RCL FOODS LIMITED

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE

2021

CONTENTS

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

for the year ended June 2021

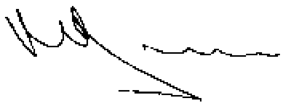
The directors are responsible for the preparation and integrity of the Annual Financial Statements of the Company and the Group and other information included in this report, which has been prepared in accordance with International Financial Reporting Standards (IFRS). The directors are also responsible 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 Annual 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 2021 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 14 to 121, which have been prepared on the going-concern basis, were approved by the board of directors on 3 September 2021 and are signed on its behalf by:

JJ Durand
Non-executive Chairman



M Dally
Chief Executive Officer

3 September 2021

STATEMENT OF RESPONSIBILITY

for the year ended June 2021

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 14 to 121 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 Annual 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

3 September 2021

CERTIFICATE BY THE COMPANY SECRETARY

for the year ended June 2021

I hereby certify that in respect of the year ended June 2021, 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

3 September 2021

REPORT OF THE AUDIT COMMITTEE

for the year ended June 2021

This report sets out how the Audit Committee discharged its responsibilities during the financial year ended June 2021 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 at www.rclfoods.com/governance/corporate-governance/governance-documents

AUDIT COMMITTEE MEMBERSHIP AND RESOURCES

The Audit Committee consists of five independent non-executive directors, with the previous Chairperson Mr RV Smither having retired on 13 November 2020, the membership changed to four and one *ex officio* member, Mr GC Zondi. Mrs CJ Hess was appointed Chairperson on 13 November 2020. All members of the Committee have the requisite financial knowledge and commercial skills and experience to contribute effectively to committee deliberations.

The Committee met seven 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), Internal Audit Director (IAD) 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	22/07/2020	20/08/2020	27/08/2020	9/11/2020	9/12/2020	25/02/2021	24/06/2021
RV Smither*	CA(SA)	December 2008	Present	Present	Present	Present	Retired	Retired	Retired
CJ Hess**^	BCom, PGDA, CA(SA)	June 2018	Present	Present	Present	Present	Present	Present	Present
NP Mageza	ACCA (UK)	September 2009	Present	Present	Present	Present	Present	Present	Present
DTV Msibi	BBusSc, BCom (Hons), MCom, CA(SA)	August 2013	Present	Apology	Present	Present	Present	Present	Present
GM Steyn	BA (LLB)	March 2019	Present	Present	Present	Present	Present	Present	Present
GC Zondi#	BCompt (Hons), AGA (SA)	July 2018	Present	Present	Present	Present	Present	Present	Present

* *Retired 13 November 2020.*

** *Appointed Chairperson 13 November 2020.*

^ *Committee Chairperson.*

Ex officio member

ELECTION OF COMMITTEE MEMBERS

In terms of section 94(2) of the Companies Act, it was resolved at the Annual General Meeting held on 13 November 2020 that, CJ Hess, NP Mageza, DTV Msibi and GM Steyn be re-appointed as members of the Audit Committee until the next Annual General Meeting to be held on 16 November 2021.

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 IFRS;
  - » considered and, when appropriate, made recommendations on financial statements, accounting practices and internal financial controls;

  - » ensured that the Company and its subsidiaries have established appropriate financial reporting procedures and that those procedures are operating effectively;
  - » 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, audit plan and delegation of authority;
- 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.

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 2021 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. 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 2021 financial year to PwC were R23,6 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 2022 financial year. The Audit Committee has requested the information detailed in section 22.15(h) of the JSE Listings Requirements from PwC. The Audit Committee has satisfied itself that the audit firm and the designated auditor are accredited as such on the JSE list of auditors and has considered the information provided by PwC in terms of section 22.15(h) of the JSE Listings Requirements in its assessment.

INTERNAL AUDIT

The Audit Committee is responsible for ensuring that 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 Internal Audit Director (IAD). To ensure independence, the IAD reports functionally to the Audit Committee and, only from an administrative perspective, to the CEO. The Committee reviewed the performance of the IAD and was satisfied that he has the necessary expertise and experience to fulfill this role and that he has 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 Company and the Group before concluding to the Board that the Company and the Group will be a going concern in the foreseeable future.

CJ Hess
Audit Committee Chairperson

3 September 2021

REPORT OF THE DIRECTORS

for the year ended June 2021

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

There were no changes to issued share capital in the current financial year (2020: increase of 18 102 823 ordinary shares). At the reporting date, unexercised share appreciation rights totalling 151 752 134 (2020: 132 934 143) had been granted to participants. At the reporting date, the unexercised rights relating to the Conditional Share Plan was 1 564 228 (2020: 1 564 228). 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 10% of 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. 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 2021, and all references thereto within the results, are presented for the 53-week period ended 4 July 2021.

FINANCIAL RESULTS

The profit for the year attributable to owners of the parent amounted to R992,9 million (2020: R901,4 million loss). This translates into a headline earnings per share of 107,9 cents (2020: 13,1 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 92 amounting to 15,0 cents per ordinary share, publication of declaration data on 1 March 2021 and paid on 26 April 2021.

Final dividend

Number 93 amounting to 30,0 cents per ordinary share, publication of declaration data on 6 September 2021 and payable on 1 November 2021.

The salient dates for dividend number 93 are as follows:

Publication of declaration data	Monday, 6 September 2021
Last day of trade to receive a dividend	Tuesday, 26 October 2021
Shares commence trading *"ex"* dividend	Wednesday, 27 October 2021
Record date	Friday, 29 October 2021
Payment date	Monday, 1 November 2021

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 Share 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 32 of the consolidated financial statements for further details.

SUBSIDIARIES

Details of RCL FOODS' interest in its subsidiaries are set out in note 34 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 Leadership and Reviews section of the Abridged Integrated Annual Report, which will be available on our website at www.rclfoods.com/financial-results-and-reports-2021 on 27 September 2021.

DIRECTORS' SHAREHOLDINGS

At the date of this report, the directors in aggregate held direct beneficial interests in 4 869 487 (2020: 4 519 487) ordinary shares in the Company and had indirect beneficial interests in 925 210 (2020: 925 210) ordinary shares. Details of directors' shareholdings are set out in note 31 of the notes to the consolidated financial statements.

SUBSEQUENT EVENTS

Subsequent to year-end, KwaZulu-Natal and Gauteng were impacted by civil unrest which included looting and vandalism of property. Certain Chicken and Vector Logistics sites based in KwaZulu-Natal were affected by the unrest. As the event occurred after the 2021 financial year-end cut-off, and was not indicative of circumstances that were relevant at reporting date, it is considered to be a non-adjusting subsequent event in accordance with IAS 10. Refer to note 33 for further details.

INDEPENDENT AUDITOR'S REPORT

for the year ended June 2021

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 4 July 2021, and its consolidated and separate financial performance and its consolidated and separate cash flows for the period 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 14 to 132 comprise:

- the consolidated and Company Statements of Financial Position as at 4 July 2021;
- the Consolidated Income Statement and Statement of Other Comprehensive Income for the year then ended;
- the Company Statement 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.

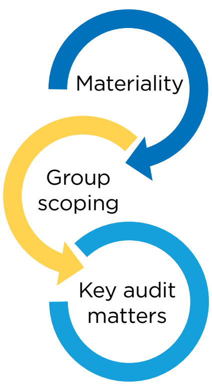
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

- *R95,1 million, which represents 0,3% of consolidated revenue from contracts with customers.*

Group audit scope

The consolidated financial statements comprise the holding company, 30 subsidiaries, four joint ventures and five associates. For 12 entities, full scope audits were carried out, specified audit procedures over significant balances and transactions were performed over a further six entities, and analytical procedures were performed for the remaining entities.

Key audit matters

- *Impairment of goodwill, indefinite life intangible assets and property, plant and equipment; and*
- *Impairment assessment of investments in subsidiaries.*

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	R95,1 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 selected 0,3% which is lower than the normal quantitative materiality thresholds used for profit-oriented companies in this sector where consolidated revenue is used as a benchmark taking into consideration the number of users and levels 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 are a consolidation of the Company, its thirty subsidiaries, four joint ventures and five associates (each considered a component for purposes of our Group audit scope).

Our scoping assessment included consideration of financially significant components in terms of their contribution to consolidated assets, consolidated revenue and consolidated profit before tax as well as taking into consideration the sufficiency of work performed over material line items in the consolidated financial statements. Based on our scoping assessment, full scope audits were performed at 12 components and specified audit procedures over significant balances and transactions were performed at a further six components. In addition, analytical procedures were performed by the Group and component engagement teams on 22 components that were considered to be financially inconsequential. 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 PwC network firm, and one non-PwC firm operating under our instruction. 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 judgement, 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.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Impairment of goodwill, indefinite life intangible assets and property, plant and equipment
This key audit matter relates to the consolidated financial statements.</td></tr>
<tr><td>A significant portion of the Group's total assets relates to goodwill with a carrying value of R1,99 billion, trademarks with indefinite useful lives with a carrying value of R1,2 billion, as well as property, plant and equipment with a carrying value of R6,7 billion. For the period, impairments amounting to R12,9 million were recognised in the consolidated profit in respect of these assets.

Refer to note 1 and note 2 to the consolidated financial statements for the related disclosures.

International Accounting Standard (IAS) 36 – Impairment of assets (IAS 36) requires an impairment test to be performed annually on cash-generating units (CGUs) or groups of CGUs where goodwill and indefinite life intangible assets exist and for all other CGUs when there are indicators that these may be impaired. As described in note 1 to the consolidated financial statements, management have assessed all CGUs for impairment, or reversals thereof in the current period.

The ongoing COVID-19 pandemic and the resultant measures implemented by the South African government continue to have a negative impact on the local economy in the current year and are indicators that all CGUs may be impaired.

The recoverable amounts of the CGUs are determined based on value-in-use calculations. These calculations are subject to key assumptions that require the use of judgement and estimation. Refer to note 1 to the consolidated financial statements where these key assumptions are further described.

Management's assessment indicated that sufficient headroom existed for each CGU and therefore no material impairment charge was recognised.

We considered the impairment of goodwill, indefinite life intangible assets and property, plant and equipment to be a matter of most significance to the current year audit due to the following:
• the significant judgement and estimates applied by management in the determination of the recoverable amounts of the respective CGUs; and
• the magnitude of size of the related goodwill, trademarks and property, plant and equipment balances in relation to the consolidated financial statements.</td><td>Our audit addressed this key audit matter as follows:

We obtained an understanding of the approach applied by management in performing their impairment assessment for each of the relevant CGUs and assessed this against the applicable requirements of IAS 36 and market practice. We noted no material inconsistencies in this regard.

For each relevant CGU, we performed detailed testing to critically assess the reasonableness of key inputs applied in the value-in-use calculations, which included:
• testing the mathematical accuracy of management's impairment assessments, noting no material exceptions;
• with the assistance of our valuations expertise, we challenged the key assumptions, including the cash flow projections, the discount rate and perpetuity growth rate. We referred to the Board approved business plan, historical performance and market data, which consists of data external to the Group;
• comparing the historical Board-approved budgets to actual results to evaluate whether forecasted cash flows are reliable based on past experience. Where variances in excess of our set threshold were identified we obtained management explanations and inspected underlying supporting documentation. We accepted the budgeting inputs used;
• with the assistance of our valuations expertise we assessed the reasonableness of the discount rate applied by independently recalculating the discount rate with reference to independently sourced market inputs. This included risk-free rates, betas and market risk premiums. We found these to be reasonable;
• assessing the reasonableness of the growth rates assumed by comparing them to economic and industry forecasts. We found these to be reasonable;
• performing an independent calculation to determine 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 as a reasonableness test. Based on the results of our assessment we accepted this to be unlikely; and
• performing 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.
For the Vector Logistics, Chicken, Milling, Pies, Beverages and Speciality CGUs, we further:
• performed additional 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 conclusion and the CGUs' headroom to be appropriate based on the independent inputs.

We assessed the disclosures in note 1 and note 2 against the requirements of IAS 36 – Impairment of assets and found them to be appropriate.</td></tr>
</table>

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of investments in subsidiaries This key audit matter relates to the separate financial statements.	
Refer to note 1 to the separate financial statements for disclosures relating to the investments in subsidiaries. The carrying value of investments in subsidiaries recognised in the separate financial statements amounted to R4,9 billion as at 4 July 2021. Investments in subsidiaries are carried at cost less impairment losses in the separate financial statements. No impairment charge was recognised in the current 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. 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 in relation to the separate financial statements.	We obtained an understanding of the approach followed by management in assessing the recoverable amount of investments in subsidiaries. We assessed the reasonableness of the recoverable amounts 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 thereover 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 2021", 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 "RCL Foods Limited Integrated Annual Report 2021", 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; and
- 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 PwC has been the auditor of RCL Foods Limited for 17 years.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.
Director: RD Klute
Registered Auditor

Durban, South Africa

3 September 2021

The examination of controls over the maintenance and integrity of the Group's website is beyond the scope of the audit of the financial statements. Accordingly, we accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at

	Note	4 July 2021 R'000	28 June 2020 R'000
ASSETS			
Non-current assets			
Property, plant and equipment and right-of-use assets	1	**6 665 072**	6 669 077
Intangible assets	2	**3 659 965**	3 677 055
Investment in joint ventures	3	**287 828**	310 309
Investment in associates	4	**853 866**	676 856
Investment in financial asset	6	**214 138**	137 039
Deferred income tax asset	18	**99 742**	86 428
Loans receivable	5	**49 375**	66 964
Trade and other receivables	9	**24 597**	23 060
		11 854 583	11 646 788
Current assets			
Inventories	7	**3 171 386**	2 980 665
Biological assets	8	**955 343**	805 088
Trade and other receivables	9	**5 427 265**	5 965 279
Derivative financial instruments	10	**62 979**	9 723
Tax receivable		**32 503**	44 358
Loan receivable	5		2 500
Cash and cash equivalents		**896 969**	1 030 041
		10 546 445	10 837 654
Assets of disposal group classified as held-for-sale		**6 978**	2 134
Total assets		**22 408 006**	22 486 576
EQUITY			
Stated capital	11	**10 318 079**	10 318 079
Share-based payments reserve	12	**776 223**	683 728
Other reserves	13	**(1 059)**	11 220
Common control reserve		**(1 919 832)**	(1 919 832)
Retained earnings		**1 556 095**	784 524
Equity attributable to the equity holders of the Company		**10 729 506**	9 877 719
Non-controlling interests		**(35 839)**	(55 743)
Total equity		**10 693 667**	9 821 976
LIABILITIES			
Non-current liabilities			
Interest-bearing liabilities	15	**3 525 331**	3 959 958
Deferred income tax liabilities	18	**1 051 561**	1 034 622
Retirement benefit obligations	14	**106 900**	101 269
Trade and other payables	17	**461**	3 059
		4 684 253	5 098 908
Current liabilities			
Trade and other payables	17	**6 083 071**	6 973 515
Deferred income	19	**2 078**	2 741
Interest-bearing liabilities	15	**854 691**	405 545
Derivative financial instruments	10	**41 090**	124 811
Current income tax liabilities		**49 156**	59 080
		7 030 086	7 565 692
Total liabilities		**11 714 339**	12 664 600
Total equity and liabilities		**22 408 006**	22 486 576

CONSOLIDATED INCOME STATEMENT

for the year ended June 2021

	Note	2021 R'000	2020 R'000
Revenue from contracts with customers	20	**31 687 850**	27 803 611
Operating profit before depreciation, amortisation and impairments (EBITDA)[1]		**2 409 135**	1 636 037
Depreciation and amortisation		**(922 511)**	(935 551)
Impairments[2]		**(9 819)**	(1 506 283)
Operating profit/(loss)	21	**1 476 805**	(805 797)
Finance costs	22	**(326 161)**	(508 186)
Finance income	23	**37 053**	53 457
Share of profits of joint ventures	3	**11 331**	46 267
Share of profits of associates	4	**135 553**	118 338
Impairment of associate	4		(18 897)
Profit/(loss) before tax		**1 334 581**	(1 114 818)
Income tax (expense)/credit	24	**(338 824)**	155 780
Profit/(loss) for the year		**995 757**	(959 038)
Profit/(loss) for the year attributable to:			
Equity holders of the Company		**992 909**	(901 396)
Non-controlling interests		**2 848**	(57 642)
		995 757	(959 038)
Earnings per share attributable to equity holders of the Company	25		
Basic earnings per share	(cents)	**111,8**	(103,0)
Diluted earnings per share	(cents)	**111,7**	(102,9)

[1] *Includes expected credit losses on loans receivable and trade and other receivables of R24,1 million (2020: R77,2 million). Refer notes 5 and 9 for further detail.*

[2] *Relates only to impairments of property, plant and equipment and intangible assets.*

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended June 2021

	Note	2021 R'000	2020 R'000
Profit/(loss) for the year		**995 757**	(959 038)
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurement of retirement medical aid obligations		**185**	18 982
Share of associates other comprehensive income	4	**543**	408
Items that may subsequently be reclassified to profit or loss:			
Currency translation differences	13	**(12 279)**	11 389
Other comprehensive income for the year		**(11 551)**	30 779
Total comprehensive income for the year		**984 206**	(928 259)
Total comprehensive income for the year attributable to:			
Equity holders of the Company		**981 358**	(870 617)
Non-controlling interests		**2 848**	(57 642)
		984 206	(928 259)

Items in the statement of other comprehensive income above are disclosed net of tax. The tax relating to the remeasurement of retirement medical aid obligations was R0,3 million (2020: R7,4 million).

CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

for the year ended June 2021

	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 2020	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
BEE share-based payments charge		17 600				17 600		17 600
Employee share award 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 29 June 2020	**10 318 079**	**683 728**	**11 220**	**(1 919 832)**	**784 524**	**9 877 719**	**(55 743)**	**9 821 976**
Profit for the year					**992 909**	**992 909**	**2 848**	**995 757**
Other comprehensive income			**(12 279)**		**728**	**(11 551)**		**(11 551)**
BEE share-based payments charge		**17 600**				**17 600**		**17 600**
Employee share award scheme:								
– value of employee services		**74 897**				**74 897**		**74 897**
– equity component of deferred tax on share-based payments		**(2)**				**(2)**		**(2)**
Shareholder loans converted to equity							**17 701**	**17 701**
Acquisition of business							**2 605**	**2 605**
Ordinary dividends paid					**(222 066)**	**(222 066)**	**(3 250)**	**(225 316)**
Balance at 4 July 2021	**10 318 079**	**776 223**	**(1 059)**	**(1 919 832)**	**1 556 095**	**10 729 506**	**(35 839)**	**10 693 667**

CONSOLIDATED CASH FLOW STATEMENT

for the year ended June 2021

	Note	2021 R'000	2020 R'000
Cash flows from operating activities			
Cash generated by operations	A	**1 627 425**	2 571 384
Finance income received		**37 053**	53 457
Finance costs paid		**(253 645)**	(311 181)
Tax paid	B	**(335 127)**	(47 852)
Cash available from operating activities		**1 075 706**	2 265 808
Dividends received		**96 046**	69 197
Dividends paid		**(225 316)**	(221 751)
Net cash inflow from operating activities		**946 436**	2 113 254
Cash flows from investing activities			
Replacement property, plant and equipment		**(579 145)**	(375 152)
Expansion property, plant and equipment		**(320 582)**	(410 239)
Intangible asset additions		**(21 546)**	(25 991)
Acquisition of business	C	**(4 528)**	110 000
Acquisition of associate		**(155 949)**	
Investment in financial asset			(114 196)
Advances of interest-bearing loans		**(5 969)**	(10 737)
Advances of non-interest-bearing loans		**(5 274)**	(9 234)
Receipts from loans		**8 393**	
Proceeds on disposal of non-current assets held-for-sale		**4 650**	10 311
Proceeds on disposal of property, plant and equipment		**37 169**	6 769
Net cash outflow from investing activities		**(1 042 781)**	(818 469)
Cash flows from financing activities			
Repayment of interest-bearing liabilities	D	**(421 775)**	(265 013)
Advances of interest-bearing liabilities	D	**385 246**	110 647
Net cash outflow from financing activities		**(36 529)**	(154 366)
Net movement in cash and cash equivalents		**(132 874)**	1 140 419
Cash and cash equivalents at the beginning of the year		**1 030 041**	(110 378)
Exchange differences arising on translation		**(198)**	
Cash and cash equivalents at the end of the year (net of overdrafts)	E	**896 969**	1 030 041

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

for the year ended June 2021

	2021 R'000	2020 R'000
A. CASH GENERATED BY OPERATIONS		
Operating profit/(loss)	**1 476 805**	(805 797)
Adjusted for:		
Depreciation, amortisation and impairments[1]	**932 330**	2 441 834
Deferred income	**(663)**	(1 229)
(Profit)/loss on disposal of property, plant and equipment and intangible assets	**(17 135)**	9 277
Profit on disposal of assets held-for-sale	**(3 142)**	(8 351)
Movement in retirement benefit obligations	**6 092**	1 067
Movement in derivative financial instruments	**(74 486)**	14 960
Fair value adjustment in biological assets[2]	**(277 867)**	(283 556)
Share-based payments – BEE charge	**17 600**	17 600
Share-based payments – Employee Share Award Scheme	**74 897**	120 359
Expected credit loss recognised on loans receivable	**18 667**	46 872
Gain on remeasurement of leases	**(21 001)**	(621)
Gain on bargain purchase		(277 540)
Gain on disposal of associate	**(16 397)**	
Gain on change in shareholding of associate	**(2 223)**	
Unrealised foreign exchange losses/(gains)	**18 953**	(22 779)
Foreign currency translation reserve recycled	**78**	
Unrealised fair value adjustment on financial asset	**(98 388)**	
Other non-cash flow items	**(9)**	2
	2 034 111	1 252 098
Working capital changes:		
Movement in inventories	**(176 336)**	127 903
Movement in biological assets[2]	**127 612**	344 961
Movement in trade and other receivables	**550 872**	(1 259 192)
Movement in trade and other payables	**(908 834)**	2 105 614
	(406 686)	1 319 286
	1 627 425	2 571 384

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

[2] *The movement in biological assets is represented by the non-cash fair value adjustment on biological assets of R277,9 million (2020: R283,6 million) and the movement included in working capital changes of R127,6 million (2020: R345,0 million). The net increase in biological assets for the year was R150,3 million (2020: R61,4 million).*

	2021 R'000	2020 R'000
B. TAX PAID		
Amount (payable)/refundable at the beginning of the year	**(14 722)**	46 213
Acquisition of subsidiary	**191**	
Exchange differences arising on translation	**66**	
Charged to the income statement	**(337 315)**	(108 787)
Normal tax	**(338 111)**	(100 539)
Prior year over/(under) provision	**796**	(8 248)
Amount payable at the end of the year	**16 653**	14 722
	(335 127)	(47 852)
C. ACQUISITION OF BUSINESSES		
Net cash (paid)/received for business	**(4 528)**	110 000
L&A Logistics Limited	**(4 528)**	
ICL[3]		110 000

[3] *Imperial Logistics South Africa Group Proprietary Limited's cold chain business.*

Refer to note 35 for further detail relating to the acquisition of L&A Logistics Limited.

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT CONTINUED

for the year ended June 2021

D. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Movements in net debt for the year ended June 2021 are as follows:

	28 June 2020 R'000	Cash inflows R'000	Cash outflows R'000	Non-cash flows[1] R'000	4 July 2021 R'000
Institutional borrowings	35 006		(2 511)		**32 495**
Loan from Green Create W2V SA Proprietary Limited	76 000	26 600			**102 600**
Loan from Facility for Investments in Renewable Small Transactions (RF) Proprietary Limited	79 650		(3 265)		**76 385**
Lease liabilities	1 645 278		(298 978)	68 749	**1 415 049**
Term-funded debt package	2 350 000				**2 350 000**
Loan from Ingwenyama Simhulu Trust	13 612	4 089		(17 701)	
Loan from Matsamo Communal Property Association	1 000	780			**1 780**
Loan from Siphumelele Tenbosch Trust	3 699	3 777			**7 476**
Loans from Akwandze Agricultural Finance Proprietary Limited	161 258	350 000	(117 021)		**394 237**
	4 365 503	385 246	(421 775)	51 048	**4 380 022**

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[1] R'000	28 June 2020 R'000
Institutional borrowings	37 592		(2 586)		**35 006**
Loan from Green Create W2V SA Proprietary Limited	50 000	26 000			**76 000**
Loan from Facility for Investments in Renewable Small Transactions (RF) Proprietary Limited		79 650			**79 650**
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	2 659			**13 612**
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		(7 051)		**161 258**
	2 820 997	110 647	(265 013)	1 698 872	**4 365 503**

[1] *Non-cash flows relate largely to interest incurred and remeasurements on lease liabilities taken-on in accordance with IFRS 16 in the prior year.*

E. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include restricted balances of R88,6 million (2020: R58,5 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 restricted cash balance of R6,5 million relates to the Facility for Investments in Renewable Small Transactions (RF) Proprietary Limited 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 (2020: 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:

	2021 R'000	2020 R'000
Rand	**881 729**	1 018 354
USD	**6 480**	3 386
GBP		11
Euro	**359**	54
Namibian Dollar	**2 584**	8 132
Zambian Kwacha	**5 631**	
Other currencies	**186**	104
Total	**896 969**	1 030 041

For further information on the credit quality of cash and cash equivalents, refer to note 28.

ACCOUNTING POLICIES

for the year ended June 2021

BASIS OF PREPARATION

The Group and Company Financial Statements have been prepared in accordance with 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 3 September 2021 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.

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 2021 , and all references thereto within the results, are presented for the 53-week period ended 4 July 2021.

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 36 and 37.

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. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

BASIS OF CONSOLIDATION CONTINUED

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 or loss of associates in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates 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 venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

ACCOUNTING POLICIES CONTINUED

for the year ended June 2021

BASIS OF CONSOLIDATION CONTINUED

Joint arrangements continued

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 "finance 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.

PROPERTY, PLANT AND EQUIPMENT CONTINUED

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 in accordance with IAS 16 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 26 and 27 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 assets 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 to 20 years
Customer relationships	5 to 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.

INTANGIBLE ASSETS CONTINUED

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 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; and
- 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.

The Group leases various offices, warehouses, farming land, equipment, delivery vehicles and cars. Rental contracts are typically made for fixed periods of between three 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.

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;

RIGHT-OF-USE ASSETS AND LEASE LIABILITIES CONTINUED

- 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.

In accordance with IFRS 16, the Group has not recognised a lease liability for short-term leases or for leases of low-value assets. 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 applied materiality in excluding certain Company vehicles, forklifts and waste management equipment for which there was 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.

Estimation uncertainty arising from variable lease payments

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

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.

ACCOUNTING POLICIES CONTINUED

for the year ended June 2021

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 (CGUs). 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-sale 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 28 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.

STATED CAPITAL CONTINUED

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 that 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 or 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 or rights 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 or rights 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 or rights 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 or 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.

EMPLOYEE BENEFITS CONTINUED

Share-based payments continued

The grant by the Group of options or rights 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 Association (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 are 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 relates 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.

REVENUE CONTINUED

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:

FINANCIAL INSTRUMENTS CONTINUED

Measurement of financial assets continued

- **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 that 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 28 of the consolidated financial statements.

FINANCIAL INSTRUMENTS CONTINUED

Accounting for derivative financial instruments continued

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, and 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.

FINANCIAL INSTRUMENTS CONTINUED

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.

As part of the strategic review of RCL FOODS' portfolio, a decision has been taken to establish Chicken as a separate and focused division within RCL FOODS, reporting directly to the RCL FOODS Chief Executive Officer, rather than being a separate business unit within the Food Division.

The creation of a stand-alone business will enable a dedicated focus on Chicken. Experienced executive appointments have been announced to lead this initiative, which has also afforded us an opportunity to strike an optimal balance between continuity of existing senior talent in support of the new division and redeployment of talent behind strategic priorities within the broader RCL FOODS business.

To align the financial results with this structural change in Chicken (including the Chicken and grain-based feed (EPOL and Driehoek) operations), the division's results are reported as a separate segment.

OPERATING SEGMENTS CONTINUED

The Food Division is made up of 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; 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, food service customers and retailers to distribute food products on their behalf across Southern Africa. Ugandan operations refer to chicken producers situated in Uganda. LKCA refers to the Group's investment in LIVEKINDLY Collective Africa.

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.

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY CONTINUED

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 28 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 14 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's BEE transaction is disclosed in note 11 and note 32 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, 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 or after 1 January 2022.

Amendments to IAS 16, Property, Plant and Equipment: Proceeds before intended use

The amendment to IAS 16 Property, Plant and Equipment prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use.

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

Amendments to IFRS 3, Reference to the Conceptual Framework

Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation Note 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended June 2021

1. PROPERTY, PLANT, EQUIPMENT AND RIGHT-OF-USE ASSETS

June 2021	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: Land and buildings R'000	Leasehold improvements R'000	Bearer plants R'000	Capital work-in-progress R'000	Total R'000
Cost											
At the beginning 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
Transfers between categories and intangible assets	8 852	352 268		27 519				(68)		(388 739)	(168)
Additions[1]	119 807	568 820		97 130	1 511	38 048	36 156	393	11 277	102 300	975 442
Disposals	(10 133)	(203 452)		(57 105)	(205)	(30 038)	(4 714)	(255)	(5 314)		(311 216)
Acquisition of business[2]		723		474		435	9 125				10 757
Transferred to held-for-sale	(3 547)	(7 498)		(20 266)							(31 311)
Exchange differences on translation of foreign operations		(2)		(2)		(2)	(31)				(37)
Modification of leases						(15 307)	(141 016)				(156 323)
Remeasurements of leases					(43)	1 083	3 438				4 478
At the end of the year	3 128 070	8 502 533	53 005	1 008 213	105 051	154 983	1 397 027	31 458	354 643	403 134	15 138 117
Accumulated depreciation and impairment											
At the beginning 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
Transfers between categories and intangible assets	8							(8)			
Impairment loss	1 439	4 771		942	247	3	5 537				12 939
Impairment loss reversed		(3 120)									(3 120)
Acquisition of business[2]		291		192		112	3 048				3 643
Transferred to held-for-sale	(2 627)	(4 935)		(17 396)							(24 958)
Disposals	(7 620)	(197 023)		(49 463)	(205)	(21 575)	(73 389)	(253)	(2 120)		(351 648)
Depreciation	81 852	403 871	2 110	73 058	18 880	45 026	165 462	2 590	32 101		824 950
Exchange differences on translation of foreign operations		(4)		(2)		(2)	(35)				(43)
Modification of leases						4 987	36 435				41 422
Remeasurements of leases							(7 558)				(7 558)
At the end of the year	1 502 707	5 644 631	9 575	542 129	62 635	74 188	415 017	18 421	203 742		8 473 045
Net book amount	1 625 363	2 857 902	43 430	466 084	42 416	80 795	982 010	13 037	150 901	403 134	6 665 072

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

[2] *During the current year the Group increased its shareholding in L&A Logistics Limited (L&A), which resulted in L&A being consolidated as a subsidiary with effect from 23 February 2021. Refer to note 35 for further details.*

Refer to note 16 and note 21 for further detail on variable lease payments not capitalised to right-of-use assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

for the year ended June 2021

1. PROPERTY, PLANT, EQUIPMENT AND RIGHT-OF-USE ASSETS CONTINUED

June 2020	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: Land and buildings R'000	Leasehold improvements R'000	Bearer plants R'000	Capital work-in-progress R'000	Total R'000
Cost											
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[1,2]	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 held-for-sale	(80)	(7 885)									(7 965)
Remeasurements of leases					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 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

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

[2] *Included in additions are the assets acquired as part of the ICL transaction.*

1. PROPERTY, PLANT, EQUIPMENT AND RIGHT-OF-USE ASSETS CONTINUED

	2021 R'000	2020 R'000
Capital commitments:		
Contracted and committed	**513 988**	325 800
Approved but not contracted	**394 781**	279 079

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 financial year Rnil borrowing costs were capitalised. In the prior year the Group capitalised borrowing costs amounting to R24,5 million on qualifying assets at a weighted average rate of 15.0%.

IMPAIRMENTS

The key assumptions used in the value-in-use calculation are presented below. These calculations use cash flow projections based on financial budgets approved by management, which include assumptions on profit before tax, working capital and capital maintenance expenditure. The forecast cash flows used in the value-in-use calculations are the output of the Group's five-year business planning process. The assumptions used in the value-in-use calculations include:

- Volume growth: RCL FOODS is a food producer with products sold mainly in the South African market. Volume assumptions are therefore closely linked to population and GDP growth forecasts for South Africa. Compounded volume growth over the five-year period does not exceed long-term GDP forecasts, apart from additional volume resulting from recent capital investments which have yet to reach full production and innovation/new product launches serviced from existing capacity.
- Selling price and cost growth are linked to Consumer Price Index (CPI) and food inflation (which tracks ahead of CPI).
- Capital expenditure: Capital expenditure spend is limited to replacement capital expenditure spend, in line with the Group's maintenance programmes.
- Working capital: Working capital is held at a constant percentage of revenue based on the historic averages achieved in each CGU.
- The cash flow beyond year five (terminal cash flow) has assumed a steady state of growth with capital expenditure equal to depreciation, volumes and profit margins maintained at year five levels with the growth beyond year five resulting solely from price inflation.
- Perpetuity growth rate and discount rate: In the current year a perpetuity growth rate of 4.0% (2020: 4.0%) was applied.

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 CGUs.

During the previous 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. COVID-19 significantly impacted the profitability of the Chicken and Sugar businesses in the prior period, therefore impairment assessments for these CGUs were performed, in addition to the annual impairment tests conducted on CGUs containing goodwill and other indefinite useful life assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended June 2021

1. PROPERTY, PLANT, EQUIPMENT AND RIGHT-OF-USE ASSETS CONTINUED

The total impairments recognised in the prior year across the Group of R1 506,3 million by CGU were 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 Logistics	(130 985)		(287 444)		(418 429)
	(593 175)	(315 141)	(597 953)	(14)	(1 506 283)

The CGUs above were assessed for impairments, or reversals thereof in the current financial year, in accordance with the requirements of IAS 36. No further impairment losses nor reversals of impairments are required in the current financial year based on these assessments.

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

2021	Discount rate pre-tax %	Perpetuity growth rate %	Period Years
Grocery	**15.9**	**4.0**	**5**
Pies	**15.8**	**4.0**	**5**
Beverages	**15.8**	**4.0**	**5**
Speciality	**15.9**	**4.0**	**5**
Milling	**16.2**	**4.0**	**5**
Bread, buns and rolls	**14.5**	**4.0**	**5**
Sugar	**18.6**	**4.0**	**5**
Epol Animal Feed	**15.9**	**4.0**	**5**
Chicken	**17.6**	**4.0**	**5**
Vector Logistics	**17.0**	**4.0**	**5**

Sensitivity analysis of assumptions used in the impairment test*:

	Discount rate		Perpetuity growth rate	
2021	Movement %	Impairment Rm	Movement %	Impairment Rm
Grocery	**+1.0**	**Nil**	**(0.5)**	**Nil**
Pies	**+1.0**	**Nil**	**(0.5)**	**Nil**
Beverages	**+1.0**	**Nil**	**(0.5)**	**Nil**
Speciality	**+1.0**	**31,0**	**(0.5)**	**Nil**
Milling	**+1.0**	**79,0**	**(0.5)**	**21,2**
Bread, buns and rolls	**+1.0**	**Nil**	**(0.5)**	**Nil**
Sugar	**+1.0**	**16,5**	**(0.5)**	**Nil**
Epol Animal Feed	**+1.0**	**Nil**	**(0.5)**	**Nil**
Chicken	**+1.0**	**218,5**	**(0.5)**	**52,2**
Vector Logistics	**+1.0**	**Nil**	**(0.5)**	**Nil**

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

1. PROPERTY, PLANT, EQUIPMENT AND RIGHT-OF-USE ASSETS CONTINUED

Key assumptions used in the prior period impairment test were as follows*:

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

Sensitivity analysis of assumptions used in the prior period impairment test*:

	Discount rate		Perpetuity growth rate	
2020	Movement %	Impairment Rm	Movement %	Impairment Rm
Pies	+1.0	212,2	(0.5)	152,5
Beverages	+1.0	176,3	(0.5)	144,3
Sweetener	+1.0	13,9	(0.5)	13,9
Speciality	+1.0	146,7	(0.5)	101,8
Milling	+1.0	421,1	(0.5)	362,8
Sugar	+1.0	203,7	(0.5)	108,2
Chicken	+1.1	544,7	(0.5)	424,8
Vector Logistics	+1.0	535,8	(0.5)	457,1

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

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.

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 2021						
Opening net book amount	**148 978**	**1 211 661**	**364 116**	**1 939 123**	**13 177**	**3 677 055**
Additions	**15 784**				**5 762**	**21 546**
Disposals	**(254)**					**(254)**
Transfers between categories and property, plant and equipment	**40**				**128**	**168**
Acquisition of business			**5 187**	**53 824**		**59 011**
Amortisation charge	**(30 239)**		**(67 322)**			**(97 561)**
Closing net book amount	**134 309**	**1 211 661**	**301 981**	**1 992 947**	**19 067**	**3 659 965**
Cost	**343 810**	**1 806 267**	**983 560**	**2 986 207**	**19 067**	**6 138 911**
Accumulated amortisation and impairment	**(209 501)**	**(594 606)**	**(681 579)**	**(993 260)**		**(2 478 946)**
Net book amount	**134 309**	**1 211 661**	**301 981**	**1 992 947**	**19 067**	**3 659 965**
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

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

	2021	2020
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

2. INTANGIBLE ASSETS CONTINUED

TRADEMARKS

The carrying value of trademarks are included in the following CGUs:

Trademarks within the Milling CGU were fully impaired in the previous financial year.

CGU	Trademarks	Useful Life	2021 R'000	2020 R'000
Grocery	Ouma, Nola, Yum Yum, Nutso, Bobtail, Catmor, Dogmor, Ultra Dog, Canine Cuisine, Optimizor, Feline Cuisine	Indefinite	**438 600**	438 600
Beverages	Mageu Number 1, Monati, Mnandi	Indefinite	**176 540**	176 540
Pies	Pieman's	Indefinite	**260 000**	260 000
Total Groceries Segment			**875 140**	875 140
Milling	Supreme, Tafelberg, Safari, A1, 5 Star	Indefinite		
Bread, buns and rolls	Sunbake	Indefinite	**331 020**	331 020
Total Baking Segment			**331 020**	331 020
Epol Animal Feed	Epol, Driehoek, Equus	Indefinite	**5 476**	5 476
Total Chicken Segment			**5 476**	5 476
Sugar	Selati	Finite	**25**	25
Total Sugar Segment			**25**	25
Total Trademarks			**1 211 661**	1 211 661

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

The Epol Animal Feed CGU relates only to the operations of the Epol and Driehoek animal feed operations.

	2021 R'000	2020 R'000
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	2021	2020
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, Optimizor, 5 Star, Mnandi, Supreme, Tafelberg, Safari, Pieman's, Feline Cuisine 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 2019 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.

2. INTANGIBLE ASSETS CONTINUED

CUSTOMER RELATIONSHIPS

Finite life	2021	2020
Amortisation period	**5 to 20 years**	5 to 20 years
Method of amortisation	**Straight-line**	Straight-line
Is intangible title restricted in any way	**No**	No

Customer relationships arose on the acquisition of New Foodcorp Holdings Proprietary Limited in the 2013 financial year and on the acquisition of (L&A) Logistics Limited in the current year.

GOODWILL

Goodwill relates to the acquisition of New Foodcorp Holdings Proprietary Limited in 2013, purchased goodwill which arose on the common control acquisition of RCL Foods Sugar & Milling Proprietary Limited in the 2014 financial year, goodwill on the acquisition of Driehoek Voere in 2019 (included in the Epol Animal Feed CGU), the Sweetener operation in 2020 and Logistics Limited (L&A) in 2021. In the prior financial year, goodwill relating to the acquisition of Vector Logistics Proprietary Limited in 2005 was fully impaired.

During the previous 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 Logistics. Refer note 1 for further details.

At year-end the Group has goodwill of R1 992,9 million (2020: R1 939,1 million). Based on current forecasts and projections no impairment on the remaining goodwill is required.

IAS 36 requires an entity to test an intangible asset with an indefinite useful life and goodwill acquired in a business combination annually for impairment.

	2021 R'000	2020 R'000
Goodwill is made up as follows:		
Goodwill arising from a business combination	**1 992 947**	1 939 123
Total	**1 992 947**	1 939 123

2021	Opening R'000	Additions R'000	Impairment R'000	Closing R'000
Grocery	**191 205**			**191 205**
Pies	**474 541**			**474 541**
Beverages	**136 131**			**136 131**
Speciality	**429 831**			**429 831**
Epol Animal Feed	**19 315**			**19 315**
Bread, buns and rolls	**688 100**			**688 100**
L&A		**53 824**		**53 824**
Total	**1 939 123**	**53 824**		**1 992 947**

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

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.

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

2021	Discount rate pre-tax %	Perpetuity growth rate %	Period Years
Grocery	**15.9**	**4.0**	**5**
Pies	**15.8**	**4.0**	**5**
Beverages	**15.8**	**4.0**	**5**
Speciality	**15.9**	**4.0**	**5**
Milling	**16.1**	**4.0**	**5**
Bread, buns and rolls	**14.5**	**4.0**	**5**
Epol Animal Feed	**15.9**	**4.0**	**5**
Vector Logistics	**17.0**	**4.0**	**5**

2020	Discount rate pre-tax %	Perpetuity growth rate %	Period Years
Grocery	16.0	4.0	5
Pies	15.8	4.0	5
Beverages	16.0	4.0	5
Speciality	15.7	4.0	5
Milling	16.1	4.0	5
Bread, buns and rolls	15.7	4.0	5
Epol Animal Feed	18.1	4.0	5
Vector Logistics	16.6	4.0	5

Sensitivity analysis of assumptions used in the indefinite life intangible assets and goodwill impairment test:*

	Discount rate		Perpetuity growth rate	
2021	Movement %	Impairment Rm	Movement %	Impairment Rm
Grocery	**+1.0**	**Nil**	**(0.5)**	**Nil**
Pies	**+1.0**	**Nil**	**(0.5)**	**Nil**
Beverages	**+1.0**	**Nil**	**(0.5)**	**Nil**
Speciality	**+1.0**	**31,0**	**(0.5)**	**Nil**
Milling	**+1.0**	**79,0**	**(0.5)**	**21,2**
Bread, buns and rolls	**+1.0**	**Nil**	**(0.5)**	**Nil**
Epol Animal Feed	**+1.0**	**Nil**	**(0.5)**	**Nil**
Vector Logistics	**+1.0**	**Nil**	**(0.5)**	**Nil**

	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
Beverages	+1.0	176,3	(0.5)	144,3
Speciality	+1.0	146,7	(0.5)	101,8
Milling	+1.0	421,1	(0.5)	362,8
Bread, buns and rolls	+1.0	Nil	(0.5)	Nil
Epol Animal Feed	+1.0	Nil	(0.5)	Nil
Vector Logistics	+1.0	535,8	(0.5)	457,1

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

CAPITAL WORK-IN-PROGRESS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended June 2021

3. INVESTMENT IN JOINT VENTURES

	2021 R'000	2020 R'000
Opening balance	**310 309**	288 242
Share of profits of joint ventures	**11 331**	46 267
Dividends received from joint ventures	**(24 485)**	(31 348)
Exchange differences on translation of joint venture	**(9 327)**	7 148
Balance at June	**287 828**	310 309

Set out below are the joint ventures of the Group as at June 2021. 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	**50.0***	**Note 2**
Senn Foods Logistics Proprietary Limited (Senn Foods)	Botswana	**49.0***	**Note 3**
TSGRO Farming Service 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 2021.

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 2021.

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 2021. The use of the different date in applying the equity method is due to the practicality of obtaining the audited June 2021 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 2021.

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:

	2021 R'000	2020 R'000
Guarantee:		
Long-term Loan Guarantee for Land Bank on behalf of Akwandze Agricultural Finance Proprietary Limited**		75 000
Long-term Loan Guarantee for Rand Merchant Bank on behalf of Akwandze Agricultural Finance Proprietary Limited	**350 000**	

No material 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.*

** *In the current year the Akwandze loan to Land Bank was repaid in full.*

3. INVESTMENT IN JOINT VENTURES CONTINUED

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

2021 **Summarised statement of financial position**	**Akwandze June 2021 R'000**	**Mananga June 2021 R'000**	**Senn Foods March 2021 R'000**	**TSGRO June 2021 R'000**	**Total 2021 R'000**
Current					
Cash and cash equivalents	**69 869**	**149 835**	**51 432**	**2 754**	**273 890**
Other current assets	**107 166**	**288 909**	**163 660**	**11 929**	**571 664**
Total current assets	**177 035**	**438 744**	**215 092**	**14 683**	**845 554**
Financial liabilities (excluding trade payables)	**84 177**		**18 298**	**414**	**102 889**
Other current liabilities (including trade payables)	**39 014**	**169 091**	**107 227**	**4 689**	**320 021**
Total current liabilities	**123 191**	**169 091**	**125 525**	**5 103**	**422 910**
Non-current					
Assets (including customer relationships)	**305 283**	**57 631**	**45 352**	**17 905**	**426 171**
Financial liabilities	**345 208**			**42 050**	**387 258**
Other liabilities		**6 600**	**2 420**		**9 020**
Total non-current liabilities	**345 208**	**6 600**	**2 420**	**42 050**	**396 278**
Net assets	**13 919**	**320 684**	**132 499**	**(14 565)**	**452 537**

2020 **Summarised statement of financial position**	**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**
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

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

3. INVESTMENT IN JOINT VENTURES CONTINUED

2021 Summarised statement of comprehensive income	Akwandze June 2021 R'000	Mananga June 2021 R'000	Senn Foods March 2021 R'000	TSGRO June 2021 R'000	Total 2021 R'000
Revenue from contracts with customers	**35 112**	**1 263 377**	**596 618**	**36 552**	**1 931 659**
Depreciation and amortisation	**(19)**	**(1 970)**		**(1 987)**	**(3 976)**
Finance costs	**(3 123)**	**(62)**	**1 778**	**(2 928)**	**(4 335)**
Finance income	**1 842**	**3 551**	**198**	**30**	**5 621**
Profit/(loss) before tax	**(56 885)**	**75 877**	**26 646**	**(1 852)**	**43 786**
Income tax expense	**6 027**	**(21 354)**	**(7 262)**	**505**	**(22 084)**
Profit/(loss) after tax	**(50 858)**	**54 523**	**19 384**	**(1 347)**	**21 702**
Total comprehensive income/(loss)	**(50 858)**	**54 523**	**19 384**	**(1 347)**	**21 702**
Dividends received from joint ventures	**1 900**	**28 726**	**18 718**		**49 344**

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)	(8 636)
Finance costs	(10 418)	(337)		(4 149)	(14 904)
Finance income	2 132	3 573	230		5 935
Profit/(loss) before tax	8 740	69 875	48 192	(7 506)	119 301
Income tax expense	(2 453)	(19 988)	(10 583)	1 983	(31 041)
Profit/(loss) after tax	6 287	49 887	37 609	(5 523)	88 260
Total comprehensive income/(loss)	6 287	49 887	37 609	(5 523)	88 260
Adjustments					
Amortisation of customer relationships (net of tax)			(507)		(507)
Adjusted total comprehensive income/(loss)	6 287	49 887	37 102	(5 523)	87 753
Dividends received from joint ventures	1 750	9 582	20 016		31 348

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended June 2021

3. INVESTMENT IN JOINT VENTURES CONTINUED

2021 **Reconciliation of summarised financial information presented to the carrying amount of the joint ventures**		**Akwandze June 2021 R'000**	**Mananga June 2021 R'000**	**Senn Foods March 2021 R'000**	**TSGRO June 2021 R'000**	**Total 2021 R'000**
Opening net assets		**66 676**	**294 887**	**150 868**	**(13 218)**	**499 213**
Profit/(loss) for the period		**(50 858)**	**54 523**	**19 384**	**(1 347)**	**21 702**
Dividends paid		**(1 900)**	**(28 726)**	**(18 718)**		**(49 344)**
Exchange differences on translation of joint venture				**(19 035)**		**(19 035)**
Closing net assets		**13 918**	**320 684**	**132 499**	**(14 565)**	**452 536**
Interest in joint venture	%	**50.0**	**50.0**	**49.0**	**50.0**	
Losses deferred to future reporting periods*					**6 510**	**6 510**
Goodwill		**4 937**	**93**	**50 572**	**773**	**56 375**
Carrying value		**11 896**	**160 435**	**115 497**		**287 828**

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	%	50.0	50.0	49.0	50.0	
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

* *The carrying amount of the investment in TSGRO is Rnil (2020: Rnil), hence profits will only be recognised once cumulative losses have been recouped.*

4. INVESTMENT IN ASSOCIATES

	2021 R'000	2020 R'000
Opening balance	**676 856**	612 918
Additions (refer note 4 below)	**155 949**	
Share of profits of associates	**135 553**	118 338
Dividends received from associate	**(71 561)**	(37 850)
Share of associates other comprehensive income	**544**	408
Exchange differences on translation of associates	**(7 802)**	4 241
Disposal of associate[1]	**(37 894)**	
Change in shareholding of associate	**2 221**	
Impairment of associate[2]		(18 897)
Refund of purchase price[3]		(2 302)
Balance at June	**853 866**	676 856

Set out below are the associates of the Group as at June 2021. 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	31.25	Note 2
L&A Logistics Limited (L&A)[1]	Zambia	45.0	Note 3
LIVEKINDLY Collective Africa Proprietary Limited (LKCA)	South Africa	49.999	Note 4

[1] *The Group acquired an additional 40% of L&A Logistics Limited in Zambia in February 2021, which increased its holding in the Company to 85%. This transaction results in L&A Logistics being controlled for accounting purposes and it will therefore be accounted for as a subsidiary from the effective date. Refer to note 35 for further details.*

[2] *In the prior financial year the investment in HMH Rainbow Limited was impaired by R18,9 million.*

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

4. INVESTMENT IN ASSOCIATES CONTINUED

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 2021, however, the Group has equity-accounted the results for the year ended June 2021.

As at June 2021 the shares had a fair value of E15.2 (2020: E14) per share on the Eswatini Stock Exchange, at a total market value for the Group's investment in RES of R427,4 million (2020: R393,7 million). Whilst the carrying value of the Group's investment in RES of R649,3 million at June 2021 (2020: R599,7 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.

In June 2021, an additional investment in HMH was made by other shareholders in HMH, which resulted in a 2.25% dilution of RCL FOODS' investment in HMH.

Note 3: L&A is a leading distributor of products in the Zambian market. An additional 40.0% interest in L&A was acquired on 23 February 2021. The investment in L&A as an associate was derecognised as at the effective date. L&A was subsequently recognised as a subsidiary and consolidated. Refer to note 35 for further details. L&A has been equity accounted up to the effective date.

Note 4: On 3 May 2021, the Group acquired a 49.999% shareholding in LKCA, an entity which was established to market, sell and distribute plant-based products in Sub-Saharan Africa. The year-end of LKCA is December 2021. There are no quoted market prices available for the investment in LKCA.

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

As part of the banking facilities, RES and its subsidiary company are liable for the following guarantees:

	2021 R'000	**2020 R'000**
Customs and Excise	**8 500**	8 500
Eswatini Government – Labour	**60**	60
Eswatini Government – Sales Tax		275
Eswatini Government – General Bond	**70**	70
South African Revenue Service – VAT	**550**	550
European Union	**26 230**	67 708
Transnet	**50**	50

RES is defending a number of actions brought by former employees and suppliers. Liability is not admitted and RES 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 RES are of the opinion that the total costs, if any, would not be material.

RES's bank overdraft facilities are secured by cross guarantees for an unlimited amount between 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, who are wholly-owned subsidiaries of RES.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended June 2021

4. INVESTMENT IN ASSOCIATES CONTINUED

Set out below is the summarised financial information for associates:

2021 Summarised statement of financial position	LKCA June 2021 R'000	RES June 2021 R'000	HMH June 2021 R'000	Total 2021 R'000
Current				
Cash and cash equivalents	2 180	341 352		343 532
Other current assets	19 392	1 268 567	61 987	1 349 946
Total current assets	21 572	1 609 919	61 987	1 693 478
Financial liabilities (excluding trade payables)	4 005	228 299	2 073	234 377
Other current liabilities (including trade payables)	8 159	399 291	41 118	448 568
Total current liabilities	12 164	627 590	43 191	682 945
Non-current				
Assets	57 914	2 135 317	217 351	2 410 582
Total non-current assets	57 914	2 135 317	217 351	2 410 582
Financial liabilities		227 781		227 781
Other liabilities		609 244	129 436	738 680
Total non-current liabilities		837 025	129 436	966 461
Net assets	67 322	2 280 621	106 711	2 454 654

2020 Summarised statement of financial position	L&A March 2020 R'000	RES June 2020 R'000	HMH June 2020 R'000	Total 2020 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

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

4. INVESTMENT IN ASSOCIATES CONTINUED

2021 Summarised statement of comprehensive income	LKCA June 2021 R'000	RES June 2021 R'000	HMH June 2021 R'000	Total 2021 R'000
Revenue from contracts with customers	**31 939**	**3 651 529**	**275 318**	**3 958 786**
Depreciation and amortisation		**(234 600)**	**(22 567)**	**(257 167)**
Finance expense	**(10)**	**(29 145)**	**(13 541)**	**(42 696)**
Finance income	**1 757**	**33 756**		**35 513**
Profit before tax	**1 400**	**603 484**	**18 362**	**623 246**
Income tax expense	**(392)**	**(162 509)**	**(1 018)**	**(163 919)**
Profit after tax	**1 008**	**440 975**	**17 344**	**459 327**
Other comprehensive income		**1 864**		**1 864**
Total comprehensive income	**1 008**	**442 839**	**17 344**	**461 191**
Adjustments				
Amortisation of customer relationships (net of tax)	**(328)**			**(328)**
Adjusted total comprehensive income	**680**	**442 839**	**17 344**	**460 863**
Dividends received from associate		**71 561**		**71 561**

2020 Summarised statement of comprehensive income	L&A March 2020 R'000	RES June 2020 R'000	HMH June 2020 R'000	Total 2020 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	6 798	551 894	(5 555)	553 137
Income tax expense	(2 566)	(145 023)		(147 589)
Profit/(loss) after tax	4 232	406 871	(5 555)	405 548
Other comprehensive income		1 398		1 398
Total comprehensive income	4 232	408 269	(5 555)	406 946
Adjustments				
Amortisation of customer relationships (net of tax)	(999)			(999)
Adjusted total comprehensive income/(loss)	3 233	408 269	(5 555)	405 947
Dividends received from associate		37 850		37 850

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	LKCA June 2021 R'000	RES June 2021 R'000	HMH* June 2021 R'000	Total 2021 R'000
Opening net assets		2 082 984	105 246	2 188 230
Acquisition of associate	66 642			66 642
Total comprehensive income for the year	680	442 839	17 344	460 863
Exchange differences on translation of associates			(15 879)	(15 879)
Dividends paid		(245 202)		(245 202)
Closing net assets	67 322	2 280 621	106 711	2 454 654
Interest in associate (%)	49.999	29.1846	33.5	
Goodwill	122 629		4 509	127 138
Refund of purchase price			(2 302)	(2 302)
Change in interest of associate			2 222	2 222
Carrying value	156 289	657 400	40 177	853 866

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)	(2 302)
Impairment of associate			(18 897)	(18 897)
Carrying value	39 671	599 721	37 464	676 856

* *Change in shareholding of associate was effective on the last day of the financial year. Profits for the year were therefore accounted for at 33.5%.*

5. LOANS RECEIVABLE

Non-current	2021 R'000	2020 R'000
Loans at the beginning of the year	66 964	91 561
Loans advanced during the year	9 243	17 447
Repayment of loans	(8 393)	(172)
Exchange differences arising on translation	(19)	
Loans derecognised on acquisition of subsidiary*	(4 253)	
Less: Expected credit loss allowance	(14 167)	(41 872)
Loans at the end of the year	49 375	66 964

* *Relates to the acquisition of L&A. The Group provided a loan to L&A when it was classified as an associate, due to L&A being accounted for as a subsidiary from February 2021, the loan is eliminated on consolidation at year-end. Refer to note 35 for further details.*

5. LOANS RECEIVABLE CONTINUED

Reconciliation of loss allowance	2021 R'000	2020 R'000
At the beginning of the year	**41 872**	
Increase in expected credit loss allowance recognised in profit or loss during the year	**14 167**	41 872
At the end of the year	**56 039**	41 872

Non-current loans receivable consist of loans granted to Siyathuthuka Sugar Estate Proprietary Limited of R70,5 million (2020: R65,2 million) and TSGRO Farming Service Proprietary Limited of R38,3 million (2020: R45,8 million). Also included in the loans receivable balance is an amount of R2,0 million (2020: 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 historical loans that have been provided to black-owned medium-scale growers in a 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 Siyathuthuka Sugar Estate Proprietary Limited's rights, title and interest (including the right to receive proceeds on behalf of Siyathuthuka Sugar Estate Proprietary Limited arising under or by virtue of each Cane Delivery Agreement concluded between Siyathuthuka Sugar Estate Proprietary Limited and RCL Foods Sugar & Milling Proprietary Limited. Each of the shareholders of Siyathuthuka Sugar Estate Proprietary Limited had pledged and ceded *in securitatem debiti* all of his/her shares in the Siyathuthuka Sugar Estate Proprietary Limited from time to time ("the Pledged Shares") to RCL Foods Sugar & Milling Proprietary Limited on the terms and conditions set out in the Incidental Agreement. The loan is repayable from April 2028, and currently, is interest free.

The long-term loans to TSGRO Farming Service Proprietary Limited are unsecured and accrues interest at 6.0% (2020: 6.25%) 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 as well as the specific loss allowance, 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.

The loans receivable were valued based on the risk of the counterparty under the general approach. For Stage 1 loans, a one-year ECL was applied. Where a significant increase in credit risk was identified (i.e. Stage 2 loans), a lifetime ECL was applied. Where the credit risk at the loan's inception is impracticable to assess then there is insufficient basis to determine whether there has been a significant increase in credit risk and in these cases management has assessed staging of the loan on its individual characteristics. If a loan is credit impaired, it is regarded as being Stage 3 and a lifetime expected credit loss is applied. No interest is accrued on Stage 3 loans.

Where a loan has a fixed term, this term is applied to the calculation of the ECL and a one-year or lifetime ECL is applied depending on the staging of the loan.

Where a loan is repayable on demand, an assessment is made of the counterparty's ability to repay if demand for immediate repayment is made. The ECL is calculated over the term of the loan.

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.

A R20,4 million (2020: R37,0 million) loss allowance has been recognised on the loan advanced to Siyathuthuka Sugar Estate Proprietary Limited.

5. LOANS RECEIVABLE CONTINUED

TSGRO Farming Service 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. A probability of default rate of 5.73% (2020: 55.7%) was applied to the TSGRO Farming Service Proprietary Limited loans, benchmarked against available market default rates. The loss given default was assessed as 51.43% (2020: 45.0%) as there are no guarantees or collateral held in respect of this loan.

A R6,2 million reversal in the loss allowance has been recognised on the loan advanced to TSGRO Farming Service Proprietary Limited, largely driven by a reduced loan balance. In the prior year a R11,5 million loss allowance was recognised on the loan advanced to TSGRO Farming Service Proprietary Limited.

Should the rate used in assessing the probability of default increase by 10%, the expected credit loss would increase by R0,5 million (2020: R2,1 million), whilst a 10% decrease in the rate would result in a decrease of R0,5 million (2020: R2,1 million) in the expected credit loss.

Current	2021 R'000	2020 R'000
Loans at the beginning of the year	**2 500**	2 500
Loans advanced during the year	**2 000**	5 000
Less: Expected credit loss allowance	**(4 500)**	(5 000)
Loans at the end of the year		2 500

Reconciliation of loss allowance	2021 R'000	2020 R'000
At the beginning of the year	**5 000**	
Increase in expected credit loss allowance recognised in profit or loss during the year	**4 500**	5 000
At the end of the year	**9 500**	5 000

During the current financial year, a loan of R2,0 million (2020: 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 and Remgro 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 loans advanced were 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 R4,5 million, being the amount utilised for operating expenditure.

6. INVESTMENT IN FINANCIAL ASSET

	2021 R'000	2020 R'000
At the beginning of the year	**137 039**	
Investment at cost		114 196
Foreign exchange (losses)/gains	**(21 289)**	22 843
Fair value adjustments recorded in profit or loss	**98 388**	
At the end of the year	**214 138**	137 039

In January 2020, RCL FOODS secured a minority shareholding in the LIVEKINDLY Collective.

This investment is classified as a financial asset measured through profit and loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended June 2021

7. INVENTORIES

	2021 R'000	2020 R'000
Finished goods	**2 180 963**	2 066 109
Work-in-progress	**11 277**	5 485
Raw materials and ingredients	**628 108**	604 611
Consumables and maintenance spares	**351 038**	304 460
At the end of the year	**3 171 386**	2 980 665
Carrying value of inventory written down to net realisable value	**159 430**	131 777
Amount expensed as write-down to net realisable value	**20 273**	69 014

The Group's net realisable value write-down of R20,3 million (2020: R69,0 million) 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.

Subsequent to year-end certain KwaZulu-Natal based sites in the Chicken and Vector Logistics divisions were impacted by civil unrest and resultant looting and vandalism of property. This is a non-adjusting, post-balance sheet event. Refer to note 33 for further information.

8. BIOLOGICAL ASSETS

2021	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	**366 699**	**177 577**	**257 658**	**3 154**	**805 088**
Gains arising from cost inputs	**1 301 984**	**4 125 451**			**5 427 435**
Decrease due to harvest/Transferred to cost of sales	**(1 263 675)**	**(4 029 933)**	**(258 285)**	**(3 154)**	**(5 555 047)**
Fair value adjustments recorded in profit or loss	**3 970**	**19 184**	**247 803**	**6 910**	**277 867**
At the end of the year at fair value	**408 978**	**292 279**	**247 176**	**6 910**	**955 343**

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

The financial risk management disclosures relating to the fair value estimation of the Group's biological assets is included in note 28 of the consolidated financial statements.

Subsequent to year-end certain KwaZulu-Natal based sites in the Chicken and Vector Logistics divisions were impacted by civil unrest and resultant looting and vandalism of property. This is a non-adjusting, post-balance sheet event. Refer to note 33 for further information.

9. TRADE AND OTHER RECEIVABLES

	2021 R'000	2020 R'000
Non-current:		
Other receivables	**24 597**	23 060
Total	**24 597**	23 060

Other receivables largely relates to a deposit of R19,6 million (R18,1 million) paid on a lease which is only refundable 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.

		2021 R'000	2020 R'000
Current:			
Trade receivables		**4 596 660**	5 114 211
Less: Expected credit loss allowance		**(57 360)**	(66 148)
Net trade receivables		**4 539 300**	5 048 063
Prepayments		**131 461**	126 966
Other receivables*		**756 504**	790 250
At the end of the year		**5 427 265**	5 965 279
A summary of the Group's trade receivables covered by insurance or secured by collateral is as follows:			
Terms	(days)	**7 to 90**	7 to 90
Collateral held/insurance		**Yes**	Yes
Debtors covered by Lombard insurance**		**4 342 687**	4 591 029
Mortgage bonds – registered value		**35 000**	35 400
Notarial bonds – registered value			500
Cessions – book value			950
Bank guarantees – actual value		**1 500**	1 500
Total		**4 379 187**	4 629 379
Material items included in other receivables comprise:			
– Vector Logistics distribution contracts[1]		**472 826**	509 885
– VAT receivable		**191 956**	89 574
– Current portion of proceeds on sale of Tzaneen operation[2]			19 864
– Current portion of proceeds on sale of Prepared Lines operation[2]			70 900
– Other receivables[3]		**91 722**	100 028

[1] *These receivables represent amounts due from large listed and/or well-established food service entities in the South African market, and is effectively secured over the value of inventory that the Vector Logistics business unit holds on their behalf for distribution to their stores. Due to the short-term nature of these assets and historical experience, receivables are regarded as having a low probability of default and therefore the related expected credit loss is deemed not significant.*

[2] *Related to:*

- *the balance of the proceeds on the sale of the Tzaneen operation of R19,9 million, which was repaid in full in the current financial year; and*
- *the balance of the proceeds on the sale of the Prepared Lines operation of R70,9 million, which was repaid in full in the current financial year.*

[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 R1,4 billion (2020: R1,32 billion). There are no individual debtors which exceed R1,4 billion at 4 July 2021.*

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.

During the current year, the Group revised certain areas of the assessment of expected credit losses relating to trade and other receivables in order to provide enhanced reporting. The prior year information has not been restated as the revised methodology did not result in a material change to the expected credit losses recognised.

Individually material trade receivable balances are segregated from the general trade receivables balance and assessed separately for impairment. For both individually material balances and the general trade receivables balance, the expected credit losses were assessed using independent external credit rating scales and specific probability of default and loss given defaults.

The expected credit losses recognised on the Group's trade receivables is based on historical write-offs for the preceding five years, and includes individual assessments of external credit ratings and/or Annual Financial Statements of large customers, where appropriate. For the trade receivable balances remaining after individually material balances have been separated, a probability of default for each ageing bucket is calculated and an average loss given default applied.

Loss rates are determined using an element of judgment and include consideration of:

- the actual write-off history over the full period; and
- rule-based loss estimation (i.e. actual write-offs plus amounts still in collection for more than a specific number of months).

Consideration is also given to the length of available default and recovery data history, historical practice on when losses are actually written off, size of the trade receivables book (number of debtors and amounts), data quality and the variations between the measures over time.

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. Credit insurance cover has been taken into account in determining the expected credit losses on trade receivables.

	2021 R'000	2020 R'000
The loss allowance was calculated using the matrix approach based on the total trade receivables balance, segregated for:	**4 596 660**	5 114 211
– Individually material balances (as per detail above, relates to trade receivables which are separately assessed).	**(2 733 888)**	
– 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 was there any indication in the previous financial year that these debtors will default. Media reports and published financial statements are inspected to support their ability to pay. These customers are 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)
– Sundry accounts considered to be low risk (the expected credit loss on these balances is not considered to be material).	**(127 710)**	
– Receivables with specific financial issues.	**(75 888)**	(84 882)
– Remaining receivables with balances covered by insurance.*^		(1 007 111)
General trade receivables subject to matrix approach	**1 659 174**	204 084

* *Receivables balances covered by the Group's credit insurance. The risk of default on these debtors was 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.*

^ *In the prior year, the Group 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.*

9. TRADE AND OTHER RECEIVABLES CONTINUED

The loss allowance was determined as follows for trade receivables:

Individually material balances

Ageing of individually material balances has been taken into account in determining the loss rates for these customers.

June 2021	Balance R'000	Loss rate %	Loss allowance R'000
Customer A	1 117 952	0.3	3 235
Customer B	685 196	0.3	2 393
Customer C	311 453	1.7	5 187
Customer D	313 314	0.9	2 733
Customer E	305 973	0.4	1 315
Total			14 863
Less: VAT on expected credit losses – general*			(1 797)
Loss allowance			13 066

General Book

June 2021		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	%	0.488	1.752	7.112	10.097	10.191	
Gross carrying amount		1 483 531	114 577	25 576	9 040	26 450	1 659 174
Loss allowance based on matrix approach		7 238	2 007	1 819	913	2 696	14 673
Less: VAT on expected credit losses – general*							(1 363)
Loss allowance							13 310
Specific provision for losses							30 984
Total expected credit losses on trade receivables							57 360

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended June 2021

9. TRADE AND OTHER RECEIVABLES CONTINUED

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	%	5.480	17.274	63.495	66.728	68.453	
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

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

Reconciliation of loss allowance	2021 R'000	2020 R'000
At the beginning of the year	**(66 148)**	(51 138)
Increase in general loss allowance recognised in profit or loss during the year	**(5 509)**	(31 921)
Increase in specific loss allowance recognised in profit or loss during the year	**(4 739)**	(3 396)
Receivables written off during the year as uncollectible	**14 224**	16 196
Unused amounts reversed	**4 812**	4 111
At the end of the year	**(57 360)**	(66 148)

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2021 R'000	2020 R'000
Rand	**5 361 635**	5 900 431
USD	**28 909**	17 552
Namibian Dollar	**45 791**	69 552
GBP		804
Zambian Kwacha	**15 527**	
Total	**5 451 862**	5 988 339

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended June 2021

10. DERIVATIVE FINANCIAL INSTRUMENTS

	Assets 2021 R'000	Liabilities 2021 R'000	Assets 2020 R'000	Liabilities 2020 R'000
Soya oil options				815
Soyabean meal options		**103**		39
Diesel options*			339	
Maize options	**62 676**			12
Currency options	**65**	**1 083**		
Forward-exchange contracts	**238**	**1 197**	9 285	22 408
Embedded building derivative rentals			99	
Interest rate collar option**		**38 707**		101 537
Total	**62 979**	**41 090**	9 723	124 811

** The diesel hedge consisted of call and put gasoil options with lender banks. The hedge was fully closed during the year ended June 2021.*

*** 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 2021.

The financial risk management disclosures relating to the Group's derivative assets and liabilities is included in note 28.

11. STATED CAPITAL

Authorised:

2 000 000 000 (2020: 2 000 000 000) ordinary shares of no par value.

Issued ordinary shares of no par value:

	Number of shares	2021 R'000	2020 R'000
At the beginning of the year	**888 245 746**	**10 318 079**	10 134 574
Shares issued in terms of share incentive schemes			183 505
At the end of the year	**888 245 746**	**10 318 079**	10 318 079
Shares in issue for accounting purposes – June 2021	**888 245 746**		
Add: Shares issued in terms of BEE scheme*	**70 758 637**		
Statutory shares in issue – June 2021	**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 32 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended June 2021

11. 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 2020	Rights awarded during the year	Rights forfeited during the year	Rights at June 2021	Rights exercisable at June 2021
1 654	4 September 2013	6 100 483		**(6 100 483)**		
1 738	1 December 2013	379 747		**(379 747)**		
1 404	1 March 2014*	2 082 617		**(2 082 617)**		
1 593	4 September 2014**	13 823 135		**(1 192 468)**	**12 630 667**	**12 630 667**
1 796	1 March 2015	1 779 043		**(101 141)**	**1 677 902**	**1 677 902**
1 592	9 September 2015	10 227 552		**(400 281)**	**9 827 271**	**9 827 271**
1 366	2 March 2016	1 485 228			**1 485 228**	**1 485 228**
1 405	7 September 2016	18 114 037		**(978 369)**	**17 135 668**	**11 451 012**
1 556	3 March 2017	2 093 889			**2 093 889**	**1 381 962**
1 536	6 September 2017	17 369 586		**(837 871)**	**16 531 715**	**6 173 081**
1 677	5 March 2018	761 580			**761 580**	**251 320**
1 697	10 September 2018	18 758 605		**(900 711)**	**17 857 894**	**1 124 395**
1 250	11 March 2019	1 604 211			**1 604 211**	
1 344	1 April 2019	818 452			**818 452**	
993	9 September 2019	35 056 519		**(1 738 237)**	**33 318 282**	**1 051 690**
1 074	9 March 2020	2 479 459			**2 479 459**	
855	10 September 2020		**29 922 040**	**(341 020)**	**29 581 020**	**221 418**
861	8 March 2021		**3 948 896**		**3 948 896**	
		132 934 143	**33 870 936**	**(15 052 945)**	**151 752 134**	**47 275 946**

* *Includes rights awarded to Foodcorp management which joined the scheme for the first time.*
** *Includes rights awarded to TSB management which 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 (SARs).

Within the limits imposed by the Company's shareholders and the JSE Limited, the Remuneration and Nominations Committee approves and awards SARs 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 SARs 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.

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

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

11. STATED CAPITAL CONTINUED

The weighted average fair value of rights awarded during the year was R2,24 (2020: R2,44).

	2021 R'000	2020 R'000
Weighted average award price of rights in issue at the beginning of the year	**14,01**	15,57
Weighted average award price of rights in issue at the end of the year	**12,70**	14,01
Weighted average award price of rights forfeited during the year	**15,01**	14,18
Weighted average award price of rights awarded during the year	**8,56**	9,98

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 2021	Conditional shares at June 2020
11 March 2020	**960 000**	960 000
9 September 2020	**604 228**	604 228
Total	**1 564 228**	1 564 228

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 *ad hoc* 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 SARs and CSPs were calculated using the binomial options pricing model. The inputs into the model for awards issued during the year were as follows:

		2021	2020
Expected volatility	(%)	**33.2 – 37.5**	28.7 – 33.3
Risk-free rate	(%)	**5.66 – 8.10**	6.77 – 8.02
Expected dividend yield	(%)	**3.0**	3.0
Contractual life	(years)	**7,0**	7,0
Weighted average contractual life – rights	(years)	**3,9**	4,0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended June 2021

12. SHARE-BASED PAYMENTS RESERVE

	2021 R'000	2020 R'000
Employee share scheme		
At the beginning of the year	**402 429**	465 574
Settlement of exercised rights		(183 505)
Equity component of deferred tax on share-based payments	**(2)**	1
Value of employee services expensed during the year	**74 897**	120 359
At the end of the year	**477 324**	402 429
BEE transaction		
At the beginning of the year	**281 299**	263 699
Employee portion – recurring*	**17 600**	17 600
At the end of the year	**298 899**	281 299
Total at the end of the year	**776 223**	683 728

* *Refer to note 32 for further details.*

13. OTHER RESERVES

	2021 R'000	2020 R'000
Foreign currency translation reserve		
At the beginning of year	**11 220**	(169)
Currency translation on foreign subsidiaries, joint ventures and associates	**(17 263)**	11 389
Amounts recycled to profit and loss**	**4 984**	
At the end of year	**(1 059)**	11 220

** *In February 2021, the Group acquired an additional 40% of L&A Logistics Limited in Zambia, which resulted in L&A Logistics Limited being controlled for accounting purposes. Refer to note 35 for further details.*

14. RETIREMENT BENEFIT OBLIGATIONS

		2021 R'000	2020 R'000
Post-retirement medical benefits		**106 900**	101 269
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 2021. The unfunded liability for post-retirement medical aid benefits is determined actuarially each year and comprises:			
At the beginning of the year		**101 269**	126 590
Recognised as expense in the current year		**12 331**	7 141
Interest costs		**11 452**	12 342
Past service credit and settlements		**(673)**	(7 370)
Current service costs		**1 552**	2 169
Remeasurements		**(461)**	(26 388)
Loss/(gain) from change in financial assumptions		**4 549**	(13 251)
Experience gain recognised		**(5 010)**	(13 137)
Benefits paid		**(6 239)**	(6 074)
At the end of the year (and balance per actuarial valuation)		**106 900**	101 269
The principal actuarial assumptions are:			
Discount rate	(%)	**8.2 to 12.6**	8.8 to 13.0
Healthcare cost inflation	(%)	**6.7 to 9.6**	6.0 to 9.7
Mortality – pre-retirement		*****	*
Mortality – post-retirement		******	**
Expected contributions for the year ending June		**5 142**	4 548

** 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 21 years (2020: five and 26 years).

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

	Impact on obligation		
	Change in assumption	Increase in assumption R'000	Decrease in assumption R'000
Discount rate	**0.5%**	**(5 086)**	**5 531**
Healthcare cost inflation	**1.0%**	**12 024**	**(9 663)**

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.

14. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

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:

	2021 R'000	2020 R'000
– RCL FOODS Pension Fund	**67 922**	65 381
– RCL FOODS Provident Fund	**197 025**	179 930
– Namflex Pension Fund	**1 221**	1 123
– TSB Absa Retirement Fund	**20 142**	19 881
– SATAWU Provident Fund	**3 905**	4 097
– TSB Agricultural Provident Fund	**4 001**	4 074
– TSB NBC Provident Fund	**6 932**	7 146
– Foodcorp Provident Fund	**24 910**	10 573
– Foodcorp Provident Fund – disability		716
– Alexander Forbes	**6 061**	22 509
– Old Mutual – SACCAWU	**5 397**	5 185
– FAWU	**454**	489
– Sanlam Group Life		11
Total	**337 970**	321 115

15. INTEREST-BEARING LIABILITIES

	2021 R'000	2020 R'000
Long-term		
Institutional borrowings	**29 984**	32 495
Loan from Facility for Investments in Renewable Small Transactions (RF) Proprietary Limited	**73 023**	76 383
Lease liabilities (refer to note 16)	**1 250 568**	1 482 769
Term-funded debt package	**2 012 500**	2 350 000
Loan from Ingwenyama Simhulu Trust		13 612
Loan from Siphumelele Tenbosch Trust	**7 476**	3 699
Loan from Matsamo Communal Property Association	**1 780**	1 000
Loans from Akwandze Agricultural Finance Proprietary Limited	**150 000**	
Total	**3 525 331**	3 959 958
Short-term		
Institutional borrowings	**2 511**	2 511
Lease liabilities (refer to note 16)	**164 481**	162 509
Loan from Facility for Investments in Renewable Small Transactions (RF) Proprietary Limited	**3 362**	3 267
Current portion of term-funded debt package	**337 500**	
Loan from Green Create W2V SA Proprietary Limited	**102 600**	76 000
Current portion of long-term loan from Akwandze Agricultural Finance Proprietary Limited	**33 366**	1 919
Short-term loans from Akwandze Agricultural Finance Proprietary Limited	**210 871**	159 339
Total	**854 691**	405 545

15. INTEREST-BEARING LIABILITIES CONTINUED

INSTITUTIONAL BORROWINGS

Institutional borrowings are loans from Futuregrowth Asset Management Proprietary Limited with a carrying value in non-current liabilities of R30,0 million (2020: R32,5 million) and an amount of R2,5 million included in short-term institutional borrowings (2020: R2,5 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 (2020: 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 and 50 days between payments.

The carrying amount of institutional borrowings approximates 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 R102,6 million (2020: R76,0 million) 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 2022.

The funding to Matzonox Proprietary Limited has been provided in equal proportions by Green Create W2V SA Proprietary Limited and RCL FOODS. The Group's portion of the funding (R102,6 million) has been eliminated on consolidation.

The carrying amount of the loan approximates its fair value.

LOAN FROM FACILITY FOR INVESTMENTS IN RENEWABLE SMALL TRANSACTIONS (RF) PROPRIETARY LIMITED

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

This loan accrues interest at three-month JIBAR plus 4.08%. The loan is repayable quarterly over a 10-year term.

The loan is secured by:

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

The carrying amount of the loan approximates its fair value.

TERM-FUNDED DEBT PACKAGE

During the 2019 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% and 1.55%.

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**	**5.33%**
Facility B	**1 175 000**	**5 years**	**4.95%**
Total	**2 350 000**		

15. INTEREST-BEARING LIABILITIES CONTINUED

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

Financial Year ending	Capital repayments R'000	Balance R'000
4 July 2021		2 350 000
3 July 2022	(337 500)	2 012 500
2 July 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 where the entity to be acquired does not have a positive 12 month EBITDA and cash flow, and the purchase price is in excess of 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.

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

	2021 R'000	2020 R'000
Senior leverage ratio	**< 3.00:1**	<3.00:1
Senior interest cover	**> 3.50:1**	>3.50:1

For the year ended June 2021, 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 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 2021 amounted to R2,35 billion (2020: R2,34 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. During the current financial period a resolution was taken by the Board to convert the shareholder loan into equity. Accrued interest capitalised to the loan amounts to R0,4 million (2020: R0,3 million).

Libuyile Farming Services Proprietary Limited obtained a R2,8 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. During the current financial period a resolution was taken by the Board to convert the shareholder loan into equity.

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. During the current financial period a resolution was taken by the Board to convert the shareholder loan into equity.

15. INTEREST-BEARING LIABILITIES CONTINUED

Libuyile Farming Services Proprietary Limited obtained a R4,6 million shareholder loan from Ingwenyama Simhulu Trust during the 2021 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. During the current financial period a resolution was taken by the Board to convert the shareholder loan into equity.

The funding to Libuyile Farming Services Proprietary Limited has been provided in equal proportions by Ingwenyama Simhulu Trust and RCL FOODS. The Group's portion of the funding (R17,7 million) has been converted into equity per a Board resolution and 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%.

Mgubho Farming Services Proprietary Limited obtained a R3,8 million shareholder loan from Siphumelele Tenbosch Trust during the 2021 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 provided in equal proportions by Siphumelele Tenbosch Trust and RCL FOODS. The Group's portion of the funding (R7,8 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 2021 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 R0,8 million shareholder loan from Matsamo Communal Property Association during the 2021 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 provided in equal proportions by Matsamo Communal Property Association and RCL FOODS. The Group's portion of the funding (R1,8 million) has been eliminated on consolidation.

The carrying amount of these loans approximate their fair values.

LOANS FROM AKWANDZE AGRICULTURAL FINANCE PROPRIETARY LIMITED

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

The short-term loan amounting to R60,9 million (2020: R19,3 million) from Akwandze Agricultural Finance Proprietary Limited is unsecured, payable on demand and bears interest at a rate of 3.55% (2020: 5.6%) per annum.

The carrying amount of these loans approximate their fair values.

16. LEASES

	2021 R'000	2020 R'000
Assets		
The recognised right-of-use assets relate to the following types of assets:		
Land and buildings	**982 010**	1 208 552
Plant and equipment	**42 416**	60 075
Vehicles	**80 795**	115 127
Total right-of-use assets	**1 105 221**	1 383 754
Additions to the right-of-use assets during the current financial year were R75,7 million (2020: R544,9 million).		
For further detail refer to note 1.		
Liabilities		
Long-term		
Lease liabilities	**1 250 568**	1 482 769
Short-term		
Lease liabilities	**164 481**	162 509
Gross lease liabilities – minimum lease payments	**2 382 999**	2 493 256
Due within one year	**277 417**	298 959
Due within two to five years	**916 087**	1 023 252
Due later than five years	**1 189 495**	1 171 045
Future finance charges on lease liabilities	**(967 950)**	(847 978)
Present value of lease liabilities	**1 415 049**	1 645 278
Due within one year	**164 481**	162 509
Due within two to five years	**575 671**	605 744
Due later than five years	**674 897**	877 025
	1 415 049	1 645 278

LEASE PAYMENTS NOT RECOGNISED AS A LIABILITY

The expense relating to payments not included in the measurement of the lease liability has been disclosed in note 21.

Certain property leases in the Sugar business unit are linked to local RV prices and are variable in nature.

At 4 July 2021, the Group has future lease commitments in relation to short-term leases of R12,2 million (2020: R9,7 million).

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 3.9% (2020: 6.2%) of the total lease payments made in the 12 months to June 2021 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 (2020: 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).

During the current financial year, a building lease was terminated in advance of the end of its contractual term. This resulted in a decrease of R104,6 million in the right-of-use asset and a R123,3 million decrease in the lease liability. In addition, the early exit on certain vehicle lease contacts resulted in a R10,3 million reduction in the right-of-use assets and a R11,9 million reduction in the lease liability. Gains and losses on lease modifications are recognised in profit or loss.

17. TRADE AND OTHER PAYABLES

	2021 R'000	2020 R'000
Long-term		
Other payables	**461**	3 059
Total	**461**	3 059
Short-term		
Trade payables	**3 368 893**	4 577 216
Accruals	**1 470 410**	1 263 315
Other payables	**1 243 768**	1 132 984
Total	**6 083 071**	6 973 515

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 R648,5 million (2020: R311,0 million).

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	2021 R'000	2020 R'000
Rand	**6 057 147**	6 920 471
USD	**29**	1 902
Namibian Dollar	**9 440**	50 788
GBP	**548**	241
EUR	**670**	3 172
Zambian Kwatcha	**15 698**	
Total	**6 083 532**	6 976 574

18. DEFERRED INCOME TAX

	2021 R'000	2020 R'000
Deferred income tax liability movement:		
At the beginning of the year	**1 034 622**	1 211 607
Charge/(credit) for the year – income statement	**23 583**	(171 135)
Charge for the year – other comprehensive income	**276**	1 011
Credit for the year – other	**(3 148)**	
Prior year overprovision	**(3 772)**	(6 861)
At the end of the year	**1 051 561**	1 034 622
Deferred income tax liability comprises:		
Trademarks, property, plant and equipment	**984 907**	898 073
Inventories and biological assets	**228 615**	171 452
Provisions	**(139 998)**	(78 071)
Derivative financial instruments	**17 248**	
Investment in associate	**38 090**	32 322
Losses available for set-off against future taxable income	**(86 515)**	(25 762)
Right-of-use assets	**14 192**	5 358
Other	**(4 978)**	31 250
Total	**1 051 561**	1 034 622

18. DEFERRED INCOME TAX CONTINUED

	2021 R'000	2020 R'000
Deferred tax liability due after 12 months	**884 425**	951 960
Deferred tax liability due within 12 months	**167 136**	82 662
Total	**1 051 561**	1 034 622
Deferred income tax asset movement:		
At the beginning of the year	**86 428**	71 400
Credit for the year – income statement	**16 766**	80 159
Charge for the year – other comprehensive income		(6 388)
Credit for the year – other	**(3 148)**	4 175
Acquisition of business*	**(1 826)**	(65 155)
Exchange differences arising on translation	**(14)**	
Prior year over provision	**1 536**	2 237
At the end of the year	**99 742**	86 428
Deferred income tax asset comprises:		
Provisions	**168 127**	94 606
Derivative financial instruments	**11 446**	33 607
Trademarks, property, plant and equipment	**5 721**	(80 575)
Inventories and biological assets		(18 021)
Losses available for set-off against future taxable income	**61 633**	76 605
Right-of-use assets	**(62 144)**	(38 716)
Other	**(85 041)**	18 922
Total	**99 742**	86 428
Deferred tax assets due after 12 months	**(17 918)**	(37 709)
Deferred tax assets due within 12 months	**117 660**	124 137
Total	**99 742**	86 428

* *Relates to the acquisition of L&A. Refer to note 35 for further details.*

Deferred tax is calculated on all temporary differences under the liability method using a principal tax rate of 28.0% (2020: 28.0%), 32.0% (2020: 32.0%) for Vector Logistics Limited (Namibia) and 35.0% for L&A Logistics Limited (Zambia).

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.

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.

The Group has total assessed losses amounting to R374,5 million (2020: R347,4 million) and capital losses of R76,9 million (2020: R76,9 million) that are not recognised as a deferred tax asset.

Deferred tax assets of R85,0 million (2020: R84,8 million) have not been recognised 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 unrecognised deferred tax assets relates to Vector Logistics Limited (Namibia), and the 50% owned sugar cane-grower companies (refer to note 34) due to the significant challenges experienced in the sugar industry. The recognition of the deferred tax assets in these companies will be reassessed when conditions in the industry begin to show sustained improvement. The assessed losses do not have an expiry date. A portion of the unrecognised deferred tax on assessed losses has been utilised in the current year due to profits made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended June 2021

18. DEFERRED INCOME TAX CONTINUED

A breakdown of the deferred tax asset not recognised is provided below:

Deferred income tax asset not recognised comprises:

	2021 R'000	2020 R'000
Provisions	**2 928**	2 148
Derivative financial instruments		(28)
Trademarks, property, plant and equipment	**9 299**	17 394
Inventories and biological assets	**(38 469)**	(37 455)
Assessed loss not recognised as deferred tax asset	**106 602**	97 943
Other	**4 590**	4 753
	84 950	84 755

19. DEFERRED INCOME

	2021 R'000	2020 R'000
Current liabilities		
Deferred income	**2 078**	2 741

Deferred income relates to unearned funding from AGRISETA amounting to R2,1 million (2020: R2,7 million) which will be utilised to offer apprentices bursaries and for staff development.

20. REVENUE FROM CONTRACTS WITH CUSTOMERS

DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

	2021 R'000	2020 R'000
Revenue from contracts with customers	**31 687 850**	27 803 611
Groceries	**5 521 971**	4 984 240
Groceries	**4 813 011**	4 454 350
Sundry sales[1]	**708 960**	529 890
Baking	**5 848 982**	5 195 089
Sugar	**8 397 667**	7 621 791
Chicken Division	**10 335 889**	8 813 581
Chicken	**9 994 730**	8 506 521
Sundry sales[1]	**341 159**	307 060
Vector Logistics	**3 153 570**	2 589 368
Group[2]	**194 728**	166 188
Sales between segments[3]	**(1 764 957)**	(1 566 646)
Timing of revenue recognition	**31 687 850**	27 803 611
Point in time	**29 432 885**	26 087 091
Over time	**2 254 965**	1 716 520

[1] *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.*

[2] *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.*

[3] *Refer to note 27 for further detail.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended June 2021

20. REVENUE FROM CONTRACTS WITH CUSTOMERS CONTINUED

	2021 R'000	2020 R'000
Major customers		
Revenue from the Group's top five customers is as follows:		
Customer A	**3 372 787**	3 013 150
Customer B	**2 252 341**	2 200 050
Customer C	**2 160 921**	1 739 076
Customer D	**2 149 436**	1 646 702
Customer E	**1 798 783**	1 906 367
The above revenue is included in the segments above.		
Analysis of revenue		
Sale of food products	**26 418 782**	23 542 365
Sale of feed	**3 014 103**	2 544 726
Sale of services	**2 254 965**	1 716 520
Total	**31 687 850**	27 803 611
Revenue outside of South Africa		
Vector Logistics Limited (Namibia)	**130 279**	40 810
L&A Logistics Limited	**46 303**	

21. OPERATING PROFIT

	2021 R'000	2020 R'000
Revenue from contracts with customers	**31 687 850**	27 803 611
Cost of sales	**(23 708 440)**	(20 674 229)
Gross profit	**7 979 410**	7 129 382
Administration expenses	**(2 203 383)**	(1 907 703)
Selling and marketing expenses	**(1 279 968)**	(1 332 387)
Distribution expenses	**(3 747 873)**	(4 065 896)
Net impairment (Refer to note 1 and note 2)	**(9 820)**	(1 506 283)
Other income	**738 439**	877 090
Operating profit/(loss)	**1 476 805**	(805 797)
Material and disclosable items – other income:		
Profit on disposal of property, plant and equipment	**33 133**	3 386
Profit on disposal of assets held-for-sale	**3 142**	8 351
Fair value adjustment on biological assets	**277 867**	283 556
Fair value adjustment on derivatives	**214 208**	169 948
Gain on remeasurement of leases	**21 001**	621
Gain on deemed disposal of associate	**16 397**	
Fair value gain on remeasurement of financial asset	**98 388**	
Bagasse and electricity income	**28 655**	32 027
Foreign exchange gains	**46 512**	47 709
Impairment loss reversed	**3 120**	2 260
Insurance proceeds	**26 369**	26 496
Rental income	**7 775**	9 079
Gain on bargain purchase		277 540
Material and disclosable items – expenses:		
Technical consultants and legal fees	**85 694**	75 026
Fair value adjustment on derivatives	**102 320**	41 990
Impairment of property, plant and equipment	**12 939**	595 435

20. OPERATING PROFIT CONTINUED

	2021 R'000	2020 R'000
Impairment of software, trademark and goodwill		913 108
Loss allowance – loans receivable	**18 662**	46 872
Lease payments	**520 105**	520 044
– low-value lease expense	**132**	3 673
– variable lease payments	**117 880**	98 424
– short-term lease expense	**402 093**	417 947
Contract grower fees	**418 983**	344 183
Loss allowance – trade receivables	**10 247**	35 317
Foreign exchange losses	**42 470**	41 906
Inventory expense	**17 577 223**	15 849 632
Fuel and gas	**628 710**	621 741
Utilities	**1 235 484**	1 134 031
Repairs and maintenance expense	**1 063 948**	936 870
Loss on disposal of property, plant and equipment	**15 744**	12 663
Directors' remuneration	**23 433**	24 195
– executive	**17 029**	17 889
– non-executive	**6 404**	6 306
Staff costs	**5 279 384**	4 945 116
– salaries and wages	**4 534 418**	4 159 404
– share-based payments	**74 897**	120 359
– retirement benefit costs	**337 970**	321 115
– other post-employment benefits	**10 411**	7 604
– retrenchment costs	**21 658**	40 438
– other	**300 030**	296 196
BEE expense	**17 600**	17 600
Administration fee paid to Group holding company	**24 723**	24 239
Auditors' remuneration	**28 049**	26 880
– fees for the audit	**23 605**	22 028
– prior year underprovision	**1 950**	1 577
– disbursements	**119**	850
– fees for other services	**2 375**	2 425

22. FINANCE COSTS

	2021 R'000	2020 R'000
Interest – financial institutions	**136 936**	294 914
Fair value adjustment on interest rate collar option	**(3 036)**	89 798
Transaction costs on term-funded debt	**1 462**	1 028
Interest – holding company, joint ventures and associates	**27 552**	3 557
Interest on IFRS 16 lease liabilities*	**119 248**	115 126
Interest – other	**43 999**	28 270
	326 161	532 693
Less*:* Amounts capitalised on qualifying assets		(24 507)
Total	**326 161**	508 186

* *Relates only to liabilities taken on due to the implementation of IFRS 16.*

23. FINANCE INCOME

	2021 R'000	2020 R'000
Interest – financial institutions	**27 717**	19 646
Interest – holding company, joint ventures and associates	**2 018**	4 295
Interest – other	**7 318**	29 516
Total	**37 053**	53 457

24. INCOME TAX EXPENSE

	2021 R'000	2020 R'000
Current tax	**337 315**	108 787
South African	**329 519**	95 796
Foreign	**8 592**	4 743
Prior year (over)/under provision	**(796)**	8 248
Deferred tax	**1 509**	(264 567)
South African	**5 625**	(254 917)
Foreign	**1 192**	(552)
Prior year over provision	**(5 308)**	(9 098)
Total	**338 824**	(155 780)
Reconciliation of tax rate:		
Profit/(loss) before tax	**1 334 581**	(1 114 818)
Tax credit at 28%	**373 683**	(312 149)
– capital gains tax	**2 050**	(1 358)
– foreign taxation	**8 592**	4 277
– share of associates' profits	**(37 954)**	(33 135)
– share of joint ventures' profits	**(3 173)**	(12 955)
– non-taxable income	**(29 197)**	(53 806)
– prior year (over)/under provision – current	**(796)**	8 248
– prior year overprovision – deferred	**(5 308)**	(9 098)
– non-deductible impairment of assets		174 889
– non-deductible impairment of loan	**3 965**	11 569
– unrecognised deferred tax on losses made	**2 915**	27 044
– utilisation of unrecognised deferred tax on assessed losses	**(8 165)**	
– withholding tax on undistributed profits of associate	**5 768**	8 130
– non-deductible IFRS 2 charges	**23 336**	30 960
– non-deductible depreciation and amortisation	**5 905**	5 931
– Section 11D deduction – Research and Development	**(3 263)**	(4 677)
– other non-deductible items	**466**	350
Tax charge/(credit)	**338 824**	(155 780)

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

25. 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 11 and 32). 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.

	2021 R'000	2020 R'000
Earnings		
Profit/(loss) attributable to equity holders of the Company	**992 909**	(901 396)
Weighted average number of ordinary shares in issue		
Weighted average number of ordinary shares in issue – basic earnings per share	**888 246**	875 497
Share option dilution impact	**1 028**	675
Weighted average number of shares – diluted earnings per share	**889 274**	876 172

	Gross R'000	Net R'000
Headline earnings – June 2021		
Headline earnings reconciliation:		
Profit for the year attributable to equity holders of the Company		**992 909**
Net impairments	**9 819**	**7 070**
Insurance proceeds	**(1 713)**	**(1 234)**
Profit on disposal of property, plant and equipment	**(36 275)**	**(29 744)**
Loss on disposal of property, plant and equipment and intangible assets	**15 998**	**11 519**
Gain on deemed disposal of associate	**(16 396)**	**(16 396)**
Change in interest of associate	**(2 298)**	**(2 298)**
Profit on disposal of property, plant and equipment included in equity accounted earnings of associates	**(341)**	**(247)**
Net impairments included in equity accounted earnings of associates	**(2 563)**	**(1 858)**
Gain on bargain purchase included in equity accounted earnings of associates	**(2 182)**	**(1 582)**
Headline earnings		**958 139**
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
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		114 610

* *Headline earnings for the 2020 financial year has been restated to align with the requirements of Circular 1/2021 which is effective for the year ended June 2021. Gains and losses on remeasurements of leases are no longer deemed headline earnings exclusions.*

25. EARNINGS AND HEADLINE EARNINGS PER SHARE CONTINUED

		2021 R'000	2020 R'000
Earnings per share			
basic	(cents)	**111,8**	(103,0)
diluted	(cents)	**111,7**	(102,9)
Headline earnings per share*			
basic	(cents)	**107,9**	13,1
diluted	(cents)	**107,7**	13,1

* *Headline earnings for the 2020 financial year has been restated to align with the requirements of Circular 1/2021 which is effective for the year ended June 2021. Gains and losses on remeasurements of leases are no longer deemed headline earnings exclusions.*

26. DIVIDENDS PER SHARE

	2021 R'000	2020 R'000
Interim – paid: 15,0 cents (2020: 15,0 cents)	**133 237**	133 237
Final* – declared: 30,0 cents (2020: 10,0 cents)	**266 474**	88 825
Total: 45,0 cents (2020: 25,0 cents)	**399 711**	222 062

* *Since the final dividend was declared subsequent to year-end, it has not been provided for in the consolidated financial statements.*

A final dividend of 30,0 cents per share was declared for the financial period ended June 2021. The dividend will be paid on 1 November 2021. The last date to trade to receive a dividend will be 26 October 2021. The RCL FOODS share will commence trading *"ex"* dividend from the commencement of business on 27 October 2021 and the record date will be 29 October 2021.

The dividend of R266,5 million represents the dividend based on the shares in issue for accounting purposes. The total dividend based on the statutory shares in issue is R287,7 million. The difference of R21,2 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 32 for further details.

27. 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.

As part of the strategic review of RCL FOODS' portfolio, a decision has been taken to establish Chicken as a separate and focused division within RCL FOODS, reporting directly to the RCL FOODS CEO, rather than being a separate business unit within the Food Division.

The creation of a standalone business will enable a dedicated focus on Chicken. Experienced executive appointments have been announced to lead this initiative, which has also afforded us an opportunity to strike an optimal balance between continuity of existing senior talent in support of the new division and redeployment of talent behind strategic priorities within the broader RCL FOODS business.

To align the financial results with this structural change in Chicken (including the Chicken and grain-based feed (Epol and Driehoek) operations), the division's results are reported as a separate segment.

The Food Division is made up of 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; and
- Sugar: Including Sugar and molasses-based feed (Molatek, previously included in the Animal Feed business unit) operations.

27. OPERATING SEGMENTS CONTINUED

The Vector Logistics 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 Logistics segment has partnered with several leading food manufacturers, food service customers and retailers to distribute food products on their behalf across Southern Africa. Ugandan operations refer to chicken producers situated in Uganda. LKCA refers to the Group's investment in LIVEKINDLY Collective Africa.

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

	2021 R'000	2020 R'000
Revenue from contracts with customers	**31 687 850**	27 803 611
Groceries	**5 521 971**	4 984 240
Baking	**5 848 982**	5 195 089
Sugar	**8 397 667**	7 621 791
Chicken Division	**10 335 889**	8 813 581
Vector Logistics	**3 153 570**	2 589 368
Group[1]	**194 728**	166 188
Sales between segments:		
Groceries sales to Baking	**(356)**	(747)
Groceries sales to Sugar	**(14 824)**	(7 170)
Groceries sales to Chicken Division	**(194 367)**	(103 369)
Baking sales to Groceries	**(151 431)**	(123 830)
Baking sales to Sugar	**(1 253)**	
Baking sales to Chicken Division	**(113 523)**	(106 229)
Sugar sales to Groceries	**(82 214)**	(70 100)
Sugar sales to Baking	**(67 746)**	(59 676)
Sugar sales to Chicken Division	**(1 609)**	(2 257)
Chicken Division sales to Groceries	**(24 451)**	(14 176)
Vector Logistics sales to Groceries	**(249 267)**	(273 519)
Vector Logistics sales to Baking	**(16 739)**	(19 461)
Vector Logistics sales to Sugar	**(31 288)**	(34 075)
Vector Logistics sales to Chicken Division	**(773 327)**	(731 544)
Group sales to Chicken Division	**(42 562)**	(20 493)
Operating profit before depreciation, amortisation and impairment (EBITDA)[2]	**2 409 135**	1 636 037
Groceries	**557 843**	522 415
Baking	**520 586**	371 745
Sugar	**900 361**	354 936
Chicken Division	**5 199**	28 200
Vector	**282 859**	244 266
Group[3]	**142 287**	114 475
Depreciation and amortisation	**(922 511)**	(935 551)
Impairments[4]	**(9 819)**	(1 506 283)
Operating profit/(loss)	**1 476 805**	(805 797)
Groceries	**434 355**	99 842
Baking	**352 539**	(184 112)
Sugar	**756 000**	156 178
Chicken Division	**(194 845)**	(560 540)
Vector Logistics	**72 832**	(366 524)
Group[3]	**55 924**	49 359

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

[2] *Includes expected credit losses on loans receivable and trade and other receivables of R24,1 million (2020: R77,2 million).*

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

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

27. OPERATING SEGMENTS CONTINUED

	2021 R'000	2020 R'000
Operating profit/(loss)	**1 476 805**	(805 797)
Finance costs	**(326 161)**	(508 186)
Finance income	**37 053**	53 457
Share of profits of joint ventures	**11 331**	46 267
Sugar	**1 832**	28 087
Vector Logistics	**9 499**	18 180
Share of profits/(loss) of associates	**135 553**	118 338
Sugar	**128 697**	118 744
Ugandan operation and LKCA[1]	**6 150**	1 455
Vector Logistics	**706**	(1 861)
Impairment of associate		(18 897)
Profit/(loss) before tax	**1 334 581**	(1 114 818)
Assets		
Groceries	**4 353 071**	4 497 593
Baking	**3 645 596**	3 821 745
Sugar	**4 434 385**	4 263 020
Chicken Division	**4 210 125**	4 242 863
Vector Logistics	**5 391 247**	5 835 607
Unallocated Group assets[2]	**1 628 703**	1 811 929
Ugandan operation	**41 474**	37 464
LKCA[1]	**156 289**	
Set-off of inter-segment balances	**(1 452 884)**	(2 023 645)
Total per statement of financial position	**22 408 006**	22 486 576
Liabilities		
Groceries	**1 270 546**	1 332 062
Baking	**1 033 555**	1 114 381
Sugar	**1 650 210**	1 672 192
Chicken Division	**1 560 554**	1 788 261
Vector Logistics	**4 606 620**	5 712 356
Unallocated Group liabilities[2]	**3 045 738**	3 068 993
Set-off of inter-segment balances	**(1 452 884)**	(2 023 645)
Total per statement of financial position	**11 714 339**	12 664 600

[1] *LKCA was acquired in May 2021 and its results have been equity-accounted from acquisition date.*

[2] *Includes assets and liabilities of the Group's shared services and treasury companies, Matzonox Proprietary Limited and consolidation entries.*

27. OPERATING SEGMENTS CONTINUED

	2021 R'000	2020 R'000
Additions to property, plant and equipment and intangible assets		
Groceries		
Property, plant and equipment[1]	**144 551**	195 580
Intangible assets		178
Baking		
Property, plant and equipment[1]	**159 939**	248 074
Intangible assets	**3 715**	8 043
Sugar		
Property, plant and equipment[1]	**220 575**	207 534
Intangible assets	**5 264**	5 358
Chicken Division		
Property, plant and equipment[1]	**270 305**	374 217
Intangible assets	**2 783**	3 404
Vector Logistics		
Property, plant and equipment[1]	**157 527**	1 214 072
Intangible assets	**4 542**	7 229
Unallocated Group segment[2]		
Property, plant and equipment[1]	**22 545**	386 027
Intangible assets	**5 242**	1 779
Impairment losses[3]		
Groceries		300 767
Baking	**52**	389 018
Sugar		52 641
Chicken Division	**2 088**	347 688
Vector Logistics	**10 799**	418 429
Impairment losses reversed		
Groceries	**3 120**	
Baking		831
Chicken Division		1 429
Depreciation and amortisation		
Groceries	**126 608**	121 806
Baking	**167 995**	167 670
Sugar	**144 361**	146 116
Chicken Division	**195 445**	239 896
Vector Logistics	**199 227**	192 361
Unallocated segment[2]	**88 874**	67 702

[1] *Property, plant and equipment additions include the right-of-use assets recognised in accordance with IFRS 16.*
[2] *Includes capital expenditure and depreciation and amortisation of RCL Group Services Proprietary Limited and Matzonox Proprietary Limited.*
[3] *These impairments relate only to impairments of property, plant and equipment and intangible assets.*

28. 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, 90.9% (2020: 89.7%) 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 92.2% of their trade debtors in the current financial year (2020: 94.2%). 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 90.2% of their debtors in the current financial year (2020: 93.0%). 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.

28. FINANCIAL RISK MANAGEMENT CONTINUED

Due to the short-term nature of these assets and historical experience, cash and cash equivalents are regarded as having a low probability of default and therefore the related expected credit loss is deemed not significant. 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.

	2021 R'000	2020 R'000
Rating		
NP	**896 339**	1 029 178
Cash on hand	**630**	863
Total	**896 969**	1 030 041

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

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 450,0 million (2020: R2 900,0 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:

2021	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
Interest-bearing liabilities – non-current	**2 274 763**	**129 521**	**957 412**	**1 313 751**	**186 373**	**2 587 057**
Interest-bearing liabilities – current	**690 210**	**700 180**				**700 180**
Lease liabilities – non-current	**1 250 568**		**234 745**	**214 777**	**1 624 974**	**2 074 496**
Lease liabilities – current	**164 481**	**269 970**				**269 970**
Trade and other payables	**5 435 018**	**5 435 018**				**5 435 018**
Derivative financial liabilities	**41 090**	**41 090**				**41 090**
Total	**9 856 130**	**6 575 779**	**1 192 157**	**1 528 528**	**1 811 347**	**11 107 811**
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

28. 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 5.1% (2020: 8.04%).

The impact of a 3.0% increase in interest rates on the term debt package will result in additional finance costs of R66,2 million (2020: R71,7 million) but a saving of R39,2 million (2020: 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 R17,3 million (2020: R23,7 million). The net impact as such will result in additional interest of R9,7 million for the forthcoming financial year (2020: R5,7 million).

In response to interest rate risk on the variable rate portion of the term-funded debt, the Group 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 R35,1 million increase in profit before tax (2020: R80,7 million), and a 3.0% decrease in interest rates will result in a R38,9 million decrease in profit before tax for the year (2020: R88,8 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 R26,4 million (2020: R7,0 million), trade and other receivables include net receivables of R90,2 million (2020: R87,9 million) in respect of sales and purchases in foreign currencies and cash and cash equivalents include cash balances of R15,2 million (2020: R11,6 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:

June 2021	Average rate R	Foreign currency contract amount '000	Fair value of FECs R'000
USD FECs – assets*	**14,33**	**429**	**238**
USD FECs – liabilities	**14,43**	**(8 380)**	**1 171**
USD Futures – assets*	**14,54**	**58 400**	
EUR Futures – assets*	**17,14**	**827**	
EUR FECs – liabilities*	**16,96**	**15**	**26**
EUR currency options – assets*		**(876)**	
EUR currency options – liabilities*		**876**	
USD currency options – liabilities*		**6 380**	

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

28. FINANCIAL RISK MANAGEMENT CONTINUED

June 2020	Average rate R	Foreign currency contract amount '000	Fair value of FECs R'000
USD FECs – assets*	17,49	(2 677)	9 125
USD FECs – liabilities	17,59	(13 877)	22 056
USD Futures – assets*	17,40	13 579	136
EUR FECs – 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

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

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:

	2021 R'000	2020 R'000
Forward-exchange contracts, currency futures and options		
10% increase in the value of the USD against the Rand	**(52 862)**	3 920
10% decrease in the value of the USD against the Rand	**54 744**	(2 604)
10% increase in the value of the EUR against the Rand	**1 794**	1 751
10% decrease in the value of the EUR against the Rand	**(1 984)**	(1 792)
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	**2 891**	1 755
10% decrease in the value of the USD against the Rand	**(2 891)**	(1 755)
Cash and cash equivalents		
10% increase in the value of the USD against the Rand	**648**	335
10% decrease in the value of the USD against the Rand	**(648)**	(335)
Trade payables		
10% increase in the value of the USD against the Rand	**(329)**	(2)
10% decrease in the value of the USD against the Rand	**329**	2
10% increase in the value of the EUR against the Rand	**(331)**	(237)
10% decrease in the value of the EUR against the Rand	**331**	237
10% increase in the value of the GBP against the Rand	**54**	
10% decrease in the value of the GBP against the Rand	**(54)**	

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

28. 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 purposes of fixing forward requirements.

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.

	2021 R'000
Sunflower seeds – 20% increase	**34 229**
Sunflower seeds – 20% decrease	**(34 229)**
Maize – 25% increase	**23 996**
Maize – 25% decrease	**(42 555)**
Soya Oil – 10% increase	**625**
Soya Oil – 10% decrease	**(625)**
Soya – 10% increase	**39 745**
Soya – 10% decrease	**(41 482)**
Wheat – 10% increase	**7 067**
Wheat – 10% decrease	**(7 067)**

	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)

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

28. FINANCIAL RISK MANAGEMENT CONTINUED

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 2021 was R13,3 million (2020: R9,4 million).

EMBEDDED DERIVATIVE

In the prior year the Group had a lease contract with the Matsamo Communal Property Association which contained a fixed to variable rental swap. Accordingly the Group separated the embedded derivative from a host lease contract and recognised a financial liability of R0,1 million in the prior financial period.

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 the return on invested capital (ROIC), which is defined as net operating profit after tax expressed as a percentage of invested capital.

The Group's target is to achieve a ROIC in excess of its weighted average cost of capital. In 2021, ROIC was 8.5% (2020: negative 4.8%).

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

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:

June 2021	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Assets				
Investment in financial asset		214 138		214 138
Breeding stock – chicken (refer to note 8)			408 978	408 978
Broiler stock – chicken (refer to note 8)			292 279	292 279
Banana fruit (refer to note 8)			6 910	6 910
Sugarcane plants (refer to note 8)			247 176	247 176
Derivatives (refer to note 10)		62 979		62 979
Total assets		277 117	955 343	1 232 460
Liabilities				
Derivatives (refer to note 10)		41 090		41 090
Total liabilities		41 090		41 090

28. FINANCIAL RISK MANAGEMENT CONTINUED

June 2020	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Assets				
Investment in financial asset		137 039		137 039
Breeding stock – chicken (refer to note 8)			366 699	366 699
Broiler stock – chicken (refer to note 8)			177 577	177 577
Banana fruit (refer to note 8)			3 154	3 154
Sugarcane plants (refer to note 8)			257 658	257 658
Derivatives (refer to note 10)		9 723		9 723
Total assets		146 762	805 088	951 850
Liabilities				
Derivatives (refer to note 10)		124 811		124 811
Total liabilities		124 811		124 811

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

for the year ended June 2021

28. FINANCIAL RISK MANAGEMENT CONTINUED

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 2021	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable input to fair value
Chicken stock	**701 257**	Replacement costs of the components of growing the stock	Eggs per hen	140 to 202 per hen	The higher the eggs per hen, the higher the fair value
			Cost of a day-old breeder bird	R58,79 to R94,00 per chick	The higher the cost per chick, the higher the fair value
			Mortality rates	3.0% to 8.9%	The higher the mortality, the lower the fair value
			Average live mass	1,54 kg to 1,87 kg per bird	The higher the average live mass, the higher the fair value
			Feed cost	R6 085 to R6 846 per ton	The higher the feed cost per ton, the higher the fair value
Banana fruit	**6 910**	Recoverable value	Market related selling price per ton bananas less harvesting, transport and other costs to sell	R3 954 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	**247 176**	Recoverable value	Recoverable value price per ton of sucrose less harvesting, transport and other costs to sell	R3 644 to R4 017 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

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 R16,7 million change in fair value (2020: R18,0 million).
Feed cost – chicken stock	A 5.0% change in feed cost would result in a R8,1 million (2020: R5,3 million) change in fair value.

28. FINANCIAL RISK MANAGEMENT CONTINUED

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 to R3 305 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

29. 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 2021			
Investment in financial asset		**214 138**	**214 138**
Trade and other receivables	**5 128 445**		**5 128 445**
Loans receivable	**49 375**		**49 375**
Derivative financial instruments		**62 979**	**62 979**
Cash and cash equivalents	**896 969**		**896 969**
At the end of the year	**6 074 789**	**277 117**	**6 351 906**
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

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 2021			
Interest-bearing liabilities – Long-term	**2 274 763**		**2 274 763**
Interest-bearing liabilities – Short-term	**690 210**		**690 210**
Lease liabilities – Long-term	**1 250 568**		**1 250 568**
Lease liabilities – Short-term	**164 481**		**164 481**
Derivative financial instruments		**41 090**	**41 090**
Trade and other payables	**5 435 018**		**5 435 018**
At the end of the year	**9 815 040**	**41 090**	**9 856 130**
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		124 811	124 811
Trade and other payables	6 665 544		6 665 544
At the end of the year	11 031 905	124 811	11 156 716

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended June 2021

30. 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 117, the Company has concluded certain lending transactions with these related parties. In addition the following transactions were concluded:

	2021 R'000	2020 R'000
Transactions and balances with ultimate holding company		
Interest paid		20 238
Administration and other fees paid	**24 723**	24 239
Service fees received	**4 408**	4 354
Other expenses paid	**545**	1 350
Amounts owing to the holding company included in trade and other payables	**2 547**	5 051
Amounts owing by the holding company included in trade and other receivables	**1 259**	2 543
Directors' fees	**1 291**	1 177
Transactions and balances with subsidiaries of the holding company		
Sales	**539 147**	260 341
Purchases	**139**	56
Interest paid		14 649
Amounts owing by subsidiaries of the holding company included in trade and other receivables	**67 634**	89 416
Amounts owing to subsidiaries of the holding company included in trade and other payables	**385 876**	545 809
Transactions and balances with associates of the holding company*		
Purchases	**110 467**	184 785
Sales	**4 961**	1 987
Bank charges paid		5 537
Bank balances included in cash and cash equivalents		64 603
Interest paid		119 720
Interest received		3 439
Amounts owing to associates of the holding company included in trade and other payables	**7 804**	42 723
Amounts owing by associates of the holding company included in trade and other receivables	**287**	585
Commitment, settlement and facility fees paid		877
Derivative balance with associates of the holding company		66 928
Fair value adjustment included in finance costs		53 918
Amounts owing to associates of the holding company included in short-term interest-bearing liabilities		3 266
Amounts owing to associates of the holding company included in long-term interest-bearing liabilities		1 016 384
Transactions and balances with associates and joint ventures within the Group		
Interest paid	**20 462**	14 849
Interest received	**2 553**	
Management fees received	**1 448**	1 448
Service fees paid	**12 257**	9 032
Dividends received	**96 046**	69 197
Sales	**118 222**	128 006
Purchases	**1 435 927**	1 488 719
Amounts owing by associates and joint ventures within the Group included in trade and other receivables	**15 942**	18 789
Amounts owing to associates and joint ventures within the Group included in interest-bearing liabilities	**244 237**	161 258
Amounts owing to associates and joint ventures within the Group included in trade and other payables	**126 625**	152 214

* *Rand Merchant Investment Holdings was unbundled at the start of the financial year and is therefore no longer part of the ultimate holding company's investments.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended June 2021

30. RELATED PARTY TRANSACTIONS CONTINUED

	2021 R'000	2020 R'000
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	**518 554**	464 256
– post-employment benefits	**44 881**	39 864
– termination benefits	**10 772**	7 746
– share-based payments	**74 897**	120 359
Total	**649 104**	632 225

31. DIRECTORS' EMOLUMENTS

	Basic Salary R'000	Pension contribution R'000	Bonus[1] R'000	Other benefits[2] R'000	Total R'000
2021					
M Dally	**9 508**	**577**		**963**	**11 048**
RH Field	**4 858**	**525**		**598**	**5 981**
Total	**14 366**	**1 102**		**1 561**	**17 029**
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

[1] *No bonus payments were made in 2021 relating to the 2020 financial year. An amount of R18,0 million has been accrued for the 2021 financial year.*

[2] *Other benefits include Company contributions to disability insurance, medical aid and UIF.*

31. DIRECTORS' EMOLUMENTS CONTINUED

Non-executives (for services as a director)	2021 R'000	2020 R'000
HJ Carse[1]	**390**	353
JJ Durand[1]	**511**	471
CJ Hess	**777**	612
PR Louw[1]	**390**	353
NP Mageza	**746**	704
PM Moumakwa	**516**	481
DTV Msibi	**548**	447
MM Nhlanhla	**412**	407
RV Smither[2]	**308**	821
GM Steyn	**795**	752
GCJ Tielenius Kruythoff	**339**	65
GC Zondi[3]	**884**	840
Total	**6 616**	6 306

[1] *Paid to Remgro Management Services Limited.*
[2] *RV Smither retired on 13 November 2020.*
[3] *Paid to Imbewu Capital Partners Consulting Proprietary Limited.*

31. 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 2021 are as follows:

	Award price post rights issue Rand	Rights at June 2020	Rights awarded during the year	Rights forfeited during the year	Rights at June 2021	Fair value of rights awarded[1] R'000	Rights exercisable at June 2021
M Dally							
	16,54	1 240 943		(1 240 943)			
	15,93	1 014 820			1 014 820	2 760	1 014 820
	15,92	540 869			540 869	1 698	540 869
	14,05	1 962 930			1 962 930	6 007	1 295 533
	15,36	1 284 422			1 284 422	4 367	423 859
	16,97	1 153 718			1 153 718	5 053	
	9,93	2 189 069			2 189 069	5 188	
	8,55		2 168 330		2 168 330	4 749	
Subtotal		**9 386 771**	**2 168 330**	**(1 240 943)**	**10 314 158**	**29 822**	**3 275 081**
RH Field							
	16,54	621 765		(621 765)			
	15,93	559 397			559 397	1 522	559 397
	15,92	319 448			319 448	1 003	319 448
	14,05	1 087 325			1 087 325	3 327	717 634
	15,36	669 653			669 653	2 277	220 985
	16,97	620 061			620 061	2 716	
	9,93	1 217 339			1 217 339	2 885	
	8,55		1 188 869		1 188 869	2 604	
Subtotal		**5 094 988**	**1 188 869**	**(621 765)**	**5 662 092**	**16 334**	**1 817 464**
Total		**14 481 759**	**3 357 199**	**(1 862 708)**	**15 976 250**	**46 156**	**5 092 545**

[1] *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.*

31. 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[1] 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	
Subtotal		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

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 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

[1] *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.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended June 2021

31. 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:

	2021		2020	
	Direct beneficial	Indirect beneficial	Direct beneficial	Indirect beneficial
Executive directors				
M Dally	**3 194 457**		2 994 457	
RH Field	**1 675 030**	**28 013**	1 525 030	28 013
Non-executive directors				
NP Mageza		**386**		386
MM Nhlanhla*		**229 559**		229 559
GC Zondi*		**667 252**		667 252
Total	**4 869 487**	**925 210**	4 519 487	925 210

* *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 2021					
Executive					
HJ Carse		**2 426**	**481**	**349**	**3 256**
JJ Durand	**390**	**11 596**	**2 377**	**441**	**14 804**
PR Louw		**2 912**	**578**	**411**	**3 901**
Subtotal	**390**	**16 934**	**3 436**	**1 201**	**21 961**
Independent non-executive					
NP Mageza	**678**				**678**
Subtotal	**678**				**678**
Total	**1 068**	**16 934**	**3 436**	**1 201**	**22 639**
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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended June 2021

31. DIRECTORS' EMOLUMENTS CONTINUED

VARIABLE PAY – LONG-TERM INCENTIVE PLANS

REMGRO EQUITY SETTLED SHARE APPRECIATION RIGHT SCHEME (SARS) – 2021

Participant	Balance of SARs accepted as at June 2020	SARs accepted during the period	Offer date	Offer price Rand	Balance of SARs accepted as at June 2021	Fair value of SARs granted* R'000
Executive						
HJ Carse	7 546			94,22	7 546	206
	11 767			127,40	11 767	174
	17 775			164,57	17 775	154
	8 273			170,38	8 273	67
	9 988			125,95	9 988	150
	16 972			118,86	16 972	317
	5 915			112,38	5 915	177
		14 494	05/12/2020	93,82	14 494	575
		14 502	05/12/2020	93,82	14 502	600
JJ Durand	271 258			94,22	271 258	7 408
	93 128			127,40	93 128	1 374
	108 468			164,57	108 468	938
	192 676			170,38	192 676	1 553
	150 872			125,95	150 872	2 267
	132 309			118,86	132 309	2 468
	87 135			112,38	87 135	2 601
		235 427	05/12/2020	93,82	235 427	9 339
		235 454	05/12/2020	93,82	235 454	9 737
PR Louw	22 646			94,22	22 646	618
	12 944			127,40	12 944	191
	5 952			164,57	5 952	51
	9 497			170,38	9 497	77
	91 120			125,95	91 120	1 369
	20 301			118,86	20 301	379
	17 881			112,38	17 881	534
		46 428	05/12/2020	93,82	46 428	1 842
		46 448	05/12/2020	93,82	46 448	1 921
Total	1 294 423	592 753			1 887 176	47 087

* *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.*

31. 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[1] 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	14 446

[1] *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.*

31. DIRECTORS' EMOLUMENTS CONTINUED

REMGRO EQUITY SETTLED CONDITIONAL SHARE PLAN (CSPs) – 2021

Participant	Balance of CSPs accepted as at June 2020	CSPs accepted during the period	Offer date	Offer price Rand	Balance of CSPs accepted as at June 2021	Fair value of CSPs[1] R'000
Executive						
HJ Carse	**8 154**			**205,07**	**8 154**	**895**
		31 658	**05/12/2020**	**93,82**	**31 658**	**3 327**
JJ Durand	**120 107**			**205,07**	**120 107**	**13 177**
		566 553	**05/12/2020**	**93,82**	**566 553**	**59 866**
PR Louw	**24 648**			**205,07**	**24 648**	**2 704**
		100 864	**05/12/2020**	**93,82**	**100 864**	**10 595**
Total	**152 909**	**699 075**			**851 984**	**90 564**

REMGRO EQUITY SETTLED CONDITIONAL SHARE PLAN (CSPs) – 2020

Participant	Balance of CSPs accepted as at June 2019	CSPs accepted during the period[2]	Offer date[2]	Offer price Rand	Balance of CSPs accepted as at June 2020	Fair value of CSPs[1] R'000
Executive						
HJ Carse	5 915	2 239		205,07	8 154	173
JJ Durand	87 135	32 972		205,07	120 107	2 551
PR Louw	17 881	6 767		205,07	24 648	524
Total	110 931	41 978			152 909	3 248

[1] *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.*

[2] *As a result of RMB Holdings unbundling, additional CSPs were allocated during the prior year over a period.*

32. 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 eight years from 17 January 2014.

		2021 R'000	2020 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.

33. SUBSEQUENT EVENTS

Subsequent to year-end various KwaZulu-Natal-based sites in the Chicken and Vector Logistics business units were impacted by civil unrest and resultant looting and vandalism of property.

As the event occurred after the 2021 financial year-end cut-off it is considered to be a non-adjusting subsequent event in accordance with IAS 10, "Events after the Reporting Period".

The estimated impact on key financial statement line items is as follows:

	Decrease R'000
Property, plant and equipment, and infrastructure	**(4 275)**
Inventory	**(23 520)**
Biological assets	**(18 031)**
	(45 826)

The impact of the riots on business continuity has been considered in the going concern assessment. Refer to note 36 for further details.

34. INTEREST IN SUBSIDIARIES

The Group has the following subsidiaries at June 2021:

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 %
Directly owned					
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**
Foodcorp	South Africa	Food producer and manufacturer	**100**		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended June 2021

34. INTEREST IN SUBSIDIARIES CONTINUED

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 %
Indirectly owned					
Vector Logistics (Namibia)	Namibia	Logistics provider		**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			
L&A Logistics***	Zambia	Logistics provider		**85**	**15**
Empty Trips****	South Africa	Logistics provider		**100**	

No changes have been noted from the prior period other than the acquisition of L&A Logistics and the deregistration of New Foodcorp Holdings.

* *Tangaweb was established 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.*

*** *During the current year, the Group increased its shareholding in L&A Logistics, which resulted in L&A being consolidated as a subsidiary with effect from 23 February 2021. Refer to note 35 for further details.*

**** *The Group acquired Empty Trips digital freight matching platform in the prior period, the business has now completed its rollout of the platform in its internal primary transport business.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended June 2021

34. 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.

	2021 R'000	2020 R'000
Outstanding loan balance as at June	**32 495**	35 006

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 2021 R'000	Income statement (share of profit/(loss)) 2021 R'000	Statement of financial position 2020 R'000	Income statement (share of profit/(loss)) 2020 R'000
Matzonox Proprietary Limited	**74 730**	**15 152**	89 884	160
Quality Sugars Proprietary Limited	**12 498**	**2 955**	12 793	3 289
Sivunosetfu Proprietary Limited	**(61 141)**	**(116)**	(61 025)	(23 577)
Libuyile Farming Services Proprietary Limited	**(23 399)**	**(404)**	(40 697)	(26 284)
Mgubho Farming Services Proprietary Limited	**(41 648)**	**15 096**	(56 745)	(11 230)
L&A Logistics Limited	**3 074**	**470**		

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 ### to ### 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.

34. INTEREST IN SUBSIDIARIES CONTINUED

SUMMARISED STATEMENT OF FINANCIAL POSITION

As at June 2021	Current Assets R'000	Current Liabilities R'000	Total current net assets/ (liabilities) 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	**16 866**	**(98 077)**	**(81 211)**	**406 292**	**(175 621)**	**230 671**	**149 460**
Quality Sugars Proprietary Limited	**763 087**	**(727 970)**	**35 117**	**15 895**	**(1 020)**	**14 875**	**49 992**
Sivunosetfu Proprietary Limited*	**70 972**	**(77 676)**	**(6 704)**	**88 646**	**(204 224)**	**(115 578)**	**(122 282)**
Libuyile Farming Services Proprietary Limited*	**131 556**	**(104 991)**	**26 565**	**86 068**	**(159 431)**	**(73 363)**	**(46 798)**
Mgubho Farming Services Proprietary Limited*	**101 374**	**(103 864)**	**(2 490)**	**65 574**	**(146 380)**	**(80 806)**	**(83 296)**
L&A Logistics Limited	**37 543**	**(23 131)**	**14 412**	**6 497**	**(4 136)**	**2 361**	**16 773**
Total	**1 121 398**	**(1 135 709)**	**(14 311)**	**668 972**	**(690 812)**	**(21 840)**	**(36 151)**

As at June 2020	Current Assets R'000	Current Liabilities R'000	Total current net assets/ (liabilities) R'000	Non-current Assets R'000	Non-current Liabilities R'000	Total non-current net assets 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.*

34. INTEREST IN SUBSIDIARIES CONTINUED

SUMMARISED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 2021

	L&A Logistics Limited R'000	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	**46 304**	**42 560**	**230 045**	**178 291**	**304 940**	**219 231**	**1 021 371**
Profit/(loss) before tax	**4 674**	**(42 084)**	**16 926**	**(233)**	**(768)**	**30 207**	**8 722**
Income tax expense	**(1 542)**	**11 780**	**(5 065)**				**5 173**
Profit/(loss) after tax for the year	**3 132**	**(30 304)**	**11 861**	**(233)**	**(768)**	**30 207**	**13 895**
Other comprehensive income			**(42)**		**(40)**	**(14)**	**(96)**
Total comprehensive income	**3 132**	**(30 304)**	**11 819**	**(233)**	**(808)**	**30 193**	**13 799**
Total comprehensive income allocated to non-controlling interests	**470**	**(15 152)**	**2 955**	**(117)**	**(404)**	**15 097**	**2 849**
Dividends paid to non-controlling interest			**3 250**				**3 250**

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

34. INTEREST IN SUBSIDIARIES CONTINUED

SUMMARISED STATEMENT OF CASH FLOWS JUNE 2021

	L&A Logistics Limited R'000	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 generated/(utilised) from operations	**2 538**	**92**	**128 464**	**27 721**	**14 116**	**37 222**	**210 153**
Interest paid	**(324)**	**(27 725)**	**(1 708)**	**(11 831)**	**(8 181)**	**(8 526)**	**(58 295)**
Interest received		**280**					**280**
Income tax paid	**59**		**(8 875)**				**(8 816)**
Net cash generated/(utilised) from operating activities	**2 273**	**(27 353)**	**117 881**	**15 890**	**5 935**	**28 696**	**143 322**
Net cash generated/(utilised) in investing activities	**4 247**	**(18 886)**	**(102 448)**	**(14 553)**	**(3 250)**	**(3 785)**	**(138 675)**
Net cash (utilised)/generated from financing activities	**(888)**	**49 934**	**(15 261)**	**(1 201)**	**(2 489)**	**(24 728)**	**5 367**
Net increase in cash and cash equivalents	**5 632**	**3 695**	**172**	**136**	**196**	**183**	**10 014**

SUMMARISED STATEMENT OF 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 (decrease)/increase in cash and cash equivalents	(12 029)	(84)	31	61	55	(11 966)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended June 2021

35. ACQUISITIONS

BUSINESS COMBINATIONS

ACQUISITION OF L&A LOGISTICS LIMITED

RCL FOODS, via its subsidiary Vector Logistics Proprietary Limited (Vector Logistics), acquired an additional effective holding of 40.0% in L&A Logistics, involved in the storage, trading and distribution of dry, frozen and chilled food, taking its total effective holding to 85.0%.

Vector Logistics acquired 45.0% of L&A Logistics on 1 October 2018. This was part of a strategic partnership for the Company as the investment strengthens the abililty of the Company by providing entry into the Zambian distribution market.

Up to the date of the acquisition of the additional 40.0% shareholding on 23 February 2021, L&A Logistics has been accounted for using the equity method. Control was obtained on 23 February 2021 as Vector Logistic's shareholding in L&A increased to 85.0%, subsequently L&A Logistics has been consolidated into Vector Logistics as a subsidiary.

The purchase consideration paid by Vector Logistics for the additional 40.0% was R9,4 million. The year-end of L&A is March 2021. The use of the different dates in applying the consolidation method is due to the practicality of obtaining the audited June 2021 results timeously.

The acquisition of L&A Logsitics is considered a business combination in terms of IFRS 3 Business Combinations. The acquisition consists of the assets, employees (and related liabilities) for a total consideration paid of R9,4 million. The following table summarises the consideration paid for the fair value of assets acquired and liabilities assumed at the acquisition date.

Reconciliation of net assets of associate to disposal date	2021 R'000
Opening net assets	**20 224**
Total comprehensive income for the year	**1 569**
Exchange differences on translation of associates	**(5 518)**
Closing net assets	**16 275**
Interest in associate (%)	**45.0**
Goodwill	**30 570**
Carrying amount of associate at disposal date	**37 894**
FCTR recycled to profit and loss	**5 061**
Fair value of deemed disposal of associate	**59 352**
Gain recognised on deemed disposal of associate	**16 397**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended June 2021

35. ACQUISITIONS CONTINUED

	2021 R'000
Cash	9 359
Fair value of deemed disposal of associate	59 352
Consideration transferred	**68 711**
Fair value of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	7 114
Intangible assets	5 187
Inventory	14 488
Trade and other receivables	14 483
Current tax receivable	191
Cash	4 831
Lease liabilities	(6 797)
Deferred tax	(1 826)
Loans payable	(4 253)
Trade and other payables	(15 904)
Total identifiable net assets	**17 514**
Non-controlling interest	**2 627**
Goodwilll	**53 824**

Goodwill of R53,8 million arose from the acquisition. Goodwill represents the expected synergies from the combined business of scale. The acquisition augments the network Vector Logistics currently has in Namibia and Botswana. None of the goodwill recognised is deductible for tax purposes.

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

The accounting for the L&A acquisition is still considered provisional at June 2021.

L&A has not had a material impact on results for the year, its contribution to key income statement line items for the current year was as follows:

	12-month results R'000	Post-acquistion 3-month results R'000
Revenue	144 086	46 304
Operating profit before depreciation, amortisation and impairments	14 123	5 859
Operating profit	10 979	4 998
Profit before tax	8 790	4 673

36. GOING CONCERN

The Group's Annual Financial Statements are prepared on the going concern basis. In assessing the ability of the Group to continue as a going concern, management has considered the following:

- the Group's ability to settle its obligations as they become due and payable in the 12 months following year-end;
- the solvency and liquidity position of the Group, which included an assessment of key financial ratios against industry norms. Key financial ratios include return on invested capital, return on equity, cash conversion ratio and margin analyses;
- the cash generation ability of the Group, including a historical view of cash flows;
- the current and forecast debt utilisation of the Group; and
- the adequacy of the Group's resources to continue operating as a going concern.

No changes in financial, operational or general considerations are expected for the next 12-month period that would compromise the use of the going-concern assumption.

As part of its going-concern assessment, the impact of the COVID-19 pandemic on operations and liquidity was considered in preparing the forecasts and assessing performance against budget. During both the current and prior financial year, the Group's results were materially impacted by the COVID-19 pandemic. However, forecasts for the 2022 financial year do not indicate further material costs associated with the COVID-19 pandemic.

In addition, management has considered the impact of the KwaZulu-Natal unrest on the future of operations and the total impact is not expected to materially affect forecasts. The impact of the unrest was limited to only a few sites within the Chicken and Vector Logistics divisions. These sites were temporarily closed and are not considered key operational sites. Refer to note 33 for further detail.

Based on this assessment management has concluded that the Group has adequate resources to continue operations as a going concern in the foreseeable future.

COMPANY STATEMENT OF FINANCIAL POSITION

as at

	Note	4 July 2021 R'000	28 June 2020 R'000
ASSETS			
Non-current assets			
Investment in subsidiaries	1	**4 909 042**	4 891 442
Investment in financial asset	2	**214 138**	137 039
Investment in associate	3	**155 949**	
Loans to Group companies	1	**3 636 169**	3 820 691
Loan receivable	4	**2 002**	
		8 917 300	8 849 172
Current assets			
Cash and cash equivalents		**3 385**	3 249
		3 385	3 249
Total assets		**8 920 685**	8 852 421
EQUITY			
Stated capital	5	**10 318 079**	10 318 079
Share-based payments reserve		**365 339**	347 739
Accumulated loss		**(1 773 657)**	(1 820 468)
Total equity		**8 909 761**	8 845 350
LIABILITIES			
Non-current liabilities			
Loans from Group companies	6	**3 691**	1 003
		3 691	1 003
Current liabilities			
Trade and other payables		**7 233**	6 068
		7 233	6 068
Total liabilities		**10 924**	7 071
Total equity and liabilities		**8 920 685**	8 852 421

COMPANY STATEMENT OF COMPREHENSIVE INCOME

for the year ended June 2021

	Note	2021 R'000	2020 R'000
Revenue	7	**221 464**	
Operating profit		**268 874**	10 844
Finance income		**3**	
Profit before tax	8	**268 877**	10 844
Profit for the year		**268 877**	10 844
Total comprehensive income for the year		**268 877**	10 844

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended June 2021

	Stated capital R'000	Share-based payments reserve R'000	Accumulated profit/(loss) R'000	Total R'000
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:				
– proceeds from shares issued	183 505			183 505
Balance at 28 June 2020	10 318 079	347 739	(1 820 468)	8 845 350
Total comprehensive income for the year			268 877	268 877
Dividends paid			(222 066)	(222 066)
BEE share-based payments charge		17 600		17 600
Balance at 4 July 2021	**10 318 079**	**365 339**	**(1 773 657)**	**8 909 761**

COMPANY CASH FLOW STATEMENT

for the year ended June 2021

	Note	2021 R'000	2020 R'000
Cash flows from operating activities			
Cash utilised by operations	A	**(29 686)**	(11 999)
Dividends received		**221 464**	
Dividends paid		**(222 066)**	(220 251)
Movement in trade and other payables		**1 165**	(313)
Net cash outflow from operating activities		**(29 123)**	(232 563)
Cash flows from investing activities			
Net movement in loans to Group companies*		**185 208**	346 906
Acquisition of associate		**(155 949)**	
Investment in financial asset			(114 196)
Net cash inflow from investing activities		**29 259**	232 710
Cash flows from financing activities			
Net cash inflow from financing activities			
Movement in cash and cash equivalents		**136**	147
Cash and cash equivalents at the beginning of the year		**3 249**	3 102
Cash and cash equivalents at the end of the year		**3 385**	3 249

* *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 transactions and multiple entities.*

NOTES TO THE COMPANY CASH FLOW STATEMENT

for the year ended June 2021

	2021 R'000	2020 R'000
A. CASH GENERATED BY OPERATIONS		
Profit before tax	**268 877**	10 844
Adjusted for:		
Foreign exchange loss/(gain) – unrealised	**21 289**	(22 843)
Fair value adjustment – unrealised	**(98 388)**	
Dividend income	**(221 464)**	
	(29 686)	(11 999)

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the year ended June 2021

1. INVESTMENT IN SUBSIDIARIES AND LOANS TO GROUP COMPANIES

Effective holding	Issued share capital 2021 R'000	Issued share capital 2020 R'000	Effective holding 2021 %	Effective holding 2020 %
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
Foodcorp	**1**	1	**100**	100
Indirectly owned				
Astoria Bakery Lesotho[1]	**100**	100	**100**	100
Libuyile Farming Services	**100**	100	**50**	50
Mgubho Farming Services	**100**	100	**50**	50
Mkhuhlu Bakery[1]	**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[2]	**100**	100	**100**	100
Vector Logistics (Namibia)[3]	**100 000**	100 000	**100**	100
Makhalempongo Chicken				
Fieldsend Farming				
Valleychicks				
Empty Trips	**1**		**100**	
Tangaweb[4]	**120**	120	**100**	100
Do More Foundation[5]				

[1] *Incorporated in Lesotho.*

[2] *Incorporated in Mozambique.*

[3] *Incorporated in Namibia.*

[4] *Tangaweb was established to provide financing to The Hatchery Group Proprietary Limited (a food innovation project). Refer to 5 for further details.*

[5] *The Do More Foundation is a CSI initiative of the Group and is incorporated as a trust.*

All other subsidiaries listed are incorporated in the Republic of South Africa.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the year ended June 2021

1. INVESTMENT IN SUBSIDIARIES AND LOANS TO GROUP COMPANIES CONTINUED

Share and indebtedness	Shares 2021 R'000	Shares 2020 R'000	Indebtedness 2021 R'000	Indebtedness 2020 R'000	Total 2021 R'000	Total 2020 R'000
Rainbow Farms Investments	**100**	100			**100**	100
RCL Foods Treasury*			**171 332**	569 391	**171 332**	569 391
RCL Foods Consumer	**1 142**	1 142	**1 232 683**	1 233 637	**1 233 825**	1 234 779
RCL Group Services*				170 971		170 971
Foodcorp			**1 696 179**	1 796 179	**1 696 179**	1 796 179
RCL Foods Sugar & Milling	**4 000 000**	4 000 000		14 536	**4 000 000**	4 014 536
Vector Logistics	**456 612**	456 612	**535 975**	35 976	**992 587**	492 588
Matzonox*	**85 849**	85 849			**85 849**	85 849
	4 543 703	4 543 703	**3 636 169**	3 820 690	**8 179 872**	8 364 393
Subsidiaries portion of share-based payments reserve	**365 339**	347 739			**365 339**	347 739
	4 909 042	4 891 442	**3 636 169**	3 820 690	**8 545 211**	8 712 132

* *RCL Foods Limited value of shareholding in RCL Foods Treasury is R1 (2020: R1), RCL Group Services R312 (2020: R312) and Matzonox R120 (2020: R120).*

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".

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.

Based on the current profitability, financial outlook and forward-looking information available on the Company's subsidiaries, 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, the ECL has been deemed to be immaterial.

On 4 July 2021, RCL Foods Sugar & Milling Proprietary Limited effected a distribution *in specie* of its shares in Foodcorp Proprietary Limited to the Company. The value of the dividend *in specie* was R1.

2. INVESTMENT IN FINANCIAL ASSET

	2021 R'000	2020 R'000
At the beginning of the year	**137 039**	
Investment at cost		114 196
Foreign exchange (loss)/gain	**(21 289)**	22 843
Fair value adjustments recorded in profit or loss	**98 388**	
At the end of the year	**214 138**	137 039

In January 2020 RCL FOODS secured a minority shareholding in the LIVEKINDLY Collective.

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the year ended June 2021

3. INVESTMENT IN ASSOCIATE

	2021 R'000	2020 R'000
At the beginning of the year		
Additions	**155 949**	
At the end of the year	**155 949**	

On 3 May 2021, the Group acquired a 49.999% shareholding in LKCA, an entity which was established to market, sell and distribute plant-based products in Sub-Saharan Africa.

The investment in associate is measured at cost.

4. LOAN RECEIVABLE

	2021 R'000	2020 R'000
Non-current:		
Loans at the beginning of the year		
Loans advanced during the year	**2 002**	
Loans at the end of the year	**2 002**	

During the current year a loan of R2 million was granted to LIVEKINDLY Collective Africa Proprietary Limited.

The loan is unsecured with no fixed date of repayment. Interest accrues at the prime rate per annum.

An assessment of the recoverability of the loan has been performed at year end, using latest available financial records, cash resources and forecasts. The expected credit loss recognised is considered immaterial.

5. STATED CAPITAL

Authorised

2 000 000 000 (2020: 2 000 000 000) ordinary shares of no par value.

Issued ordinary shares of no par value:

	Number of shares	2021 R'000	2020 R'000
At the beginning of the year	**888 245 746**	**10 318 079**	10 134 574
Shares issued in terms of share incentive plans			183 505
At the end of the year	**888 245 746**	**10 318 079**	10 318 079
Shares in issue for accounting purposes – June 2021	**888 245 746**		
Add: Shares issued in terms of BEE scheme*	**70 758 637**		
Statutory shares in issue – June 2021	**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 32 of the consolidated financial statements for further details).*

10% of the unissued ordinary shares are under the control of the directors until the forthcoming Annual General Meeting.

6. LOANS FROM GROUP COMPANIES

	2021 R'000	2020 R'000
Non-current		
Payable to Rainbow Farms Investments Proprietary Limited*	**1 691**	1 003
Payable to RCL Foods Treasury Proprietary Limited**	**2 000**	
Total	**3 691**	1 003

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

** *The loan is unsecured with no fixed date of repayment. Interest accrues at the prime rate per annum.*

7. REVENUE

	2021 R'000	2020 R'000
Dividends received from subsidiaries		
RCL Foods Sugar & Milling Proprietary Limited – ordinary shares	**121 464**	
RCL Foods Treasury Proprietary Limited – ordinary shares	**100 000**	
RCL Foods Sugar & Milling Proprietary Limited – dividend *in specie*[1]		
Total	**221 464**	

[1] *On 4 July 2021, RCL Foods Sugar & Milling Proprietary Limited effected a distribution in specie of its shares in Foodcorp Proprietary Limited to the Company. The value of the dividend in specie was R1*

8. PROFIT BEFORE TAX

	2021 R'000	2020 R'000
Foreign exchange (losses)/gains – unrealised	**(21 289)**	22 843
Foreign exchange gains – realised	**(9 671)**	
Fair value adjustment	**98 388**	
Dividends received from subsidiaries	**221 464**	
Non-executive directors' fees	**(6 404)**	(6 590)
Consultancy expenses	**(2 651)**	(550)
Listed Company expenses	**(6 851)**	(4 398)
Legal fees	**(474)**	(100)
Acquisition expenses	**(3 554)**	(291)
Other expenses	**(84)**	(70)
Finance income	**3**	
Total	**268 877**	10 844

9. 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 to note 15 of the consolidated financial statements) and a R2,450 billion unutilised general banking facility (2020: R2,9 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 2021 is R2,35 billion (2020: R2,35 billion).

10. DIVIDENDS PER SHARE

Refer to note 26 of the notes to the consolidated financial statements.

11. 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 (2020: 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
2021	**337 500**	**787 500**	**1 225 000**		**2 350 000**
2020		337 500	787 500	1 225 000	2 350 000

12. FINANCIAL INSTRUMENTS BY CATEGORY

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

	Amortised cost R'000	Assets at fair value through profit or loss R'000	Total R'000
Assets per the statement of financial position			
June 2021			
Investment in financial asset		**214 138**	**214 138**
Loan to Group companies	**3 636 168**		**3 636 168**
Loan receivable	**2 002**		**2 002**
Cash and cash equivalents	**3 385**		**3 385**
At the end of the year	**3 641 555**	**214 138**	**3 855 693**
June 2020			
Investment in financial asset		137 039	137 039
Loan to Group companies	3 820 690		3 820 690
Cash and cash equivalents	3 249		3 249
At the end of the year	3 823 939	137 039	3 960 978

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the year ended June 2021

12. FINANCIAL INSTRUMENTS BY CATEGORY CONTINUED

	Amortised cost R'000	Liabilities at fair value through profit or loss R'000	Total R'000
Liabilities per the statement of financial position			
June 2021			
Loans from Group companies	**3 691**		**3 691**
Trade and other payables	**7 233**		**7 233**
At the end of the year	**10 924**		**10 924**
June 2020			
Loan from Group Company	1 003		1 003
Trade and other payables	6 068		6 068
At the end of the year	7 071		7 071

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

13. GOING CONCERN

RCL Foods Limited is the holding company of the Group.

Based on managements assessment, the Company has adequate resources to continue operations as a going concern in the foreseeable future.

SHARES AND SHAREHOLDER INFORMATION

for the year ended June 2021

STATED CAPITAL

Authorised	2 000 000 000
Issued*	959 004 383
Number of shareholders	7 142

	Number of shareholders	%	Number of shares	%
Shareholder spread				
1 – 1 000	**5 672**	**79.42**	**850 140**	**0.09**
1 001 – 10 000	**1 119**	**15.67**	**4 221 907**	**0.44**
10 001 – 100 000	**269**	**3.77**	**7 669 515**	**0.80**
100 001 – 1 000 000	**53**	**0.74**	**18 538 842**	**1.93**
1 000 001 and over	**29**	**0.40**	**927 723 979**	**96.74**
Total	**7 142**	**100.00**	**959 004 383**	**100.00**
Distribution of shareholders				
Banks	**18**	**0.25**	**10 092 495**	**1.05**
Brokers	**10**	**0.14**	**324 033**	**0.03**
Close corporations	**30**	**0.42**	**1 056 486**	**0.11**
Empowerment*	**3**	**0.04**	**70 758 637**	**7.38**
Endowment funds	**3**	**0.04**	**597 925**	**0.06**
Holding company	**2**	**0.03**	**714 057 943**	**74.46**
Individuals	**6 622**	**92.72**	**17 778 462**	**1.85**
Insurance companies	**11**	**0.15**	**514 079**	**0.05**
Investment companies	**6**	**0.08**	**85 610**	**0.01**
Mutual funds	**65**	**0.91**	**105 777 783**	**11.03**
Nominees and trusts	**233**	**3.26**	**2 840 259**	**0.30**
Other corporations	**16**	**0.23**	**27 283**	**0.00**
Pension funds	**34**	**0.48**	**33 149 010**	**3.46**
Private companies	**89**	**1.25**	**1 944 378**	**0.20**
Total	**7 142**	**100.00**	**959 004 383**	**100.00**
Public and non-public shareholders				
Holding company	**2**	**0.03**	**714 057 943**	**74.46**
Empowerment*	**3**	**0.04**	**70 758 637**	**7.38**
Directors and associates of the Company	**3**	**0.04**	**4 969 873**	**0.52**
Total non-public shareholders	**8**	**0.11**	**789 786 453**	**82.35**
Public shareholders	**7 134**	**99.89**	**169 217 930**	**17.65**
Total	**7 142**	**100.00**	**959 004 383**	**100.00**
Beneficial shareholders' holding of 1% or more				
Remgro Limited			**713 902 129**	**74.44**
RCL Employee Share Trust			**44 681 162**	**4.66**
Oasis Crescent Equity Fund			**39 320 504**	**4.10**
Government Employees Pension Fund			**21 185 980**	**2.21**
Business Venture Investments No 1763 (RF) Proprietary Limited			**19 149 069**	**2.00**
Prudential Core Value Fund			**16 821 739**	**1.75**
Old Mutual Symmetry Satellite Equity Fund No 3			**12 793 361**	**1.33**
Fund managers holdings of 1% or more				
Remgro Limited			**714 057 943**	**74.46**
Oasis Asset Management Limited			**76 719 167**	**8.00**
Prudential Portfolio Managers (South Africa) Proprietary Limited			**49 806 922**	**5.19**
RCL Employee Share Trust			**44 681 162**	**4.66**
Business Venture Investments No 1763 (RF) Proprietary Limited			**19 149 069**	**2.00**
Ninety One SA Proprietary Limited			**11 002 395**	**1.15**

* *Includes 44 681 162 shares issued to RCL Employee Share Trust, 19 149 069 shares issued to 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 32 of the consolidated financial statements for details).*

www.rclfoods.com