RCL FOODS LIMITED (RCL FOODS)

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE

2020

Contents

Approval of the **annual financial statements**

for the year ended June 2020

The directors are responsible for the preparation and integrity of the annual financial statements of the Company and the Group and other information included in this report which has been prepared in accordance with International Financial Reporting Standards. The directors are also responsible for the systems of internal control.

The directors, supported by the Audit Committee, are of the opinion, based on the information and explanations given by management and the internal auditors and on comment by the independent external auditors on the results of their statutory audit, that the Group's internal accounting controls are adequate, so that the financial records may be relied upon for preparing the financial statements and maintaining accountability for assets and liabilities. The directors believe that the Group's assets are protected and used as intended in all material respects with appropriate authorisation. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the period.

In preparing the annual financial statements, the Group has used appropriate accounting policies, supported by reasonable judgements and estimates, and has complied with all applicable accounting standards. The directors are of the opinion that the annual financial statements present fairly the financial position of the Company and the Group at June 2020 and the results of its operations for the year then ended. The directors are also of the opinion that the Company and the Group will continue as a going concern in the year ahead.

The annual financial statements set out on pages 16 to 113, which have been prepared on the going concern basis, were approved by the Board of directors on 28 August 2020 and are signed on its behalf by:

JJ Durand
Non-executive Chairman

M Dally
Chief Executive Officer

28 August 2020

Statement of **responsibility**

In accordance with the JSE Listings Requirements, the directors, whose names are stated below, hereby confirm that:

- the annual financial statements set out on pages 16 to 113, fairly present in all material respects the financial position, financial performance and cash flows of the Company and the Group in terms of IFRS;
- no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- internal financial controls have been put in place to ensure that material information relating to the Company and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the Company and the Group; and
- the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to the Audit Committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors and have taken the necessary remedial action.

M Dally
Chief Executive Officer

RH Field
Chief Financial Officer

28 August 2020

Certificate by the **Company Secretary**

for the year ended June 2020

I hereby certify that in respect of the year ended June 2020, the Company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of section 88(2) of the Companies Act of South Africa and that all such returns are true, correct and up to date.

JMJ Maher
Company Secretary

28 August 2020

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/node/rcl-foods-charters

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	29/08/2020	27/02/2020	08/06/2020
RV Smither	Committee Chairman, CA(SA)	December 2008	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
CJ Hess	BCom, PGDA, CA(SA)	June 2018	Present	Present	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 CJ Hess, RV Smither, GM Steyn, NP Mageza and DTV Msibi 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; 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 areas 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.

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 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 Chief Ethics and Compliance Officer (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

Report of the **Directors**

for the year ended June 2020

Nature of business

RCL FOODS' ambition is to build a profitable business of scale by creating food brands that matter.

It is the holding company of three principal operating subsidiaries, RCL FOODS Consumer Proprietary Limited, RCL FOODS Sugar & Milling Proprietary Limited and Vector Logistics Proprietary Limited.

Stated capital

The issued share capital increased by 18 102 823 (2019: 2 814 951) ordinary shares during the year due to conditional share plan awards being exercised. At the reporting date unexercised share appreciation rights totalling 132 934 143 (2019: 99 898 335) had been granted to participants. At the reporting date the unexercised rights relating to the Conditional Share Plan was 1 564 228 (2019: 19 062 823). These rights are granted at the discretion of the Remuneration and Nominations Committee.

Refer below for the impact of BEE transactions on stated capital.

Shareholders will be asked to consider an ordinary resolution at the forthcoming Annual General Meeting for the unissued shares of the company to remain under the control of the directors until the following Annual General Meeting.

Presentation date of financial results

The results for the current year have been reported on the retail calendar of trading weeks, which treats each financial year as an exact 52-week period.

Financial results

The loss for the year attributable to owners of the parent amounted to R901,4 million (2019: R110,5 million). This translates into a headline earnings per share from continuing operations of 13.0 cents (2019: 37.9 cents) based on the weighted average shares in issue during the year.

Dividends

Ordinary dividends declared in respect of the year under review are as follows:

Interim dividend

Number 90 amounting to 15.0 cents per ordinary share, publication of declaration data on 2 March 2020 and paid on 28 April 2020.

Final dividend

Number 91 amounting to 10.0 cents per ordinary share, publication of declaration data on 31 August 2020 and payable on 2 November 2020.

The salient dates for dividend number 91 are as follows:

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

BEE transactions

RCL FOODS BEE transactions were concluded during the 2014 financial year resulting in the issues of 44 681 162 shares to the RCL Employee Trust, 19 149 069 shares to Business Venture Investments No 1763 (RF) Proprietary Limited and 6 928 406 shares to Malongoana Investments (RF) Proprietary Limited.

These transactions are treated as options and therefore have no impact on the per share calculations. The above transactions have impacted the current financial year, through the recurring employee portion of the option charge. Refer to note 33 of the consolidated financial statements for further details.

Subsidiaries

Details of RCL FOODS' interest in its subsidiaries are set out in note 35 of the notes to the consolidated financial statements.

Holding company

Remgro Limited is the ultimate holding company of RCL FOODS.

Directors

The names of the directors are included as part of the directorate section of the integrated annual report.

Directors' shareholdings

At the date of this report, the directors in aggregate held direct beneficial interests in 4 519 487 (2019: 1 912 801) ordinary shares in the company and had indirect beneficial interests in 925 210 (2019: 3 189 962) ordinary shares. Details of directors' shareholdings are set out in note 32 of the notes to the consolidated financial statements.

Changes to the Board

During the current financial year, Mr GCJ Tielenius Kruythoff was appointed as a non-executive director of the Company, with effect from 22 April 2020.

Subsequent events

No material change has taken place in the affairs of the Group between the end of the financial year and the date of this report.

Material transactions

During the current financial year, a total impairment of R1 506,3 million was recognised across the Group. R593,2 million of the impairment related to items of property, plant and equipment. The impairment was due to the negative impact of the COVID-19 pandemic on the global and South African economy. Refer to note 1 of the consolidated financial statements for further details.

Independent auditor's report

To the Shareholders of RCL Foods Limited

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of RCL Foods Limited (the Company) and its subsidiaries (together the Group) as at 28 June 2020, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

RCL Foods Limited's consolidated and separate financial statements set out on pages 16 to 113 comprise:

- the consolidated and company statements of financial position as at 28 June 2020;
- the consolidated income statement for the year then ended;
- the consolidated and company statements of comprehensive income for the year then ended;
- the consolidated and company statements of changes in equity for the year then ended;
- the consolidated and company cash flow statements for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

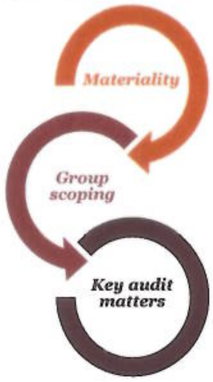
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards).*

Our audit approach

Overview



Overall group materiality

- *R83.4 million, which represents 0.3% of consolidated revenue from contracts with customers.*

Group audit scope

- *The consolidated financial statements comprise the holding company, thirty subsidiaries, four joint ventures and four associates. Of the subsidiaries, three are controlled contract growers and one is a trust. For 11 entities, full scope audits were carried out, specified audit procedures were performed at a further 6 entities, and analytical procedures were performed over the remaining 22 entities.*

Key audit matters

- *Impairment of goodwill, indefinite life intangible assets and property, plant and equipment (applicable to the consolidated financial statements); and*
- *Impairment assessment of investments in subsidiaries (applicable to the separate financial statements).*

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	*R83.4 million.*
How we determined it	*0.3% of consolidated revenue from contracts with customers.*

Rationale for the materiality benchmark applied	*We selected consolidated revenue from contracts with customers as our materiality benchmark because, in our view, it reflects the activity levels of the Group and it is a benchmark against which the performance of the Group can be consistently measured in circumstances of volatile year-on-year earnings. This benchmark has remained a key driver of the Group's business.* *We chose 0.3% which is lower than the normal quantitative materiality thresholds used for profit-oriented companies in this sector given the number of users and the level of third-party debt.*

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The consolidated financial statements comprise the Food, Vector and Group operating divisions. Each operating division is an aggregation of a number of business units, and may operate across various entities. The Group operates predominantly within South Africa, but also within Botswana, Namibia, Swaziland, Uganda and Zambia.

The Group's accounting processes are structured around finance functions within the operating divisions which report to the Group through a consolidation system.

Our scoping assessment included consideration of financially significant entities as well as taking into consideration the sufficiency of work performed over material line items in the consolidated financial statements. The audits undertaken for group reporting purposes include the financially significant entities of the Group based on indicators such as the contribution to consolidated assets, consolidated revenue and consolidated profit before tax.

Based on our scoping assessment, full scope audits were performed at 11 entities and specified audit procedures over significant balances and transactions were performed at a further 6 entities. In addition, analytical procedures were performed by the group and component engagement teams on the financial information of 22 financially inconsequential entities. This gave us the audit evidence we needed for our opinion on the consolidated financial statements as a whole.

In establishing the overall approach to the group audit, we determined the type of work that needed to be performed by the group engagement team, component auditors from the local PwC network firm, other PwC network firms and one non-PwC firm operating under our instruction. The group engagement team was directly responsible for the audit of the group consolidation, the Groceries business unit, Speciality (included in the Baking business unit), the Chicken business unit (excluding EPOL and Driehoek), the Vector operating division and the Group operating division. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole.

We had various interactions with our component teams in which we discussed and evaluated recent developments, the scope of the audits, audit risks, materiality and our audit approaches. We discussed the reports of the component teams, the findings of their procedures and other matters which could be of relevance for the consolidated financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	*How our audit addressed the key audit matter*
Impairment of goodwill, indefinite life intangible assets and property, plant and equipment (applicable to the consolidated financial statements) Refer to note 1 and note 2 to the consolidated financial statements for the related disclosures. International Accounting Standard (IAS) 36 - *Impairment of assets* requires an impairment test to be performed annually on cash generating units or groups of cash generating units (CGUs) where goodwill and indefinite life intangible assets exist and for all other CGUs when there are indicators that these may be impaired. The carrying value of the CGU is compared to the recoverable amount, which is the higher of value-in-use and the fair value less costs of disposal. Any impairment loss is recognised immediately as an expense. Included in the Group's net assets is a significant amount of goodwill (R1.9 billion) and trademarks (R1.2 billion) with indefinite useful lives, after recognising impairment losses of R 598 million and R 315 million, respectively. During the current year the Group was adversely impacted by Covid-19 and the resultant measures implemented by the South African government. The poor trading performance during the current year and the ongoing negative impact on the local economy were indicators that the carrying amounts of the Chicken and Sugar CGUs may be impaired. Management also performed their annual impairment test on CGUs containing trademarks with indefinite useful lives and goodwill. Impairment tests were based on value-in-use calculations. These calculations use cash flow	We obtained an understanding of the methodology applied by management in performing its impairment test for each of the relevant CGUs and we found the approach adopted by management in the valuation models to be consistent with market practice and the applicable requirements of IAS 36- *Impairment of assets*. For each relevant CGU, we performed detailed testing to critically assess the key inputs to the valuations, including: - comparing the historical Board approved budgets to actual results to evaluate whether forecasted cash flows are reliable based on past experience. We obtained management explanations for variances in excess of a set threshold. We also inspected relevant underlying documentation regarding variances and, based on the results of our work performed, we accepted the budgeting inputs used; - assessing the discount rate by utilising our valuation expertise to independently calculate the inputs with reference to market data. This included risk-free rates, betas and market risk premiums; and - assessing the reasonableness of the growth rates assumed by comparing them to economic and industry forecasts. For the Chicken, Sugar, Pies, Milling, Speciality, Beverages and Vector CGUs, on which impairments have been recognised: • We tested the mathematical accuracy of management's impairment calculations; • Using our valuations expertise, we challenged the key assumptions,

projections based on financial budgets approved by the Board, which include assumptions on profit before interest and tax, working capital movements and capital maintenance expenditure. Cash flows beyond a five-year period were extrapolated using estimated growth rates. These cash flows were then discounted using the business unit's weighted average cost of capital determined using the capital asset pricing model. The cash flows included consideration of the impact of Covid-19 on the relevant CGUs through the determination of various scenarios and applying a probability outcome to each one.

Management's assessment indicated that sufficient headroom existed for the Grocery CGU and the Bread, buns and rolls CGU, and therefore no impairment charge was recognised.

For the Sugar, Chicken, Milling, Vector, Beverages, Pies and Speciality CGUs the recoverable amounts were determined to be less than the carrying amounts and therefore impairment charges of R 595 million in property, plant and equipment were recognised as disclosed in note 1 to the consolidated financial statements.

We considered the impairment of goodwill, indefinite life intangible assets and property, plant and equipment in the above mentioned CGUs to be a matter of most significance to the current year audit due to the following:

- the significant judgement and estimates applied by management such as the cash flow projections, perpetuity growth rate and the discount rate; and
- the size of the related goodwill, trademarks, property, plant and equipment balances.

including the cash flow projections, the discount rate, perpetuity growth rate and management's assessment of the impact of Covid-19. We made reference to the board approved business plan, historical performance and market data, which consists of data external to the Group.

- We performed independent sensitivity analyses on the cash flow projections, perpetuity growth rates and the discount rates by flexing the impairment calculations to include our independently calculated inputs. We found management's impairment recognised to be within our acceptable range based on the independent inputs.
- For the Vector CGU we independently determined an impairment using a fair value less cost of disposal model due to the impact of the Imperial Cold Logistic acquisition and the significance of the cash flows associated with IFRS 16 - *Leases*. We compared the possible impairment from this assessment to management's value-in-use assessment, and found the impairment recognised by management to be within an acceptable range.

For the Grocery CGU and the Bread, buns and rolls CGU, on which no impairments have been recognised:

- We calculated the degree by which the key inputs and assumptions would need to fluctuate before an impairment was triggered and considered the likelihood of such fluctuations occurring. Based on the results of our assessment we accepted this to be unlikely.
- We performed independent sensitivity analyses on the cash flow projections, perpetuity growth rates and the discount rates and based on our evaluation noted no impairments to be recognised.

We assessed the disclosures in note 1 and note 2 against the requirements of IAS 36 - *Impairment of assets*.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of investments in subsidiaries (applicable to the separate financial statements) The carrying value of investments in subsidiaries in the separate financial statements amounted to R 4.89 billion as at 28 June 2020 (2019: R 4.87 billion). Investments in subsidiaries are carried at cost less impairment losses in the separate financial statements. No impairment charge was recognised in the current year or prior year. Impairment is assessed with reference to value-in-use calculations, leveraging the assessment of the subsidiaries' underlying cash flows (as explained in the above key audit matter on the impairment of goodwill, indefinite life intangible assets and property, plant and equipment) to determine the recoverable amount. Refer to note 1 to the separate financial statements for disclosures relating to the investments in subsidiaries. We considered the impairment assessment of investments in subsidiaries to be a matter of most significance to our audit due to the degree of estimation uncertainty and the judgement applied by management in performing the impairment assessments as well as the magnitude of these balances.	We obtained an understanding of the approach followed by management in assessing the recoverable amount of investments in subsidiaries. We assessed the recoverable amount of the investments in the subsidiaries concurrently with assessing the value-in-use forecasted cash flows, as noted in the above key audit matter on impairment of goodwill, indefinite life intangible assets and property, plant and equipment. The key assumptions used by management were the same as those noted above in the value-in-use calculations for the impairment of goodwill, indefinite life intangible assets and property, plant and equipment, and the procedures theron are not duplicated here. We recalculated and compared the recoverable amount of the relevant value-in-use calculations to the carrying values of the applicable investments in the respective subsidiaries and based on our assessment noted no impairments to be recognised.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "RCL Foods Limited Annual Financial Statements for the year ended June 2020", which includes the Report of the Directors, Report of the Audit Committee and the Certificate by the Company Secretary as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and the other sections of the document titled "2020 RCL Foods Limited Integrated Annual Report", which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to

draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and / or Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of RCL Foods Limited for 16 years.

PricewaterhouseCoopers Inc.

Director: SF Randelhoff

Registered Auditor

Durban

28 August 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at

	Note	28 June 2020 R'000	30 June 2019 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	1	**6 669 077**	5 566 523
Intangible assets	2	**3 677 055**	4 639 232
Investment in joint ventures	3	**310 309**	288 241
Investment in associates	4	**676 856**	612 918
Investment in financial asset	6	**137 039**	
Deferred income tax asset	19	**86 428**	71 400
Loans receivable	5	**66 964**	91 561
Trade and other receivables	9	**23 060**	127 025
		11 646 788	11 396 900
Current assets			
Inventories	7	**2 980 665**	3 108 568
Biological assets	8	**805 088**	866 493
Trade and other receivables	9	**5 965 279**	4 602 122
Derivative financial instruments	10	**9 723**	4 644
Tax receivable		**44 358**	46 213
Loans receivable	5	**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	11	**2 134**	2 585
Total assets		**22 486 576**	20 406 868
EQUITY			
Stated capital	12	**10 318 079**	10 134 574
Share-based payments reserve	13	**683 728**	729 273
Other reserves	14	**11 220**	(169)
Common control reserve		**(1 919 832)**	(1 919 832)
Retained earnings		**784 524**	1 886 781
Equity attributable to the equity holders of the company		**9 877 719**	10 830 627
Non-controlling interests		**(55 743)**	3 399
Total equity		**9 821 976**	10 834 026
LIABILITIES			
Non-current liabilities			
Interest-bearing liabilities	16	**3 959 958**	2 639 363
Deferred income tax liabilities	19	**1 034 622**	1 211 607
Retirement benefit obligations	15	**101 269**	126 590
Trade and other payables	18	**3 059**	6 326
		5 098 908	3 983 886
Current liabilities			
Trade and other payables	18	**6 973 515**	4 893 301
Deferred income	20	**2 741**	3 970
Interest-bearing liabilities	16	**405 545**	181 634
Derivative financial instruments	10	**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

CONSOLIDATED INCOME STATEMENT

for the year ended June 2020

	Note	**2020**	2019
		R'000	R'000
Revenue from contracts with customers	21	**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	22	**(1 506 283)**	(763 713)
Operating loss	22	**(805 797)**	(29 327)
Finance costs[3]	23	**(508 186)**	(325 201)
Finance income	24	**53 457**	48 585
Share of profits of joint ventures	3	**46 267**	43 318
Share of profits of associates	4	**118 338**	84 523
Impairment of associate	4	**(18 897)**	
Loss before tax		**(1 114 818)**	(178 102)
Income tax credit/(expense)	25	**155 780**	(5 860)
Loss after tax		**(959 038)**	(183 962)
Loss for the year		**(959 038)**	(183 962)
Loss for the year attributable to:			
Equity holders of the company		**(901 396)**	(110 541)
Non-controlling interests		**(57 642)**	(73 421)
		(959 038)	(183 962)
Earnings per share attributable to equity holders of the company	26		
Basic earnings per share	(cents)	**(103.0)**	(12.7)
Diluted earnings per share	(cents)	**(102.9)**	(12.5)

[1] Includes expected credit losses on loans receivable and trade and other receivables of R77,2 million (2019: R22,6 million). Refer notes 5 and 9 for further detail.

[2] Includes depreciation of R199,7 million in respect of right-of-use assets capitalised due to the implementation of IFRS 16 Leases from 1 July 2019.
[3] Includes finance costs of R115,1 million arising due to the implementation of IFRS 16 Leases from 1 July 2019.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended June 2020

	Note	**2020** **R'000**	2019 R'000
Loss for the year		**(959 038)**	(183 962)
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurement of retirement medical aid obligations		**18 982**	12 275
Share of associates other comprehensive income	4	**408**	2 244
Items that may subsequently be reclassified to profit or loss:			
Currency translation differences	14	**11 389**	5 637
Other comprehensive income for the year		**30 779**	20 156
Total comprehensive income for the year		**(928 259)**	(163 806)
Total comprehensive income 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)

Items in the statement above are disclosed net of tax. The tax relating to the remeasurement of medical aid obligations was R7,4 million (2019: R4,8 million).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended June 2020

	Attributable to the equity holders of the company							
	Stated capital R'000	Share-based payments reserve R'000	Other reserves R'000	Common control reserve R'000	Retained earnings R'000	Total R'000	Non-controlling interests 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 year					(110 541)	(110 541)	(73 421)	(183 962)
Other comprehensive income			5 637		14 519	20 156		20 156
Additional capital contribution by non-controlling interest							29 500	29 500
BEE share-based payments charge		17 600				17 600		17 600
Employee share scheme:								
– value of employee services		139 089				139 089		139 089
– equity component of deferred tax on share-based payments		(13 003)				(13 003)		(13 003)
– exercise of employee share awards	47 333	(47 333)						
Ordinary dividends paid					(347 360)	(347 360)	(1 250)	(348 610)
Balance at 1 July 2019	**10 134 574**	**729 273**	**(169)**	**(1 919 832)**	**1 886 781**	**10 830 627**	**3 399**	**10 834 026**
Loss for the year					**(901 396)**	**(901 396)**	**(57 642)**	**(959 038)**
Other comprehensive income			**11 389**		**19 390**	**30 779**		**30 779**
Foreign currency translation								
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 deferred tax on share-based payments		**1**				**1**		**1**
– exercise of employee share awards	**183 505**	**(183 505)**						
Ordinary dividends 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.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended June 2020

	Note	2020 R'000	2019 R'000
Cash flows from operating activities			
Cash generated by operations	A	**2 571 384**	796 743
Finance income received		**53 457**	48 585
Finance costs paid		**(311 181)**	(305 929)
Tax paid	B	**(47 852)**	(133 155)
Cash available from operating activities		**2 265 808**	406 244
Dividends received		**69 197**	50 208
Dividends paid		**(221 751)**	(348 610)
Net cash inflow from operating activities		**2 113 254**	107 842
Cash flows 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	C	**110 000**	(60 947)
Acquisition of associate			(40 638)
Investment in financial asset		**(114 196)**	
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 flows from financing activities			
Repayment of interest-bearing liabilities	D	**(265 013)**	(554 726)
Advances of interest-bearing liabilities	D	**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 (net of overdrafts)	E	**1 030 041**	(110 378)

for the year ended June 2020

		2020 R'000	2019 R'000
A.	**CASH GENERATED BY OPERATIONS**		
	Operating loss	**(805 797)**	(29 327)
	Adjusted for:		
	Depreciation, amortisation and impairment*	**2 441 834**	1 554 986
	Deferred income	**(1 229)**	(3 887)
	Loss on disposal of property, plant and equipment and intangible assets	**9 277**	13 927
	Profit on disposal of assets held for sale	**(8 351)**	(156 227)
	Movement in retirement benefit obligations	**1 067**	8 565
	Movement in derivative financial instruments	**14 960**	(27 111)
	Fair value adjustment in biological assets**	**(283 556)**	(352 916)
	Share-based payments – BEE charge	**17 600**	17 600
	Share-based payments – Employee Share Award Scheme	**120 359**	139 089
	Expected credit loss recognised on loans receivable	**46 872**	6 631
	Lease smoothing – non-cash accounting adjustment		6 438
	Gain on remeasurement of leases	**(621)**	
	Gain on bargain purchase	**(277 540)**	
	Unrealised foreign exchange gains	**(22 779)**	
	Other non-cash flow items	**2**	5
		1 252 098	1 177 773
	Working capital changes:		
	Movement in inventories	**127 903**	(167 544)
	Movement in biological assets**	**344 961**	293 754
	Movement in trade and other receivables	**(1 259 192)**	(277 256)
	Movement in trade and other payables	**2 105 614**	(229 983)
		1 319 286	(381 029)
		2 571 384	**796 743**

* These impairments relate only to impairments of property, plant and equipment and intangible assets.

** The movement in biological assets is represented by the non-cash fair value adjustment on biological assets of R283,6 million (2019: R352,9 million) and the movement included in working capital changes of R345,0 million (2019: R293,8 million). The net increase in biological assets for the year was R61,4 million (2019: R59,2 million).

		2020 R'000	2019 R'000
B.	**TAX PAID**		
	Amount refundable at the beginning of the year	**46 213**	20 609
	Charged to the income statement	**(108 787)**	(107 551)
	Normal tax	**(100 539)**	(118 920)
	Prior year (under)/overprovision	**(8 248)**	11 369
	Amount payable/(refundable) at the end of the year	**14 722**	(46 213)
		(47 852)	(133 155)

		2020 R'000	2019 R'000
C.	**ACQUISITION OF BUSINESSES**		
	Cash received/(paid) for business	**110 000**	**(60 947)**
	Driehoek Voere		(60 947)
	ICL	**110 000**	

for the year ended June 2020

D. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Movements in net debt for the year ended June 2020 are as follows:

	30 June 2019 R'000	Cash inflows R'000	Cash outflows R'000	Non-cash flows* R'000	**28 June 2020 R'000**
Institutional borrowings	37 592		(2 585)		**35 007**
Matzonox borrowings	50 000	105 652			**155 652**
Lease liabilities	201 782		(255 376)	1 698 872	**1 645 278**
Term-funded debt package	2 350 000				**2 350 000**
Loan from Ingwenyama Simhulu Trust	10 953	2 657			**13 610**
Loan from Matsamo Communal Property Association	500	500			**1 000**
Loan from Siphumelele Tenbosch Trust	1 861	1 838			**3 699**
Loans from Akwandze Agricultural Finance Proprietary Limited	168 309		(7 052)		**161 257**
	2 820 997	110 647	(265 013)	1 698 872	**4 365 503**

* Non-cash flows relate largely to lease liabilities taken-on in accordance with IFRS 16, as well as the corresponding interest incurred and remeasurements.

E. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include restricted balances of R 58,5 million (2019: R91,1 million). Restricted cash balances consist of margin on deposit with ABSA Bank Limited and The Standard Bank of South Africa Limited which serves as collateral for derivative positions held on Safex and Yield X accounts at year-end with the JSE Limited. This cash will only be accessible by the Group when the related derivative positions are closed. A further restricted cash balance of R5,0m which relates to the First Fund facility and serves as a contingency for debt cover over the term of the loan.

Restricted cash balances also consist of funds received of R0,3 million (2019: R0,3 million) from the National Department of Rural Development and Land Reform which is required to be administered and spent for the benefit of third party beneficiaries in terms of a mentorship agreement.

The carrying amount of cash and cash equivalents approximates their fair value.

Cash and cash equivalents include amounts denominated in the following currencies:

	2020 R'000	2019 R'000
Rand	**1 018 354**	(117 519)
USD	**3 386**	1 105
GBP	**11**	148
Euro	**54**	4 454
Namibian Dollar	**8 132**	1 312
Other currencies	**104**	122
Total	**1 030 041**	(110 378)

For further information on the credit quality of cash and cash equivalents, refer to note 29.

BASIS OF PREPARATION

The Group and company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), IFRIC interpretations, SAICA Financial Reporting guides, the requirements of 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) and were authorised for issue on 28 August 2020 by the Board of directors. The financial statements have been prepared using the historical cost convention except for biological assets and financial instruments at fair value through profit or loss. The accounting policies comply with IFRS and have been consistently applied to all years presented, with the exception of IFRS 16 Leases which became applicable for the current reporting period.

IFRS 16 *"Leases"* was effective for the Group from 1 July 2019. IFRS 16 replace IAS 17 Leases and introduced new principles for the recognition and measurement of leases. The Group has adopted IFRS 16 Leases 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.

The Group reports 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. Accordingly, the results for the financial year ended June 2020, and all references thereto within the results, are presented for the period ended 28 June 2020.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity or where assumptions and estimates are significant to the consolidated financial statements are disclosed on pages 41 and 42.

BASIS OF CONSOLIDATION

Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 either in profit or loss or as a charge to other comprehensive income. Any contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred over the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of all the identifiable assets and liabilities and contingent liabilities acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised in profit or loss.

Acquisitions by the Group of entities which are under common control are accounted for using predecessor accounting. The assets and liabilities of the acquired entity are recognised at the predecessor values; therefore, no restatement of the acquiree's assets and liabilities to fair value is required. The difference between the consideration transferred and the carrying value of the net assets is recorded in equity in a common control reserve; as a result, no goodwill is recognised on acquisition. The consolidated financial statements incorporate the acquired entity's results from the first day of the month in which the transaction took place. Consequently, the consolidated financial statements do not reflect the results of the acquired entity for the period before the transaction occurred. The corresponding amounts for the prior period are also not restated.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Changes in ownership in subsidiaries without change in control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions, that is, as transactions with the owners in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains and losses on disposals to non-controlling interests are also recorded in equity.

Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purpose of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Associates

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the after-tax profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of the post-acquisition after-tax profit or loss is recognised in the income statement, and its share of post-acquisition after-tax movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
The Group determines at each reporting date whether there is any objective evidence that the associate is impaired. If this is the case, the Group calculates the amount of the impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to share of profit/loss of associates in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

Joint arrangements

The Group applies IFRS 11 to all joint arrangements. Investments in joint arrangements are classified as either joint operations or joint ventures, depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains/losses on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Accounting treatment for subsidiaries in company financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes directly attributable costs of investment.

Dividend income from subsidiaries is recognised in the income statement when the right to receive payment is established.

FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Rands, which is the Group's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Foreign exchange gains and losses that relate to borrowings, cash and cash equivalents and remeasurement of forward exchange contracts are presented in the income statement within "finance income or cost". All other foreign exchange gains and losses are presented in the income statement within operating profit.

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) Assets and liabilities for each statement of financial position presented is translated at the closing rate at the date of that statement of financial position.

(b) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions).

(c) All resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at historical cost less accumulated depreciation less impairment losses, except for land and capital work in progress which is shown at cost less impairment. Cost includes expenditure that is directly attributable to the acquisition of the assets. Costs may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

The Group's sugarcane roots, litchi trees and banana plants are bearer plants under the definition in IAS 41 Agriculture and are therefore accounted for under the rules for property, plant and equipment.

Certain items of property, plant and equipment are leased and are classified as right-of-use assets in accordance with IFRS 16. The assets are accounted for under the rules of IFRS 16. Refer to pages 28 and 29 for accounting policy on right-of-use assets.

Depreciation is provided on property, plant and equipment at rates that reduce the cost thereof to estimated residual values over the expected useful lives of the asset on a straight-line basis. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Where assets are identified as being impaired, that is when the recoverable amount has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value.

Gains or losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the income statement as part of operating profit.

Depreciation is calculated over the following estimated useful lives:

Buildings	
- Right-of-use and owned	15 to 50 years
Leasehold improvements	Shorter of useful life of 20 years or period of lease
Plant and equipment	
- Right-of-use and owned	3 to 60 years
Vehicles	
- Right-of-use and owned	3 to 20 years
Furniture	6 to 25 years
Aircraft	8 to 20 years
Bearer plants	10 years

Capital work in progress is not depreciated until such time as the asset is available for use.

Land is not depreciated.

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to prepare for its intended use is added to the cost of the asset, until such time as the asset is substantially complete. A substantial period of time is considered to be a period exceeding 12 months. Capitalisation is suspended during extended periods in which active development is interrupted. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

INTANGIBLE ASSETS

Trademarks and customer relationships

Separately acquired trademarks are shown at historical cost. Trademarks and customer relationships acquired in a business combination are recognised at fair value at the acquisition date.

The useful lives of trademarks are assessed to be either finite or indefinite. The useful lives of customer relationships are considered to be finite. Trademarks with finite lives and customer relationships are amortised over the useful life on a straight-line basis and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation periods and amortisation methods are reviewed annually.

The useful lives of intangible assets are as follows:

Trademarks	Indefinite/15-20 years
Customer relationships	5-20 years

Trademarks with indefinite lives are not amortised but are reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment to a finite life is made on a prospective basis.

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree. It is reported in the statement of financial position as a non-current asset and carried at cost less accumulated impairment losses. Goodwill is allocated to each of the Cash Generating Units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at a CGU level. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Computer software

Costs associated with maintaining computer software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use.
- Management intends to complete the software product to use.
- There is an ability to use or sell the software product.
- The software product will generate probable future economic benefits.
- Adequate technical, financial and other resources are available to complete the development and to use the software product.
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development, employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which do not exceed 20 years and are stated at cost less accumulated amortisation.

RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Lease liabilities are measured at the present value of the future lease payments, discounted using the interest rate implicit in the lease agreement or, if not available, the Group’s incremental borrowing rate. Right-of use assets are measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease (only applicable at implementation date of IFRS 16).

The Group leases various offices, warehouses, farming land, equipment, delivery vehicles and cars. Rental contracts are typically made for fixed periods of between 3 to 12 years but may have extension options as described 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 payments 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. At implementation date the Group has applied materiality in excluding certain company vehicles, forklifts and waste management equipment for which there is not 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.

Lease and non-lease components relating to lease liabilities and right-of-use assets have been separately accounted for.

Variable lease payments made by the Group 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 the Group
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.

i) 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.

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.

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.

IAS 17 LEASES

In the previous financial period IAS 17 Leases was applied to account for leases of property, plant and equipment. Leases of property, plant and equipment where the Group assumed substantially all of the risks and rewards of ownership were classified as finance leases. Finance leased assets were capitalised at the lease's commencement at the lower of the fair value of the leased asset and the present value of the future minimum lease payments. Each lease payment was allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, were included in non-current liabilities. The assets were depreciated over the shorter of the period of the lease or the period over which the particular category of asset is otherwise depreciated.

Leases where the lessor retained a significant portion of the risks and rewards of ownership were classified as operating leases. Payments made under operating leases were charged to the income statement on a straight-line basis over the period of the lease.

The Group ensured that the following two requirements were met in order for an arrangement transacted by the Group to be classified as a lease:

- Fulfilment of the arrangement is dependent on the use of an asset or assets, and this fact was not necessarily explicitly stated by the contract but rather implied; and
- The arrangement in substance conveys a right to use the asset.

The Group's assessment of whether an arrangement contains a lease was made at the inception of the arrangement, with reassessment occurring in the event of limited changes in circumstances.

Where the Group concluded that it is impracticable to separate payments for the lease from other payments required by the arrangement:

- In the case of a finance lease, the Group recognised an asset and a liability at an amount equal to the fair value of the underlying asset. Subsequently the liability was reduced as payments were made and an imputed finance charge on the liability was recognised using the Group's incremental borrowing rate of interest; or
- In the case of an operating lease, all payments under the arrangement were treated as lease payments.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life, for example goodwill and certain trademarks, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that were impaired, are reviewed for possible reversal of the impairment at each reporting date.

DISPOSAL GROUPS HELD FOR SALE

Disposal groups are classified as assets and liabilities held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

INVENTORIES

Finished goods, raw materials, ingredients and consumables are valued at the lower of cost and net realisable value. Finished goods are determined on a first-in first-out basis for all Group divisions except for the Sugar operating unit within Sugar, and the Speciality operating unit, within Baking, where inventory is valued at weighted average cost. Raw materials, ingredients and consumables are determined on a weighted average cost basis.

Costs include expenditure incurred in acquiring the inventories and bringing them to their present location and condition, all direct production costs and an appropriate portion of overheads based on normal capacity. Slaughtered chickens and sugar are transferred to inventory at fair value less estimated point-of-sale costs. Net realisable value is the estimated selling price in the ordinary course of business, less estimated selling expenses.

BIOLOGICAL ASSETS

The fair value of the biological assets is determined on the following basis:

Consumable biological assets, comprising standing sugarcane, litchi fruit and bananas, are measured at their fair value, determined on current estimated market prices less estimated harvesting, transport, packing and point- of-sales costs;

- Standing cane is valued at estimated sucrose content, age and market price.
- Growing fruit is valued at estimated yield, quality standard, age and market price.

The sugarcane roots, litchi trees and banana plants are bearer plants and are therefore presented and accounted for as property, plant and equipment. However, the standing cane and fruit growing on the plants are accounted for as biological assets until the point of harvest. Sugarcane, litchi fruit and bananas are transferred to inventory at fair value less costs to sell when harvested. Changes in fair value of sugarcane, litchi fruit and bananas are recognised in the statement of profit or loss.

Live broiler birds and breeding stock are measured at fair value less estimated point-of-sale costs at reporting dates. Fair value is determined based on market prices.

The fair values of biological assets are level 3 fair values as defined in note 29 of the consolidated financial statements.

Breeding stock includes the Cobb grandparent breeding and the parent rearing and laying operations. Broiler hatching eggs are included in breeding stock.

Gains and losses arising on the initial recognition of biological assets at fair value less estimated point-of-sale costs and from a change in fair value less estimated point –of –sale costs are recognised in the income statement in the period in which they arise.

STATED CAPITAL

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Treasury shares

Shares in the company held by Group companies are classified as treasury shares and are held at cost. These shares are treated as a deduction from the issued number of shares and taken into account in the calculation of the weighted average number of shares. The cost price of the shares is deducted from the Group's equity.

CURRENT AND DEFERRED TAX

The tax expense for the period comprises current and deferred tax.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the company and the company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to tax authorities.

Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively. Interest and penalties are included as part of other payables.

Deferred tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date in the countries where the company and the company's subsidiaries operate and generate taxable income, and that are expected to apply to the period when the liability is settled or asset realised. Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax value used in the computation of taxable income. Deferred tax assets are raised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

A deferred tax liability is recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the Group is unable to control the reversal of the temporary difference for associates, unless there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

At initial recognition, right-of-use assets and lease liabilities are considered separately, with no temporary differences noted on initial recognition.

CAPITAL GAINS TAX (CGT)

CGT is levied when capital assets are disposed of or deemed to be disposed of. CGT is levied on the difference between the proceeds on the sale of capital assets and the base cost (tax value) of the capital asset. The capital gain is included at a rate of 80,0% in the taxable income of the company. Capital losses are ring-fenced.

EMPLOYEE BENEFITS

Retirement funds

The Group operates defined contribution plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The assets of the plans are held in separate trustee-administered funds. These plans are funded by payments from the employees and the Group, taking into account recommendations of independent qualified actuaries.

The Group's contributions to the defined contribution pension plans are charged to the income statement in the period to which they relate. The Group has no defined benefit pension plans in operation.

Post-retirement medical benefits-Defined benefit plan

For RCL FOODS Consumer Proprietary Limited and Vector Logistics Proprietary Limited employees engaged pre-October 2003 and January 1997 respectively, the Group provides post-retirement medical benefits to its retirees. Foodcorp Proprietary Limited and RCL FOODS Sugar & Milling Proprietary Limited provide post-retirement medical benefits to certain retired employees. The entitlement to post-retirement medical benefits is based on the employees remaining in service up to retirement age. The projected unit credit method of valuation is used to calculate the liability for post-retirement medical benefits and is calculated annually by independent actuaries.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recorded immediately in other comprehensive income, in the financial year in which they arise. Past service costs are recognised immediately in the income statement.

Incentive Plan

The Group recognises a liability where contractually obliged or where there is past practice that has created a constructive obligation. Management participates in an incentive plan whereby bonuses are paid in respect of out-performance against targets. All bonuses are authorised by the Remuneration and Nominations Committee.

Share-based payments

The Group operates share-based compensation plans under which the Group receives services from employees as consideration for equity instruments (options and rights) of the Group. The fair value of the employees' services received in exchange for the grant of the options or rights is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are satisfied.

The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity, and is based on the Group's estimate of options that will eventually vest. Fair value is measured by the use of a binomial model excluding non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options and rights that are expected to vest.

At each reporting date, the Group revises its estimates of the number of options or rights that are expected to vest based on non-market vesting conditions. The Group recognises the impact on the original estimates, if any, in the income statement with a corresponding adjustment to equity.

When the options or rights are exercised, the company issues new shares. The proceeds received, net of any directly attributable transaction costs, are credited to share capital when the options or rights are exercised.

The grant by the Group of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

BEE TRANSACTIONS

BEE transactions where the Group receives or acquires goods or services as consideration for the issue of equity instruments of the Group are treated as share-based payment transactions.

BEE transactions where employees are involved are measured and accounted for on the same basis as share-based payments, as disclosed above.

Transactions in which share-based payments are made to parties other than employees are measured by reference to the fair value of equity instruments granted if no specific goods or services are received. Vesting of the equity instrument occurs immediately and an expense and related increase in equity is recognised on the date that the instrument is granted. No further measurement or adjustments are required as it is presumed that the BEE credentials are received upfront. Incremental costs that are directly associated with the BEE transaction are expensed immediately in the determination of profit or loss.

REVENUE

Revenue comprises income arising in the course of the Group's ordinary activities. Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties.

The Group recognises revenue when it transfers control of a product or when services are rendered to a customer. Revenue is recognised net of value added tax, returns, rebates, discounts and other allowances and after eliminating sales within the Group. The Group bases its estimates of incentive rebates and settlement discounts on historical results. Variable consideration is calculated by applying percentages agreed with the customer to actual sales for the period. The transaction price represents the amount contracted to with the customer net of any value added tax, returns, rebates, discounts and other allowances.

Sales of goods comprise the sale of milling, agricultural produce and consumer goods. Sales of services comprise logistics, warehousing, distribution, consulting and management services.

In certain instances, the sale of goods includes delivery and these sales are identified as being a single performance obligation. In all other cases, where the Group is requested to arrange transport for the customer, two separate performance obligations arise – the sale of goods and the provision of transport. To the extent that the Group is responsible for the provision of the transport services to the customer, the Group acts as principal and revenue from transport services is recorded at the gross amount.

Revenue from the sale of goods is recognised only when the performance obligations arising from the contract with a customer is satisfied and the amount of revenue that it expects to be entitled to can be determined. For sales that include delivery (as indicated above), this occurs when a Group entity has delivered the products to the customer and the customer has accepted delivery. In instances where the delivery is a separate performance obligation (as indicated above), revenue from the sale of goods is recognised when the goods are transferred to the transport provider for delivery.

The South African Sugar Industry (“SASA”) allocates a pro-rata share of the local sugar market to the Group and to other sugar millers in South Africa. When the company sells more sugar than its local market entitlement, it is required to pay SASA an amount related to the excess for redistribution to the other sugar millers who have underperformed with respect to their allocation. Receipts relating to these redistributions is recognised as revenue and payments as cost of sales at the notional local market price of sugar at the point in time.

Revenue from the sale of services relate mainly to transport services and is recognised over time (over the period of delivery) using the output method. Revenue from other services provided by the Group is recognised over the period over which the service has been rendered.

The following payment terms are applicable to the Group:

- Sale of goods: 0 to 90 days
- Sale of services: 0 to 30 days

The Group currently accepts returns from customers for damaged goods, with the corresponding refund liability recorded within trade and other receivables unless a separate obligation to settle the customer exists, in which case the liability is recorded within trade and other payables.

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Interest income

Interest income is recognised using the effective interest method. When a loan or receivable carried at amortised cost is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate. Interest income is disclosed under finance income in the income statement.

Dividend income

Dividend income is recognised when the right to receive payment is established. Dividend income is included in operating profit in the income statement as part of other income, except when received from associates and joint ventures accounted for under the equity method, in which case the dividend income is credited to the investment.

FINANCIAL INSTRUMENTS

Financial instruments recognised on the statement of financial position include loans receivable, derivative instruments, trade and other receivables, cash and cash equivalents, trade and other payables and interest-bearing debt.

The Group classifies its financial assets in the following measurement categories:

- those to be measured at fair value through profit or loss; and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will be recorded in profit or loss. The Group reclassifies financial assets when, and only when, its business model for managing those assets changes.

The Group classifies its financial liabilities, apart from derivatives, as financial liabilities at amortised cost. Derivative financial liabilities are classified as financial liabilities at fair value through profit or loss.

Measurement of financial assets

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

Subsequent measurement of financial assets depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its financial assets:

- **Amortised cost**

  Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/losses, together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss.

- **Financial assets at fair value through profit or loss**

  Assets that do not meet the criteria for amortised cost are measured at fair value through profit or loss. A gain or loss on a financial asset that is subsequently measured at fair value through profit or loss is recognised in profit or loss and presented net within other gains/losses in the period in which it arises.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise derivative instruments. Gains or losses arising from changes in the fair value of the derivatives at fair value through profit or loss are recognised in the income statement in the period in which they arise.

Financial liabilities carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

Financial liabilities at amortised cost

Financial liabilities at amortised cost consist of trade and other payables and interest-bearing borrowings. These represent financial liabilities which are not classified as financial liabilities at fair value through profit or loss. They are included in current liabilities, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current liabilities.

Derecognition

Financial assets (or a portion thereof) are derecognised when the rights to receive cash flows from the asset have expired or have been transferred and the Group has substantially transferred all risks and rewards of ownership. On derecognition, the difference between the carrying amount of the financial asset and the proceeds receivable is included in the income statement.

Financial liabilities (or a portion thereof) are derecognised when the obligation specified in the contract is discharged, cancelled or expires. On derecognition, the difference between the carrying amount of the financial liability and any amount paid is included in the income statement.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets and liabilities at fair value through profit or loss are subsequently carried at fair value. Financial assets carried at amortised cost and financial liabilities at amortised cost are carried at amortised cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category is presented in the income statement in the period in which they arise. Dividend income from these assets is recognised in the income statement when the Group's right to receive payment is established.

Accounting for derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

Trading derivatives are classified as a current asset or liability, and the fair values thereof are disclosed in notes 10 and 29 of the consolidated financial statements.

Derivative instruments are accounted for at fair value through profit or loss. Changes in the fair value of derivative instruments are recognised immediately in the income statement. Changes in the fair value of derivatives that are utilised for financing activities are recorded in finance costs.

Impairment of financial assets

Financial assets carried at amortised cost

The Group assesses on a forward-looking basis, the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, a failure to make contractual payments for a period of greater than 120 days past due and/or when the legal process has not enabled recovery.

For all other financial assets, the general approach is used to assess expected credit losses.

If, in a subsequent period, the amount of the impairment loss decreases, the reversal of the previously recognised impairment loss is recognised in the income statement.

Fair value estimation

The fair value of financial instruments and non-financial assets traded in active markets (such as publicly traded derivatives) is based on quoted market prices at the statement of financial position date. The quoted market price used for assets held by the Group is the current market price; the appropriate quoted market price for liabilities is the current ask price. These comprise level 1 fair values. The Group did not have any level 1 financial instruments or non-financial assets in the current and previous financial year.

The fair value of financial instruments and non-financial assets that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group used a variety of methods and makes assumptions that are based on market conditions existing at each statement of financial position date. The fair value of forward exchange contracts is determined using forward exchange market rates at the statement of financial position date. The fair value of the Group's term-funded debt package is calculated by discounting the future cash flows over the period of the loan. These comprise level 2 fair values.

Other financial instruments and non-financial assets are valued using other techniques, such as estimated discounted cash flows. This relates to the fair value of the Group's biological assets which are level 3 fair values.

Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Trade receivables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest rate method, less accumulated impairment losses. If collection is expected in one year or less (or in the normal operating cycle of the business, if longer), they are classified as current assets. If not, they are presented as non-current assets.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are included in current liabilities on the statement of financial position.

Trade and other payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.
Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of economic resources will be required to settle the obligation, and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

Deferred income

Deferred income represents unearned funding received from AGRISETA, which will be utilised to offer apprentices bursaries and for staff development. This income has not yet been earned at the statement of financial position date. The deferred income is recorded in the income statement when the relevant expenditure has been incurred.

DIVIDEND DISTRIBUTION

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's Board.

OPERATING SEGMENTS

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. The Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer.

During the period under review, 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 as detailed below. This new single Food division is under the leadership of a Chief Operating Officer. Refer to note 28 of the consolidated annual financial statements for further detail.

STATEMENT OF COMPREHENSIVE INCOME LINE ITEMS

The following additional line items, headings and subtotals are presented on the face of the statement of comprehensive income as management believes them to be relevant to the understanding of the Group's financial performance:
Operating profit before depreciation, amortisation and impairment being the trading income of the Group.

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions and sources of estimation uncertainty at the reporting date that could have significant risk of causing material adjustment to the carrying amounts of the assets and liabilities within the new financial year are listed below:

Useful lives and residual values of assets

Items of property, plant and equipment and intangible assets are depreciated over their useful lives taking into account residual values, where applicable. Useful lives and residual values are reviewed annually, taking into account factors such as the expected usage, physical output, market demand for the output of the assets and legal or similar limits on the assets. Intangible assets with indefinite useful lives are reviewed annually to determine whether events and circumstances exist that continue to support an indefinite useful life assessment for that asset.

Goodwill and trademarks

Goodwill and indefinite life trademarks are considered for impairment at least annually.

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the CGUs to which goodwill has been allocated. The recoverable amount is determined as the higher of the value-in-use and fair value less cost to sell of the CGU. The value-in-use calculation requires the entity to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value of future cash flows. Management estimates the discount rate using pre-tax rates that reflect current market assessments of the time value of money and risks specific to the CGUs. The growth rates are based on industry and customer growth forecasts.

Determining whether trademarks are impaired requires an estimation of the value-in-use of the trademark. The value-in-use calculation requires the entity to estimate the future cash flows expected to arise from the trademark and a suitable discount rate in order to calculate the present value of future cash flows. Management estimates the discount rate using pre-tax rates that reflect current market assessments of the time value of money and risks specific to the CGUs. The growth rates are based on industry and customer growth forecasts.

The key assumptions used in the calculations and a sensitivity analysis are disclosed in notes 1 and 2 of the consolidated financial statements.

If a component of the CGU is being disposed of, goodwill is allocated to the component, based on the relative fair values of the component and remaining operations of the CGU, unless a more appropriate basis is applicable.

Fair value assessment of biological assets

The key assumptions used in the calculation of the fair value of chicken, banana and sugarcane stock and a sensitivity analysis are disclosed in note 29 of the consolidated financial statements.

Liability for post-retirement medical benefits

The liability is determined by annual actuarial assumptions. The key assumptions relating to the actuarial calculation and a sensitivity analysis are disclosed in note 15 of the consolidated financial statements.

Share-based payments and BEE share-based payment awards

The key assumptions used in the calculation of the fair value of grant date options awarded for share appreciation rights, conditional share plans and options awarded in terms of the Group BEE transaction is disclosed in note 12 and note 33 of the consolidated financial statements.

IMPACT OF FUTURE AMENDMENTS TO ACCOUNTING STANDARDS AND INTERPRETATIONS

Management has considered all standards, interpretations and amendments that are in issue but not yet effective. The standards, interpretations and amendments that are relevant to the Group but which the Group has not early adopted are as follows:

Amendments to IFRS 10, Consolidated financial statements and IAS 28, Investments in associates and joint ventures

The amendments affect how an entity should determine any gain or loss it recognises when assets are sold or contributed between the entity and an associate or joint venture in which it invests.

The amendments are not yet effective and have been postponed.

Amendments to IAS 1, Presentation of Financial Statements and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors

The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.

The amendments are effective for the annual periods beginning on/after 1 January 2020.

Amendments to IAS 1, Classification of Liabilities as Current or Non-current

The amendment provides a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date, and clarifies the requirements for classifying liabilities as current or non-current.

The amendments are effective for the annual periods beginning on/after 1 January 2022.

Amendment to IFRS 3 - Business Combinations

The amendment confirmed how to define a business and added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

The amendments are effective for the annual periods beginning on/after 1 January 2020.

Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform

The amendments will affect entities that apply the hedge accounting requirements of IFRS 9 or IAS 39 to hedging relationships directly affected by the interest rate benchmark reform. The amendments modify specific hedge accounting requirements, so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark is not altered as a result of the interest rate benchmark reform.

The amendments are effective for the annual periods beginning on/after 1 January 2020.

Amendments to Conceptual Framework for Financial Reporting

The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect.

No changes will be made to any of the current accounting standards. However, in areas the Group relies on the Framework in determining accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards it will need to apply the revised Framework from 1 January 2020.

The amendments are effective for the annual periods beginning on/after 1 January 2020.

No material impact arising from the adoption of these standards is expected.

1. PROPERTY, PLANT AND EQUIPMENT

June 2020 Cost	Land and buildings R'000	Plant, equipment and furniture R'000	Aircraft R'000	Vehicles R'000	Right of use assets: Plant* R'000	Right of use assets: Vehicles* R'000	Right of use assets: Buildings* R'000	Leasehold improvements R'000	Bearer Plants R'000	Capital work-in-progress R'000	Total R'000
At the beginning of the year	**2 895 503**	**7 155 641**	**51 513**	**914 704**	**90 019**	**14 530**	**119 138**	**31 461**	**362 834**	**599 057**	**12 234 400**
Change in accounting policy - IFRS 16 take-on					**13 615**	**126 408**	**922 511**				**1 062 534**
Transfers between categories and intangible assets	**(343)**	**871**								**(22 933)**	**(22 405)**
Additions** ^	**122 961**	**698 219**	**1 953**	**79 081**	**13 219**	**50 510**	**481 155**		**2 423**	**113 449**	**1 562 970**
Disposals	**(4 950)**	**(55 172)**	**(461)**	**(33 322)**	**(14 244)**	**(32 998)**	**(5 546)**	**(73)**	**(16 577)**		**(163 343)**
Transferred (to)/from held for sale	**(80)**	**(7 885)**									**(7 965)**
Remeasurement					**1 179**	**2 314**	**(23 189)**				**(19 696)**
At the end of the year	**3 013 091**	**7 791 674**	**53 005**	**960 463**	**103 788**	**160 764**	**1 494 069**	**31 388**	**348 680**	**689 573**	**14 646 495**
Accumulated depreciation and impairment											
At the beginning of the year	**1 184 859**	**4 770 107**	**5 563**	**475 839**	**34 545**	**3 206**	**32 122**	**12 415**	**149 221**		**6 667 877**
Transfers between categories and intangible assets	**(32)**	**32**									
Impairment loss	**167 568**	**315 318**		**13 539**	**3 631**	**4 528**	**90 851**				**595 435**
Impairment loss reversed		**(2 260)**									**(2 260)**
Transferred (to)/from held for sale		**(6 456)**									**(6 456)**
Disposals	**(4 850)**	**(52 780)**	**(461)**	**(27 051)**	**(14 244)**	**(4 007)**	**(2 506)**	**(73)**	**(9 292)**		**(115 264)**
Depreciation	**82 110**	**416 819**	**2 363**	**72 471**	**19 781**	**41 910**	**165 050**	**3 750**	**33 832**		**838 086**
At the end of the year	**1 429 655**	**5 440 780**	**7 465**	**534 798**	**43 713**	**45 637**	**285 517**	**16 092**	**173 761**		**7 977 418**
Net book amount	**1 583 436**	**2 350 894**	**45 540**	**425 665**	**60 075**	**115 127**	**1 208 552**	**15 296**	**174 919**	**689 573**	**6 669 077**

* Opening balances of right-of-use assets relate to finance leases previously recognised in accordance with IAS 17 Leases.
** Transfers out of capital work-in-progress have been disclosed within additions of each of the appropriate individual categories.
^ Included in additions are the assets acquired as part of the ICL transaction. Refer to note 36 for further detail.

1. PROPERTY, PLANT AND EQUIPMENT

June 2019 Cost	Land and buildings R'000	Plant, equipment and furniture R'000	Aircraft R'000	Vehicles R'000	Capitalised leased assets: Plant R'000	Capitalised leased assets: Vehicles R'000	Capitalised leased assets: Buildings R'000	Leasehold improvements R'000	Bearer Plants R'000	Capital work-in-progress R'000	Total R'000
At the beginning of the year	2 797 693	6 732 235	45 133	825 200	59 912	3 507	119 138	46 341	348 338	365 247	11 342 744
Transfers between categories and intangible assets		(1 908)								(5 620)	(7 528)
Additions*	111 579	565 623	6 380	130 879	30 107	11 023		971	28 314	245 990	1 130 866
Disposals	(25 964)	(124 448)		(43 593)				(21)	(13 818)	(110)	(207 954)
Acquisition of business	14 536	14 242		2 621							31 399
Transferred (to)/from held for sale	(2 341)	(30 103)		(403)				(15 830)		(6 450)	(55 127)
At the end of the year	2 895 503	7 155 641	51 513	914 704	90 019	14 530	119 138	31 461	362 834	599 057	12 234 400
Accumulated depreciation and impairment											
At the beginning of the year	1 056 137	3 739 015	2 835	442 231	22 331	533	24 210	10 567	122 056		5 419 915
Impairment loss	54 258	694 390									748 648
Impairment loss reversed		(2 915)									(2 915)
Transferred (to)/from held for sale	(132)	(18 582)		(400)				(3 032)			(22 146)
Disposals	(14 432)	(112 776)		(35 521)				(21)	(9 973)		(172 723)
Depreciation	89 028	470 975	2 728	69 529	12 214	2 673	7 912	4 901	37 138		697 098
At the end of the year	1 184 859	4 770 107	5 563	475 839	34 545	3 206	32 122	12 415	149 221		6 667 877
Net book amount	1 710 644	2 385 534	45 950	438 865	55 474	11 324	87 016	19 046	213 613	599 057	5 566 523

* Transfers out of capital work-in-progress have been disclosed within additions of each of the appropriate individual categories.

1. PROPERTY, PLANT AND EQUIPMENT (continued)

Capital commitments:

	2020 R'000	2019 R'000
Contracted and committed	**325 800**	502 490
Approved but not contracted	**279 079**	251 402

Capital commitments relate to both tangible and intangible assets and include all projects for which specific approval, in terms of the levels of authority, has been obtained up to reporting date. Projects for which authority has not yet been obtained are excluded. The capital expenditure will be financed from cash generated from operations, and subsequently through short-term borrowing facilities.

A register of land and buildings is available for inspection at the registered office of the respective subsidiary company, apart from RCL FOODS Consumer Proprietary Limited and Vector Logistics Proprietary Limited which are kept at RCL Foods Limited.

In the current year the Group capitalised borrowing costs amounting to R24,5 million (2019: R6,8 million) on qualifying assets at a weighted average rate of 15,0%.

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 5-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 5-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 5-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 CPI and food inflation (which tracks ahead of CPI).
- Capex: Capex spend is limited to replacement capex, 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 5 (terminal cash flow) has assumed a steady state of growth with capital expenditure equal to depreciation, volumes and profit margins maintained at year 5 levels with the growth beyond year 5 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.

1. PROPERTY, PLANT AND EQUIPMENT (continued)

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**

Sensitivity analysis of assumptions used in the impairment test:

	Discount rate		Perpetuity growth rate	
2020	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 R2,9m 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.

for the year ended June 2020

2. INTANGIBLE ASSETS

	Software R'000	Trademarks R'000	Customer relationships R'000	Goodwill R'000	Capital work-in-progress R'000	Total R'000
June 2020						
Opening net book amount	**144 570**	**1 526 831**	**430 122**	**2 537 076**	**633**	**4 639 232**
Additions	**24 959**				**1 032**	**25 991**
Transfers between categories and property, plant and equipment	**10 893**				**11 512**	**22 405**
Amortisation charge	**(31 430)**	**(29)**	**(66 006)**			**(97 465)**
Impairment loss	**(14)**	**(315 141)**		**(597 953)**		**(913 108)**
Closing net book amount	**148 978**	**1 211 661**	**364 116**	**1 939 123**	**13 177**	**3 677 055**
Cost	**340 627**	**1 843 735**	**978 373**	**2 932 384**	**13 177**	**6 108 296**
Accumulated amortisation and impairment	**(191 649)**	**(632 074)**	**(614 257)**	**(993 261)**		**(2 431 241)**
Net book amount	**148 978**	**1 211 661**	**364 116**	**1 939 123**	**13 177**	**3 677 055**
June 2019						
Opening net book amount	126 853	1 521 405	496 206	2 533 162	18 364	4 695 990
Acquisition of business		5 476		19 315		24 791
Additions	20 504					20 504
Disposals	(3)					(3)
Transfers between categories and property, plant and equipment	25 259				(17 731)	7 528
Transfers from held for sale				2 577		2 577
Amortisation charge	(28 043)	(50)	(66 084)			(94 177)
Impairment loss				(17 978)		(17 978)
Closing net book amount	144 570	1 526 831	430 122	2 537 076	633	4 639 232
Cost	305 242	1 843 735	978 373	2 932 384	633	6 060 367
Accumulated amortisation and impairment	(160 672)	(316 904)	(548 251)	(395 308)		(1 421 135)
Net book amount	144 570	1 526 831	430 122	2 537 076	633	4 639 232

The remaining useful lives on intangible assets is between 1 and 18 years.

	2020	2019
SOFTWARE		
Finite life		
Amortisation period	3 to 20 years	3 to 20 years
Method of amortisation	Straight-line	Straight-line
Is intangible title restricted in any way	No	No

TRADEMARKS

The carrying value of trademarks are included in the following CGUs, within the Groceries, Baking, Chicken and Sugar segments.
During the current financial year impairments relating to trademarks of R315.1 million in the Milling CGU were recognised, refer to note 1 for further details.
Trademarks impaired within the Milling CGU were Supreme, Tafelberg, Safari, A1 and 5 Star. Refer to note 1 for further detail.

CGU	Trademarks	Useful Life	2020 R'000	2019 R'000
Grocery	Ouma, Nola, Yum Yum, Nutso, Bobtail, Catmor, Dogmor, Ultra dog, Canine Cuisine, Optimizer, Feline Cusine	Indefinite	**438 600**	438 600
Beverages	Mageu Number 1, Monati, Mnandi	Indefinite	**176 540**	176 540
Pies	Piemans	Indefinite	**260 000**	260 000
Total Groceries Segment			**875 140**	875 140
Milling	Supreme, Tafelberg, Safari, A1, 5 Star	Indefinite		315 141
Bread, buns and rolls	Sunbake	Indefinite	**331 020**	331 020
Total Baking Segment			**331 020**	646 161
Epol Animal Feed	Epol, Driehoek and Equus	Indefinite	**5 476**	5 476
Total Chicken Segment			**5 476**	5 476
Sugar	Selati	Finite	**25**	54
Total Sugar Segment			**25**	54
Total Trademarks			**1 211 661**	1 526 831

The Grocery, Beverages, Pies, Milling and Bread, buns and rolls CGUs relate to the complete operations of these business units.

The trademarks and goodwill arising from the purchase price allocation of the acquisition of Driehoek has been allocated to the Epol Animal Feed CGU.
Driehoek has been integrated into the existing Epol business due to the similar nature of its products and customer markets. The Epol Animal Feed CGU relates only to the operations of the EPOL and Driehoek animal feed operations and excludes the Molatek animal feed operation, which is considered a separate CGU.

2. INTANGIBLE ASSETS (continued)

TRADEMARKS (continued)

	2020	2019
Finite life		
Amortisation period	15 to 20 years	15 to 20 years
Method of amortisation	Straight-line	Straight-line
Is intangible title restricted in any way	No	No

Trademarks comprise Farmer Brown, Bonny Bird, FarmFare and Epol, all of which were acquired on acquisition of Bonny Bird Farms Proprietary Limited and Epol Proprietary Limited in 1991 and Selati which was acquired on acquisition of TSB Sugar RSA Proprietary Limited in 2014.

Indefinite life

Is intangible title restricted in any way	**No**	No

Significant trademarks comprise Ouma, Nola, Yum Yum, Nutso, Bobtail, Catmor, Dogmor, Sunbake, Ultra dog, Canine Cuisine, Mageu Number 1, Monati, Optimizer, 5 Star, Mnandi, Supreme, Tafelberg, Safari, Piemans, Feline Cusine and A1 acquired on the acquisition of New Foodcorp Holdings Proprietary Limited (indirectly Foodcorp) in 2013. Winterveld, Lotmix, Driehoek and Equus were acquired as part of the acquisition of Driehoek Voere in the prior financial year and were assessed as having indefinite useful lives.

The above trademarks are considered to have an indefinite useful life as there is no foreseeable limit to the period over which they are expected to generate cash inflows for the respective CGUs. The assessment was based on a consideration of the underlying products that these trademarks represent which are not subject to obsolescence.

CUSTOMER RELATIONSHIPS

Finite life		
Amortisation period		5 to 20 years
Method of amortisation		Straight-line
Is intangible title restricted in any way		No

Customer relationships arose on the acquisition of New Foodcorp Holdings Proprietary Limited in the 2013 financial year.

GOODWILL

Goodwill relates to the acquisition of Vector Logistics Proprietary Limited in 2005, New Foodcorp Holdings Proprietary Limited in 2013, the Sweetener operation in 2019, purchased goodwill which arose on the common control acquisition of RCL FOODS Sugar & Milling Proprietary Limited in the 2014 financial year and goodwill on the acquisition of Driehoek Voere in the prior financial year (included in the Epol Animal Feed CGU, below).

During the current financial year, impairments of R598,0 million were recognised within the Pies and Beverages operating units in the Groceries segment, the Speciality operating unit in the Baking segment as well as Vector. Refer note 1 for further details.

At year-end the Group has goodwill of R1 939,1 million. Based on current forecasts and projections no impairment on the remaining goodwill is required.

In the prior financial year, a total goodwill impairment of R18,0 million was recognised within the Sweetener and Sugar CGU's.

	2020 **R'000**	2019 R'000
Goodwill is made up as follows:		
Goodwill arising from a business combination	**1 939 123**	2 537 076
Total	**1 939 123**	2 537 076

2020	**Opening** **R'000**	**Additions** **R'000**	**Transferred from held for sale** **R'000**	**Impairment** **R'000**	**Closing** **R'000**
Grocery	**191 205**				**191 205**
Pies	**588 615**			**(114 074)**	**474 541**
Speciality	**503 708**			**(73 877)**	**429 831**
Beverages	**258 689**			**(122 558)**	**136 131**
Epol Animal Feed	**19 315**				**19 315**
Bread, buns and rolls	**688 100**				**688 100**
Vector	**287 444**			**(287 444)**	
Total	**2 537 076**			**(597 953)**	**1 939 123**

2019*	Opening R'000	Additions R'000	Transferred to held for sale R'000	Impairment R'000	Closing R'000
Grocery	191 205				191 205
Pies	588 615				588 615
Speciality	501 131		2 577		503 708
Beverages	258 689				258 689
Sugar	13 330			(13 330)	
Sweetener	4 648			(4 648)	
Epol Animal Feed		19 315			19 315
Bread, buns and rolls	688 100				688 100
Vector	287 444				287 444
Total	2 533 162	19 315	2 577	(17 978)	2 537 076

*The 2019 disclosures have been restated to provide enhanced information.

2. INTANGIBLE ASSETS (continued)

IMPAIRMENT TEST FOR INDEFINITE LIFE INTANGIBLE ASSETS AND GOODWILL

The recoverable amount of the CGU is determined based on value-in-use calculations. For further detail on the cash flow projections and key assumptions used in the value-in-use calculations please refer to the impairments sections of Note 1.

2020	**Discount rate pre-tax %**	**Perpetuity growth rate %**	**Period Years**
Grocery	**16,0**	**4,0**	**5**
Pies	**15,8**	**4,0**	**5**
Speciality	**15,7**	**4,0**	**5**
Beverages	**16,0**	**4,0**	**5**
Epol Animal Feed	**18,1**	**4,0**	**5**
Milling	**16,1**	**4,0**	**5**
Bread, buns and rolls	**15,7**	**4,0**	**5**
Vector	**16,6**	**4,0**	**5**

2019	Discount rate pre-tax %	Perpetuity growth rate %	Period Years
Grocery	15,2	5,5	5
Pies	14,9	5,5	5
Speciality	14,9	5,5	5
Beverages	14,9	5,5	5
Sugar	18,3	5,5	5
Epol Animal Feed	17,6	5,5	5
Milling	12,9	5,5	5
Bread, buns and rolls	14,8	5,5	5
Vector	18,2	5,0	5

Sensitivity analysis of assumptions used in the indefinite life intangible assets and goodwill impairment test:
The impairment below would relate to the entire carrying value of the CGU and not only to the value of the indefinite life intangible assets and goodwill.

	Discount rate		**Perpetuity growth rate**	
2020	**Movement (%)**	**Impairment (Rm)**	**Movement (%)**	**Impairment (Rm)**
Grocery	**+1,0**	**Nil**	**(0,5)**	**Nil**
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**
Epol Animal Feed	**+1,0**	**Nil**	**(0,5)**	**Nil**
Milling	**+1,0**	**421,1**	**(0,5)**	**362,8**
Bread, buns and rolls	**+1,0**	**Nil**	**(0,5)**	**Nil**
Vector	**+1,0**	**535,8**	**(0,5)**	**457,1**

	Discount rate		Perpetuity growth rate	
2019	Movement (%)	Impairment (Rm)	Movement (%)	Impairment (Rm)
Grocery	+1,0	Nil	(0,5)	Nil
Pies	+1,0	Nil	(0,5)	Nil
Speciality	+1,0	27,4	(0,5)	Nil
Beverages	+1,0	Nil	(0,5)	Nil
Epol Animal Feed	+1,0	Nil	(0,5)	Nil
Milling	+1,0	135,5	(0,5)	55,4
Bread, buns and rolls	+1,0	Nil	(0,5)	Nil
Vector	+1,0	Nil	(0,5)	Nil

CAPITAL WORK-IN-PROGRESS

Intangible capital work-in-progress relates mainly to software which is still in the development phase.

for the year ended June 2020

	2020 R'000	2019 R'000
3. INVESTMENT IN JOINT VENTURES		
Opening balance	**288 242**	248 570
Share of profits of joint ventures	**46 267**	43 318
Dividends received from joint ventures	**(31 348)**	(7 361)
Exchange differences on translation of joint venture	**7 148**	3 714
Balance at June	**310 309**	288 241

Set out below are the joint ventures of the Group as at June 2020. The joint ventures listed below have share capital consisting solely of ordinary shares, which is held directly by the Group in the ownership percentages indicated below.

Name of entity	Place of business/country of incorporation	% Ownership interest	Nature of relationship
Akwandze Agricultural Finance Proprietary Limited (Akwandze)	South Africa	50,0*	note 1
Mananga Sugar Packers Proprietary Limited (Mananga)	Eswatini (previously known as Swaziland)	50,0*	note 2
Senn Foods Logistics Proprietary Limited (Senn Foods)	Botswana	49,0*	note 3
TSGRO Farming Services Proprietary Limited (TSGRO)	South Africa	50,0*	note 4

Note 1: Akwandze's main activities are to provide production finance and management services to sugarcane growers. This is a strategic partnership for the Group as it allows the Group to manage the process with sugarcane growers more effectively. The year end of Akwandze is June 2020.

Note 2: Mananga is a sugar packaging and selling company which sells sugar under the First brand in Eswatini as well as in South Africa. Its primary business activity is to purchase sugar from the Eswatini Sugar Association, pack it and sell it as a branded product. This is a strategic partnership for the Group as it allows the Group to access the Eswatini sugar market. The year end of Mananga is June 2020.

Note 3: Senn Foods is involved in the trading and distribution of dry, frozen and chilled food. This is a strategic partnership for the Group as the investment extends the Group's footprint into Botswana's distribution market. The year-end of Senn Foods is March 2020. The use of the different date in applying the equity method is due to the practicality of obtaining the audited June 2020 results timeously.

Note 4: TSGRO's main activities are to provide farm management, development, engineering and procurement services to the small scale sugarcane farmers in the Nkomazi area. The year end of TSGRO is June 2020.

There are no quoted market prices available for the joint ventures listed above.

There are no significant restrictions on the ability of the joint ventures to transfer funds to the Group.
There are no contingent liabilities relating to the Group's interest in the joint ventures.

The following commitments relates to the Group's interest in the joint ventures:

	2020 R'000	2019 R'000
Guarantee:		
Long-term Loan Guarantee for Land Bank on behalf of Akwandze Agricultural Finance Proprietary Limited.	**75 000**	125 000

No credit losses are expected from the guarantee as the risk of default of debtors are limited due to the fact that some debtors are related to the Group with no history of default. The loans of the debtors not relating to the Group are supported by external suretyships.

* In accordance with the agreements under which the relationships are established, parties to the agreement share control of the joint venture through equal contractual representation and voting rights for decisions made by the board of directors.

3. INVESTMENT IN JOINT VENTURES (continued)

Set out below is the summarised financial information for the joint ventures on which equity accounting is applied:

	Akwandze	Mananga	Senn Foods	TSGRO	Total
2020	**June 2020**	**June 2020**	**March 2020**	**June 2020**	**2020**
Summarised statement of financial position	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Current					
Cash and cash equivalents	**32 446**	**116 367**	**40 557**	**902**	**190 272**
Other current assets	**227 674**	**279 939**	**158 954**	**23 195**	**689 762**
Total current assets	**260 120**	**396 306**	**199 511**	**24 097**	**880 034**
Financial liabilities (excluding trade payables)	**167 004**			**342**	**167 346**
Other current liabilities (including trade payables)	**19 805**	**7 269**	**85 971**	**6 043**	**119 088**
Total current liabilities	**186 809**	**7 269**	**85 971**	**6 385**	**286 434**
Non-current					
Assets (including customer relationships)	**71 879**	**58 827**	**38 346**	**19 095**	**188 147**
Financial liabilities	**78 514**			**50 025**	**128 539**
Other liabilities		**152 977**	**1 018**		**153 995**
Total non-current liabilities	**78 514**	**152 977**	**1 018**	**50 025**	**282 534**
Net assets	**66 676**	**294 887**	**150 868**	**(13 218)**	**499 213**

	Akwandze	Mananga	Senn Foods	TSGRO	Total
2019	June 2019	June 2019	June 2019	June 2019	2019
Summarised statement of financial position	R'000	R'000	R'000	R'000	R'000
Current					
Cash and cash equivalents	37 946	39 736	44 816	4 491	126 989
Other current assets	252 115	334 938	144 450	20 485	751 988
Total current assets	290 061	374 674	189 266	24 976	878 977
Financial liabilities (excluding trade payables)	203 196			4	203 200
Other current liabilities (including trade payables)	17 142	162 489	77 611	8 693	265 935
Total current liabilities	220 338	162 489	77 611	8 697	469 135
Non-current					
Assets (including customer relationships)	55 565	57 357	29 276	18 256	160 454
Financial liabilities	61 399			42 230	103 629
Other liabilities		5 379	904		6 283
Total non-current liabilities	61 399	5 379	904	42 230	109 912
Net assets	63 889	264 163	140 027	(7 695)	460 384

The above reflects the amounts presented in the financial statements of the joint ventures.

3. INVESTMENT IN JOINT VENTURES (continued)

2020 **Summarised statement of comprehensive income**	Akwandze June 2020 R'000	Mananga June 2020 R'000	Senn Foods March 2020 R'000	TSGRO June 2020 R'000	Total 2020 R'000
Revenue from contracts with customers	24 157	1 363 606	819 050	33 532	2 240 345
Depreciation and amortisation	(51)	(1 789)	4 722	(2 074)	808
Finance costs	(10 418)	(337)		(4 105)	(14 860)
Finance income	2 132	3 573	230	(44)	5 891
Profit/(loss) before tax	8 740	69 875	47 685	(7 506)	118 794
Income tax expense	(2 453)	(19 988)	(10 583)	1 983	(31 041)
Profit/(loss) after tax	6 287	49 887	37 102	(5 523)	87 753
Total comprehensive income/(loss)	6 287	49 887	37 102	(5 523)	87 753
Adjustments					
Amortisation of customer relationships (net of tax)			(229)		(229)
Adjusted total comprehensive income/(loss)	6 287	49 887	36 873	(5 523)	87 524
Dividends received from joint ventures	1 750	9 582	20 016		31 348

2019 Summarised statement of comprehensive income	Akwandze June 2020 R'000	Mananga June 2020 R'000	Senn Foods March 2020 R'000	TSGRO June 2020 R'000	Total 2020 R'000
Revenue from contracts with customers	26 078	1 203 748	494 022	28 510	1 752 358
Depreciation and amortisation	(43)	(3 761)	(3 190)	(1 525)	(8 519)
Finance costs	(6 263)	(1 192)		(3 295)	(10 750)
Finance income	3 654	1 163	188	1 107	6 112
Profit/(loss) before tax	15 719	62 875	43 718	(7 038)	115 274
Income tax expense	(4 174)	(15 065)	(9 667)	1 987	(26 919)
Profit/(loss) after tax	11 545	47 810	34 051	(5 051)	88 355
Total comprehensive income/(loss)	11 545	47 810	34 051	(5 051)	88 355
Adjustments					
Amortisation of customer relationships (net of tax)			(6 213)		(6 213)
Adjusted total comprehensive income/(loss)	11 545	47 810	27 838	(5 051)	82 142
Dividends received from joint ventures	2 050		5 311		7 361

The above reflects the amounts presented in the financial statements of the joint ventures.

2020 **Reconciliation of summarised financial information presented to the carrying amount of the joint ventures**		Akwandze June 2020 R'000	Mananga June 2020 R'000	Senn Foods March 2020 R'000	TSGRO June 2020 R'000	Total 2020 R'000
Opening net assets		63 889	264 163	140 027	(7 695)	460 384
Profit/(loss) for the period		6 287	49 887	37 102	(5 523)	87 753
Dividends paid		(3 500)	(19 163)	(40 849)		(63 512)
Exchange differences on translation of joint venture				14 588		14 588
Closing net assets		66 676	294 887	150 868	(13 218)	499 213
Interest in joint venture	%	50	50	49	50	
Losses deferred to future reporting periods*					5 836	5 836
Goodwill		4 937	93	50 572	773	56 375
Carrying value		38 275	147 537	124 497		310 309

2019 Reconciliation of summarised financial information presented to the carrying amount of the joint ventures		Akwandze June 2020 R'000	Mananga June 2020 R'000	Senn Foods March 2020 R'000	TSGRO June 2020 R'000	Total 2020 R'000
Opening net assets		56 444	216 353	115 448	(2 644)	385 601
Profit/(loss) for the period		11 545	47 810	27 838	(5 051)	82 142
Dividends paid		(4 100)		(10 839)		(14 939)
Exchange differences on translation of joint venture				7 580		7 580
Closing net assets		63 889	264 163	140 027	(7 695)	460 384
Interest in joint venture	%	50	50	49	50	
Losses deferred to future reporting periods*					3 810	3 810
Goodwill		4 937	93	50 572	773	56 375
Carrying value		36 882	132 174	119 185		288 241

* The carrying amount of the investment in TSGRO is Rnil (2019: Rnil), hence profits will only be recognised once cumulative losses have been recouped.

for the year ended June 2020

	2020 R'000	2019 R'000
4. INVESTMENT IN ASSOCIATES		
Opening balance	**612 918**	526 437
Investment in L&A Logistics Limited		40 638
Share of profits of associates	**118 338**	84 523
Dividends received from associate	**(37 850)**	(42 847)
Share of associates other comprehensive income	**408**	2 244
Exchange differences on translation of associates	**4 241**	1 923
Impairment of associate*	**(18 897)**	
Refund of purchase price**	**(2 302)**	
Balance at June	**676 856**	612 918

* In the current financial year the investment in HMH Rainbow Limited was impaired by R18,9 million. At year end, the carrying amount of the investment in HMH Rainbow Limited was R37,5 million. RCL FOODS acquired the investment in HMH on 31 July 2015 and the entity has reported a loss annually since it was acquired, with the exception of the 2018 financial year. Hence, an indicator of impairment was present and the investment was tested for impairment.

** A partial refund of the purchase price for HMH Rainbow Limited is payable to RCL FOODS due to the non-achievement of certain targets, as stipulated in the initial purchase agreement.

Set out below are the associates of the Group as at June 2020. The associates listed below have share capital consisting solely of ordinary shares, which are held directly by the Group in the ownership percentages indicated below.

Name of entity	Place of business/country of incorporation	% Ownership interest	Nature of relationship
The Royal Eswatini Sugar Corporation (RES)	Eswatini	29,1846%	note 1
HMH Rainbow Limited (HMH)	Uganda	33,5%	note 2
L&A Logistics Limited (L&A)	Zambia	45,0%	note 3

Note 1: RES's principal activities are the growing and milling of sugarcane, the manufacture of sugar and the manufacture of ethanol from molasses. RES is a strategic partnership for the Group as it provides access into the Eswatini market.

The year-end date of RES is March 2020, however the Group has equity accounted the results for the year ended June 2020.

As at June 2020 the shares had a fair value of E14 (2019: E14) per share on the Eswatini Stock Exchange, at a total market value for the Group's investment in RES of R393,7 million (2019: R393,7 million). The fair value of the share is a Level 1 input. Whilst the carrying value of the Group's investment in RES of R599,7 million at June 2020 (2019: R518,4 million) is higher than the market value of RES's shares, this is not considered to be an indicator of impairment as the RES shares are not actively traded on the Eswatini Stock Exchange and are not considered liquid. Hence, the share price is not considered to be an accurate reflection of the value of the investment.

Note 2: HMH's principal activities are the rearing and processing of chicken and the production of feed used in the rearing process. HMH is a strategic partnership of the Group as it provides access into the Ugandan market.

There are no quoted market prices available for the investment in HMH.

Note 3: L&A is currently a leading distributor of products in the Zambian market. The acquisition provides entry into the Zambian logistics market and provides opportunities to grow our business further in this geography.

The year-end of L&A is March 2020. The use of the different date in applying the equity method is due to the practicality of obtaining the audited June 2020 results timeously.

There are no quoted market prices available for the investment in L&A.

There are no significant restrictions on the ability of the associates to transfer funds to the Group.

	2020 R'000	2019 R'000
As part of the banking facilities, RES and its subsidiary company are liable for the following guarantees:		
Customs and Excise	**8 500**	9 050
Eswatini Government – Labour	**60**	60
Eswatini Government – Sales Tax	**275**	275
Eswatini Government – General Bond	**70**	70
South African Revenue Service – VAT	**550**	550
European Union	**67 708**	67 708
Transnet	**50**	50

The RES is defending a number of actions brought by former employees and suppliers. Liability is not admitted and the Associate will defend itself against the actions. Due to the nature of the claims a realistic estimate of the potential liability and legal costs is not practical. The directors of the Associate are of the opinion that the total costs, if any, would not be material.

The RES's Bank overdraft facilities are secured by cross guarantees for an unlimited amount between the RES, Mhlume (Eswatini) Sugar Company Limited and Royal Swazi Distillers Proprietary Limited. who are wholly-owned subsidiaries of RES.

There are no other contingent liabilities in the associates that the Group has interests in.

4. INVESTMENT IN ASSOCIATES (continued)

Set out below is the summarised financial information for associates:

2020	**L&A**	**RES**	**HMH**	**Total**
	March 2020	**June 2020**	**June 2020**	**2020**
Summarised statement of financial position	**R'000**	**R'000**	**R'000**	**R'000**
Current				
Cash and cash equivalents	**3 892**	**280 131**	**2 906**	**286 929**
Other current assets	**29 563**	**1 154 587**	**60 537**	**1 244 687**
Total current assets	**33 455**	**1 434 718**	**63 443**	**1 531 616**
Financial liabilities (excluding trade payables)		**206 869**	**46 766**	**253 635**
Other current liabilities (including trade payables)	**19 045**	**330 448**	**24 412**	**373 905**
Total current liabilities	**19 045**	**537 317**	**71 178**	**627 540**
Non-current				
Assets	**14 793**	**1 935 728**	**184 144**	**2 134 665**
Total non-current assets	**14 793**	**1 935 728**	**184 144**	**2 134 665**
Financial liabilities		**248 919**		**248 919**
Other liabilities	**8 979**	**501 226**	**71 163**	**581 368**
Total non-current liabilities	**8 979**	**750 145**	**71 163**	**830 287**
Net assets	**20 224**	**2 082 984**	**105 246**	**2 208 454**

2019	L&A	RES	HMH	Total
	March 2019	June 2019	June 2019	2019
Summarised statement of financial position	R'000	R'000	R'000	R'000
Current				
Cash and cash equivalents	1 966	127 251		129 217
Other current assets	27 517	1 060 470	51 400	1 139 387
Total current assets	29 483	1 187 721	51 400	1 268 604
Financial liabilities (excluding trade payables)		164 984	58 239	223 223
Other current liabilities (including trade payables)	11 417	285 362	24 053	320 832
Total current liabilities	11 417	450 346	82 292	544 055
Non-current				
Assets	4 702	1 813 479	143 115	1 961 296
Total non-current assets	4 702	1 813 479	143 115	1 961 296
Financial liabilities		287 679		287 679
Other liabilities	762	458 768	20 817	480 347
Total non-current liabilities	762	746 447	20 817	768 026
Net assets	22 006	1 804 407	91 406	1 917 819

2020	**L&A**	**RES**	**HMH**	**Total**
	March 2020	**June 2020**	**June 2020**	**2020**
Summarised statement of comprehensive income	**R'000**	**R'000**	**R'000**	**R'000**
Revenue from contracts with customers	**148 571**	**3 568 495**	**268 791**	**3 985 857**
Depreciation and amortisation	**(3 021)**	**(193 773)**	**(15 484)**	**(212 278)**
Finance expense	**(1 165)**	**(28 788)**	**(6 412)**	**(36 365)**
Finance income		**34 149**	**–**	**34 149**
Profit/(loss) before tax	**5 799**	**551 894**	**(5 555)**	**552 138**
Income tax expense	**(2 566)**	**(145 023)**		**(147 589)**
Profit/(loss) after tax	**3 233**	**406 871**	**(5 555)**	**404 549**
Other comprehensive income		**1 398**		**1 398**
Total comprehensive income	**3 233**	**408 269**	**(5 555)**	**405 947**
Adjustments				
Amortisation of customer relationships (net of tax)	354			354
Adjusted total comprehensive income/(loss)	3 587	408 269	(5 555)	406 301
Dividends received from associate		**37 850**		**37 850**

2019	L&A*	RES	HMH	Total
	March 2019	June 2019	June 2019	2 019
Summarised statement of comprehensive income	R'000	R'000	R'000	R'000
Revenue from contracts with customers	75 397	3 261 392	241 833	3 578 622
Depreciation and amortisation	(105)	(193 688)	(13 569)	(207 362)
Finance expense	(21)	(19 398)	(6 450)	(25 869)
Finance income		23 712		23 712
Profit/(loss) before tax	4 895	401 532	(5 232)	401 195
Income tax expense	(2 091)	(106 450)		(108 541)
Profit/(loss) after tax	2 804	295 082	(5 232)	292 654
Other comprehensive income		7 690		7 690
Total comprehensive income	2 804	302 772	(5 232)	300 344
Adjustments				
Amortisation of customer relationships (net of tax)	(1 090)			(1 090)
Share of associate profit pre acquisition	(1 365)			(1 365)
Adjusted total comprehensive income/(loss)	349	302 772	(5 232)	297 889
Dividends received from associate		42 847		42 847

*Results represent the six-month trading result from acquisition date.

The above reflects the amounts presented in the financial statements of the associates.

4. INVESTMENT IN ASSOCIATES (continued)

Reconciliation of summarised financial information presented to the carrying amount of the associate	**L&A March 2020 R'000**	**RES June 2020 R'000**	**HMH June 2020 R'000**	**Total 2020 R'000**
Opening net assets	**22 006**	**1 804 407**	**91 406**	**1 917 819**
Total comprehensive income for the year	**3 233**	**408 269**	**(5 555)**	**405 947**
Exchange differences on translation of associates	**(5 015)**		**19 395**	**14 380**
Dividends paid		**(129 692)**		**(129 692)**
Closing net assets	**20 224**	**2 082 984**	**105 246**	**2 208 454**
Interest in associate (%)	**45,0**	**29,1846**	**33,5**	
Goodwill	**30 570**		**23 406**	**53 976**
Refund of purchase price			**(2 302)**	
Impairment of associate			**(18 897)**	
Carrying value	**39 671**	**599 721**	**37 464**	**676 856**

Reconciliation of summarised financial information presented to the carrying amount of the associate	L&A March 2019 R'000	RES June 2019 R'000	HMH June 2019 R'000	Total 2 019 R'000
Opening net assets		1 648 448	89 938	1 738 386
Acquisition of associate	22 372			22 372
Total comprehensive income for the year	349	302 772	(5 232)	297 889
Exchange differences on translation of associates	(715)		6 700	5 985
Dividends paid		(146 813)		(146 813)
Closing net assets	22 006	1 804 407	91 406	1 917 819
Interest in associate (%)	45,0	29,1846	33,5	
Goodwill	30 570		23 406	53 976
Carrying value	40 473	518 418	54 027	612 918

5.	**LOANS RECEIVABLE**	**2020**	2019
	Non-current:	**R'000**	R'000
	Loans at the beginning of the year	**91 561**	35 920
	Loans reclassified from current to non-current		29 072
	Loans advanced during the year	**17 447**	33 200
	Repayment of loans	**(172)**	
	Less: Expected credit loss allowance	**(41 872)**	(6 631)
	Loans at the end of the year	**66 964**	91 561

Non-current loans receivable consist of loans granted to Siyathuthuka Sugar Estate Proprietary Limited of R65.2 million (2019: R56,0 million), TSGRO Farming Services Proprietary Limited of R45,8 (2019: R42,2 million) and L&A Logistics Limited of R2,3 million. Also included in the loans receivable balance is an amount of R2,3 million relating to the purchase price refund from HMH Rainbow Limited (refer note 4).

The long-term loan to Siyathuthuka Sugar Estate Proprietary Limited represents loans that have been provided to black-owned medium-scale growers in the previous financial year. The loan is secured by a second mortgage bond over the properties of Siyathuthuka Sugar Estate Proprietary Limited. Siyathuthuka Sugar Estate Proprietary Limited has also ceded to the Group all the Siyathuthuka's right, title and interest (including the right to receive proceeds on behalf of Siyathuthuka arising under or by virtue of each Cane Delivery Agreement concluded between Siyathuthuka and RCL FOODS Sugar & Milling Proprietary Limited. Each of the shareholders of Siyathuthuka had pledged and ceded in securitatem debiti all of his/her shares in the Siyathuthuka from time to time ("the Pledged Shares") to RCL FOODS Sugar & Milling Proprietary Limited on the terms and conditions set out in clause 11 of the Incidental Agreement. The loan is repayable in 10 years and currently, is interest free.

The long-term loan to TSGRO Farming Services Proprietary Limited is unsecured and accrues interest at 6.25% (2019: 9,25%) per annum. The loan is repayable with a notice period of 366 days.

The credit risk of the Group's non-current loans receivable have been assessed using the general model of IFRS 9, taking into account the counterparty's risk of default and its capacity to meet its contractual cash flow obligations as they become due, as well as current and forward-looking information on macroeconomic factors affecting the ability of the counterparties to settle their debt. Due to the significant challenges currently being experienced in the South African sugar industry, there was a significant increase in credit risk of the loans granted to both Siyathuthuka Sugar Estate Proprietary Limited and TSGRO Farming Services Proprietary Limited since inception. There has been a significant increase in the credit risk of these loans, and these have therefore moved to stage 2 of the general model. These loans have thus been assessed for impairment using the lifetime basis.

Siyathuthuka Sugar Estate Proprietary Limited is an external company to the Group, however the Group has access to their results and forecast information for forthcoming years in order to assess the borrower's capacity to meet its contractual cash flow obligations as they become due. In assessing the expected credit and specific losses arising on the loan to Siyathuthuka Sugar Estate Proprietary Limited, both internal (current profitability and forward-looking information) and external (current and future state of sugar industry and macroeconomic indicators) factors were considered and concluded that Siyathuthuka Sugar Estate Proprietary Limited is facing major ongoing uncertainties and exposure to adverse business, financial, or economic conditions which could lead to them not having adequate capacity to meet their financial commitments.

Based on management's assessment, a R37,0 million (2019: Rnil) specific loss allowance has been recognised on the loan advanced to Siyathuthuka Sugar Estate Proprietary Limited.

TSGRO Farming Services Proprietary Limited is a joint venture of the Group, thus the Group has access to their results and forecast information for forthcoming years in order to assess the borrower's capacity to meet its contractual cash flow obligations as they become due. In assessing the expected credit losses arising on the loan to TSGRO Farming Services Proprietary Limited, both internal (current profitability and forward-looking information) and external (current and future state of sugar industry and macroeconomic indicators) factors were considered and concluded that TSGRO Farming Services Proprietary Limited is facing major ongoing uncertainties and exposure to adverse business, financial and economic conditions which could lead to them not having adequate capacity to meet its financial commitments. A probability of default rate of 55,7% (2019: 19,2%) was applied to the TSGRO Farming Services Proprietary Limited loans, benchmarked against available market default rates. The loss given default was assessed as 45,0% (2019: 100%) as there are no guarantees or collateral held in respect of this loan.

Based on management's assessment, a R11,5 million (2019: R6,6 million) loss allowance has been recognised on the loan advanced to TSGRO Farming Services Proprietary Limited.

Should the rate used in assessing the probability of default increase by 10%, the expected credit loss would increase by R2,1 million (2019: R3,5 million), whilst a 10% decrease in the rate would result in a decrease of R2,1 million (2019: R3,5 million) in the expected credit loss.

Current:	**2020**	2019
	R'000	R'000
Loans at the beginning of the year	**2 500**	29 072
Loans reclassified from current to non-current		(29 072)
Loans advanced during the year	**5 000**	2 500
Less: Expected credit loss allowance	**(5 000)**	
Loans at the end of the year	**2 500**	2 500

During the current financial year, a loan of R5,0 million was granted to The Hatchery Group Proprietary Limited for the purpose of funding its working capital requirements. The Hatchery Group Proprietary Limited, in conjunction with RCL FOODS, Remgro Limited and Food Safe Proprietary Limited, is involved in researching new business models and technologies in the food industry. The loan is unsecured and bears interest at prime +1%.

The loan advanced in the current year of R5,0 million was utilised for the operating expenditure of the Hatchery Group Proprietary Limited. An assessment of the recoverability of the loan has been performed at year-end and the expected credit loss arising on this loan amounts to R5,0 million, being the amount utilised for operating expenditure.

for the year ended June 2020

	2020 R'000	2019 R'000
6. INVESTMENT IN FINANCIAL ASSET		
At the beginning of the year		
Investment at cost	**114 196**	
Foreign exchange gain (fair value adjustment)	**22 843**	
At the end of the year	**137 039**	

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.
This investment has been classified as a financial asset through profit and loss.

7. INVENTORIES

	2020 R'000	2019 R'000
Finished goods	**2 066 109**	2 195 778
Work-in-progress	**5 485**	4 503
Raw materials and ingredients	**604 611**	569 323
Consumables and maintenance spares	**304 460**	338 964
At the end of the year	**2 980 665**	3 108 568
Carrying value of inventory written down to net realisable value	**131 777**	251 757
Amount expensed as write-down to net realisable value	**69 014**	71 944

The Group's net realisable value write-down of R69,0 million (2019: R71,9 million) processed in the previous financial year relates to the Chicken segment. Due to the fast-moving nature of the products, the Group bases its write-down calculation on actual selling price information available post year-end related to these products which supports the net realisable value of stock on hand.

The Group has considered the impact of the COVID-19 pandemic on the valuation of inventories. No material change to the valuation of inventory was considered necessary due to the nature of inventory holdings, being mainly food products.

8. BIOLOGICAL ASSETS

2020

	Breeding stock R'000	**Broiler stock R'000**	**Sugarcane plants R'000**	**Banana fruit R'000**	**Total R'000**
At the beginning of the year at fair value	**351 289**	**209 308**	**286 773**	**19 123**	**866 493**
Gains arising from cost inputs	**1 057 714**	**3 335 160**			**4 392 874**
Decrease due to harvest/Transferred to cost of sales	**(1 050 467)**	**(3 381 361)**	**(286 884)**	**(19 123)**	**(4 737 835)**
Fair value adjustments recorded in profit or loss	**8 163**	**14 470**	**257 769**	**3 154**	**283 556**
At the end of the year at fair value	**366 699**	**177 577**	**257 658**	**3 154**	**805 088**

2019

	Breeding stock R'000	Broiler stock R'000	Sugarcane plants R'000	Banana fruit R'000	Total R'000
At the beginning of the year at fair value	308 977	176 497	313 032	8 825	807 331
Gains arising from cost inputs	972 687	3 211 258			4 183 945
Decrease due to harvest/Transferred to cost of sales	(962 091)	(3 190 661)	(316 122)	(8 825)	(4 477 699)
Fair value adjustments recorded in profit or loss	31 716	12 214	289 863	19 123	352 916
At the end of the year at fair value	351 289	209 308	286 773	19 123	866 493

The financial risk management disclosures relating to the fair value estimation of the Group's biological assets is included in note 29 of the consolidated financial statements.
The fair value estimation of the Group's biological assets was not materially impacted by the COVID-19 pandemic.

			2020 R'000	2019 R'000
9.	**TRADE AND OTHER RECEIVABLES**			
	Non-current:			
	Other receivables		**23 060**	127 025
	Total		**23 060**	127 025

Other receivables largely relates to a deposit of R18,1 million made on a lease which is only receivable on termination of the lease. The period of the lease is 15 years. There has been no significant increase in credit risk with respect to the lessor, based on a review of available public information, thus the receivable has been assessed for expected credit loss on a 12-month basis. No expected credit loss was required as no portion of the deposit is due within the next 12 months.

	2020	2019
Current:		
Trade receivables	**5 114 211**	3 785 125
Less: Loss allowance	**(66 148)**	(51 138)
Net trade receivables	**5 048 063**	3 733 987
Prepayments	**126 966**	104 571
Other receivables*	**790 250**	763 564
At the end of the year	**5 965 279**	4 602 122

A summary of the Group's trade receivables covered by insurance or secured by collateral is as follows:

		2020	2019
Terms	(days)	7 to 90	7 to 90
Collateral held/insurance		**Yes**	Yes
Debtors covered by Lombard insurance**		**4 591 029**	3 462 387
Mortgage bonds – registered value		**35 400**	48 800
Notarial bonds – registered value		**500**	1 450
Cessions – book value		**950**	950
Bank guarantees – actual value		**1 500**	1 500
Total		**4 629 379**	3 515 087

* Material items included in other receivables comprise:

	2020	2019
- Vector distribution contracts[1]	**509 885**	396 104
- VAT receivable	**89 574**	165 343
- Current portion of proceeds on sale of Tzaneen operation[2]	**19 864**	7 500
- Current portion of proceeds on sale of Prepared Lines operation[2]	**70 900**	76 391
- Other receivables[3]	**100 028**	118 226

[1] These receivables represent amounts due from large listed and/or well-established foodservice entities in the South African market, and is effectively secured over the value of inventory that the Vector division holds on their behalf for distribution to their stores. The expected credit loss on these receivables was not considered to be material based on the value of the stock held and the short time period that it would take to liquidate the inventory into cash should the debtor default.

[2] Relates to:
- the balance of the proceeds on the sale of the Tzaneen operation of R19.9 million (2019: R35,9 million included in Non Current, R 7.5 million included in Current), which is repayable in full in the first quarter of the next financial year, with interest accruing at the Group's effective investment interest rate of 6.5% (2019: 6.8%) per annum. Based on the payment history of the debtor, and inspection of their latest financial results, there is no significant increase in credit risk and the expected credit loss has thus been assessed on a 12-month basis. The Group has assessed the credit risk of the debtor by inspecting their latest results and considering the current state of the poultry market in which they operate. The debtor was assessed as having a strong capacity to meet their financial obligations but being susceptible to the adverse effects of changes in the chicken industry and the general economy. A default rate, benchmarked against the rating agency rates for debtors with similar credit characteristics, was applied and did not result in a material expected credit loss provision; and
- the balance of the proceeds on the sale of the Prepared Lines operation of R70.9 million (2019: R72,4 million), which is repayable in full in the first half of the next financial year, with interest accruing at the Group's effective investment interest rate of 6.8% (2019: 6.8%) per annum. Based on the payment history of the debtor and review of available public information, there has been no significant increase in credit risk assessed and the expected credit loss has thus been assessed on a 12-month basis (stage 1 of the general model). The Group has assessed the credit risk of the debtor by inspecting their latest media releases, considering their payment history, and considering their customer base and market in which their products are sold. The debtor was assessed as having a very strong capacity to meet their financial obligations. A default rate, benchmarked against the rating agency rates for debtors with similar credit characteristics, was applied and did not result in a material impairment loss.

[3] The other receivables consist of various items which are not considered individually material. These items have been assessed for expected credit loss using the general approach in accordance with IFRS 9 and did not result in material expected credit losses.

** The maximum claim as a result of default on any single claim is R1,32 billion (2019: R1,35 billion). There are no individual debtors which exceed the R1,32 billion at 28 June 2020.

9. TRADE AND OTHER RECEIVABLES (continued)

The Group applies the IFRS 9 simplified approach to measuring expected credit losses on its current trade receivables, which calculates the loss allowance on a lifetime basis.

The expected loss rates applied in the assessment of impairment for trade receivables are based on the payment profiles of historical sales for customers with write-offs. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP, CPI, prime rate and the unemployment rate to be the most relevant factors due to the impact it has on the majority of our consumers.

The most significant period-end assumptions used for the expected credit loss estimate as at June 2020 are set out below. The assumptions include actual rates and forecast rates, with expected movements being taken into account in determining the expected impact of the change in these factors.

Macroeconomic Indicator	
Forecast GDP	For the period 1 July 2019 to 28 June 2020, GDP deteriorated between 1,0% and 3,0%. GDP is expected to improve by between 0,5% and 3,2% for the next 12 months.
CPI	For the period 1 July 2019 to 28 June 2020, CPI increased between 2,0% and 2,75%. CPI is expected to remain below 5,0% for the next 12 months.
Prime rate	During the period 1 July 2019 to 28 June 2020, the prime rate decreased by 30 basis points.
Unemployment rate	Over the period 1 July 2019 to 28 June 2020, the unemployment rate deteriorated between 0,8% and 2,5%. A further deterioration, of between 2,5% and 4,9% is expected for the next 12 months.

The COVID-19 pandemic in the current year has significantly impacted the South African economy, and consequently the general operating environment of RCL FOODS. Unemployment rates and CPI are expected to increase, having a negative impact on customers and consumers, whilst some relief is expected to be obtained from a lower forecast prime rate and an increase in forecast GDP for 2021. Based on a combined assessment of the above, the calculated loss rates were adjusted up by a forward-looking factor of 25,0% (2019: 10,0%).

The adjusted historical loss rate for the trade receivables included in the matrix approach is as follows:

June 2020	**Current**	**30 days**	**60 days**	**90 days**	**120 days**
Historical loss rate	4.3841%	13.8189%	50.7959%	53.3820%	54.7619%
Forward-looking adjustment	1.0960%	3.4547%	12.6990%	13.3455%	13.6905%
Adjusted historical loss rate	5.4801%	17.2736%	63.4949%	66.7276%	68.4524%

June 2019	**Current**	**30 days**	**60 days**	**90 days**	**120 days**
Historical loss rate	4.226%	13.600%	58.555%	59.436%	59.736%
Forward-looking adjustment	0.423%	1.360%	5.856%	5.944%	5.974%
Adjusted historical loss rate	4.649%	14.960%	64.410%	65.380%	65.710%

The adjusted historical loss rates increase with the increase in the ageing buckets. This is due to the risk of default increasing the longer the balance is outstanding for.

The Group has credit insurance in place with Lombard for all domestic trade debtors above R75 000, subject to an aggregate excess of R4,0 million. The credit policy requires each new customer to be analysed individually for creditworthiness before delivery and payment terms are offered. The insurance cover is taken out at inception of the sale and is integral to the enactment of the sale.

The Group has assessed its expected loss allowance by grouping trade receivables on shared characteristics and days past due. The calculation of the expected credit loss takes into account the fact that the Group can recover bad debts from insurers net of any excess applicable.

	2020 **R'000**	2019 R'000
The loss allowance is calculated using the matrix approach based on the total trade receivables balance; segregated for the below:	**5 114 211**	3 785 125
- Balances of large customers (listed and/or well-established brands within the South African and African markets) with no history of default and with a long history of trading with RCL FOODS. No long outstanding amounts are included in these balances nor has there been any indication in the current financial year that these debtors will default. Latest media reports and published financial statements were inspected to support their ability to pay. These customers were assessed as low risk and any expected credit loss would have been limited to a forward view based on deterioration of macroeconomic indicators. The calculated expected credit loss on these balances was not considered to be material, also taking into account that these debtors are covered by insurance.	**(3 818 134)**	(2 643 854)
- Receivables with specific financial issues. These were identified as trade receivables which were handed over to legal for collection or those for which we are aware of a specific issue arising from continuous unsuccessful attempts to collect the debt. These receivables have been assessed specifically and provided for either based on the state of the legal collection or in full.	**(84 882)**	(84 138)
- Remaining receivables with balances covered by insurance*	**(1 007 111)**	(940 322)
Trade receivables subject to matrix approach	**204 084**	116 811

* Receivables balances covered by the Group's credit insurance. The risk of default on these debtors is hence considered as the risk of default of the insurer, Lombard. An assessment of credit risk related to Lombard was performed, and the risk of default was assessed as low due to the past claims payment history, with any expected credit loss being limited to a forward view based on deterioration of macroeconomic indicators. The calculated expected credit loss on these balances was not considered to be material.

9. TRADE AND OTHER RECEIVABLES (continued)

The loss allowance was determined as follows for trade receivables:

June 2020	Current R'000	30 days R'000	60 days R'000	90 days R'000	120 days R'000	Total R'000
Expected loss rate	5.4801%	17.2736%	63.4949%	66.7276%	68.4524%	
Gross carrying amount	161 096	26 136	4 204	6 431	6 217	204 084
Loss allowance based on matrix approach	8 828	4 515	2 669	4 291	4 256	24 559
Less: VAT on expected credit losses - general*						(2 655)
Specific provision for losses						44 244
Loss allowance						66 148

June 2019	Current R'000	30 days R'000	60 days R'000	90 days R'000	120 days R'000	Total R'000
Expected loss rate	4.649%	14.960%	64.410%	65.380%	65.710%	
Gross carrying amount	99 693	9 456	3 063	4 214	385	116 811
Loss allowance based on matrix approach	4 636	1 415	1 973	2 755	253	11 031
Less: VAT on expected credit losses - general*						(1 038)
Specific provision for losses						41 145
Loss allowance						51 138

* The South African Revenue Service permits an input VAT claim in the event of a trade receivable being written off.

	2020 R'000	2019 R'000
Reconciliation of loss allowance		
At the beginning of the year	**(51 138)**	(35 656)
Amounts restated through opening retained earnings		(8 955)
Increase in general loss allowance recognised in profit or loss during the year	**(31 921)**	(1 038)
Increase in specific loss allowance recognised in profit or loss during the year	**(3 396)**	(14 883)
Receivables written off during the year as uncollectible	**16 196**	6 108
Unused amounts reversed	**4 111**	3 286
At the end of the year	**(66 148)**	(51 138)

	2020 R'000	2019 R'000
The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:		
Rand	**5 900 431**	4 633 008
USD	**17 552**	56 642
Namibian Dollar	**69 552**	39 497
GBP	**804**	
Total	**5 988 339**	4 729 147

All current trade and other receivables are due within one year of the reporting date.

The carrying amount of trade and other receivables approximates their fair values.

	Assets 2020 R'000	Liabilities 2020 R'000	Assets 2019 R'000	Liabilities 2019 R'000
10. DERIVATIVE FINANCIAL INSTRUMENTS				
Derivative financial assets and liabilities				
Soya oil options		**815**		
Soyabean meal options		**39**	484	
Diesel options	**339**			
Maize options		**12**		
Currency options			2 478	6
Forward exchange contracts	**9 285**	**22 408**	1 682	2 328
Embedded building derivative rentals	**99**			838
Interest rate collar option*		**101 537**		19 658
Total	**9 723**	**124 811**	4 644	22 830

*The fair value of the interest rate collar hedge is determined using the appropriate option pricing model that takes into account the volatility of the underlying instrument.

The amounts above represent the fair value of the derivative instruments which represent the maximum exposure to credit risk at June 2020.

The financial risk management disclosures relating to the Group's derivative assets and liabilities is included in note 29.

for the year ended June 2020

	2020 R'000	2019 R'000
11. NON-CURRENT ASSETS HELD FOR SALE		
Non-current assets held for sale relate to the following segments		
Assets		
Chicken	**1 509**	360
Sugar	**625**	2 225
Total assets	**2 134**	2 585

Chicken Segment

Current Year

Chicken Farms

During the current financial year a decision was taken to sell the Uitvlugt and Langdam farms within the Chicken operating unit. The sales contract has been signed in the 2020 financial year and the property transfer is expected to occur in the first quarter of the 2021 financial year.

	2020 R'000	2019 R'000
Assets		
Land	**80**	
Plant and equipment	**1 429**	
Total assets	**1 509**	

Prior Year

During the previous financial years a decision was taken to dispose of certain chicken farms. The last remaining farm was disposed of in the current financial year.

	2020 R'000	2019 R'000
Assets		
Land		320
Total assets		320

	2020 R'000	2019 R'000
Reconciliation of carrying amount of Chicken Farm disposed of		
Proceeds	**4 000**	
Carrying amount of assets held for sale at June 2019	**(320)**	
Profit recognised on sale of disposal group	**3 680**	

Employee housing

In the previous financial year, a decision was taken to dispose of a block of property used for employee housing. The sales contract was signed in the 2019 financial year and the transfer was completed in the current financial year. The carrying value of these assets were as follows:

	2020 R'000	2019 R'000
Assets		
Property, plant and equipment		40
Total assets		40

	2020 R'000	2019 R'000
Reconciliation of carrying amount of employee housing disposed of		
Proceeds	**4 050**	
Carrying amount of assets held for sale at June 2019	**(40)**	
Profit recognised on sale of disposal group	**4 010**	

for the year ended June 2020

	2020 R'000	2019 R'000

11. NON-CURRENT ASSETS HELD FOR SALE (continued)

Sugar Segment
Current year
During the previous financial year, agreements were entered into to dispose of the Talana Flat, portion 13 of farm Mhlati and a subdivided portion of the farm Thornhill. The sales value of the 3 properties amounted to R13,6 million. During the current financial year, the Talana Flat was transferred to the new owner and the sale was recognised. The transfer of ownership of the subdivided portion of the farm Thornhill is still in process and expected to transfer in the 2021 financial year. During the current financial year the sale of portion 13 of farm Mhlati was cancelled, as the buyer could not source the required funding (R5,8 million). This portion is still being actively marketed and management expects to sell this land in the next financial year. These remaining properties were consequently still classified as held for sale at June 2020.

	2020 R'000	2019 R'000
Assets		
Property, plant and equipment	**625**	2 225
Total assets	**625**	2 225

	2020 R'000	2019 R'000
Reconciliation of carrying amount of Sugar properties		
Proceeds	**2 261**	
Carrying amount of assets held for sale at June 2019	**(2 225)**	
Carrying amount of assets not yet sold at June 2020	**625**	
Profit recognised on sale of disposal group	**661**	

Baking Segment
Prior Year
Prepared Lines operation
In the prior financial year the Prepared Lines operation of the Speciality operating unit was disposed of.

	2020 R'000	2019 R'000
Reconciliation of carrying amount of Prepared Lines operation		
Proceeds		222 446
Carrying amount of disposal group at June 2018		(155 068)
Transfer (to)/from held for sale		
- Property, plant and equipment		(30 772)
- Goodwill		2 577
- Inventory		7 880
Profit recognised on sale of disposal group		47 063

The carrying values of all the above assets held for sale are lower than their fair values.

12. STATED CAPITAL

Authorised
2 000 000 000 (2019: 2 000 000 000) ordinary shares of no par value.
Issued ordinary shares of no par value:

	Number of shares	2020 R'000	2019 R'000
At the beginning of the year	870 142 923	**10 134 574**	10 087 241
Shares issued in terms of share incentive schemes	18 102 823	**183 505**	47 333
At the end of the year	888 245 746	**10 318 079**	10 134 574

	Number of shares
Shares in issue for accounting purposes – June 2020	888 245 746
Add: shares issued in terms of BEE scheme*	70 758 637
Statutory shares in issue – June 2020	959 004 383

* On 26 May 2014, 44 681 162 shares were issued to the RCL Employee Share Trust (total issued value of R242,1 million), 19 149 069 to Business Venture Investments 1763 (RF) Proprietary Limited (total issued value of R103,8 million) and, on 3 April 2014, 6 928 406 shares were issued to Malongoana Investments (RF) Proprietary Limited (total issued value of R0,07 million) in terms of a BEE transaction. For accounting purposes these shares are not treated as issued (refer to note 33 for further details).

The unissued ordinary shares are under the control of the directors until the forthcoming Annual General meeting.

Issued shares have been fully paid up.

12. STATED CAPITAL (continued)

RCL FOODS Share Appreciation Rights Scheme

Details of share appreciation rights awarded under this scheme are as follows:

Award price (cents)	Date rights awarded	Rights at June 2019	Rights awarded during the year	Rights exercised during the year	Rights forfeited during the year	Rights at June 2020	Rights exercisable at June 2020
1 400	1 January 2012	**178 529**			**(178 529)**		
1 436	1 April 2012	**287 328**			**(287 328)**		
1 320	5 September 2012	**1 219 907**			**(1 219 907)**		
1 458	27 February 2013	**27 905**			**(27 905)**		
1 612	1 June 2013	**329 033**			**(329 033)**		
1 654	4 September 2013	**6 181 775**			**(81 292)**	**6 100 483**	**6 100 483**
1 738	1 December 2013	**379 747**				**379 747**	**379 747**
1 404	1 March 2014*	**2 085 320**			**(2 703)**	**2 082 617**	**2 082 617**
1 593	4 September 2014**	**14 042 152**			**(219 017)**	**13 823 135**	**13 823 135**
1 796	1 March 2015	**1 892 629**			**(113 586)**	**1 779 043**	**1 779 043**
1 592	9 September 2015	**10 649 329**			**(421 777)**	**10 227 552**	**6 714 890**
1 366	2 March 2016	**1 485 228**				**1 485 228**	**980 247**
1 405	7 September 2016	**18 565 159**			**(451 122)**	**18 114 037**	**6 023 997**
1 556	3 March 2017	**2 202 378**			**(108 489)**	**2 093 889**	**690 977**
1 536	9 September 2017	**17 618 256**			**(248 670)**	**17 369 586**	**83 113**
1 677	5 March 2018	**761 580**				**761 580**	
1 697	10 September 2018	**19 569 417**			**(810 812)**	**18 758 605**	**47 428**
1 250	11 March 2019	**1 604 211**				**1 604 211**	
1 344	1 April 2019	**818 452**				**818 452**	
993	9 September 2019		**35 969 940**		**(913 421)**	**35 056 519**	
1 074	9 March 2020		**2 479 459**			**2 479 459**	
		99 898 335	**38 449 399**		**(5 413 591)**	**132 934 143**	**38 705 677**

* Includes rights awarded to Foodcorp management who joined the scheme for the first time.

** Includes rights awarded to TSB management who joined the scheme for the first time.

The RCL FOODS Share Appreciation Rights Scheme provides executive directors and selected employees with conditional rights to receive RCL FOODS ordinary shares, referred to as Share Appreciation Rights (SAR).

Within the limits imposed by the Company's shareholders and the JSE Limited, the Remuneration and Nominations Committee approves and awards SAR on an annual basis, as well as periodically when either an employee is promoted or a new appointment is made to an appropriate management position. Recipients of SAR become entitled to RCL FOODS shares having a value equal to the increase in the market value of a number of notional RCL FOODS shares. The market value of RCL FOODS shares for the purposes of determining award prices and exercise prices is the volume-weighted average price of RCL FOODS shares traded on the JSE for the five business days immediately preceding the award dates and exercise dates approved by the Remuneration and Nominations Committee.

SAR awards vest after stipulated periods and are exercisable up to a maximum of seven years from the award dates.

SAR awards vest as follows:

- 33% – third anniversary of award date;
- 33% – fourth anniversary of award date; and
- 34% – fifth anniversary of award date.

On resignation, SAR awards which have not yet vested will lapse and SAR awards which have vested may be exercised before the last day of employment. On retirement, unvested SAR awards vest immediately and all SAR awards may be exercised within 12 months from the date of retirement. On death, unvested SAR awards vest immediately and all SAR awards may be exercised by beneficiaries within 12 months from the date of death.

The weighted average fair value of rights awarded during the year was R2.44 (2019: R4,27).

	2020 Rand	2019 Rand
Weighted average award price of rights in issue at the beginning of the year	**15.57**	15,30
Weighted average award price of rights in issue at the end of the year	**14.01**	15.57
Weighted average award price of rights exercised during the year		15.07
Weighted average award price of rights forfeited during the year	**14.18**	15.65
Weighted average award price of rights awarded during the year	**9.98**	16.53
Weighted average share price at date rights exercised during the year		16.47

RCL FOODS Conditional Share Plan

Details of the conditional shares awarded under this scheme are as follows:

Date conditional shares awarded	Conditional shares at June 2019	Conditional shares awarded during the year	Conditional shares exercised during the year	Conditional shares at June 2020
1 March 2017	**18 102 823**		**(18 102 823)**	
11 March 2019	**960 000**			**960 000**
9 September 2019		**604 228**		**604 228**
Total	**19 062 823**	**604 228**	**(18 102 823)**	**1 564 228**

The weighted average fair value of conditional shares awarded during the year was R7,43.

The RCL FOODS Conditional Share Plan (CSP) operates in conjunction with the current Share Appreciation Rights Scheme (SARs). The Company only uses CSP to make adhoc allocations as and when deemed necessary and in exceptional circumstances.

Under the CSP, participants will receive a conditional award of shares on the award date at Rnil strike price, provided that they remain in the employment of the Group over the vesting period and meet certain performance conditions attached to the award. Shares will be settled to the participants on the vesting date. Participants will have no shareholder or dividend rights before the vesting date.

The fair values of the SAR's and CSP's were calculated using the binomial options pricing model. The inputs into the model for awards issued during the year were as follows:

		2020	2019
Expected volatility	(%)	**28,73 - 33,25**	24,4 - 33,5
Risk-free rate	(%)	**6,77 - 8,02**	7,0 - 7,8
Expected dividend yield	(%)	**3,0**	3,0
Contractual life	(years)	**7,0**	7,0
Weighted average contractual life – rights	(years)	**4,03**	4,1

for the year ended June 2020

		2020 R'000	2019 R'000
13.	**SHARE-BASED PAYMENTS RESERVE**		
	Employee share scheme		
	At the beginning of the year	**465 574**	386 821
	Settlement of exercised rights	**(183 505)**	(47 333)
	Equity component of deferred tax on share based payments	**1**	(13 003)
	Value of employee services expensed during the year	**120 359**	139 089
	At the end of the year	**402 429**	465 574
	BEE transaction		
	At the beginning of the year	**263 699**	246 099
	Employee portion – recurring*	**17 600**	17 600
	At the end of the year	**281 299**	263 699
	Total at the end of the year	**683 728**	729 273

*Refer to note 33 for further details.

		2020 R'000	2019 R'000
14.	**OTHER RESERVES**		
	Foreign currency translation reserve		
	At the beginning of year	**(169)**	(5 806)
	Currency translation on foreign joint ventures and associates	**11 389**	5 637
	At the end of year	**11 220**	(169)

for the year ended June 2020

		2020 R'000	2019 R'000
15.	**RETIREMENT BENEFIT OBLIGATIONS**		
	Post-retirement medical benefits	**101 269**	126 590

Post-retirement medical obligation

The obligation of the Group to pay certain medical aid benefits after retirement is no longer part of the conditions of employment. A number of pensioners and current employees, however, remain entitled to this benefit. The entitlement to this benefit is dependent upon the employee remaining in service until retirement age. The Group also provides certain medical aid benefits to certain retired employees of Foodcorp Proprietary Limited and RCL FOODS Sugar & Milling Proprietary Limited. The last valuation date was June 2020. The unfunded liability for post-retirement medical aid benefits is determined actuarially each year and comprises:

		2020 R'000	2019 R'000
At the beginning of the year		**126 590**	135 072
Recognised as expense in the current year		**7 141**	13 927
Interest costs		**12 342**	11 875
Past service credit and settlements		**(7 370)**	(656)
Current service costs		**2 169**	2 708
Remeasurements:			
		(26 388)	(17 047)
Gain from change in financial assumptions		**(13 251)**	(13 511)
Experience gain recognised		**(13 137)**	(3 536)
Benefits paid		**(6 074)**	(5 362)
At the end of the year (and balance per actuarial valuation)		**101 269**	126 590
The principal actuarial assumptions are:			
Discount rate	(%)	**8,80 to 13,0**	8,0 to 10,3
Healthcare cost inflation	(%)	**6 to 9,7**	7,0 to 8,3
Mortality – pre-retirement		*	*
Mortality – post-retirement		**	**
Expected contributions for the year ending June		**4 548**	6 096

* SA85/90 (light) ultimate.

** PA(90) ultimate table rated down two years plus 1,0% improvement per annum from 2006.

The weighted average duration of the liability is between 5 and 26 years (2019: 6 and 28 years).

15. RETIREMENT BENEFIT OBLIGATIONS (continued)

The sensitivity of the obligation to changes in the principal assumptions is:

		Impact on obligation	
	Change in assumption	R'000 Increase in assumption	R'000 Decrease in assumption
Discount rate	**0.5%**	**(7 183)**	**6 101**
Healthcare cost inflation	**1%**	**13 342**	**(11 278)**

Retirement contribution plans
Pension and provident fund schemes
The Group contributes towards retirement funds for all permanent employees who are required to be a member of a Group implemented scheme. These schemes, detailed below are governed by the Pension Funds Act, 1956. Their assets consist primarily of listed shares, fixed income securities, property investments and money market instruments and are held separately from those of the Group. Each of the schemes' assets are administered by a Board of trustees, each of which includes elected employee representatives.

Defined contribution pension and provident fund schemes
The latest audited financial information of the schemes that are administered by the Group all reflect a satisfactory state of affairs. Amounts charged to the income statement are as follows:

	2020 R'000	2019 R'000
– RCL FOODS Pension Fund	**65 381**	58 966
– RCL FOODS Provident Fund	**179 930**	162 254
– Namflex Pension Fund	**1 123**	765
– TSB ABSA Retirement Fund	**19 881**	19 466
– SATAWU Provident Fund	**4 097**	3 965
– TSB Agricultural Provident Fund	**4 074**	4 051
– TSB NBC Provident Fund	**7 146**	7 189
– Foodcorp Provident Fund	**10 573**	11 272
– Foodcorp Provident Fund – disability	**716**	759
– Alexander Forbes	**22 509**	23 220
– Old Mutual – SACCAWU	**5 185**	7 717
– Setshaba		802
– FAWU	**489**	953
– Sanlam Group Life	**11**	4
Total	**321 115**	301 383

	2020 R'000	2019 R'000
16. INTEREST-BEARING LIABILITIES		
Long-term		
Institutional borrowings	**32 497**	31 733
Loan from Green Create W2V SA Proprietary Limited		50 000
Loan from First Fund	**76 383**	
Lease liabilities (refer to note 17)	**1 482 769**	180 520
Term-funded debt package	**2 350 000**	2 350 000
Loan from Ingwenyama Simhulu Trust	**13 610**	10 953
Loan from Siphumelele Tenbosch Trust	**3 699**	1 861
Loan from Matsamo Communal Property Association	**1 000**	500
Loans from Akwandze Agricultural Finance Proprietary Limited		13 796
Total	**3 959 958**	2 639 363
Short-term		
Institutional borrowings	**2 511**	5 859
Lease liabilities (refer to note 17)	**162 509**	21 262
Loan from First Fund	**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
Total	**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 40-50 days between payments.

The carrying amount of institutional borrowings approximate its fair value.

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 Fund

During the current financial year a loan from First Fund was obtained in Matzonox Proprietary Limited. First Fund 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 3 month JIBAR plus 4,08%. The loan is repayable quarterly 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)
- 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:

Type	Amount R'000	Term	Effective interest rate
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)	

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.

16. 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	>3,5:1	>3,5:1

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 R0.3m (2019: R0.2m).

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 sugarcane growers. Certain funding has been channelled through the Group to small scale growers.

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 approximate their fair values.

	2020 R'000	2019 R'000
17. LEASE LIABILITIES		
Long-term		
Lease liabilities	**1 482 769**	180 520
Short-term		
Lease liabilities	**162 509**	21 262
Gross lease liabilities – minimum lease payments	**2 493 256**	307 616
Due within one year	**298 959**	39 129
Due within two to five years	**1 023 252**	118 099
Due later than five years	**1 171 045**	150 388
Future finance charges on lease liabilities	**(847 978)**	(105 834)
Present value of lease liabilities	**1 645 278**	201 782
Due within one year	**162 509**	21 262
Due within two to five years	**605 744**	66 039
Due later than five years	**877 025**	114 481
	1 645 278	201 782

Operating leases*:	2019 R'000
Due within one year	174 642
Due within two to five years	510 624
Due later than five years	149 039
Total	834 305
In respect of:	
– property	790 293
– plant and equipment	31 298
– other	12 714
Total	834 305

*Operating leases have only been disclosed for the prior period. On 1 July 2019 the Group adopted IFRS 16 Leases using the modified retrospective approach, without restating comparative information.

Lease payments not recognised as a liability

In accordance with IFRS 16 the Group has not recognised a lease liability for short term leases (leases of expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred.

The expense relating to payments not included in the measurement of the lease liability has been disclosed in note 22.

At 28 June 2020, the Group has future lease commitments in relation to short term leases of R9,7 million.

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

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 twelve months to June 2020 were optional. Optional lease payments relates to payments made on leases for which the Group is in the extension option period.

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).

Refer to note 37 for further details on the change in accounting policy.

	2020 R'000	2019 R'000
18. TRADE AND OTHER PAYABLES		
Long-term		
Other payables	**3 059**	6 326
Total	**3 059**	6 326
Short-term		
Trade payables	**4 577 216**	3 099 401
Accruals	**1 263 315**	1 098 546
Other payables	**1 132 984**	695 354
Total	**6 973 515**	4 893 301

Other long-term payables relate to various deferred bonus and retention schemes within the Group.
The carrying amount of trade and other payables approximate their fair values.
Included in accruals and other payables above are non-financial liabilities of R 311,0 million (2019: R354,4 million).
The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	2020	2019
Rand	**6 920 471**	4 869 272
USD	**1 902**	479
Namibian Dollar	**50 788**	29 127
GBP	**241**	162
EUR	**3 172**	587
Total	**6 976 574**	4 899 627

for the year ended June 2020

19. DEFERRED INCOME TAX

Deferred income tax liability movement:

	2020 R'000	2019 R'000
At the beginning of the year	**1 211 607**	1 253 584
Change in accounting policy - IFRS 9*		(2 139)
Credit for the year – income statement	**(171 135)**	(45 840)
Charge for the year – equity component of deferred tax on share based payments		13 003
Charge for the year – other comprehensive income	**1 011**	1 547
Prior year overprovision	**(6 861)**	(8 548)
At the end of the year	**1 034 622**	1 211 607
Deferred income tax liability comprises:		
Trademarks, property, plant and equipment	**898 073**	1 164 454
Inventories and biological assets	**171 452**	176 077
Provisions	**(78 071)**	(87 006)
Investment in associate	**32 322**	24 192
Losses available for set-off against future taxable income	**(25 762)**	(60 510)
IFRS 16 - Right-of-use assets	**5 358**	
Other	**31 250**	(5 600)
Total	**1 034 622**	1 211 607
Deferred tax liability due after 12 months	**951 960**	1 042 361
Deferred tax liability due within 12 months	**82 662**	169 246
Total	**1 034 622**	1 211 607

Deferred income tax asset movement:

	2020 R'000	2019 R'000
At the beginning of the year	**71 400**	28 448
Change in accounting policy - IFRS 9*		369
Credit for the year – income statement	**80 159**	46 200
Charge for the year – other comprehensive income	**(6 388)**	(3 227)
Credit for the year - other	**4 175**	
Acquisition of business	**(65 155)**	(1 493)
Prior year over provision	**2 237**	1 103
At the end of the year	**86 428**	71 400
Deferred income tax asset comprises:		
Provisions	**94 606**	74 594
Derivative financial instruments	**33 607**	6 967
Trademarks, property, plant and equipment	**(80 575)**	(26 877)
Inventories and biological assets	**(18 021)**	(21 686)
Losses available for set-off against future taxable income	**76 605**	17 789
IFRS 16 - Right-of-use assets	**(38 716)**	
Other	**18 922**	20 613
	86 428	71 400
Deferred tax assets due after 12 months	**(37 709)**	(7 635)
Deferred tax assets due within 12 months	**124 137**	79 035
Total	**86 428**	71 400

* Deferred tax on amounts restated through opening retained earnings in the 2019 financial year due to the implementation of IFRS 9.

Deferred tax is calculated on all temporary differences under the liability method using a principal tax rate of 28,0% (2019: 28,0%) and 32,0% (2019: 32,0%) for Vector Logistics Limited (Namibia).

The deferred income tax assets related to assessed losses consist mainly of assessed losses arising in the current financial period in Vector Logistics Proprietary Limited whose forecasts support the utilisation of the loss in the next financial period.
Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable.

	2020 R'000	2019 R'000

19. DEFERRED INCOME TAX (continued)

No deferred tax asset has been recognised for assessed losses amounting to R84,8 million (2019: R53,3 million) and capital losses of R97,9 million (2019: R74,5 million) as it is not envisaged that there will be future taxable profits in the foreseeable future against which the deferred tax asset can be utilised. The increase in unrecognised deferred tax assets relates to the 50% owned sugar cane-grower companies (refer note 35) due to the significant challenges being experienced in the sugar industry. The recognition of the deferred tax assets in these companies will be reassessed when conditions in the sugar industry begin to improve. The assessed losses do not have an expiry date. A breakdown of the deferred tax asset not recognised is provided below:

Deferred income tax asset not recognised comprises:

	2020 R'000	2019 R'000
Provisions	**2 148**	2 450
Derivative financial instruments	**(28)**	235
Trademarks, property, plant and equipment	**17 394**	5 597
Inventories and biological assets	**(37 455)**	(46 362)
Assessed loss not recognised as deferred tax asset	**97 943**	89 958
Other	**4 753**	1 418
	84 755	53 296

20. DEFERRED INCOME

	2020 R'000	2019 R'000
Current liabilities		
Deferred income	**2 741**	3 970

Deferred income relates to unearned funding from AGRISETA amounting to R2,7 million (2019: R3,9 million) which will be utilised to offer apprentices bursaries and for staff development.

for the year ended June 2020

	2020 R'000	2019 R'000
21. REVENUE FROM CONTRACTS WITH CUSTOMERS		
Disaggregation of revenue from contracts with customers		
Revenue from contracts with customers*	**27 803 611**	25 887 506
Groceries	**4 984 240**	4 831 990
Groceries	**4 454 350**	4 304 166
Sundry sales**	**529 890**	527 824
Baking	**5 195 089**	5 060 840
Chicken	**8 813 581**	8 632 454
Chicken	**8 506 521**	8 305 368
Sundry sales**	**307 060**	327 086
Sugar	**7 621 791**	6 612 691
Vector	**2 589 368**	2 182 820
Group* **	**166 188**	122 541
Sales between segments****	**(1 566 646)**	(1 555 830)
Timing of revenue recognition	**27 803 611**	25 887 506
Point in time	**26 087 091**	24 599 717
Over time	**1 716 520**	1 287 789
Major customers		
Revenue from the Group's top five customers is as follows:		
– customer A	**3 013 150**	2 491 157
– customer B	**2 200 050**	1 569 551
– customer C	**1 906 367**	1 788 931
– customer D	**1 739 076**	2 385 952
– customer E	**1 646 702**	1 688 614
The above revenue is included in the segments above.		
Analysis of revenue		
Sale of food products	**23 542 365**	21 988 670
Sale of feed	**2 544 726**	2 611 047
Sale of services	**1 716 520**	1 287 789
Total	**27 803 611**	25 887 506
Revenue outside of South Africa		
Vector Logistics Limited (Namibia)	**40 810**	23 175

* Comparative revenue has been restated to reflect the new Group structure effective from 1 September 2019. Refer to note 28 for further detail.

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

*** Group revenue relates to management fees earned for shared services performed for Siqalo Foods Proprietary Limited, and the revenue earned by Matzonox Proprietary Limited, the Group's waste-to-value operation.

**** Refer to note 28 for further detail.

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		2020 R'000	2019 R'000
22.	**OPERATING PROFIT**		
	Revenue from contracts with customers	**27 803 611**	25 887 506
	Cost of sales	**(20 674 229)**	(19 918 727)
	Gross profit	**7 129 382**	5 968 779
	Administration expenses	**(1 907 703)**	(2 047 621)
	Selling and marketing expenses	**(1 332 387)**	(1 099 167)
	Distribution expenses	**(4 065 896)**	(2 990 489)
	Net Impairment (Refer note 1 and note 2)	**(1 506 283)**	(763 713)
	Other income	**877 090**	902 884
	Operating (loss)/profit	**(805 797)**	(29 327)
	Material and disclosable items – other income:		
	Profit on disposal of property, plant and equipment	**3 386**	49 887
	Profit on disposal of assets held for sale	**8 351**	156 227
	Fair value adjustment on biological assets	**283 556**	352 916
	Fair value adjustment on derivatives	**169 948**	160 508
	Bagasse and electricity income	**32 027**	34 532
	Foreign exchange gains	**47 709**	22 104
	Impairment loss reversed	**2 260**	2 915
	Insurance proceeds	**26 496**	31 257
	Rental income	**9 079**	13 511
	Gain on bargain purchase	**277 540**	
	Material and disclosable items – expenses:		
	Operating lease and rental charges*		460 305
	– land and buildings		301 486
	– plant, machinery and equipment		76 880
	– vehicles		52 057
	– office equipment		23 913
	– computer equipment		5 969
	Outsourced transport**		391 929
	Technical consultants and legal fees	**75 026**	97 088
	Fair value adjustment on derivatives	**41 990**	19 753
	Impairment of property, plant and equipment	**595 435**	748 648
	Impairment of Software, Trademark and Goodwill	**913 108**	17 978
	Loss allowance - Loan receivable	**46 872**	6 631
	Lease payments	**520 044**	
	– low-value lease expense	**3 673**	
	– variable lease payments	**98 424**	
	– short-term lease expense	**417 947**	
	Contract grower fees	**344 183**	281 756
	Loss allowance - trade receivables	**35 317**	15 921
	Foreign exchange losses	**41 906**	37 727
	Inventory expense	**15 849 632**	14 997 600
	Fuel and gas	**621 741**	603 514
	Utilities	**1 134 031**	1 039 159
	Repairs and maintenance expense	**936 870**	933 212
	Loss on disposal of property, plant and equipment	**12 663**	63 814
	Directors' remuneration	**24 195**	26 238
	– executive	**17 889**	20 490
	– non-executive	**6 306**	5 748
	Staff costs	**4 945 116**	4 677 156
	– salaries and wages	**4 159 404**	3 937 976
	– share-based payments	**120 359**	139 089
	– retirement benefit costs	**321 115**	301 383
	– other post-employment benefits	**7 604**	13 927
	– retrenchment costs	**40 438**	8 942
	– other	**296 196**	265 839
	BEE expense	**17 600**	17 600
	Administration fee paid to Group holding company	**24 239**	22 867
	Auditors' remuneration	**26 880**	22 600
	– fees for the audit	**22 028**	20 087
	– prior year under/(over) provision	**1 577**	(633)
	– disbursements	**850**	954
	– fees for other services	**2 425**	2 192

* Relates to operating lease payments as defined by IAS 17 Leases. In the current financial year IFRS 16 Leases was adopted, and as such, no further operating lease payments were recognised. Lease payments in the income statement under IFRS 16 are disclosed in Low value, variable payment and short term categories.

** Related to arrangements containing a lease under IFRIC 4 Determining whether an Arrangement contains a Lease.

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	2020 R'000	2019 R'000
23. 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 IFRS 16 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 Leases from 1 July 2019. Refer to note 37 for further details.

	2020 R'000	2019 R'000
24. FINANCE INCOME		
Interest – financial institutions	**19 646**	25 339
Interest – Holding company, joint ventures and associates	**4 295**	3 288
Interest – other	**29 516**	19 958
Total	**53 457**	48 585

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25. INCOME TAX EXPENSE

	2020 R'000	2019 R'000
Current tax	**108 787**	107 551
South African	**95 796**	114 635
Foreign	**4 743**	4 285
Prior year under/(over) provision	**8 248**	(11 369)
Deferred tax	**(264 567)**	(101 691)
South African	**(254 917)**	(91 932)
Foreign	**(552)**	(108)
Prior year over provision	**(9 098)**	(9 651)
Total	**(155 780)**	5 860
Reconciliation of tax rate:		
Loss before tax	**(1 114 818)**	(178 102)
Tax credit at 28%	**(312 149)**	(49 869)
– capital gains tax	**(1 358)**	(19 276)
– foreign taxation	**4 277**	4 079
– share of associates' profits	**(33 135)**	(23 666)
– share of joint ventures' profits	**(12 955)**	(12 129)
– non-taxable income	**(53 806)**	(10 125)
– prior year (under)/over provision – current	**8 248**	(4 675)
– prior year over provision – Section 12L		(6 694)
– prior year overprovision – deferred	**(9 098)**	(9 651)
– non-deductible impairment of assets	**174 889**	5 803
– non-deductible impairment of Loan	**11 569**	
– unrecognised deferred tax on losses made	**27 044**	53 296
– withholding tax on undistributed profits of associate	**8 130**	4 552
– non-deductible IFRS 2 charges	**30 960**	41 709
– non-deductible depreciation and amortisation	**5 931**	6 935
– disposal of Speciality Prepared Lines		27 974
– Section 11D deduction - Research and Development	**(4 677)**	(3 082)
– other non-deductible items	**350**	679
Tax (credit)/charge	**(155 780)**	5 860

The tax effects relating to items of other comprehensive income are disclosed on the face of the statement of other comprehensive income.

for the year ended June 2020

		2020 R'000	2019 R'000

26. EARNINGS AND HEADLINE EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of shares in issue during the year.

Diluted

Diluted earnings are calculated using the fully diluted weighted average ordinary shares in issue. Dilution is due to shares offered, but not paid and delivered to participants in the BEE transaction, the RCL FOODS Share Appreciation Rights Scheme and RCL FOODS Conditional Share Plan (refer to notes 12 and 33). A calculation is performed to determine the number of shares that could have been acquired at fair value based on the monetary value of the subscription rights attached to outstanding scheme shares. The number of shares calculated below is compared with the number of shares that would have been issued assuming the exercise of the share scheme options.

		2020 R'000	2019 R'000
Earnings			
Loss attributable to equity holders of the company		**(901 396)**	(110 541)
Weighted average number of ordinary shares in issue			
Weighted average number of ordinary shares in issue – basic earnings per share	(000)	**875 497**	868 897
Share option dilution impact	(000)	**675**	14 313
Weighted average number of shares – diluted earnings per share	(000)	**876 172**	883 210

	Gross R'000	Net R'000
Headline earnings – June 2020		
Headline earnings reconciliation:		
Loss for the year attributable to equity holders of the company		**(901 396)**
Net impairments	1 506 283	1 249 463
Insurance proceeds	(8 154)	(5 871)
Gain on bargain purchase	(277 540)	(246 740)
Impairment of associate	18 897	18 897
Gain on remeasurements of leases	(621)	(447)
Profit on disposal of property, plant and equipment	(3 385)	(2 422)
Profit on disposal of assets held for sale	(8 351)	(6 013)
Loss on disposal of property, plant and equipment	12 662	8 692
Headline earnings		**114 163**
Headline earnings – June 2019		
Headline earnings reconciliation:		
Loss for the year attributable to equity holders of the company		**(110 541)**
Net impairments	763 712	553 820
Insurance proceeds	(25 660)	(19 833)
Profit on disposal of property, plant and equipment	(49 887)	(36 048)
Profit on disposal of assets held for sale	(156 227)	(102 649)
Loss on disposal of property, plant and equipment	62 139	44 740
Headline earnings		**329 489**

		2020	2019
Earnings per share			
– basic	(cents)	**(103.0)**	(12.7)
– diluted	(cents)	**(102.9)**	(12.5)
Headline earnings per share			
– basic	(cents)	**13.0**	37.9
– diluted	(cents)	**13.0**	37.3

for the year ended June 2020

	2020 R'000	2019 R'000
27. DIVIDENDS PER SHARE		
Interim – paid: 15,0 cents (2019: 15,0 cents)	**133 237**	130 535
Final* – declared: 10,0 cents (2019: 10,0 cents)	**88 825**	87 014
Total: 25,0 cents (2019: 25,0 cents)	**222 062**	217 549

A final dividend of 10,0 cents per share was declared for the financial period ended June 2020. The dividend will be paid on 2 November 2020. The last date to trade to receive a dividend will be 27 October 2020. The RCL FOODS share will commence trading "ex" dividend from the commencement of business on 28 October 2020 and the record date will be 30 October 2020.

* Since the final dividend was declared subsequent to year-end, it has not been provided for in the consolidated financial statements.
The dividend of R88,8 million represents the dividend based on the shares in issue for accounting purposes. The total dividend based on the statutory shares in issue is R95,9 million. The difference of R7,1 million in the dividend amount is due to 70 758 637 shares issued in terms of the BEE transaction. These shares are not considered to be issued for accounting purposes and thus the related dividend is not disclosed. Refer to notes 12 and 33 for further details.

28. OPERATING SEGMENTS

The Chief Executive Officer (CEO) is the Chief Operating Decision Maker. The CEO assesses the performance of the operating segments based on operating profit before depreciation, amortisation and impairments of property, plant and equipment and intangible assets (EBITDA) and operating profit (EBIT), and for joint ventures and associates based on their earnings after tax.

During the period under review, 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 as detailed below. This new single Food division is under the leadership of a Chief Operating Officer.

To further drive the strategic focus on Chicken and Sugar, Animal Feed has been reintegrated into these business units, with the predominantly grain-based Epol and Driehoek brands combining with Chicken, and the predominantly bagasse and molasses-based Molatek brand combining with Sugar. In addition, Speciality has been moved out of Groceries and combined with the previous Millbake business unit to form a new integrated Baking business unit.

The restructuring has established business units that are closely aligned and integrated which provides a solid foundation for creating further synergies, optimising resource allocation and sharpening our strategic focus.

In line with these changes the Group has determined that the new business units are operating segments in terms of IFRS 8, replacing the Consumer and Sugar & Milling segments. The results for the 12 months to June 2020 and all comparatives presented have been illustrated on the new segment basis, comprising the following segments:
• Groceries: Culinary (includes Mayonnaise, Peanut Butter, Rusks etc.) and Pet Food (previously Grocery), Pies and Beverages operations;
• Baking: including the Milling, Speciality, Sunbake bakeries and Buns and Rolls (the latter two previously Baking) operations;
• Chicken: including the Chicken and grain-based feed (EPOL and Driehoek, previously included in the Animal Feed business unit) operations; and
• Sugar: including Sugar and molasses-based feed (Molatek, previously included in the Animal Feed business unit) operations.

The Vector segment provides RCL FOODS and numerous third parties with multi-temperature warehousing and distribution, supply chain intelligence and sales solutions. In addition to facilitating the RCL FOODS integrated supply chain, the Vector segment has partnered with several leading food manufacturers, Foodservice customers and retailers to distribute food products on their behalf across Southern Africa. Ugandan operations refer to chicken producers situated in Uganda.

Transactions between segments are accounted for under IFRS in the individual segments.

for the year ended June 2020

		2020 R'000	Restated* 2019 R'000
28.	**OPERATING SEGMENTS (continued)**		
	Revenue from contracts with customers	**27 803 611**	25 887 506
	Groceries	**4 984 240**	4 831 990
	Baking	**5 195 089**	5 060 840
	Chicken	**8 813 581**	8 632 454
	Sugar	**7 621 791**	6 612 691
	Vector	**2 589 368**	2 182 820
	Group**	**166 188**	122 541
	Sales between segments:		
	Groceries sales to Baking	**(747)**	(302)
	Groceries sales to Chicken	**(103 369)**	(128 516)
	Groceries sales to Sugar	**(7 170)**	
	Baking sales to Groceries	**(123 830)**	(119 432)
	Baking sales to Chicken	**(106 229)**	(111 632)
	Chicken sales to Groceries	**(14 176)**	(1 698)
	Chicken sales to Baking		(14 985)
	Sugar sales to Groceries	**(70 100)**	(73 309)
	Sugar sales to Baking	**(59 676)**	(57 607)
	Sugar sales to Chicken	**(2 257)**	
	Vector sales to Groceries	**(273 519)**	(230 509)
	Vector sales to Baking	**(19 461)**	(12 680)
	Vector sales to Chicken	**(731 544)**	(759 566)
	Vector sales to Sugar	**(34 075)**	(24 676)
	Group to Chicken	**(20 493)**	(20 918)
	Operating profit before depreciation, amortisation and impairment (EBITDA)[1]		
	Groceries	**522 415**	528 627
	Baking	**371 745**	411 821
	Chicken	**28 200**	397 116
	Sugar	**354 936**	34 224
	Vector	**244 266**	118 504
	Group***	**114 475**	35 367
	Operating profit before depreciation, amortisation and impairment (EBITDA)[1]	**1 636 037**	1 525 659
	Depreciation and amortisation[2]	**(935 551)**	(791 273)
	Impairments****	**(1 506 283)**	(763 713)
	Groceries	**(300 767)**	
	Baking	**(388 187)**	2 915
	Chicken	**(346 259)**	(4 716)
	Sugar	**(52 641)**	(761 912)
	Vector	**(418 429)**	
	Operating profit/(loss)		
	Groceries	**99 842**	412 701
	Baking	**(184 112)**	268 875
	Chicken	**(560 540)**	190 928
	Sugar	**156 178**	(948 074)
	Vector	**(366 524)**	39 586
	Group***	**49 359**	6 657
	Operating loss	**(805 797)**	(29 327)
	Finance costs[3]	**(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
	Ugandan operation	**(1 861)**	(1 753)
	Vector	**1 455**	157
	Impairment of associate	**(18 897)**	
	Loss before tax	**(1 114 818)**	(178 102)
	Assets		
	Groceries	**4 497 593**	4 452 065
	Baking	**3 821 745**	4 130 024
	Chicken	**4 242 863**	3 756 983
	Sugar	**4 263 020**	4 558 069
	Vector	**5 835 607**	4 044 417
	Unallocated Group assets*****	**1 811 929**	546 782
	Ugandan operation	**37 464**	54 027
	Set-off of inter-segment balances	**(2 023 645)**	(1 135 499)
	Total per statement of financial position	**22 486 576**	20 406 868
	Liabilities		
	Groceries	**1 332 062**	1 174 178
	Baking	**1 114 381**	852 623
	Chicken	**1 788 261**	1 547 543
	Sugar	**1 672 192**	1 244 394
	Vector	**5 712 356**	2 834 216
	Unallocated Group liabilities*****	**3 068 993**	3 055 387
	Set-off of inter-segment balances	**(2 023 645)**	(1 135 499)
	Total per statement of financial position	**12 664 600**	9 572 842

* The comparative information has been restated to reflect the new segments effective from 1 September 2019.

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

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

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

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

[1] Includes expected credit losses on loans receivable and trade and other receivables of R77,2 million.

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

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

for the year ended June 2020

	2020 R'000	2019 R'000
28. OPERATING SEGMENTS (continued)		
Additions to property, plant and equipment and intangible assets		
Groceries		
Property, plant and equipment*	**195 580**	121 183
Intangible assets	**178**	213
Baking		
Property, plant and equipment*	**248 074**	200 616
Intangible assets	**8 043**	134
Chicken		
Property, plant and equipment*	**374 217**	256 919
Intangible assets	**3 404**	4 798
Sugar		
Property, plant and equipment*	**207 534**	212 670
Intangible assets	**5 358**	10 446
Vector		
Property, plant and equipment*	**1 214 072**	145 087
Intangible assets	**7 229**	3 249
Unallocated group segment**		
Property, plant and equipment*	**386 027**	194 391
Intangible assets	**1 779**	1 663
Impairment losses* **		
Groceries	**300 767**	
Baking	**389 018**	4 716
Chicken	**347 688**	761 912
Sugar	**52 641**	
Vector	**418 429**	
Impairment losses reversed		
Baking	**831**	2 915
Chicken	**1 429**	
Depreciation and amortisation ** **		
Groceries	**121 806**	111 119
Baking	**167 670**	145 861
Chicken	**239 896**	195 614
Sugar	**146 116**	225 194
Vector	**192 361**	78 918
Unallocated segment**	**67 702**	34 567

* Property, plant and equipment additions include the right-of-use assets recognised in accordance with IFRS 16 Leases.
** Includes capital expenditure and depreciation and amortisation of RCL Group Services Proprietary Limited and Matzonox Proprietary Limited.
*** These impairments relate only to impairments of property, plant and equipment and intangible assets.
**** Includes depreciation in respect of assets capitalised due to the implementation of IFRS 16 Leases from 1 July 2019 of R199,7 million.

29. FINANCIAL RISK MANAGEMENT

Financial risk factors

This note presents information about the Group's exposure to financial risks, the Group's objectives, policies and processes for measuring and managing these risks and the Group's management of capital.

The Group's financial instruments consist primarily of cash and cash equivalents, derivatives, loans receivable, trade and other receivables and payables and interest-bearing liabilities. In the normal course of business, the Group is exposed to credit, liquidity and market risk. In order to manage certain of these risks, the Group may enter into transactions which make use of derivatives. These include forward exchange contracts, currency futures and options and commodity futures and options. A separate committee is used to manage the risks and the hedging activities of the Group. The Group does not speculate in derivative instruments.

The Board has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Risk Committee which is responsible for developing and monitoring the Group's risk management policies. The Risk Committee reports regularly to the Board on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training, management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk primarily relates to trade and other receivables, loans receivable, cash and cash equivalents and derivative financial instruments.

The Group's exposure to credit risk with regards to trade and other receivables is influenced mainly by the individual characteristics of each customer and there is no significant concentration of risk related to industry segments. The granting of credit is controlled by well-established criteria that are reviewed on a regular basis. The terms granted to trade debtors are determined by the respective credit policies of each operating subsidiary. The maximum exposure to credit risk at the reporting date is the carrying amount of each trade receivable (refer to note 9) and amounts guaranteed as disclosed in this note.

In the current year, 89,7% (2019: 92,5%) of the Group's trade debtors, which have not been specifically impaired, have been covered by credit insurance. Vector segment debtors in excess of R75 000 are selected for insurance cover with Lombard Insurance which covered 94,2% of their trade debtors in the current financial year (2019: 89,3%). The Sugar, Epol, Milling and Bread, buns and rolls operating units trade debtors are covered by Lombard Insurance on all debtors balances in excess of R75 000 which covered 93,0% of their debtors in the current financial year (2019: 94,0%). The Chicken, and Groceries segment trade debtors represent large retail customers assessed as being a low risk of default. Chicken and Groceries segment trade debtors are managed by the Vector segment and subject to the covers that Vector has in place. Credit insurance premiums are paid on a monthly basis based on net invoiced sales. The credit policy requires each new customer to be analysed individually for creditworthiness before delivery and payment terms are offered. The Group's review includes external ratings where available and in some cases bank references. Limits are established for each customer which represents the maximum trading amount without requiring further approval. These limits are reviewed on an ongoing basis. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group on a cash basis. Customers that default on payments are closely monitored and put on "stop supply" if required.

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	2020 R'000	2019 R'000
29. FINANCIAL RISK MANAGEMENT (continued)		

No loss allowance has been recognised in respect of the Group's cash and cash equivalents, as all cash balances are held with reputable financial institutions. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. Macroeconomic factors have been considered in assessing the credit risk of the Group's cash and cash equivalents, however the impact of changes in economic conditions is not expected to be material on the expected credit loss.

The table below shows the cash and cash equivalents allocated in terms of bank rating. These ratings are based on Moody's bank ratings.

Rating	2020 R'000	2019 R'000
P-3		375 842
NP	**1 029 178**	
Cash on hand	**863**	1 001
Total	**1 030 041**	376 843

Derivative instruments are limited to transactions with financial institutions with an acceptable credit rating.

29. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

The Group actively monitors its cash flows to ensure there is sufficient cash available to meet its working capital requirements. Its unutilised borrowing capacity is R2 900,0 million (2019: R2 417,0 million).Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding through draw down availability under committed and uncommitted credit lines. Management monitors rolling forecasts of the Group's cash and cash equivalents requirements on the basis of expected cash flow.

The Group's current trade and other payables are all due within one year and the impact of discounting them is not significant.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	Carrying value R'000	Less than one year R'000	One to two years R'000	Two to three years R'000	Greater than three years R'000	Total R'000
2020						
Interest-bearing liabilities – non-current	**2 477 189**	**123 305**	**467 599**	**908 809**	**1 381 185**	**2 880 898**
Interest-bearing liabilities – current	**243 036**	**245 230**				**245 230**
Lease liabilities - non-current	**1 482 769**		**282 068**	**253 885**	**1 634 050**	**2 170 003**
Lease liabilities - current	**162 509**	**290 979**				**290 979**
Trade and other payables	**6 665 544**	**6 665 544**				**6 665 544**
Derivative financial liabilities	**124 811**	**84 220**	**40 591**			**124 811**
Total	**11 155 858**	**7 409 278**	**790 258**	**1 162 694**	**3 015 235**	**12 377 465**
2019						
Interest-bearing liabilities – current	181 634	205 912				205 912
Interest-bearing liabilities – non-current	2 639 363	194 637	316 927	569 888	2 451 364	3 532 816
Bank overdraft	487 221	487 221				487 221
Trade and other payables	4 545 177	4 545 177				4 545 177
Derivative financial liabilities	22 830	22 830				22 830
Total	7 876 225	5 455 777	316 927	569 888	2 451 364	8 793 956

29. FINANCIAL RISK MANAGEMENT (continued)

Market risk

Interest rate risk

The Group is exposed to interest rate risk on its cash and cash equivalents, loans receivable and interest-bearing liabilities, which can have an impact on the cash flows of these instruments. The exposure to interest rate risk is managed through the Group's Board as well as the respective subsidiary companies by using counterparties that offer the best rates which enables the Group to maximise returns whilst minimising risk. The effective interest rate excluding the impact of foreign exchange revaluations for the year was 8,04% (2019: 8,38%).

The impact of a 3,0% increase in interest rates on the term debt package will result in additional finance costs of R71,7 million but a saving of R53,7 million on the interest rate collar hedge. The impact of a 3,0% increase in interest rates on positive cash balances will result in additional finance income of R23,7 million. The net impact as such will result in a positive saving of R5,7 million for the forthcoming financial year (2019: R58,4 million).

In response to interest rate risk on the variable rate portion of the term-funded debt, the Company has entered into an interest rate collar to hedge R1 762,0 million of the debt package. The interest rate collar consists of a "cap" rate of 8,5% and a "floor" rate of 7,0%. The collar is effective for the period 1 April 2020 to 31 March 2022. The fair value of the collar is included in note 10 to the consolidated financial statements.

A 3,0% increase in interest rates will result in a R80,7 million increase in profit before tax (2019: R73,6 million), and a 3,0% decrease in interest rates will result in a R88,8 million decrease in profit before tax for the year (2019: R109,3 million) resulting from fair value movements in the collar derivative.

Foreign currency risk

In the normal course of business the Group enters into transactions denominated in foreign currencies. Trade and other payables include net payables of R7,0 million (2019: R30,4 million), trade and other receivables include net receivables of R87,9 million (2019: R96,1 million) in respect of sales and purchases in foreign currencies and cash and cash equivalents include cash balances of R11,6 million (2019: R7,1 million) relating to cash denominated in foreign currency. The currencies predominantly traded in by the Group are USD, GBP, Namibian Dollar and EUR. As a result, the Group is subject to exposure from fluctuations in foreign currency exchange rates. The Group utilises forward exchange contracts, currency futures and options to minimise foreign currency exchange risk in terms of its risk management policy. All forward exchange contracts, futures and currency options are supported by underlying transactions.

Forward exchange contracts, currency futures and options that do not constitute designated hedges of currency risk at the end of the year are summarised as follows:

	Average rate R	Foreign contract amount '000	Fair value of FEC's R'000
June 2020			
USD FECs – assets*	**17.49**	**(2 677)**	**9 125**
USD FEC's – liabilities	**17.59**	**(13 877)**	**22 056**
USD Futures – assets*	**17.40**	**13 579**	**136**
EUR FEC's – assets	**19.43**	**369**	**159**
EUR Futures - assets*	**19.62**	**662**	
EUR FECs – liabilities*		**207**	**218**
EUR currency options – liabilities*		**302**	**218**
USD currency options – liabilities*		**3 014**	**87**
June 2019			
USD FECs – assets*	14.38	10 500	(2 478)
USD Futures – assets*	14.24	12 710	
USD currency options – assets*		11 301	
EUR currency options – assets*		1 141	
EUR Futures - assets*	16.32	184	
EUR FECs – liabilities*	16.20	421	6
EUR currency options – liabilities*		2 270	
USD currency options – liabilities*		31 482	

* Certain of these contracts and options have a zero fair value at year end as they are settled daily on Yield-X.

29. FINANCIAL RISK MANAGEMENT (continued)

Refer to the following table for sensitivity of future (post-tax) income statement impacts arising on the maturity of forward exchange contracts, currency futures, trade payables, trade receivables and cash and cash equivalents.

Profit/(loss) as a result of a movement of the USD, GBP and EUR at June assuming the spot price remains constant thereafter until the maturity of the contracts and balances:

	2020 R'000	2019 R'000
Forward exchange contracts, currency futures and options		
10% increase in the value of the USD against the rand	**3 920**	7 793
10% decrease in the value of the USD against the rand	**(2 604)**	(14 650)
10% increase in the value of the EUR against the rand	**1 751**	1 629
10% decrease in the value of the EUR against the rand	**(1 792)**	(2 193)
10% increase in the value of the GBP against the rand	**423**	
10% decrease in the value of the GBP against the rand	**(423)**	
Trade receivables		
10% increase in the value of the USD against the rand	**1 755**	5 664
10% decrease in the value of the USD against the rand	**(1 755)**	(5 664)
Cash and cash equivalents		
10% increase in the value of the USD against the rand	**335**	96
10% decrease in the value of the USD against the rand	**(335)**	(96)
10% increase in the value of the GBP against the rand		13
10% decrease in the value of the GBP against the rand		(13)
10% increase in the value of the EUR against the rand		322
10% decrease in the value of the EUR against the rand		(322)
Trade payables		
10% increase in the value of the USD against the rand	**(2)**	(390)
10% decrease in the value of the USD against the rand	**2**	390
10% increase in the value of the EUR against the rand	**(237)**	(1 089)
10% decrease in the value of the EUR against the rand	**237**	1 089
10% increase in the value of the GBP against the rand		(16)
10% decrease in the value of the GBP against the rand		16

No sensitivity has been performed for the Namibian Dollar as the currency is pegged to the Rand.

29. FINANCIAL RISK MANAGEMENT (continued)

Commodity price and procurement risk

Commodity price risk arises from the risk of an adverse effect on current or future earnings from fluctuations in the prices of commodities. To stabilise prices for the Group's substantial commodity requirements, derivative instruments including forward contracts, commodity options and futures contracts are used to hedge its exposure to commodity price risk.

The overriding directive is to minimise commodity price volatility in order to meet forecast requirements, ideally at the lowest cost for both internal and for external sales. Call and put options are utilised within this framework to manage commodity requirements and supply. The use of written options is restricted to the hedging of existing long positions and is limited to put options.

The overall procurement strategy and net positions are reported monthly to the oversight committees and annually to the Board. The oversight committees are responsible for the setting of the monthly company view with regard to future price movements. The daily trading activities by the procurement teams are restricted to the company view, unless prior approval is obtained from the Procurement Committee.

Wheat, sunflower, maize, soya, soya oil and diesel*

Refer to the table below for sensitivity of future (post-tax) income statement impact arising on the maturity of wheat, sunflower, maize, soya oil, soya and diesel derivative contracts.

This analysis represents the impact on profit/(loss) as a result of a parallel shift in the forward curve (up and down) on the value of the hedged positions of the underlying commodities at June.

	2020 R'000
Sunflower seeds – 20% increase	**24 166**
Sunflower seeds – 20% decrease	**(24 166)**
Maize – 25% increase	**56 378**
Maize – 25% decrease	**(56 521)**
Soya Oil – 10% increase	**7 042**
Soya Oil – 10% decrease	**(6 351)**
Soya – 10% increase	**51 101**
Soya – 10% decrease	**(51 635)**
Diesel - 20% increase	**3 585**
Diesel - 20% decrease	**(3 012)**

	2019 R'000
Sunflower seeds – 20% increase	41 755
Sunflower seeds – 20% decrease	(41 755)
Wheat – 10% increase	6 954
Wheat – 10% decrease	(6 954)
Maize – 25% increase	91 663
Maize – 25% decrease	(103 551)
Soya Oil – 10% increase	5 105
Soya Oil – 10% decrease	(5 105)
Soya – 10% increase	58 783
Soya – 10% decrease	(58 961)

* Certain of these contracts and options have a zero fair value at year-end as they are settled daily on SAFEX.

RCL FOODS Consumer Proprietary Limited has entered into contract grower agreements with various counterparties to procure broiler chickens for the forthcoming financial year.

Fees payable to the contract growers are accrued for based on the stage of completion of the broiler cycle at year-end.
The commitment value as at June 2020 was R9,4 million (2019: R22,4 million).

Embedded derivative

The Group has a lease contract with the Matsamo Communal Property Association which contains a fixed to variable rental swap. Accordingly the Group has separated the embedded derivative from a host lease contract and recognised a financial liability of R0,1 million at June 2020 (2019: R0,8 million).

Capital risk management

The Board's policy is to maintain a strong capital base so as to maintain shareholder, creditor and market confidence and to sustain the future development needs of the business. The Board monitors both the spread of shareholders return on equity (which is defined as profit for the year expressed as a percentage of average total equity) and the level of dividends paid to shareholders.

The Group's target is to achieve a return on invested capital (ROIC) in excess of its weighted average cost of capital. In 2020, ROIC was negative 6,3% (2019: negative 0,8%).

There were no changes to the Group's approach to capital management during the year.

29. FINANCIAL RISK MANAGEMENT (continued)

Fair value estimation

IFRS 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

– Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

– Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

– Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at June.

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
June 2020				
Assets				
Investment in financial asset		**137 039**		**137 039**
Breeding stock – chicken (refer note 8)			**366 699**	**366 699**
Broiler stock – chicken (refer note 8)			**177 577**	**177 577**
Banana fruit (refer note 8)			**3 154**	**3 154**
Sugarcane plants (refer note 8)			**257 658**	**257 658**
Derivatives (refer note 10)		**9 723**		**9 723**
Total assets		**146 762**	**805 088**	**951 850**
Liabilities				
Derivatives (refer note 10)		**124 812**		**124 812**
Total liabilities		**124 812**		**124 812**
June 2019				
Assets				
Breeding stock – chicken (refer note 8)			351 289	351 289
Broiler stock – chicken (refer note 8)			209 308	209 308
Banana fruit (refer note 8)			19 123	19 123
Sugarcane plants (refer note 8)			286 773	286 773
Derivatives (refer note 10)		4 644		4 644
Total assets		4 644	866 493	871 137
Liabilities				
Derivatives (refer note 10)		22 830		22 830
Total liabilities		22 830		22 830

29. FINANCIAL RISK MANAGEMENT (continued)

The fair value of trading derivatives is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.

Specific valuation techniques used to value the derivatives include:

The fair value of forward foreign exchange contracts is determined using forward exchange rates at the statement of financial position date with the resulting value discounted back to present value.

The fair value of options are determined using appropriate option pricing models which take into account the volatility of the underlying instrument.

The following valuation techniques and significant inputs were used to measure the level 3 inputs. These techniques are consistent with those of the prior year.

Description	Fair Value at June 2020	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable input to fair value
Chicken stock	**544 276**	Replacement costs of the components of growing the stock	Eggs per hen	140 to 170 per hen	The higher the eggs per hen, the higher the fair value
			Cost of a day-old breeder bird	R64.43 to R70.70 per chick	The higher the cost per chick, the higher the fair value
			Mortality rates	3.8% to 9.6%	The higher the mortality, the lower the fair value
			Average live mass	1.57kg to 1.86kg per bird	The higher the average live mass, the higher the fair value
			Feed cost	R5 373 to R5 544 per ton	The higher the feed cost per ton, the higher the fair value
Banana fruit	**3 154**	Recoverable value	Market related selling price per ton of bananas less harvesting, transport and other costs to sell	R2 040 per ton	The higher the market related selling price value less harvesting, transport and other costs to sell per ton of bananas, the higher the value of banana fruit.
Sugarcane plants	**257 658**	Recoverable value	Recoverable value price per ton of sucrose less harvesting, transport and other costs to sell	R3 039 - R3 305 per ton	The higher the recoverable value of sucrose less harvesting, transport and other costs to sell per ton, the higher the value of sugar standing cane

Sensitivity analysis

A sensitivity analysis is shown for the significant unobservable inputs below:

Input	Sensitivity
Recoverable value price per ton – sugarcane plants	A change of 5,0% in recoverable value would result in a R18,0 million change in fair value (2019: R20,2 million).
Feed cost – chicken stock	A 5,0% change in feed cost would result in a R5,3 million (2019: R6,1 million) change in fair value.

Description	Fair Value at June 2019	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable input to fair value
Chicken stock	**560 597**	Replacement costs of the components of growing the stock	Eggs per hen	133 to 203 per hen	The higher the eggs per hen, the higher the fair value
			Cost of a day-old breeder bird	R58.35 to R73.82 per chick	The higher the cost per chick, the higher the fair value
			Mortality rates	3.5% to 9.7%	The higher the mortality, the lower the fair value
			Average live mass	1.46kg to 1.87kg per bird	The higher the average live mass, the higher the fair value
			Feed cost	R5 069 to R5 597 per ton	The higher the feed cost per ton, the higher the fair value
Banana fruit	**19 123**	Recoverable value	Market related selling price per ton of bananas less harvesting, transport and other costs to sell	R4 812 per ton	The higher the market related selling price value less harvesting, transport and other costs to sell per ton of bananas, the higher the fair value of banana fruit.
Sugarcane plants	**286 773**	Recoverable value	Recoverable value price per ton of sucrose less harvesting, transport and other costs to sell	R2 904 - R3 068 per ton	The higher the recoverable value of sucrose less harvesting, transport and other costs to sell per ton, the higher the fair value of sugar standing cane

30. FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

Assets per the statement of financial position	Amortised cost R'000	Assets at fair value through profit or loss R'000	Total R'000
June 2020			
Investment in financial asset		**137 039**	**137 039**
Trade and other receivables	**5 770 054**		**5 770 054**
Loans receivable	**69 464**		**69 464**
Derivative financial instruments		**9 723**	**9 723**
Cash and cash equivalents	**1 030 041**		**1 030 041**
At the end of the year	**6 869 559**	**146 762**	**7 016 321**
June 2019			
Trade and other receivables	4 461 188		4 461 188
Loans receivable	94 061		94 061
Derivative financial instruments		4 644	4 644
Cash and cash equivalents	376 843		376 843
At the end of the year	4 932 092	4 644	4 936 736

The carrying amount of these financial instruments approximate their fair values.

Liabilities per the statement of financial position	Amortised cost R'000	Liabilities at fair value through profit or loss R'000	Total R'000
June 2020			
Interest-bearing liabilities – Long-term	**2 477 188**		**2 477 188**
Interest-bearing liabilities – Short-term	**243 895**		**243 895**
Lease liabilities - Long-Term	**1 482 769**		**1 482 769**
Lease liabilities- Short- Term	**162 509**		**162 509**
Derivative financial instruments		**124 812**	**124 812**
Trade and other payables	**6 665 544**		**6 665 544**
At the end of the year	**11 031 905**	**124 812**	**11 156 717**
June 2019			
Interest-bearing liabilities – Long-term	2 639 363		2 639 363
Interest-bearing liabilities – Short-term	181 634		181 634
Bank overdraft		22 830	22 830
Derivative financial instruments	487 221		487 221
Trade and other payables	4 545 177		4 545 177
At the end of the year	7 853 395	22 830	7 876 225

The carrying amount of these financial instruments approximate their fair values.

31. 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 on page 110, the company has concluded certain lending transactions with these related parties. In addition the following transactions were concluded:

	2020	2019
	R'000	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 included in trade and other payables	**42 723**	28 675
Amounts owing by associates of the holding company included in receivables	**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
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
Commitment, settlement and facility fees paid		
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

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.
The following transactions were carried out with key management individuals within the Group:

– 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

32. 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**
Total	**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
Total	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)		
Present directors		
HJ Carse***	**353**	365
JJ Durand***	**471**	477
CJ Hess	**612**	548
GCJ Tielenius Kruythoff	**65**	
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
GC Zondi****	**840**	826
Total	**6 306**	5 748

*** Paid to Remgro Management Services Limited
**** Paid to Imbewu Capital Partners Consulting Proprietary Limited

32. 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 post rights issue 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**	
Sub total		**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**	
Subtotal		**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 right's vesting period.

32. DIRECTORS EMOLUMENTS continued

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 post rights issue Rand	Rights at 1 July 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	
Sub total		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	
Subtotal		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

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

June 2020	Conditional shares at June 2019	Conditional shares exercised during the year	Conditional shares forfeited 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**

June 2019	Conditional shares at June 2018	Conditional shares exercised 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 right's vesting period.

32. 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	
Executive directors	**Direct beneficial**	**Indirect beneficial**	Direct beneficial	Indirect beneficial
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
MM Nhlanhla*		**229 559**		229 559
GC Zondi*		**667 252**		2 932 004
Total	**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 interests 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.

32. DIRECTORS EMOLUMENTS continued

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**
Total	**1 294 423**				**1 294 423**	

* 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.

32. 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	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
Total	1 183 492	110 931			1 294 423	42 947

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**	

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

* 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.

**As a result of RMB Holdings unbundling, additional CSP's were allocated during the year over a period.

33. BEE TRANSACTION

On 16 January 2014, shareholders approved a new Broad-based Black Economic Empowerment (BEE) transaction. The participants in the BEE transaction are the Imbewu Consortium, Ikamva Labantu Empowerment Trust (a Corporate and Social Investment Community Trust), the RCL Employee Share Trust, Mrs MM Nhlanhla a non-executive director of RCL Foods Limited (RCL FOODS), Malongoana Investments (RF) Proprietary Limited, MTM Family Trust and Nakedi Mathews Phosa (collectively the BEE partners).

Details of the transaction

In terms of the transaction, three separate issues of shares occurred.

In terms of the first issue, the RCL Employee Share Trust and a special purpose vehicle, Business Venture Investments No 1763 (RF) Proprietary Limited (BVI 1763), acquired 13 962 863 and 5 984 084 shares for R241,8 million and R103,6 million respectively in RCL FOODS. The purchase price was settled by BVI 1763 and Business Venture Investments No 1762 (RF) Proprietary Limited (BVI 1762), a separate special purpose vehicle, issuing variable rate (prime) cumulative redeemable preference shares in BVI 1762 and BVI 1763 to RCL FOODS.

Ordinary dividends paid to BVI 1762 and BVI 1763 will be applied to reduce the outstanding preference shares dividends and the outstanding redemption amount.

In terms of the second issue, the RCL Employee Share Trust and BVI 1763, acquired 30 718 299 and 13 164 985 shares in RCL FOODS for R0,01 respectively in terms of a notional vendor financing (NVF) mechanism. The NVF facilitation was based on a share price of R17,32 per share, increasing at a variable rate (prime).

In terms of the third issue, a special purpose vehicle Malongoana Investments (RF) Proprietary Limited, owned by the MTM Family Trust, acquired 6 928 406 shares in RCL FOODS for R0,01 in terms of a NVF mechanism. The NVF facilitation was based on a share price of R17,32 per share, increasing at a variable rate (prime plus 1,0%).

The ordinary shares issued to BVI 1763, BVI 1762 and Malongoana Investments (RF) Proprietary Limited have been pledged in favour of RCL FOODS.

The terms of the first issue of ordinary shares and acquisition of the preference shares are deemed for accounting purposes to constitute the issuance of an option in RCL FOODS shares granted to BVI 1763 and RCL Employee Share Trust, effective on 17 January 2014. Accordingly, the issuance of the shares and the subscription by RCL FOODS to the BVI 1763 and BVI 1762 preference shares was not recognised.

The terms of the second and third issue of ordinary shares are deemed for accounting purposes to constitute the issuance of an option in RCL FOODS shares granted to BVI 1763 and RCL Employee Share Trust and Malongoana Investments (RF) Proprietary Limited, effective on 17 January 2014. Accordingly, the issuance of the shares was not recognised.

The options were accounted for in terms of IFRS 2. The options issued to the strategic equity partners were expensed in full in preceding financial years (R88,5 million) as these options were fully vested on grant date. The options issued to the RCL Employee Share Trust, resulted in a service condition vesting period of 8 years from 17 January 2014.

		2020	2019
		R'000	R'000
Total amount expensed related to the BEE scheme		**17 600**	17 600
The fair value of the options were determined on a Black Scholes option pricing model. Expected volatility was calculated on an equally weighted basis based on the historical RCL Foods Limited share price data relating to the respective valuation dates.			
The following inputs to the model were used:			
Expected volatility	(%)	**30,0**	30,0
Dividend yield	(%)	**4,33**	4,33
Risk-free interest rate	(%)	**4,8 to 8,22**	4,8 to 8,22
Vesting period	(years)	**8**	8

The Group's BEE scheme is currently under-water due to the performance of the share price since inception.

34. SUBSEQUENT EVENTS

No material change has taken place in the affairs of the Group between the end of the financial year and the date of the report.

35. INTEREST IN SUBSIDIARIES

The Group has the following subsidiaries at June 2020:

Name	Country of incorporation and place of business	Nature of business	Proportion of ordinary shares directly held by parent %	Proportion of ordinary shares directly held by the Group %	Proportion of ordinary shares directly held by non-controlling interest %
Rainbow Farms Investments	South Africa	Investment holding	100		
RCL FOODS Consumer	South Africa	Food producer and manufacturer	100		
Vector Logistics	South Africa	Logistics provider	100		
RCL FOODS Sugar & Milling	South Africa	Sugar, animal feed and baking operations supported by a milling division	100		
RCL FOODS Treasury	South Africa	Treasury company	100		
RCL Group Services	South Africa	Shared services company	100		
Epol	South Africa	Dormant	100		
Farmer Brown	South Africa	Dormant	100		
Matzonox	South Africa	Waste-to-Value operation		50	50
New Foodcorp Holdings	South Africa	Dormant		100	
Indirectly owned					
Vector Logistics (Namibia)	Namibia	Logistics provider		100	
Foodcorp	South Africa	Food producer and manufacturer		100	
TSB Sugar International	South Africa	International investments		100	
Tangaweb*	South Africa	Investment company		100	
Makhalempongo Chicken	South Africa	Chicken grower			100
Fieldsend Farming	South Africa	Chicken grower			100
Valleychicks	South Africa	Chicken grower			100
Quality Sugars	South Africa	Marketing		75	25
TSB Sugar Mozambique	South Africa	Green Field Sugar Mill Feasibility Project		100	
Sivunosetfu	South Africa	Farming		50	50
Libuyile Farming Services	South Africa	Farming		50	50
Mgubho Farming Services	South Africa	Farming		50	50
Rainbow Chicken Foods	South Africa	Dormant		100	
Astoria Bakery Lesotho	Lesotho	Dormant		100	
Mkhuhlu Bakery	South Africa	Dormant		100	
NIB 5 Share Block	South Africa	Dormant		100	
NIB 6 Share Block	South Africa	Dormant		100	
Selati Sugar	South Africa	Dormant		100	
Do More Foundation**	South Africa	CSI Initiative			

*Tangaweb was set-up to provide financing to The Hatchery Group Proprietary Limited (a food innovation project). Refer to note 5 for further detail.

**The Do More Foundation is a CSI initiative of the Group. It is a trust and the Group has no equity interest and no voting rights in this entity. The Group has the rights to direct the relevant activities of the Do More Foundation which results in the Group having effective control over the Do More Foundation. As a result, the Do More Foundation has been consolidated.

35. INTEREST IN SUBSIDIARIES (continued)

Contract growers

The Group has entered into contractual funding arrangements with certain contract growers. The Group has a 0% equity interest and no voting rights in these entities.

As the Group may step in in the event of non-payment by the contract growers to the providers of funding, the contractual agreements effectively provide the Group with rights to direct the relevant activities of certain of these entities, which results in the Group having effective control over these contract growers for as long as the growers loan balance is outstanding. As a result, three contract growers have been consolidated.

The Group is contractually obligated to ensure that the above growers remain operational for as long as the loan balance is outstanding.

	2020	2019
	R'000	R'000
Outstanding loan balance as at June	**35 007**	37 592

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held.

The non-controlling interests relating to the contract growers is not considered material and hence no additional disclosures were deemed necessary.

Non-controlling interests

	Statement of financial position	**Income statement (share of profit/(loss))**	Statement of financial position	Income statement (share of profit/(loss))
	2020	**2020**	2019	2019
	R'000	**R'000**	R'000	R'000
Matzonox Proprietary Limited	**89 884**	**160**	89 723	1 979
Quality Sugars Proprietary Limited	**12 793**	**3 289**	11 004	3 009
Sivunosetfu Proprietary Limited	**(61 025)**	**(23 577)**	(37 448)	(28 078)
Libuyile Farming Services Proprietary Limited	**(40 697)**	**(26 284)**	(14 413)	(17 098)
Mgubho Farming Services Proprietary Limited	**(56 745)**	**(11 230)**	(45 515)	(33 233)

Significant restrictions

There are no significant restrictions regarding the use of assets or on the ability to settle liabilities in the subsidiaries.

Set out on pages 102 to 103 are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. This summarised information is before intercompany eliminations.

35. INTEREST IN SUBSIDIARIES (continued)

Summarised statement of financial position

As at June 2020	Current Assets R'000	Current Liabilities R'000	Total current net assets R'000	Non-current Assets R'000	Non-current Liabilities R'000	Total non-current net assets/(liabilities) R'000	Net Assets/ (Liabilities) R'000
Matzonox Proprietary Limited	**13 326**	**(83 700)**	**(70 374)**	**405 674**	**(155 532)**	**250 142**	**179 768**
Quality Sugars Proprietary Limited	**823 172**	**(790 268)**	**32 904**	**30 717**	**(12 448)**	**18 269**	**51 173**
Sivunosetfu Proprietary Limited*	**78 692**	**(62 504)**	**16 188**	**87 299**	**(225 536)**	**(138 237)**	**(122 049)**
Libuyile Farming Services Proprietary Limited*	**127 342**	**(97 384)**	**29 958**	**98 306**	**(209 657)**	**(111 351)**	**(81 393)**
Mgubho Farming Services Proprietary Limited*	**92 199**	**(90 358)**	**1 841**	**74 274**	**(189 605)**	**(115 331)**	**(113 490)**
Total	**1 134 731**	**(1 124 214)**	**10 517**	**696 270**	**(792 778)**	**(96 508)**	**(85 991)**

* The Group has issued a letter confirming that it will not recall the outstanding loans of these companies within the next financial year.

As at June 2019	Current Assets R'000	Current Liabilities R'000	Total current net assets R'000	Non-current Assets R'000	Non-current Liabilities R'000	Total non-current net assets R'000	Net Assets R'000
Matzonox Proprietary Limited	27 240	(23 319)	3 921	279 361	(103 835)	175 526	179 447
Quality Sugars Proprietary Limited	681 571	(641 736)	39 835	5 195	(1 013)	4 182	44 017
Sivunosetfu Proprietary Limited*	77 679	(65 862)	11 817	72 274	(158 987)	(86 713)	(74 896)
Libuyile Farming Services Proprietary Limited*	146 892	(97 285)	49 607	112 928	(191 361)	(78 433)	(28 826)
Mgubho Farming Services Proprietary Limited*	92 763	(82 347)	10 416	88 778	(190 223)	(101 445)	(91 029)
Total	1 026 145	(910 549)	115 596	558 536	(645 419)	(86 883)	28 713

Summarised statement of comprehensive income

for the year ended June 2020

	Matzonox Proprietary Limited R'000	Quality Sugars Proprietary Limited R'000	Sivunosetfu Proprietary Limited R'000	Libuyile Farming Services Proprietary Limited R'000	Mgubho Farming Services Proprietary Limited R'000	Total R'000
Revenue		**252 128**	**149 224**	**255 114**	**206 545**	**863 011**
Profit/(loss) before tax	**451**	**18 196**	**(47 154)**	**(52 528)**	**(22 440)**	**(103 475)**
Income tax expense	**(130)**	**(5 095)**				**(5 225)**
Profit/(loss) after tax for the year	**321**	**13 101**	**(47 154)**	**(52 528)**	**(22 440)**	**(108 700)**
Other comprehensive income		**55**		**(40)**	**(20)**	**(5)**
Total comprehensive income	**321**	**13 156**	**(47 154)**	**(52 568)**	**(22 460)**	**(108 705)**
Total comprehensive income allocated to non-controlling interests	**160**	**3 289**	**(23 577)**	**(26 284)**	**(11 230)**	**(57 642)**
Dividends paid to non-controlling interest		**1 500**				**1 500**

For the year ended June 2019

	Matzonox Proprietary Limited R'000	Quality Sugars Proprietary Limited R'000	Sivunosetfu Proprietary Limited R'000	Libuyile Farming Services Proprietary Limited R'000	Mgubho Farming Services Proprietary Limited R'000	Total R'000
Revenue	20 918	228 571	152 130	258 251	163 016	822 886
Profit/(loss) before tax	5 501	17 050	(49 052)	(41 981)	(58 088)	(126 570)
Income tax (expense)/income	(1 543)	(5 014)	(7 104)	7 785	(8 378)	(14 254)
Profit/(loss) after tax for the year	3 958	12 036	(56 156)	(34 196)	(66 466)	(140 824)
Total comprehensive income	3 958	12 036	(56 156)	(34 196)	(66 466)	(140 824)
Total comprehensive income allocated to non-controlling interests	1 979	3 009	(28 078)	(17 098)	(33 233)	(73 421)
Dividends paid to non-controlling interest		1 250				1 250

35. INTEREST IN SUBSIDIARIES (continued)
Summarised cash flows
June 2020

	Matzonox Proprietary Limited R'000	**Quality Sugars Proprietary Limited R'000**	**Sivunosetfu Proprietary Limited R'000**	**Libuyile Farming Services Proprietary Limited R'000**	**Mgubho Farming Services Proprietary Limited R'000**	**Total R'000**
Cash (utilised)/generated from operations	**(10 008)**	**85 822**	**(4 389)**	**5 251**	**22 159**	**98 835**
Interest paid	**(3 351)**	**(138)**	**(22 455)**	**(21 114)**	**(21 298)**	**(68 356)**
Interest received	**535**					**535**
Income tax paid		**(1 814)**	**(1)**			**(1 815)**
Net cash (utilised)/generated from operating activities	**(12 824)**	**83 870**	**(26 845)**	**(15 863)**	**861**	**29 199**
Net cash utilised in investing activities	**(131 671)**	**(110 711)**	**(41 077)**	**(1 688)**	**(1 316)**	**(286 463)**
Net cash generated from financing activities	**132 466**	**26 757**	**67 953**	**17 612**	**510**	**245 298**
Net increase/(decrease) in cash and cash equivalents	**(12 029)**	**(84)**	**31**	**61**	**55**	**(11 966)**

June 2019

	Matzonox Proprietary Limited R'000	Quality Sugars Proprietary Limited R'000	Sivunosetfu Proprietary Limited R'000	Libuyile Farming Services Proprietary Limited R'000	Mgubho Farming Services Proprietary Limited R'000	Total R'000
Cash (utilised)/generated from operations	31 052	(47 207)	(17 795)	(14 803)	(19 018)	(67 771)
Interest paid		(650)	(17 291)	(20 001)	(19 849)	(57 791)
Interest received	611					611
Income tax paid		(4 912)				(4 912)
Net cash (utilised)/generated from operating activities	31 663	(52 769)	(35 086)	(34 804)	(38 867)	(129 863)
Net cash generated/(utilised) in investing activities	(173 853)	52 749	(9 400)	(10 553)	(17 673)	(158 730)
Net cash generated from financing activities	159 084		44 522	45 445	56 619	305 670
Net increase/(decrease) in cash and cash equivalents	16 894	(20)	36	88	79	17 077

36. ACQUISITIONS

BUSINESS COMBINATIONS

ACQUISITION OF IMPERIAL COLD CHAIN (ICL)*

RCL FOODS, via its subsidiary Vector Logistics Proprietary Limited (Vector), concluded an agreement with Imperial Logistics South Africa Group Proprietary Limited to acquire certain assets and employees related to its cold chain business in South Africa, effective from 1 December 2019. This will enable Vector to combine the two separate temperature-controlled distribution networks into a single optimised network. Vector also entered into new agreements with a number of previous ICL customers.

The acquisition of ICL is considered a business combination in terms of IFRS 3 Business Combinations. The acquisition consists of the assets, employees (and related liabilities), the leases related to the Linbro and Bloemfontein sites and a freehold Polokwane site for a total consideration paid of R1 on 1 December 2019. The following table summarises the consideration paid for the fair value of assets acquired and liabilities assumed at the acquisition date.

	2020 R'000
Consideration transferred	
Fair value of identifiable assets acquired and liabilities assumed	
Land and buildings	**10 800**
Plant and Machinery	**206 128**
Vehicles	**15 767**
Right of use assets	**464 800**
Other receivables	**133 700**
Lease liabilities	**(464 800)**
Other payables	**(23 700)**
Deferred tax liability	**(65 155)**
Total identifiable net assets	**277 540**
Gain on bargain purchase	**277 540**

No additional acquisition-related costs have been incurred in the current financial year.

It is impracticable to disclose the revenue and profit and loss relating to the aquiree included in the Statement of Comprehensive Income as the ICL business has been fully combined with the existing Vector segment, operating as a single business unit.

*The accounting for the ICL acquisition is still considered provisional at June 2020.

37. CHANGE IN ACCOUNTING POLICY

This note explains the impact of the adoption of IFRS 16 Leases (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	(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.

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

	28 June 2020	1 July 2019
	R'000	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
- 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:

R'000	**EBITDA**	**Operating profit**	**Segment assets**	**Segment liabilities**
Groceries	4 288.8	347.7	6 238.0	15 035.1
Baking	16 375.4	1 497.6	90 995.2	95 448.7
Chicken	42 739.9	4 260.2	111 851.3	114 665.0
Sugar	26 206.8	4 624.0	54 550.4	71 253.3
Vector	106 191.8	19 770.6	864 980.3	896 440.0
Group	41 881.2	7 459.0	227 516.7	259 669.0
Total	237 683.9	37 959.1	1 356 131.9	1 452 511.1

Earnings per share decreased by 6,3 cents per share for the twelve months to June 2020 as a result of the adoption of IFRS 16.

37. CHANGE IN ACCOUNTING POLICY (continued)

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 3 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.

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 KG's 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 twelve months to 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 continued to occupy the property based on its business strategy and terms of similar leases in determining a lease term for these properties.

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

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

COMPANY STATEMENT OF FINANCIAL POSITION

as at

	Note	**28 June 2020 R'000**	30 June 2019 R'000
ASSETS			
Non-current assets			
Investment in subsidiaries	1	**4 891 442**	4 873 842
Investment in financial asset	2	**137 039**	
Loan to Group companies	1	**3 820 691**	3 983 309
		8 849 172	8 857 151
Current assets			
Cash and cash equivalents		**3 249**	3 102
		3 249	3 102
Total assets		**8 852 421**	8 860 253
EQUITY			
Stated capital	3	**10 318 079**	10 134 574
Share-based payments reserve		**347 739**	330 139
Accumulated loss		**(1 820 468)**	(1 611 061)
Total equity		**8 845 350**	8 853 652
LIABILITIES			
Non-current liabilities			
Loan from Group company	4	**1 003**	220
Total non-current liabilities		**1 003**	220
Current liabilities			
Trade and other payables		**6 068**	6 381
Total current liabilities		**6 068**	6 381
Total equity and liabilities		**8 852 421**	8 860 253

COMPANY STATEMENT OF COMPREHENSIVE INCOME

for the year ended June 2020

	Note	**2020 R'000**	2019 R'000
Revenue	5		143 736
Operating profit		**10 844**	132 009
Profit before tax	6	**10 844**	132 009
Profit for the year		**10 844**	132 009
Total comprehensive income for the year		**10 844**	132 009

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended June 2020

	Stated capital R'000	Share-based payments reserve R'000	Accumulated Profit/(loss) R'000	Total R'000
Balance at 1 July 2018	10 087 241	312 539	(1 395 710)	9 004 070
Total comprehensive income for the year			132 009	132 009
Dividends paid			(347 360)	(347 360)
BEE share-based payments charge		17 600		17 600
Employee share option scheme:				
– shares issued	47 333			47 333
Balance at 30 June 2019	10 134 574	330 139	(1 611 061)	8 853 652
Total comprehensive income for the year			**10 844**	**10 844**
Dividends paid			**(220 251)**	**(220 251)**
BEE share-based payments charge		**17 600**		**17 600**
Employee share option scheme:				
– shares issued	**183 504**			**183 504**
Balance at 28 June 2020	**10 318 078**	**347 739**	**(1 820 468)**	**8 845 349**

COMPANY CASH FLOW STATEMENT

for the year ended June 2020

	Note	2020 R'000	2019 R'000
Cash flows from operating activities			
Cash utilised by operations	A	**(11 999)**	(11 727)
Dividends received			143 736
Dividends paid		**(220 251)**	(347 360)
Movement in trade and other payables		**(313)**	(298)
Net cash outflow from operating activities		**(232 563)**	(198 049)
Cash flows from investing activities			
Net movement in loans to Group companies*		**346 906**	168 566
Investment in financial asset		**(114 196)**	
Net cash outflow from investing activities		**232 710**	150 966
Cash flows from financing activities			
Net movement in loans from Group companies			
Issue of shares			47 333
Net cash inflow from financing activities			47 333
Movement in cash and cash equivalents		**147**	250
Cash and cash equivalents at the beginning of the year		**3 102**	2 852
Cash and cash equivalents at the end of the year		**3 249**	3 102

* The net movement in loans to and from Group companies has been shown as it is not practicable to show advances and repayments of these loans during the year due to there being a large number of entities and transactions.

NOTES TO THE COMPANY CASH FLOW STATEMENT

for the year ended June 2020

	2020 R'000	2019 R'000
A. CASH UTILISED IN OPERATIONS		
Profit before tax	**10 844**	132 009
Adjusted for:		
Foreign exchange gain (fair value adjustment)	**(22 843)**	
Dividend income		(143 736)
	(11 999)	(11 727)

for the year ended June 2020

	Issued share capital		Effective holding	
	2020	2019	**2020**	2019
	R	R	**%**	%
1. INVESTMENT IN SUBSIDIARIES AND GROUP COMPANIES				
Effective holding				
Directly owned				
Rainbow Farms Investments	**99 900**	99 900	**100**	100
RCL Foods Consumer	**40 000**	40 000	**100**	100
Vector Logistics	**50**	50	**100**	100
Farmer Brown	**1**	1	**100**	100
RCL Foods Sugar & Milling	**10**	10	**100**	100
RCL Foods Treasury	**1**	1	**100**	100
RCL Group Services	**312**	312	**100**	100
Epol	**78 000**	78 000	**100**	100
Matzonox	**120**	120	**50**	50
New Foodcorp Holdings	**1**	1	**100**	100
Indirectly owned				
Astoria Bakery Lesotho *	**100**	100	**100**	100
Foodcorp	**1**	1	**100**	100
Libuyile Farming Services	**100**	100	**50**	50
Mgubho Farming Services	**100**	100	**50**	50
Mkhuhlu Bakery *	**450 000**	450 000	**100**	100
NIB 5 Share Block	**1**	1	**100**	100
NIB 6 Share Block	**1**	1	**100**	100
Quality Sugars	**300**	300	**75**	75
Rainbow Chicken Foods	**100**	100	**100**	100
Selati Sugar	**300**	300	**100**	100
Sivunosetfu	**100**	100	**50**	50
TSB Sugar International	**100**	100	**100**	100
TSB Sugar Mozambique**	**100**	100	**100**	100
Vector Logistics (Namibia)***	**100 000**	100 000	**100**	100
Makhalempongo Chicken				
Fieldsend Farming				
Valleychicks				
Tangaweb****	**120**	120	**100**	100
Do More Foundation *****				

* Incorporated in Lesotho.
** Incorporated in Mozambique
*** Incorporated in Namibia
**** Tangaweb was set-up to provide financing to The Hatchery Group Proprietary Limited (a food innovation project). Refer to note 5 of the consolidated annual financial statements for further details.

***** The Do More Foundation is a CSI initiative of the Group. It is a trust and the Group has no equity interest and no voting rights in this entity. The Group has the rights to direct the relevant activities of the Do More Foundation which results in the Group having effective control over the Do More Foundation. As a result, the Do More Foundation has been consolidated.

1. INVESTMENT IN SUBSIDIARIES AND GROUP COMPANIES continued

Share and indebtedness	Shares 2020 R'000	Shares 2019 R'000	Indebtedness 2020 R'000	Indebtedness 2019 R'000	Total 2020 R'000	Total 2019 R'000
Rainbow Farms Investments	**100**	100			**100**	100
RCL FOODS Treasury*			**569 391**	134 525	**569 391**	134 525
RCL FOODS Consumer	**1 142**	1 142	**1 233 637**	1 355 509	**1 234 779**	1 356 651
RCL Group Services*			**170 971**	104 449	**170 971**	104 449
Foodcorp			**1 796 179**	2 376 179	**1 796 179**	2 376 179
RCL FOODS Sugar & Milling	**4 000 000**	4 000 000	**14 536**	112	**4 014 536**	4 000 112
Vector Logistics	**456 612**	456 612	**35 976**	12 535	**492 588**	469 147
Matzonox*	**85 849**	85 849			**85 849**	85 849
	4 543 703	4 543 703	**3 820 690**	3 983 309	**8 364 393**	8 527 012
Subsidiaries portion of share-based payments reserve	**347 739**	330 139			**347 739**	330 139
	4 891 442	4 873 842	**3 820 690**	3 983 309	**8 712 132**	8 857 151

The above loans are unsecured, interest-free and repayable at an unspecified date.

None of the above companies are listed as they are all "Proprietary Limited".
*RCL Foods Limited value of shareholding in RCL FOODS Treasury is R1 (2019: R1), RCL Group Services R312 (2019: R312) and Matzonox R120 (2019:R120).

The Group has performed an assessment of the above loans in terms of IFRS 9 and has concluded that these loans represent loans at amortised cost and are not classified as equity.

The Company has performed an expected credit loss (ECL) calculation for the loans receivable from its subsidiaries by taking into account their available cash resources, net liquid current assets and non-current assets available for settlement of the loan. Based on the assessment, no ECL was required at year-end.

Amounts receivable from subsidiaries of the Company are considered to have low credit risk where they have a low risk of default and the subsidiary has a strong capacity to meet its contractual cash flow obligations in the near term. The majority of amounts receivable from subsidiaries is receivable from the Group's main trading subsidiaries, which are in good financial standing.

Impairment indicators have been identified due to current economic conditions as a result of the COVID-19 pandemic and the sovereign ratings downgrade. Impairment is assessed with reference to value-in-use calculations, leveraging the assessment of the subsidiaries' underlying cash flows to determine the recoverable amount.

for the year ended June 2020

	2020 R'000	2019 R'000
2. INVESTMENT IN FINANCIAL ASSET		
At the beginning of the year		
Acquisition of investment	**114 196**	
Foreign exchange gain (fair value adjustment)	**22 843**	
At the end of the year	**137 039**	

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.
This investment has been classified as a financial asset through profit and loss.

3. STATED CAPITAL

Authorised

2 000 000 000 (2019: 2 000 000 000) ordinary shares of no par value.

Issued ordinary shares of no par value:

	Number of shares	2020 R'000	2019 R'000
At the beginning of the year	870 142 923	**10 134 574**	10 087 241
Shares issued in terms of share incentive plans	18 102 823	**183 505**	47 333
At the end of the year	888 245 746	**10 318 079**	10 134 573
Shares in issue for accounting purposes – 30 June 2020	888 245 746		
Add: shares issued in terms of BEE scheme*	70 758 637		
Statutory shares in issue – 30 June 2020	959 004 383		

* On 26 May 2014, 44 681 162 shares were issued to the RCL Employee Share Trust (total issued value of R242,1 million), 19 149 069 to Business Venture Investments 1763 (RF) Proprietary Limited (total issued value of R103,8 million) and, on 3 April 2014, 6 928 406 shares were issued to Malongoana Investments (RF) Proprietary Limited (total issued value of R0,07 million) in terms of a BEE transaction. For accounting purposes these shares are not treated as issued (refer to note 33 of the consolidated annual financial statements for further details).

The unissued ordinary shares are under the control of the directors until the forthcoming annual general meeting.

for the year ended June 2020

	2020 R'000	2019 R'000
4. LOAN FROM GROUP COMPANY		
Non-current		
Payable to Rainbow Farms Investments Proprietary Limited	**1 003**	220

The loan is unsecured, interest-free and payable on demand.

	2020 R'000	2019 R'000
5. REVENUE		
Dividends received from subsidiaries		143 736
- RCL FOODS Sugar & Milling		114 236
- Vector Logistics		29 500
Total		143 736

for the year ended June 2020

	2020 R'000	2019 R'000
6. PROFIT BEFORE TAX		
Foreign exchange gain (fair value adjustment)	**22 843**	
Dividends received from subsidiaries		143 736
Non-executive directors' fees	**(6 590)**	(5 748)
Consultancy expenses	**(550)**	(482)
Listed company expenses	**(4 398)**	(4 193)
Audit fees - Other services		(340)
Legal fees	**(100)**	(893)
Acquisition expenses	**(291)**	
Other expenses	**(70)**	(71)
Total	**10 844**	132 009

7. CONTINGENCIES

Banking and loan facilities are renewed annually and are subject to floating interest rates. At year-end the facilities granted amounted to R2,35 billion in respect of the debt package (refer note 15 of the consolidated annual financial statements) and a R2,9 billion unutilised general banking facility (2019: R2,417 billion).

RCL Foods Limited has provided a guarantee to the financial institutions involved in the term-funded debt package in respect of the fulfilment of RCL Foods Treasury Proprietary Limited's obligations in terms of the debt agreements.

The maximum exposure as at June 2020 is R2,35 billion (2019: R2,35 billion).

8. DIVIDENDS PER SHARE

Refer to note 27 of the notes to the consolidated annual financial statements.

9. FINANCIAL RISK MANAGEMENT

Credit risk

The company has guaranteed a loan of a subsidiary. The maximum exposure to credit risk at the reporting date is R2,35 billion (2019: R2,35 billion).

Liquidity risk

The table below summarises the maturity profile of the guaranteed loan, should default occur, the guarantee will be repayable on demand.

	Less than one year R'000	One to two years R'000	Two to three years R'000	Greater than three years R'000	Total R'000
2020		**337 500**	**787 500**	**1 225 000**	**2 350 000**
2019			337 500	2 012 500	2 350 000

SHARE AND SHAREHOLDERS INFORMATION

for the year ended June 2020

STATED CAPITAL

Authorised	2 000 000 000
Issued*	959 004 383
Number of shareholders	5 510

	Number of shareholders	%	Number of shares	%
Shareholder spread				
1 – 1 000	**4 069**	**73.85**	**745 674**	**0.08**
1 001 – 10 000	**1 043**	**18.93**	**3 859 941**	**0.40**
10 001 – 100 000	**290**	**5.26**	**9 273 593**	**0.97**
100 001 – 1 000 000	**78**	**1.42**	**27 841 209**	**2.90**
1 000 001 and over	**30**	**0.54**	**917 283 966**	**95.65**
Total	**5 510**	**100.00**	**959 004 383**	**100.00**
Distribution of shareholders				
Banks	**17**	**0.31**	**20 473 036**	**2.14**
Brokers	**13**	**0.24**	**1 745 693**	**0.18**
Close Corporations	**31**	**0.56**	**1 036 773**	**0.11**
Empowerment*	**3**	**0.05**	**70 758 637**	**7.38**
Endowment Funds	**3**	**0.05**	**601 534**	**0.06**
Holding Company	**2**	**0.04**	**685 117 531**	**71.44**
Individuals	**4 892**	**88.78**	**16 336 451**	**1.70**
Insurance Companies	**19**	**0.35**	**4 607 430**	**0.48**
Investment Companies	**6**	**0.11**	**60 610**	**0.01**
Mutual Funds	**123**	**2.23**	**106 763 515**	**11.13**
Nominees and Trusts	**239**	**4.34**	**3 013 283**	**0.32**
Other Corporations	**16**	**0.29**	**27 296**	
Pension Funds	**61**	**1.11**	**46 654 928**	**4.86**
Private Companies	**85**	**1.54**	**1 807 666**	**0.19**
Total	**5 510**	**100.00**	**959 004 383**	**100.00**
Public and non-public shareholders				
Holding Company	**2**	**0.04**	**685 117 531**	**71.44**
Empowerment*	**3**	**0.06**	**70 758 637**	**7.38**
Directors and associates of the company holdings	**3**	**0.05**	**4 519 873**	**0.47**
Total non-public shareholders	**8**	**0.15**	**760 396 041**	**79.29**
Public shareholders	**5 502**	**99.85**	**198 608 342**	**20.71**
Total	**5 510**	**100**	**959 004 383**	**100**
Beneficial shareholders' holding of 1% or more				
Remgro Limited			**684 961 717**	**71.42**
RCL Employee Share Trust			**44 681 162**	**4.66**
Oasis Crescent Equity Fund			**38 296 028**	**3.99**
Government Employees Pension Fund			**34 774 741**	**3.63**
Business Venture Investments No 1763 (RF) Proprietary Limited			**19 149 069**	**2.00**
Prudential Core Value Fund			**16 731 239**	**1.74**
Old Mutual Symmetry Satellite Equity Fund No 3			**12 951 172**	**1.35**
Fund managers holdings of 1% or more				
Remgro Limited			**685 117 531**	**71.44**
Oasis Asset Management Limited			**71 424 192**	**7.45**
Prudential Portfolio Managers (South Africa) (Pty) Ltd			**50 510 312**	**5.27**
RCL Employee Share Trust			**44 681 162**	**4.66**
Business Venture Investments 1763 Proprietary Limited			**19 149 069**	**2.00**
Public Investment Corporation (SOC) Limited			**18 831 388**	**1.96**
All Weather Capital (Pty) Ltd			**11 364 263**	**1.19**

* Includes 44 681 162 shares issued to RCL Employee Share Trust, 19 149 069 shares issued to the Business Venture Investments No 1763 (RF) Proprietary Limited and 6 928 406 shares issued to Malongoana Investments (RF) Proprietary Limited in terms of the BEE scheme (refer to note 33 of the consolidated financial statements for details).