAL
(%)



	2020 R'000	2019 R'000	2018 R'000	2017 R'000	2016 R'000
Consolidated statements of financial position					
Assets					
Property, plant and equipment*	**6 669 077**	5 566 523	5 922 829	5 720 285	5 903 566
Intangible assets	**3 677 055**	4 639 232	4 695 990	4 881 405	4 942 492
Investment in joint ventures	**310 309**	288 241	248 570	227 366	206 036
Investment in associates	**676 856**	612 918	526 437	513 323	485 054
Deferred income tax asset	**86 428**	71 400	28 448	6 876	19 658
Loans receivable	**66 964**	91 561	35 920	1 555	1 555
Trade and other receivables	**23 060**	127 025	58 010	12 788	12 288
Investment in financial asset**	**137 039**				
Current assets	**10 839 788**	9 009 968	9 475 093	8 144 716	8 659 127
Total assets	**22 486 576**	20 406 868	20 991 297	19 508 314	20 229 776
Equity and liabilities					
Equity	**9 821 976**	10 834 026	11 179 703	10 386 753	10 046 256
Deferred income		22	141	734	
Interest-bearing liabilities*	**3 959 958**	2 639 363	1 965 983	3 078 822	3 598 846
Deferred income tax liabilities	**1 034 622**	1 211 607	1 253 584	1 248 056	1 352 915
Retirement benefit obligations	**101 269**	126 590	135 072	136 668	165 354
Trade and other payables	**3 059**	6 326	6 410	3 157	5 716
Current liabilities	**7 565 692**	5 588 956	6 450 523	4 654 717	5 059 955
Total equity and liabilities	**22 486 576**	20 406 868	20 991 297	19 508 314	20 229 776
Consolidated income statements					
Revenue	**27 803 611**	25 887 506	24 527 961	24 950 655	25 025 159
Operating profit before depreciation, amortisation and impairment^ (EBITDA)	**1 636 037**	1 525 659	2 045 984	1 747 633	1 762 387
Depreciation, amortisation and impairment*^	**(2 441 834)**	(1 554 986)	(775 640)	(971 125)	(1 445 222)
Operating (loss)/profit	**(805 797)**	(29 327)	1 270 344	776 508	317 165
Finance costs*	**(508 186)**	(325 201)	(315 104)	(373 741)	(365 194)
Finance income	**53 457**	48 585	62 624	40 999	38 361
Share of profits of joint ventures	**46 267**	43 318	28 268	48 577	44 527
Share of profits of associate	**118 338**	84 523	51 834	109 516	64 796
Impairment of associate	**(18 897)**				
(Loss)/profit before tax	**(1 114 818)**	(178 102)	1 097 966	601 859	99 655
Income tax credit/(expense)	**155 780**	(5 860)	(219 589)	(125 552)	82 986
(Loss)/profit for the year	**(959 038)**	(183 962)	878 377	476 307	182 641
(Loss)/profit for the year attributable to:					
Equity holders of the Company	**(901 396)**	(110 541)	922 439	515 657	182 022
Non-controlling interests	**(57 642)**	(73 421)	(44 062)	(39 350)	619

* *Includes the impact of IFRS 16, which was implemented on 1 July 2019.*
** *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.*
^ *Impairments relate only to impairments of property, plant and equipment, goodwill and intangible assets.*

Five-year review continued

		2020	2019	2018	2017	2016
Key statistics						
Earnings per share	cents	**(103.0)**	(12.7)	106.6	59.7	21.1
Diluted earnings per share	cents	**(102.9)**	(12.5)	104.1	59.2	21.0
Headline earnings per share	cents	**13.0**	37.9	96.8	63.5	96.5
Dividends per share	cents	**25.0**	25.0	40.0	30.0	30.0
Dividend cover	times	**0,5**	1,5	2,4	2,1	3,2
Cash generated by operations	R million	**2 571**	797	1 785	2 294	1 462
Capital expenditure (excluding intangibles)	R million	**785**	1 131	815	793	1 035
Net assets	R million	**9 822**	10 834	11 180	10 387	10 046
Net asset value per share	cents	**1 105.8**	1 245.1	1 289.0	1 201.0	1 163.2
Results ratios						
EBITDA margin	%	**5.9**	5.9	8.4	7.0	7.0
Operating profit margin	%	**(2.9)**	(0.1)	5.2	3.1	1.3
Return on net assets	%	**(11.4)**	(1.6)	9.8	5.8	1.0
Net asset turnover	times	**2,8**	2,4	2,2	2,4	2,5
Return on equity	%	**(8.7)**	(1.0)	8.6	5.0	1.8
Return on invested capital	%	**(6.3)**	(0.8)	8.1	4.8	2.6
Debt ratios						
Senior leverage ratio	times	**1,6**	2,3	1,1	1,4	1,8
Senior interest cover ratio	times	**4,7**	4,8	7,4	5,0	5,8
Gearing ratio*		**44,4**	26,0	29,1	31,8	36,9
Share information						
Number of ordinary shares						
– weighted average in issue**	'000	**875 497**	868 897	865 649	864 167	862 739
– diluted weighted average in issue**	'000	**876 172**	883 210	886 486	870 908	864 727
– at year-end (statutory, includes BEE shares)	'000	**959 004**	940 902	938 087	935 566	934 410
– at year-end (for accounting purposes)**	'000	**888 246**	870 143	867 328	864 807	863 651

* *Materially impacted by the takeon of IFRS 16 on 1 July 2019. At year-end, R1 452,5 million in additional lease liabilities were recognised as a result of the implementation of IFRS 16.*

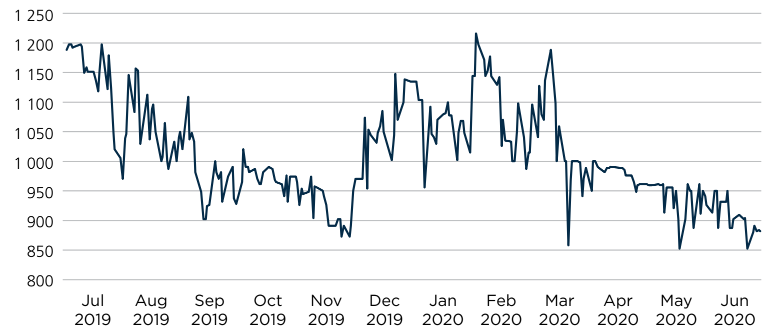
** *Excludes shares issued in terms of the BEE schemes, refer to note 33 of the consolidated financial statements.*

For further details pertaining to shareholder information refer to note 12 of the consolidated financial statements.

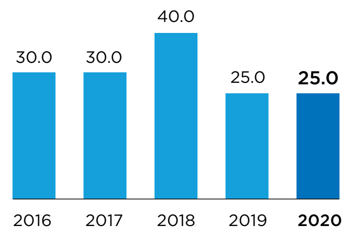
Consolidated financial statements are included in the Annual Financial Statements available on our website at www.rclfoods.com/financial-results-and-investor-presentations-2020.

Shareholder information

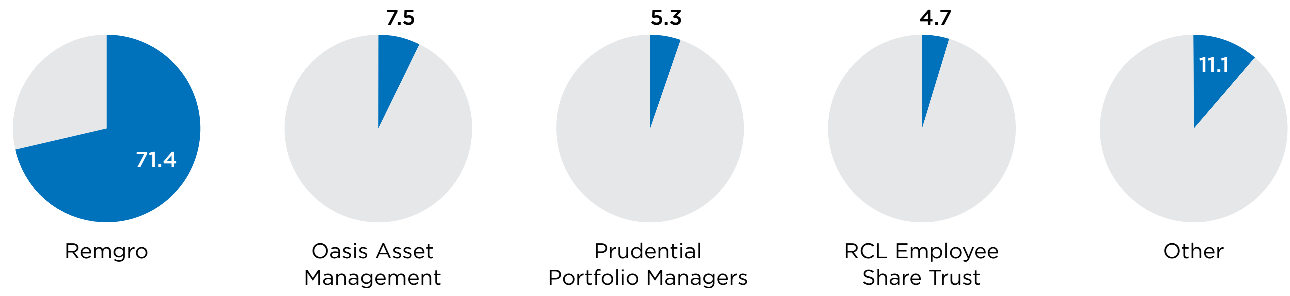
RCL FOODS SHARE PRICE
(cents)



DIVIDENDS PER SHARE
(cents)



SHAREHOLDERS
(%)



Stock exchange performance

12 months		2020	2019
Share price			
– lowest	cents	**810**	1 100
– highest	cents	**1 300**	1 825
– at year-end	cents	**880**	1 180
Number of shares traded	million	**19,8**	42,4
Value traded	R million	**194,0**	651,9
Number of shares in issue at year-end	'000	**959 004**	940 902
PE ratio at year-end		**67,7**	31,1
Market capitalisation	R billion	**8,4**	11,1

Listing information

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

Reporting dates

Interim results:	March 2021
Year-end results:	August 2021
Annual report published:	September 2021
Annual General Meeting:	November 2021

Environmental and social review

	Unit of measure	June 2020	June 2019
Environmental performance indicators			
Water consumption	Mℓ	**5 491**	5 739
Energy consumption:			
– electricity (Eskom)	GWh	**534**	511
– electricity (own generation)	GWh	**183**	207
– coal	tons	**174 298**	176 540
– gas	kℓ	**3 134**	3 356
– diesel	kℓ	**19 441**	18 957
Recycled waste products:			
– cardboard waste (includes paper)	tons	**8 101**	3 314
– plastic waste	tons	**574**	429
– scrap metal and timber	tons	**403**	567
– treated water discharged to municipality	kℓ	**2 613 418**	2 523 503
– treated water as a percentage of total water consumption	%	**48**	44
Non-compliance, prosecution and fines	R'000	**824**	1 659
Social performance indicators			
Full-time employees		**20 823**	21 046
Net full-time (decrease)/increase		**(223)**	465
Bargaining unit employees	%	**75**	75
Training expenditure	Rm	**31,8**	44,4
Disabling incident frequency rate:			
Groceries		**1,11**	1,07
Chicken		**1,47**	1,26
Sugar		**1,22**	1,22
Baking		**1,61**	0,92
Vector Logistics		**0,85**	1,04
Number of working days lost through strike action		**65**	2

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RCL FOODS LIMITED
Ten The Boulevard
Westway Office Park
Westville
3629

Dear shareholder,

Kindly note that the information contained in this printed version of the Abridged Integrated Annual Report represents a summary of the information contained in the full Integrated Annual Report published on the RCL FOODS website at www.rclfoods.com/financial-results-and-reports-2020 on 28 September 2020.

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

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

Yours faithfully

JJ Durand
Non-executive Chairman

CHAIRMAN JJ Durand; **CHIEF EXECUTIVE OFFICER** M Dally **DIRECTORS** HJ Carse, RH Field, CJ Hess, PR Louw, NP Mageza, PM Moumakwa, DTV Msibi, MM Nhlanhla, PJ Neethling*, RV Smither, GM Steyn, GCJ Tielenius Kruythoff**, GC Zondi **HEAD OFFICE** Ten The Boulevard, Westway Office Park, Westville 3629; **PO Box** 2734, Westway Office Park, 3635 KwaZulu-Natal, South Africa
TEL +27 31 242 8600 **RCL FOODS LIMITED REGISTRATION NUMBER** 1966/004972/06

**ALTERNATE DIRECTOR **DUTCH*

Report of the **Audit Committee**

for the year ended June 2020

This report sets out how the Audit Committee discharged its responsibilities during the financial year ended June 2020 as required in terms of section 94 of the Companies Act of South Africa (the Companies Act).

Mandate and terms of reference

The responsibilities of the Audit Committee are incorporated into the Committee's charter which is reviewed annually and approved by the Board. The Committee has conducted its affairs in compliance with this charter and has discharged its responsibilities contained therein.

A copy of the charter can be found on our website www.rclfoods.com/governance/corporate-governance/governance-documents

Audit Committee membership and resources

The Audit Committee consists of five independent non-executive directors and one ex-officio member, Mr GC Zondi. All members of the Committee have the requisite financial knowledge and commercial skills and experience to contribute effectively to committee deliberations.

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

Members		Appointed	29/08/2019	27/02/2020	08/06/2020
RV Smither	Committee Chairman, CA(SA)	December 2008	Present	Present	Present
CJ Hess	BCom, PGDA, CA(SA)	June 2018	Present	Present	Present
NP Mageza	ACCA(UK)	September 2009	Present	Present	Present
DTV Msibi	BBusSc, BCom (Hons), MCom, CA(SA)	August 2013	Present	Apology	Present
GM Steyn	BA (LLB)	March 2019	Present	Present	Present
GC Zondi	BCompt (Hons), AGA (SA)	July 2018	Present	Present	Present

Election of Committee members

In terms of section 94(2) of the Companies Act, it was resolved at the Annual General Meeting held on 20 November 2019 that RV Smither, CJ Hess, NP Mageza, DTV Msibi and GM Steyn be re-appointed as members of the Audit Committee until the next Annual General Meeting on 13 November 2020.

Roles and responsibilities

The Audit Committee's roles and responsibilities include its statutory duties per the Companies Act and the responsibilities assigned to it by the Board. The Audit Committee fulfils an oversight role regarding financial reporting risks, internal financial controls, fraud risk and information technology (IT) risks as they relate to financial reporting.

The Audit Committee has discharged its key responsibilities as follows:

- Reviewed the interim results, year-end financial statements, sustainability disclosure and Integrated Annual Report, culminating in a recommendation to the Board. In the course of its review, the Committee:
  - » took appropriate steps to ensure that the financial statements are prepared in accordance with International Financial Reporting Standards (IFRS);
  - » considered and, when appropriate, made recommendations on financial statements, accounting practices and internal financial controls;
  - » ensured that the Company and its subsidiaries have established appropriate financial reporting procedures and that those procedures are operating effectively; and
  - » took into consideration the process of proactive monitoring of financial statements for compliance with IFRS in terms of the JSE proactive monitoring report;
- Confirmed the Internal Audit charter and audit plan;
- Evaluated the effectiveness of controls and governance processes and satisfied itself about the adequacy and effectiveness of the Group's system of internal financial controls;
- Reviewed the appropriateness of the combined assurance model in addressing all significant risks facing the Group;
- Considered and recommended to the Board the appointment and retention of external auditors;
- Approved the audit fees and engagement terms of the external auditors; and
- Determined the nature and extent of allowable non-audit services and approved the terms for the provision of non-audit services by the external auditors.

In addition, in fulfilling its key responsibilities, the Audit Committee placed specific focus on the following area in the 2020 financial year:

- Due to the negative impact of the COVID-19 pandemic on both the global and South African economy, the Audit Committee has performed in-depth reviews over the Group's impairment process across all its cash-generating units, including a review of key impairment assumptions and inputs. Refer to notes 1 and 2 of the consolidated financial statements for further information on impairments, included in the Annual Financial Statements, available on our website at www.rclfoods.com/financial-results-and-reports-2020.

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

Expertise and experience of the CFO and Finance function

The Audit Committee performed an assessment of the CFO, Robert Field, and the Finance function. Based on the 2020 assessment, the Audit Committee is satisfied that Robert Field and his management team have the appropriate expertise and experience to service the Group's Finance function. It further considered and satisfied itself of the overall appropriateness of the expertise and adequacy of resources of the Group's Finance function. The Annual Financial Statements were compiled under the supervision of Robert Field, CA(SA).

External audit

PricewaterhouseCoopers Inc. (PwC) are the incumbent auditors for all the Group companies. The Committee continually monitors the independence and objectivity of the external auditors, and satisfied itself with the ethical requirements regarding independence and PwC was considered independent with respect to the Group as required by the Codes endorsed and administered by the Independent Regulatory Board for Auditors and the South African Institute of Chartered Accountants. In accordance with the tenure and rotation requirements, Sharalene Randelhoff will be replaced as the Group audit partner by Rodney Klute with effect from the 2021 financial year. The Committee has satisfied itself that the external auditors' appointment of Rodney Klute complies with the JSE Listings Requirements and that the designated registered auditor is within their tenure and rotation requirements.

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

During the period, PwC provided certain non-audit services, including tax services and agreed-upon procedures compliance audits. Total fees incurred during the 2020 financial year to PwC were R26,9 million of which R2,4 million related to non-audit services.

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

The Audit Committee has nominated, for election at the Annual General Meeting, PwC as the external audit firm responsible for performing the functions of auditor for the 2021 financial year. The Audit Committee has requested the information detailed in section 22.15(h) of the JSE Listings Requirements from PwC. The Audit Committee has satisfied itself that the audit firm and the designated auditor are accredited as such on the JSE list of auditors and has considered the information provided by PwC in terms of section 22.15(h) of the JSE Listings Requirements in its assessment.

Internal audit

The Audit Committee is responsible for ensuring that the RCL FOODS' Internal Audit function is independent and has the necessary resources and authority to enable it to discharge its duties.

Internal Audit comprises a dedicated team of appropriately qualified and technically experienced personnel. Where necessary, certain audits are outsourced to consultants with appropriate skills and technical expertise. The activities of the Internal Audit function are co-ordinated by the CECO. During the financial year, to ensure independence, the CECO reported functionally to the Audit Committee and, only from an administrative perspective, to the CEO. The Committee reviewed the performance of the CECO and was satisfied that he has the necessary expertise and experience to fulfil this role and that he had performed appropriately during the year under review.

Internal financial controls

The Committee is satisfied that the Group's system of internal financial controls is effective and forms a basis for the preparation of reliable financial statements, which is based on the review of the design, implementation and effectiveness of the Group's system of internal financial controls conducted by the Internal Audit function during the year under review, and reports made by the independent external auditors on the results of their audit and management reports. No findings have come to the attention of the Committee to indicate that any material breakdown in internal controls has occurred during the past financial year.

Going concern assessment

The Audit Committee reviewed a documented assessment by management of the going concern premise of the Group before concluding to the Board that the Company will be a going concern in the foreseeable future.

RV Smither
Audit Committee Chairman

28 August 2020

Abridged consolidated statement of **financial position**

as at

	28 June 2020 R'000	30 June 2019 R'000
ASSETS		
Non-current assets		
Property, plant and equipment	**5 283 523**	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
Investment in financial asset*	**137 039**	
Deferred income tax asset	**86 428**	71 400
Loan receivable	**66 964**	91 561
Trade and other receivables	**23 060**	127 025
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.*

Abridged consolidated **income statement**

for the year ended June 2020

		June 2020 R'000	June 2019 R'000
Revenue		**27 803 611**	25 887 506
Operating profit before depreciation, amortisation and impairment (EBITDA)[1]		**1 636 037**	1 525 659
Depreciation and amortisation[2]		**(935 551)**	(791 273)
Impairments[3]		**(1 506 283)**	(763 713)
Operating profit		**(805 797)**	(29 327)
Finance costs[4]		**(508 186)**	(325 201)
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 year 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
Earnings per share attributable to equity holders of the Company			
Basic earnings per share	(cents)	**(103.0)**	(12.7)
Basic earnings per share – diluted	(cents)	**(102.9)**	(12.5)
Headline earnings per share	(cents)	**13.0**	37.9
Headline earnings per share – diluted	(cents)	**13.0**	37.3

1 Includes expected credit losses recognised on loans receivable and trade and other receivables of R77,2 million (2019: R22,6 million).
2 Includes depreciation of R199,7 million in respect of right-of-use assets capitalised due to the implementation of IFRS 16 from 1 July 2019.
3 Impairments relate only to impairments of property, plant and equipment, goodwill and intangible assets.
4 Includes finance costs of R115,1 million arising due to the implementation of IFRS 16 from 1 July 2019.

Abridged consolidated statement of **comprehensive income**

for the year ended June 2020

	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 and 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 and loss		
Currency translation differences	**11 389**	5 637
Other comprehensive income for the year – net of tax	**30 779**	20 156
Total comprehensive loss for the year	**(928 259)**	(163 806)
Total comprehensive loss for the year attributable to:		
Equity holders of the Company	**(870 617)**	(90 385)
Non-controlling interests	**(57 642)**	(73 421)
	(928 259)	(163 806)

Abridged consolidated **cash flow statement**

for the year ended June 2020

	June 2020 R'000	June 2019 R'000
Operating profit	**(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 payable	**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
Dividend received	**69 197**	50 208
Dividend 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 year	**(110 378)**	1 263 364
Cash and cash equivalents at the end of the year	**1 030 041**	(110 378)

Abridged consolidated statement of **changes in equity**

for the year ended June 2020

	Attributable to equity holders of the company							
	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

for the year ended June 2020

		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
Additions due to replacement of property, plant and equipment		**(375 152)**	(464 660)
Additions due to expansion of property, plant and equipment		**(410 239)**	(666 206)
Intangible asset additions		**(25 991)**	(20 504)
Amount expensed as write-down to net realisable value		**69 014**	71 944
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 paid	(cents)	**15.0**	15.0
Final dividend declared/paid	(cents)	**10.0**	10.0
Total dividends	(cents)	**25.0**	25.0

Abridged segmental analysis

for the year ended June 2020

	June 2020 R'000	Restated 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[1]	**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 to Chicken	**(20 493)**	(20 918)
Operating profit before depreciation, amortisation and impairment (EBITDA)[2]	**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[3]	**114 475**	35 367
Depreciation and amortisation[4]	**(935 551)**	(791 273)
Impairments[5]	**(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)**	
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[3]	**49 359**	6 657

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

[2] *Includes expected credit losses on loans receivable and trade and other receivables of R77,2 million (2019: R22,6 million).*

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

[4] *Includes depreciation of R199,7 million in respect of right-of-use assets capitalised due to the implementation of IFRS 16 from 1 July 2019.*

[5] *Impairments relate only to impairments of property, plant and equipment and intangible assets.*

Abridged segmental analysis continued

for the year ended June 2020

	June 2020 R'000	June 2019 R'000
Finance costs[1]	**(508 186)**	(325 201)
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/(loss) of associates	**118 338**	84 523
Sugar	**118 744**	86 119
Vector	**1 455**	157
Ugandan Operation	**(1 861)**	(1 753)
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[2]	**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[2]	**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

1 Includes finance costs of R115,1 million arising due to the implementation of IFRS 16 from 1 July 2019.

2 Includes assets and liabilities of the Group treasury company, RCL Group Services Proprietary Limited, Matzonox Proprietary Limited and consolidation entries

Notes to the abridged financial statements

for the year ended June 2020

1. Basis of preparation

The Abridged Annual Financial Statements have been extracted from the Audited Annual Financial Statements for the year ended June 2020, available at www.rclfoods.com/financial-results-and-reports-2020. The Abridged Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the information required by IAS 34 Interim Financial Reporting, IFRIC interpretations, SAICA financial reporting guides and in compliance with the Companies Act of South Africa and the 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 have been consistently applied to all years presented, with the exception of IFRS 16 which became applicable for the current reporting period.

2. Directors' emoluments

	Basic salary R'000	Pension contribution R'000	Bonus* R'000	Other benefits** R'000	Total R'000
2020					
M Dally	**8 633**	**570**	**2 350**	**198**	**11 751**
RH Field	**4 380**	**518**	**985**	**255**	**6 138**
	13 013	**1 088**	**3 335**	**453**	**17 889**
2019					
M Dally	8 947	539	3 742	305	13 533
RH Field	4 525	491	1 630	311	6 957
	13 472	1 030	5 372	616	20 490

** Bonus payments in 2020 relate to the 2019 financial year. An amount of R2,9 million has been accrued for the 2020 financial year.*

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

	2020 R'000	2019 R'000
Non-executives (for services as a director)		
HJ Carse***	**353**	365
JJ Durand***	**471**	477
CJ Hess	**612**	548
PR Louw***	**353**	365
NP Mageza	**704**	697
PM Moumakwa	**481**	217
DTV Msibi	**447**	450
MM Nhlanhla	**407**	385
RV Smither	**821**	777
GM Steyn	**752**	641
GCJ Tielenius Kruythoff	**65**	
GC Zondi****	**840**	826
Total	**6 306**	5 748

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

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

Notes to the abridged financial statements continued

for the year ended June 2020

2. Directors' emoluments continued

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

Share appreciation rights awarded to executive directors and unexpired or unexercised as at June 2020 are as follows:

	Award price Rand	Rights at June 2019	Rights awarded during the year	Rights forfeited during the year	Rights at June 2020	Fair value of rights awarded* R'000	Rights exercisable at June 2020
M Dally	16,54	1 240 943			1 240 943	4 054	1 240 943
	15,93	1 014 820			1 014 820	2 760	1 014 820
	15,92	540 869			540 869	1 698	356 973
	14,05	1 962 930			1 962 930	6 007	647 766
	15,36	1 284 422			1 284 422	4 367	
	16,97	1 153 718			1 153 718	5 053	
	9,93		2 189 069		2 189 069	5 188	
		7 197 702	2 189 069		9 386 771	29 127	3 260 502
RH Field	13,20	250 919		(250 919)			
	16,54	621 765			621 765	2 031	621 765
	15,93	559 397			559 397	1 522	559 397
	15,92	319 448			319 448	1 003	210 835
	14,05	1 087 325			1 087 325	3 327	358 817
	15,36	669 653			669 653	2 277	
	16,97	620 061			620 061	2 716	
	9,93		1 217 339		1 217 339	2 885	
		4 128 568	1 217 339	(250 919)	5 094 988	15 761	1 750 814
Total		11 326 270	3 406 408	(250 919)	14 481 759	44 888	5 011 316

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

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

Share appreciation rights awarded to executive directors and unexpired or unexercised as at June 2019 are as follows:

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

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

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

	Conditional shares at June 2019	Conditional shares settled during the year	Conditional shares at June 2020	Gain on conditional shares settled R'000
M Dally	3 620 565	(3 620 565)		39 247
RH Field	1 448 226	(1 448 226)		13 787
Total	5 068 791	(5 068 791)		53 034

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

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

2. Directors' emoluments continued

Interests of directors of the Company in stated capital

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

	2020		2019	
	Direct beneficial	Indirect beneficial	Direct beneficial	Indirect beneficial
Executive directors				
M Dally	**2 994 457**		1 250 997	
RH Field	**1 525 030**	**28 013**	661 804	28 013
Non-executive directors				
NP Mageza		**386**		386
MN Nhlanhla*		**229 559**		229 559
GC Zondi*		**667 252**		2 932 004
	4 519 487	**925 210**	1 912 801	3 189 962

** Assumes 100% vesting in terms of BEE transaction.*

There has been no change in the interest of the directors in the stated capital of the Company since the end of the financial year to the date of this report.

The above interests of directors represents the aggregate interests of directors. No interest is held by a director's associate.

Directors' emoluments paid by Remgro Limited

	Fees R'000	Salaries R'000	Retirement fund R'000	Other benefits** R'000	Total R'000
June 2020					
Executive					
HJ Carse		**2 426**	**481**	**305**	**3 212**
JJ Durand	**390**	**10 751**	**2 194**	**398**	**13 733**
PR Louw		**2 688**	**529**	**411**	**3 628**
Subtotal	**390**	**15 865**	**3 204**	**1 114**	**20 573**
Independent non-executive					
NP Mageza	**603**				**603**
Subtotal	**603**				**603**
Total	**993**	**15 865**	**3 204**	**1 114**	**21 176**
June 2019					
Executive					
HJ Carse		2 394	456	288	3 138
JJ Durand	368	11 286	2 296	371	14 321
PR Louw		2 758	547	385	3 690
Subtotal	368	16 438	3 299	1 044	21 149
Independent non-executive					
NP Mageza	568				568
Subtotal	568				568
Total	936	16 438	3 299	1 044	21 717

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

Variable pay – long-term incentive plans

Remgro Equity Settled Share Appreciation Right Scheme (SARs) – 2020

Participant	Balance of SARs accepted as at June 2019	SARs accepted during the period	Offer date	Offer price Rand	Balance of SARs accepted as at June 2020	Fair value of SARs granted* R'000
Executive						
HJ Carse	**7 546**			**94,22**	**7 546**	**96**
	11 767			**127,40**	**11 767**	**33**
	17 775			**164,57**	**17 775**	**76**
	8 273			**170,38**	**8 273**	**38**
	9 988			**125,95**	**9 988**	**137**
	16 972			**118,86**	**16 972**	**294**
	5 915			**112,38**	**5 915**	**126**
JJ Durand	**271 258**			**94,22**	**271 258**	**3 439**
	93 128			**127,40**	**93 128**	**262**
	108 468			**164,59**	**108 468**	**463**
	192 676			**170,38**	**192 676**	**888**
	150 872			**125,95**	**150 872**	**2 076**
	132 309			**118,86**	**132 309**	**2 290**
	87 135			**112,38**	**87 135**	**1 851**
PR Louw	**22 646**			**94,22**	**22 646**	**287**
	12 944			**127,40**	**12 944**	**36**
	5 952			**164,59**	**5 952**	**25**
	9 497			**170,38**	**9 497**	**44**
	91 120			**125,95**	**91 120**	**1 254**
	20 301			**118,86**	**20 301**	**351**
	17 881			**112,38**	**17 881**	**380**
	1 294 423				**1 294 423**	**14 446**

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

Notes to the abridged financial statements continued

for the year ended June 2020

2. Directors' emoluments continued

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

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

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

Remgro Equity Settled Conditional Share Plan (CSPs) – 2020

Participant	Balance of CSPs accepted as at June 2019	CSPs accepted during the period*	Offer date	Offer price Rand	Balance of CSPs accepted as at June 2020	Grant date fair value of CSPs** R'000
Executive						
HJ Carse	**5 915**	**2 239**		**205,07**	**8 154**	**173**
JJ Durand	**87 135**	**32 972**		**205,07**	**120 107**	**2 551**
PR Louw	**17 881**	**6 767**		**205,07**	**24 648**	**524**
Total	**110 931**	**41 978**			**152 909**	**3 248**

Remgro Equity-Settled Conditional Share Plan (CSPs) – 2019

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

** As a result of RMB Holdings unbundling, additional CSP's were allocated during the year over a period.*
*** Fair value of rights awarded represents the total fair value of all rights outstanding at the end of the year. This cost is expensed over the rights' vesting period.*

Notes to the abridged financial statements continued

for the year ended June 2020

	2020 R'000	2019 R'000
3. Finance costs		
Interest – financial institutions	**294 914**	265 801
Fair value adjustment on interest rate collar option	**89 798**	29 766
Transaction costs on term-funded debt	**1 028**	4 598
Interest – Holding company, joint ventures and associates	**3 557**	24 162
Interest on lease liabilities*	**115 126**	
Interest – other	**28 270**	7 628
	532 693	331 955
Less: Amounts capitalised on qualifying assets	**(24 507)**	(6 754)
Total	**508 186**	325 201

* *Relates only to liabilities taken on due to the implementation of IFRS 16 from 1 July 2019. Refer to note 7 for further details.*

	2020 R'000	2019 R'000
4. Interest-bearing liabilities		
Long term		
Institutional borrowings	**32 495**	31 733
Loan from Green Create W2V SA Proprietary Limited		50 000
Loan from FIRST	**76 383**	
Lease liabilities	**1 482 769**	180 520
Term-funded debt package	**2 350 000**	2 350 000
Loan from Ingwenyama Simhulu Trust	**13 612**	10 953
Loan from Siphumelele Tenbosch Trust	**1 000**	500
Loan from Matsamo Communal Property Association	**3 699**	1 861
Loans from Akwandze Agricultural Finance Proprietary Limited		13 796
	3 959 958	2 639 363
Short-term		
Institutional borrowings	**2 511**	5 859
Lease liabilities	**162 509**	21 262
Loan from FIRST	**3 267**	
Loan from Green Create W2V SA Proprietary Limited	**76 000**	
Current portion of long-term loan from Akwandze Agricultural Finance Proprietary Limited	**1 919**	3 148
Short-term loans from Akwandze Agricultural Finance Proprietary Limited	**159 339**	151 365
	405 545	181 634

Institutional borrowings

Institutional borrowings are loans from Futuregrowth Asset Management Proprietary Limited with a carrying value in non-current liabilities of R32,4 million (2019: R31,7 million) and an amount of R2,5 million included in short-term institutional borrowings (2019: R5,9 million). These loans were used to fund new contract grower operations in the Chicken business unit. These loans bear interest at the three-month JIBAR with a margin of between 1.5% and 4.25% per annum (2019: 1.5% and 4.25% per annum). The outstanding loan together with the accrued interest is required to be repaid in instalments based on the contract growers operating cycle at intervals of between 40 to 50 days between payments.

The carrying amount of institutional borrowings approximates their fair values.

Loan from Green Create W2V SA Proprietary Limited

Green Create W2V SA Proprietary Limited is a 50% shareholder in Matzonox Proprietary Limited which houses the Group's Waste-to-Value operations. Green Create W2V SA Proprietary Limited has provided finance related to the construction of a Waste-to-Value plant in Rustenburg.

Borrowings with a carrying value of R76,0 million (2019: R50,0 million in non-current) are included in current liabilities.

The loan is unsecured. Interest accrues at the prime rate plus 5% per annum. The loan is repayable by February 2021.

The funding to Matzonox Proprietary Limited has been provided in equal proportions by Green Create W2V SA Proprietary Limited and the RCL FOODS Group.

The Group's portion of the funding (R76,0 million) has been eliminated on consolidation.

The carrying amount of the loan approximates its fair value.

Loan from FIRST

During the current financial year a loan from the Facility for Investments in Renewable Small Transactions (RF) Proprietary Limited (FIRST) was obtained in Matzonox Proprietary Limited. FIRST is a debt funding platform created through a partnership between international development funding and a South African commercial bank to unlock funding for small renewable projects.

This loan accrues interest at three-month JIBAR plus 4,08%. The loan is repayable over a ten-year term.

The loan is secured by:

- a notarial bond registered over the Worcester Waste-to-Value Plant;
- certain bank accounts held with First National Bank (Debt-service and Maintenance Reserve Accounts); and
- the shares held by shareholders in Matzonox Proprietary Limited.

The carrying amount of the loan approximates its fair value.

Term-funded debt package

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

The debt package has a five-year term expiring in December 2023, with interest at a rate of three-month JIBAR plus a margin of between 1.5% to 1.55%, compared to a rate of three-month JIBAR plus a margin of 1.8% to 2.25% on the previous package.

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

	Amount R'000	Term years	Effective interest rate %
Type			
Facility A	**1 175 000**	**5 years**	**8.02**
Facility B	**1 175 000**	**5 years**	**8.07**
Total	**2 350 000**		

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

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

4. Interest-bearing liabilities continued

The term-funded debt package requires that the Group comply with the following financial covenants:

	June 2020	June 2019
Senior leverage ratio	**<3.00:1**	<3.00:1
Senior interest cover ratio	**>3.50:1**	>3.50:1

In the event of default on the term-funded debt package, the applicable interest rate will be increased by 2.0% until the default no longer exists.

The terms of the term-funded debt package require lender pre-approval for the following – but not limited to – specified events:

- Any acquisition that does not have a positive 12 month EBITDA or cash flow and the purchase price is less than R500,0 million;
- Any loan or financial support to a community-based joint venture (as defined) as well as Akwandze is in excess of R1 350,0 million during the term of the debt package;
- More than three dividends paid in a financial year;
- Entering into acquisitions and the payment of dividends requires the Group to meet the financial covenants specified in the term-funded debt package agreement both immediately after the proposed transaction and on a look-forward basis for the next interim and year-end reporting date after the proposed transaction; and
- In addition, there are various transactions in the normal course of business which require that the Group remain within the specified financial covenants.

For the year ended June 2020, the Group was within the limits of its financial covenants.

The obligations in respect of the debt package discussed above, have been guaranteed by each of Foodcorp Proprietary Limited, RCL FOODS Treasury Proprietary Limited, RCL FOODS Sugar & Milling Proprietary Limited, RCL FOODS Consumer Proprietary Limited, Rainbow Farms Investments Proprietary Limited, RCL Group Services Proprietary Limited and Vector Logistics Proprietary Limited.

The above loans of the term-funded debt package are unsecured.

The fair value of the term-funded debt package at June 2020 amounted to R2,34 billion (2019: R2,46 billion). The fair value is calculated by discounting the future cash flows over the period of the loan and is within level 2 of the fair value hierarchy. The discount rate is based on the South African Sovereign Zero-Coupon Swap Curve with the contractual margin charged by the lenders as a credit spread.

Loans from Ingwenyama Simhulu Trust
Ingwenyama Simhulu Trust owns 50% of the shares in Libuyile Farming Services Proprietary Limited. Ingwenyama Simhulu Trust owns the land which Libuyile Farming Services Proprietary Limited leases for its farming activities.

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

Libuyile Farming Services Proprietary Limited obtained a R8,0 million shareholder loan from Ingwenyama Simhulu Trust during the 2016 financial year. No interest is payable within the first three years. A rate of 4% interest will be charged from years three to five. A prime less 1% interest will be charged after year five. The repayment of the shareholder loan will be considered after year five at a Libuyile Farming Services Proprietary Limited board meeting. Accrued interest capitalised to the loan amounts to R0.3 million (2019: R0.2 million).

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

Libuyile Farming Services Proprietary Limited obtained a R2,3 million shareholder loan from Ingwenyama Simhulu Trust during the 2020 financial year. No interest is payable within the first two years. A rate of 3% interest will be charged from years three to four. An interest rate of 5% will be charged after year four. The loan will be repaid when the gearing of Libuyile Farming Services Proprietary Limited is below 50%.

The funding to Libuyile Farming Services Proprietary Limited has been matched on the same terms and conditions by the Ingwenyama Simhulu Trust and the RCL FOODS Group. The Group's portion of the funding (R13,6 million) has been eliminated on consolidation.

The carrying amount of these loans approximate their fair values.

Loan from Siphumelele Tenbosch Trust
Mgubho Farming Services Proprietary Limited is a 50% held subsidiary of the Group, which farms sugarcane. Siphumelele Tenbosch Trust own the land which

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

Mgubho Farming Services Proprietary Limited obtained a R1,9 million shareholder loan from Siphumelele Tenbosch Trust during the 2020 financial year. No interest is payable within the first two years. A rate of 3% interest will be charged from years three to four. An interest rate of 5% will be charged after year four. The loan will be repaid when the gearing of Mgubho Farming Services Proprietary Limited is below 50%.

The funding to Mgubho Farming Services Proprietary Limited has been matched on the same terms and conditions by Siphumelele Tenbosch Trust and the RCL FOODS Group. The Group's portion of the funding (R3,7 million) has been eliminated on consolidation.

The carrying amount of these loans approximate their fair values.

Loan from Matsamo Communal Property Association
Sivunosetfu Proprietary Limited is a 50% held subsidiary of the Group, which farms sugarcane and litchis. Matsamo Communal Property Association own the land which Sivunosetfu Proprietary Limited leases for its farming activities.

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

Sivunosetfu Proprietary Limited obtained a R0,5 million shareholder loan from Matsamo Communal Property Association during the 2020 financial year. No interest is payable within the first two years. A rate of 3% interest will be charged from years three to four. An interest rate of 5% will be charged after year four. The loan will be repaid when the gearing of Sivunosetfu Proprietary Limited is below 50%.

The funding to Sivunosetfu Proprietary Limited has been matched on the same terms and conditions by Matsamo Communal Property Association and the RCL FOODS Group. The Group's portion of the funding (R1,0 million) has been eliminated on consolidation.

The carrying amount of these loans approximate their fair values.

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

4. Interest-bearing liabilities continued

The various short-term loans amounting to R141,9 million (2019: R151,4 million) from Akwandze Agricultural Finance Proprietary Limited are repayable within one year. These loans bear interest at prime less 1.5% (2019: between prime less 3.75% per annum and prime less 1.5% per annum). The loans are secured by a cession over Libuyile Farming Services Proprietary Limited, Mgubho Farming Services Proprietary Limited and Sivunosetfu Proprietary Limited's rights and interest in the gross revenue accruing to the them from all sugarcane cut and delivered to any mill, including revenue from any seed cane sold or disposed otherwise. These loans have been guaranteed by RCL FOODS Sugar & Milling Proprietary Limited.

The short-term loan amounting to R19,3 million (2019: R28,1 million) from Akwandze Agricultural Finance Proprietary Limited is unsecured, payable on demand and bears interest at a rate of 5.6% (2019: 9.25%) per annum.

The carrying amount of these loans approximates their fair values.

5. Impairments

During the current financial year, total net impairments of R1 506,3 million were recognised across the Group. R593,2 million of the impairment related to items of property, plant and equipment. The impact of the pandemic on global economies and especially considering South Africa's weak economic fundamentals and recent sovereign ratings downgrade, coupled with a lower forecast of growth into the future as a result of the lingering impact of COVID-19 throughout the business were the main drivers of the impairments. COVID-19 significantly impacted the profitability of the Chicken and Sugar businesses in the current period, which was an indicator of impairment. Therefore, impairment assessments for these CGU's were performed, in addition to the annual impairment tests conducted on CGU's containing goodwill and other indefinite useful life assests.

The Chicken CGU was reviewed in the current financial year. Historically, the Chicken processing operations were designated into two CGU's, namely Individually Quick-Frozen (IQF) and Non-IQF. The IQF specific assets which were allocated to the IQF CGU were fully impaired in prior periods with common assets allocated to the Non-IQF CGU. The impact of COVID-19 and the national lockdown which resulted in the entire Quick Service Restaurant channel being shut down led to the review of the CGU definitions for Chicken in the current year. A strategic review was conducted by management in the current financial year with a view to transition to a simplified product mix, a change in shift patterns (allowing for the simplified mix) and the use of common plant and equipment between both IQF and non-IQF product lines. The impact of COVID-19 caused this transition to accelerate with the result being that the entire Chicken business is now assessed as a single CGU.

The total impairments recognised across the Group of R1 506,3 million by CGU are as follows:

2020	Property, plant and equipment R'000	Trademarks R'000	Goodwill R'000	Software R'000	Total R'000
Pies	(3 121)		(114 074)		(117 195)
Speciality			(73 877)		(73 877)
Beverages	(47 062)		(122 558)		(169 620)
Chicken	(346 259)				(346 259)
Sugar	(52 641)				(52 641)
Sweetener	(13 939)			(14)	(13 953)
Milling	832	(315 141)			(314 309)
Vector	(130 985)		(287 444)		(418 429)
	(593 175)	(315 141)	(597 953)	(14)	(1 506 283)

The key assumptions used in the value-in-use calculation are presented below.

These calculations use cash flow projections based on financial budgets approved by management, which include assumptions on profit before tax, working capital and capital maintenance expenditure.

The forecast cash flows used in the value-in-use calculations are the output of the Group's five-year business planning process. Due to the impact of COVID-19 on results in the second half of the 2020 financial year, the poor economic outlook as well as the sovereign ratings downgrade, the cash flows used in the forecast have been adjusted from the five-year approved business plans, using a conservatised approach. The approach applied a probability weighting to each of the conservatised scenarios to obtain the most appropriate value-in-use. The assumptions used in the value-in-use calculations include:

- Volume growth: RCL FOODS is a food producer with products sold mainly in the South African market. Volume assumptions are therefore closely linked to population and GDP growth forecasts for South Africa. Compounded volume growth over the five-year period does not exceed long-term GDP forecasts, apart from additional volume resulting from recent capital investments which have yet to reach full production and innovation/new product launches serviced from existing capacity.
- Selling price and cost growth are linked to Consumer Price Index (CPI) and food inflation (which tracks ahead of CPI).
- Capital expenditure: Capital expenditure spend is limited to replacement capital expenditure, in line with the Group's maintenance programmes.
- Working capital: Working capital is held at a constant percentage of revenue based on the historic averages achieved in each CGU.
- The cash flow beyond year five (terminal cash flow) has assumed a steady state of growth with capital expenditure equal to depreciation, volumes and profit margins maintained at year five levels with the growth beyond year five resulting solely from price inflation.
- Perpetuity growth rate and discount rate: In the current year a perpetuity growth rate of 4.0% (2019: 5.5%) was applied. The reduction in the perpetuity growth rate and discount rates applied in the impairment tests were as a result of a poor economic outlook due to the COVID-19 pandemic and the sovereign ratings downgrade of South Africa

A reasonable possible change in these assumptions is not expected to result in a material change to the impairment losses, or headroom available, in any of the CGU's.

Key assumptions used in the impairment test are as follows*:

2020	Discount rate pre-tax %	Perpetuity growth rate %	Period years
Pies	15.8	4.0	5
Speciality	15.7	4.0	5
Beverages	16.0	4.0	5
Chicken	17.7	4.0	5
Sugar	17.4	4.0	5
Sweetener	12.2	4.0	5
Milling	16.1	4.0	5
Vector	16.6	4.0	5

5. Impairments continued

Sensitivity analysis of assumptions used in the impairment test:

	Discount rate		Perpetuity growth rate	
	Movement (%)	Impairment (Rm)	Movement (%)	Impairment (Rm)
Pies	+1.0	212,2	(0.5)	152,5
Speciality	+1.0	146,7	(0.5)	101,8
Beverages	+1.0	176,3	(0.5)	144,3
Chicken	+1.1	544,7	(0.5)	424,8
Sugar	+1.0	203,7	(0.5)	108,2
Sweetener	+1.0	13,9	(0.5)	13,9
Milling	+1.0	421,1	(0.5)	362,8
Vector	+1.0	535,8	(0.5)	457,1

** The key assumptions and impairment sensitivities above relate to the full carrying value of the CGUs.*

At June 2020, there were no indications that any previously recognised impairment losses should be reversed, apart from those reversed in the year.

In the previous financial year, a total impairment of R761,9 million was recognised within the Sugar business unit. R743,9 million of the impairment related to items of property, plant and equipment. The impairment was due to the significant challenges being experienced in the local sugar industry.

Further impairment losses of R4,7 million were recognised in the 2019 financial year in the Chicken business unit while in the Baking business unit impairments on assets with a net book value of R2,9 million were reversed.

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

6. Related party transactions

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

The ultimate controlling party of the Group is Remgro Limited.

Group

As detailed in note 1 to the Company financial statements included in the Annual Financial Statements for the year ended June 2020, available at www.rclfoods.com/financial-results-and-reports-2020, the Group has concluded certain lending transactions with these related parties. In addition the following transactions were concluded:

	2020 R'000	2019 R'000
Transactions and balances with ultimate holding Company		
Interest paid	20 238	13 247
Administration and other fees paid	24 239	22 867
Service fees received	4 354	2 441
Other expenses paid	1 350	
Amounts owing to the holding company included in trade and other payables	5 051	7 061
Amounts owing by the holding company included in trade and other receivables	2 543	1 400
Directors' fees	1 177	1 207
Transactions and balances with subsidiaries of the holding Company		
Sales	260 341	179 166
Purchases	56	
Interest paid	14 649	
Amounts owing to subsidiaries of the holding company included in trade and other receivables	89 416	63 723
Amounts owing by subsidiaries of the holding company included in trade and other payables	545 809	270 350
Transactions and balances with associates of the holding Company		
Bank charges paid	5 537	3 828
Bank balances included in cash and cash equivalents	64 603	42 252
Bank balances included in bank overdraft		482 600
Interest paid	119 720	107 431
Interest received	3 439	2 817
Amounts owing to subsidiaries of the holding company included in trade and other receivables	42 723	28 675
Amounts owing by subsidiaries of the holding company included in trade and other payables	585	80
Commitment, settlement and facility fees paid	877	4 454
Derivative balance with associates of the holding company	66 928	13 738
Fair value adjustment included in finance costs	53 918	
Amounts owing included in short-term interest-bearing liabilities	3 266	
Amounts owing included in long-term interest-bearing liabilities	1 016 384	940 000
Service fees received		74
Purchases	184 785	206 549
Sales	1 987	7 335

6. Related party transactions continued

	2020 R'000	2019 R'000
Transactions and balances with associates and joint ventures within the Group		
Interest paid	**14 849**	10 915
Interest received		3 288
Management fees received	**1 448**	1 484
Service fees paid	**9 032**	7 841
Dividends received	**69 197**	50 208
Sales	**128 006**	82 698
Purchases	**1 488 719**	1 231 220
Amounts owing by associates and joint ventures within the Group included in receivables	**18 789**	22 269
Amounts owing to associates and joint ventures within the Group included in interest-bearing liabilities	**161 258**	168 309
Amounts owing to associates and joint ventures within the Group included in payables	**152 214**	147 709
Key management of RCL Foods Limited		
The following transactions were carried out with key management individuals within the Group:		
In terms of IAS24: Related party disclosures, key management are considered to be related parties.		
Executive management and the senior leadership team are classified as key management:		
– short-term employee benefits	**464 256**	481 480
– post-employment benefits	**39 864**	37 121
– termination benefits	**7 746**	8 890
– share-based payments	**120 359**	139 089
Total	**632 225**	666 580

7. Change in accounting policy

This note explains the impact of the adoption of IFRS 16 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 as an expense	**(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**
Split as follows:	
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 separate the lease and non-lease components of the contract.*

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.

7. Change in accounting policy continued

The recognised right-of-use assets relate to the following types of assets:

	28 June 2020 R'000	1 July 2019 R'000
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; and
- interest-bearing liabilities – increase by R1 091,2 million.

i) Impact on segment disclosures and earnings per share

EBITDA, operating profit, 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:

	EBITDA R'000	Operating profit R'000	Segment assets R'000	Segment liabilities R'000
Groceries	**4 289**	**348**	**6 238**	**15 035**
Baking	**16 375**	**1 498**	**90 995**	**95 449**
Chicken	**42 740**	**4 260**	**111 851**	**114 665**
Sugar	**26 207**	**4 624**	**54 550**	**71 253**
Vector	**106 192**	**19 771**	**864 980**	**896 440**
Group	**41 881**	**7 459**	**227 517**	**259 669**
Total	**237 684**	**37 959**	**1 356 132**	**1 452 511**

Earnings per share decreased by 6,3 cents per share for the 12 months to 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 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.

7. Change in accounting policy continued

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.

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 continue 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.

Notice to shareholders

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

Notice is hereby given that the 54th Annual General Meeting of shareholders of RCL Foods Limited will be held at Ten The Boulevard, Westway Office Park, Westville, KwaZulu-Natal on Friday, 13 November 2020 at 08:30am to consider and, if deemed fit, to pass the following ordinary and special resolutions with or without modification and to transact such other business as may be transacted at an Annual General Meeting.

In terms of section 59(1)(a) of the South African Companies Act, No. 71 of 2008, as amended, ("the Companies Act") the record date for the purpose of determining which shareholders of the Company are entitled to receive notice of the Annual General Meeting is Friday, 18 September 2020. In terms of section 59(1)(b) of the Companies Act, the record date for the purpose of determining which shareholders of the Company are entitled to participate in and vote at the Annual General Meeting is Friday, 6 November 2020. Accordingly, the last day to trade in order to be registered in the register of members of the Company and therefore be eligible to participate in and vote at the Annual General Meeting is Tuesday, 3 November 2020.

As a result of the continuing uncertainty around restrictions placed on public gatherings, and the social distancing requirements relating to the COVID-19 pandemic, which may continue to be in force as at the date of the Annual General Meeting, it may be necessary to hold the Annual General Meeting entirely by electronic means. In such case, full details regarding electronic participation and voting in the Annual General Meeting will be published on SENS in the week prior to the date of the Annual General Meeting. Shareholders are therefore advised to monitor the Company's announcements.

Ordinary resolutions

1. Adoption of annual financial statements

Ordinary resolution number 1

Resolved that the audited annual financial statements of the Company and the Group, including the Report of the Directors, Report of the Audit Committee and Independent Auditor's Report, for the year ended June 2020 be received and adopted.

2. Election and re-election of directors

Ordinary resolution number 2.1

Resolved that Mr GCJ Tielenius Kruythoff, having been appointed since the last Annual General Meeting, be elected as a non-executive director of the Company.

Ordinary resolution number 2.2

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

Ordinary resolution number 2.3

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

Ordinary resolution number 2.4

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

Ordinary resolution number 2.5

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

2. Election and re-election of directors continued

Ordinary resolution number 2.6

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

Biographical details of the above directors can be found on pages 56 and 57 of this Abridged Integrated Annual Report, of which this notice forms part.

3. Re-appointment of external auditors

Ordinary resolution number 3

Resolved that the re-appointment of PricewaterhouseCoopers Incorporated as the Company's auditors, as nominated by the Company's Audit Committee, be approved. In accordance with the tenure and rotation requirements, the individual registered auditor who will undertake the audit during the financial year ending June 2021 is Mr Rodney Klute.

4. Election of members of the Audit Committee

Ordinary resolution number 4.1

Resolved that, subject to re-election under ordinary resolution 2.3, Mrs CJ Hess, an independent non-executive director of the Company, be elected as a member of the Audit Committee until the next Annual General Meeting.

Ordinary resolution number 4.2

Resolved that, subject to re-election under ordinary resolution 2.4, Mr NP Mageza, an independent non-executive director of the Company, be elected as a member of the Audit Committee until the next Annual General Meeting.

Ordinary resolution number 4.3

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

Ordinary resolution number 4.4.

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

5. General authority to place 10% of the unissued ordinary shares under the control of the directors

Ordinary resolution number 5

Resolved that the unissued ordinary shares in the authorised share capital of the Company be placed under the control of the directors who are hereby authorised, as a general authority in terms of the Company's Memorandum of Incorporation, to issue such shares at such times and upon such terms and conditions as they in their sole discretion may determine, subject to the provisions of the Companies Act, the Memorandum of Incorporation and the Listings Requirements of the JSE Limited ("JSE") to the extent applicable, provided that this approval shall be valid only until the next Annual General Meeting of the Company and that the aggregate number of ordinary shares to be allotted and issued in terms of this ordinary resolution number 5 is limited to 10% of the number of the unissued ordinary shares in the authorised share capital of the Company at the date of this Notice of Annual General Meeting (being 104 099 561 ordinary shares).

Explanation

Clause 6.7 of the Memorandum of Incorporation provides that the Board may resolve to issue authorised shares, but only to the extent that such issue has been approved by the shareholders in general meeting, either by way of a general or specific authority. The purpose of Ordinary Resolution Number 5 is to provide such general authority, which shall remain subject to the provisions of and all limitations contained in the Companies Act, the Memorandum of Incorporation and the Listings Requirements, to the extent applicable. The authority in terms of Ordinary Resolution Number 5 cannot be used to issue shares for cash as contemplated in the Listings Requirements.

6. Enabling resolution

Ordinary resolution number 6

Resolved that any director of the Company and/or the Company Secretary be and is hereby authorised to do all such things and sign all such documents as may be necessary for or incidental to the implementation of special resolutions numbers 1 to 3.

7. Non-binding advisory vote in respect of the Remuneration Policy

Ordinary resolution number 7

Resolved that the Remuneration Policy, as described in the Remuneration Report on pages 3 and 4, available on our website at www.rclfoods.com/financial-results-and-reports-2020, is hereby approved by way of a non-binding advisory vote, as recommended in the King IV Report on Corporate Governance for South Africa 2016, commonly referred to as King IV.

8. Non-binding advisory vote in respect of the Remuneration Implementation Report

Ordinary resolution number 8

Resolved that the Implementation Report contained in the Remuneration Report on pages 4 to 7, available on our website at www.rclfoods.com/financial-results-and-reports-2020, is hereby approved by way of a non-binding advisory vote, as recommended in the King IV Report on Corporate Governance for South Africa 2016, commonly referred to as King IV.

Special resolutions

1. Financial assistance in terms of sections 44 and 45 of the Companies Act, 2008

Special resolution number 1

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

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

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

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

Explanation

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

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

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

2. Approval of non-executive directors' remuneration

Special resolution number 2

Resolved as a special resolution that, unless otherwise determined by the Company in a general meeting, the annual fees (excluding VAT where applicable), payable by the Company to its non-executive directors with effect from 1 October 2020, remain unchanged, and be approved as follows:

	Rand
Board	
Chairperson	339 290
Members	339 290
Audit Committee	
Chairperson	283 227
Members	142 311
Remuneration and Nominations Committee	
Chairperson	167 425
Members	104 640
Risk Committee	
Chairperson	167 425
Members	104 640
Social and Ethics Committee	
Chairperson	119 988
Members	72 551

Explanation

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

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

3. General authority to repurchase shares

Special resolution number 3

Resolved as a special resolution that the Board be and is hereby authorised, by way of a renewable general authority in terms of the provisions of the JSE Listings Requirements, to approve the purchase by the Company of its own ordinary shares, or to approve the purchase of ordinary shares in the Company by any subsidiary of the Company, in terms of section 48 of the Companies Act from time to time on such terms and conditions and in such amounts as the Board may determine, provided that:

1. this general authority shall be valid until the Company's next Annual General Meeting or for 15 months from the date of passing of this resolution, whichever period is shorter;
2. the ordinary shares be purchased through the order book operated by the JSE Limited trading system and done without any prior understanding or arrangement between the Company and/or the relevant subsidiary and the counterparty (reported trades are prohibited);
3. an announcement complying with paragraph 11.27 of the JSE Listings Requirements be made by the Company (i) when the Company and/or its subsidiaries have cumulatively repurchased 3% of the ordinary shares in issue as at the time when this general authority was given (the initial number) and (ii) for each 3% in the aggregate of the initial number of the ordinary shares acquired thereafter by the Company and/or its subsidiaries;
4. the repurchase by the Company of its own ordinary shares shall not in the aggregate in any one financial year exceed 10% of the Company's issued ordinary share capital of that class as at the beginning of the financial year, provided that the acquisition of ordinary shares as treasury shares by the subsidiaries of the Company shall not be effected to the extent that in aggregate more than 10% of the number of issued ordinary shares of the Company at the relevant times are held by or for the benefit of the subsidiaries of the Company taken together;
5. repurchases must not be made at a price more than 10% above the weighted average of the market value of the ordinary shares for the five business days immediately preceding the date on which the transaction is effected;
6. at any point in time the Company may only appoint one agent to effect any repurchase on the Company's behalf or on behalf of any subsidiary of the Company;
7. the Company and its subsidiaries will not repurchase ordinary shares during a prohibited period (as defined in the JSE Listings Requirements) unless they have in place a repurchase programme where the dates and quantities of the shares to be traded during the relevant period are fixed (not subject to any variation) and it has been submitted to the JSE in writing prior to the commencement of the prohibited period;
8. a resolution has been passed by the Board that it has authorised the repurchase, that the Company and its subsidiaries have passed the solvency and liquidity test contemplated in the Companies Act, and that since the test was performed there have been no material changes to the financial position of the Group; and
9. such repurchases will be subject to the applicable provisions of the Companies Act, the Memorandum of Incorporation, the Listings Requirements and the Exchange Control Regulations 1961.

Statement of the board's intention

The Board has no specific intention at present to use this authority to repurchase any of the Company's shares, however, the Board is of the opinion that this authority should be in place should it become appropriate, in their opinion, to undertake a share repurchase in the future.

Statement by the directors

The Company's directors undertake that they will not implement any such repurchases unless:

1. the Company and the Group will be able, in the ordinary course of business, to pay its debts for a period of 12 months after the date of the repurchase;
2. the assets of the Company and the Group will exceed their liabilities for a period of 12 months after the date of the repurchase. For this purpose, the assets and liabilities are recognised and measured in accordance with the accounting policies used in the latest audited consolidated financial statements;
3. the Company and the Group will have adequate share capital and reserves for ordinary business purposes for a period of 12 months after the date of the repurchase; and
4. the working capital of the Company and the Group will be adequate for ordinary business purposes for a period of 12 months after the date of the repurchase.

Additional information

For the purposes of considering this special resolution number 3 and in compliance and in terms of paragraph 11.26 of the JSE Listings Requirements, the information listed below has been included in the integrated annual report (of which this notice forms part) in the places indicated:

1. Major shareholders of the Company – page 89 of the integrated annual report;
2. Share capital of the Company – page 88 of the integrated annual report;

There has been no material change in the financial or trading position of the Company and the Group that has occurred since the end of the last financial period for which either audited Annual Financial Statements or unaudited interim reports have been published.

The directors, whose names are set out on pages 56 and 57 of the integrated annual report, collectively and individually, accept full responsibility for the accuracy of the information contained in this special resolution number 3 and certify that, to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in relation to this special resolution number 3 false or misleading, and that they have made all reasonable enquiries in this regard and that this special resolution number 3 contains all information required by law and the JSE Listings Requirements.

Explanation

The purpose of special resolution number 3 is to grant the Board a general authority to approve the repurchase by the Company or its subsidiaries of its own ordinary shares on the terms and conditions and in such amounts to be determined from time to time by the Board, subject to the terms of this special resolution number 3.

Approvals required for resolutions

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

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

Special resolutions numbers 1 to 3 contained in this notice require the approval of more than 75% (seventy-five percent) of the voting rights exercised on the resolutions by members present or represented by proxy at the Annual General Meeting.

Attendance and voting by members or proxies

Ordinary members who have not dematerialised their ordinary shares or who have dematerialised their ordinary shares with own name registration, are entitled to attend and to vote at the meeting. Any such member may appoint a proxy/proxies to attend, speak and vote in their stead (on a poll) at the meeting. A proxy need not be a member of the Company. Forms of proxy should be completed and returned to the transfer secretaries Computershare Investor Services Proprietary Limited at Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, or posted to Private Bag X9000, Saxonwold, 2132, to be received by 08:30am on Wednesday, 11 November 2020 for administrative purposes, or alternatively handed to the Company Secretary of the Company or the Chairperson of the Annual General Meeting prior to its commencement at 08:30am on Friday, 13 November 2020.

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

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

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

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

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

- must contact the Company Secretary (by email at the address: John.Maher@rclfoods.com) by no later than 08:30am on Friday, 6 November 2020 in order to facilitate participation; and
- the electronic communication is at the expense of the shareholders or proxy.

Proof of identification required

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

JMJ Maher
Company Secretary

28 August 2020

Registered office
Ten The Boulevard
Westway Office Park
Westville
3629

Form of **proxy**

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

This form of proxy is only for use by:

1. Registered shareholders who have not yet dematerialised their ordinary shares
2. Registered shareholders who have already dematerialised their ordinary shares and registered them in their own name*
   **See explanatory note 3 overleaf*

I/We (name in block letters)

Of (address)

Telephone number

Cellphone number

being a member/members of RCL Foods Limited (registration number 1966/004972/06)

and the registered holder/s of ordinary shares in the Company, hereby appoint (see instruction 1 overleaf)

1. or failing him/her

2. or failing him/her

3. the Chairperson of the Annual General Meeting,

as my/our proxy to attend, speak and vote for me/us and on my/our behalf or to abstain from voting at the Annual General Meeting of the Company to be held at Ten The Boulevard, Westway Office Park, Westville, KwaZulu-Natal on Friday, 13 November 2020 at 08:30am and at any adjournment thereof as follows:

	For	Against	Abstain
Ordinary resolutions			
1. Adoption of annual financial statements			
2. Election and re-election of directors			
2.1 Mr GCJ Tielenius Kruythoff			
2.2 Mr HJ Carse			
2.3 Mrs CJ Hess			
2.4 Mr NP Mageza			
2.5 Mrs MM Nhlanhla			
2.6 Mr GM Steyn			
3. Re-appointment of external auditors			
4. Election of members of the Audit Committee			
4.1 Mrs CJ Hess			
4.2 Mr NP Mageza			
4.3 Mr DTV Msibi			
4.4 Mr GM Steyn			
5. General authority to place 10% of the unissued ordinary shares under the control of the directors			
6. Enabling resolution			
7. Non-binding advisory vote in respect of the Remuneration Policy			
8. Non-binding advisory vote in respect of the Remuneration Implementation Report			
Special resolutions			
1. Financial assistance in terms of sections 44 and 45			
2. Approval of non-executive directors' remuneration			
3. General authority to repurchase shares			

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

Signed this day of 2020.

Signature

(Please read the notes and instructions overleaf)

Form of proxy continued

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

Instructions on signing and lodging the form of proxy:

1. A member may insert the name of a proxy or the names of two alternative proxies of the member's choice in the space/s provided overleaf, with or without deleting "the Chairperson of the Annual General Meeting", but any such deletion must be initialled by the member. Should this space be left blank, the proxy will be exercised by the Chairperson of the Annual General Meeting. The person whose name appears first on the form of proxy and who is present at the Annual General Meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. A member's voting instructions to the proxy must be indicated by the insertion of an "X", or the number of votes exercisable by the member, in the appropriate spaces provided overleaf. Failure to do so shall be deemed to authorise the proxy to vote or to abstain from voting at the Annual General Meeting, as he/she thinks fit in respect of all the member's exercisable votes. A member or his/her proxy is not obliged to use all the votes exercisable by him/her or by his/her proxy, but the total number of votes cast, or those in respect of which abstention is recorded, may not exceed the total number of votes exercisable by the member or by his/her proxy.
3. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries.
4. To be valid, the completed forms of proxy should be completed and returned to the transfer secretaries Computershare Investor Services Proprietary Limited at Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, or posted to Private Bag X9000, Saxonwold, 2132, to be received by 08:30am on Wednesday, 11 November 2020 for administrative purposes, or alternatively handed to the Company Secretary of the Company or the Chairperson of the Annual General Meeting prior to its commencement at 08:30am on Friday, 13 November 2020.
5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the transfer secretaries or waived by the Chairperson of the Annual General Meeting.
6. The completion and lodging of this form of proxy shall not preclude the relevant member from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such member wish to do so.
7. The completion of any blank spaces overleaf need not be initialled. Any alterations or corrections to this form of proxy must be initialled by the signatory/ies.
8. The provisions of the Companies Act in relation to the revocation of the appointment of a proxy apply. A member may accordingly revoke a proxy appointment by cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of such revocation to the proxy and the Company.
9. The Chairperson of the Annual General Meeting may reject or accept any form of proxy which is completed other than in accordance with these instructions provided that he/she is satisfied as to the manner in which a member wishes to vote.

Shareholders **diary**

Financial year-end	June
Annual general meeting	November
Financial reports	
Announcement of results for the year	August
Annual financial statements posted	August
Interim report for half year to December	March
Future ordinary dividends	
Interim dividend	
Declaration	February
Payment	April
Final dividend	
Declaration	August
Payment	October

Corporate **information**

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