RCL FOODS

RCL FOODS LIMITED

GROUP FINANCIAL RESULTS AND CASH DIVIDEND DECLARATION

FOR THE YEAR ENDED JUNE

2021

FINANCIAL HIGHLIGHTS

RCL FOODS is proud to present a good set of results for the year ended June 2021, driven by an excellent performance in the Sugar and Baking business units and continued strong delivery in Grocery. In particular, Sugar's result is a record performance, enabled by many factors, but most notably an improved sales mix of local versus export volumes and tight cost control.

REVENUE

R31,7 BILLION

↑ **14.0%**

EBITDA

R2 409,1 MILLION

↑ **47.3%**

UNDERLYING* EBITDA

R2 530,4 MILLION

↑ **45.8%**

HEADLINE EARNINGS

R958,1 MILLION

↑ **736.0%**

UNDERLYING* HEADLINE EARNINGS

R1 045,5 MILLION

↑ **170.9%**

HEADLINE EARNINGS PER SHARE

107.9 CENTS

↑ **723.7%**

UNDERLYING* HEADLINE EARNINGS PER SHARE

117.7 CENTS

↑ **166.9%**

TOTAL DIVIDEND PER SHARE

45.0 CENTS

* *The underlying view of the results excludes material once-offs and accounting adjustments related to the direct cost impact of COVID-19 in the current and prior year and the gain on bargain purchase arising from the acquisition of the Imperial Logistics South Africa's cold chain business (ICL) in Vector Logistics in the prior year. The underlying results constitute pro-forma financial information in terms of the JSE Listings Requirements. Refer to the "Reconciliation between unadjusted and underlying results" section provided on page 18 of this announcement for further details and the applicable criteria and the basis on which this pro-forma financial information has been prepared.*

COMMENTARY

Notwithstanding the strong topline growth, input pricing pressure has continued to build in certain business units during the past year due to a significant rally in agricultural commodity prices for maize, soya, sunflower, wheat and peanuts. This cost pressure stems mainly from global crop failures and increased demand from China, leading to local agricultural producer price inflation of 17.4% year-on-year in June. This has been largely absorbed by local food producers in a constrained consumer market, with June food producer price inflation of 7.3% exceeding Consumer Price Index (CPI) food price inflation of 6.7%.

Ongoing direct costs as a result of COVID-19 mitigations have been a key feature of the period, particularly in the Chicken Division, although these have reduced significantly in recent months as the supply chain has normalised. COVID-19-induced shifts in consumer spending and behaviour persisted during the year, with cash-strapped consumers focusing their search for value on staples and trusted brands, shopping less often and making more frequent use of online shopping channels. This translated into volume growth, particularly in "essential foods"; however margin growth was more muted.

After reporting a loss in the prior year, Vector Logistics produced a pleasing set of underlying results, aided by increased revenue and improved efficiencies arising from progress made in its network consolidation.

COVID-19 IMPACT AND RESPONSE

Throughout the COVID-19 pandemic four priorities have remained paramount: protecting our employees, maintaining food production, managing cash and liquidity and supporting the communities we operate in. The robust processes implemented since the start of the pandemic have enabled us to continue operating smoothly while also broadening our focus towards new ways of operating in line with the "new normal".

KEY FEATURES

- **Strong revenue growth amidst ongoing pandemic**
- **Record results in Sugar**
- **Significant improvement in Baking**
- **Continued strong Culinary and Pet Food performance**
- **Steady progress in post-lockdown restoration of Pies and Beverages**
- **Vector Logistics benefited from consolidation of its network**
- **Agricultural challenges hamper Chicken recovery**
- **Excellent cost control**
- **Pervasive pricing pressure amidst rising commodity input costs**
- **Declining but still material COVID-19 direct costs**
- **Strong cash position due to well-managed working capital balances throughout the year**
- **LIVEKINDLY Collective Africa (LKCA) joint venture established to deliver on the Group's plant-based growth ambitions**

COMMENTARY CONTINUED

Since the start of the lockdown, our DO MORE FOUNDATION has provided nearly 10,5 million meals to alleviate hunger for vulnerable communities, with a focus on young children

From a business perspective, a key imperative during the year has been to restore volumes lost as a result of the lockdown in the food service sector. Pleasingly, Quick Service Restaurants (QSRs) have almost recovered to pre-COVID-19 levels. We have also focused on strategically responding to changes in consumer behaviour that were brought on, or accelerated, by COVID-19 and are likely to continue into the foreseeable future. These include reduced out-of-home consumption, less frequent shopping trips, trading down within categories (or out of them), increased online shopping and greater awareness of "healthier" options. Our response includes driving further investment in value offerings, collaborating even more closely with customers to drive category growth, leveraging e-commerce to reach shoppers and expanding into the plant-based foods category.

While COVID-19 net direct costs incurred in this period of R121,3 million remain material to an interpretation of the results, we are pleased to note a significant reduction in such costs in recent months as we return to more normal operating levels.

We remain committed to supporting all our stakeholders in navigating the impacts of the pandemic. We are proud to have been able to maintain full employment, with no jobs being lost as a result of COVID-19 and we have also continued to support nearly 3 000 employees to work effectively from home, when required.

The loss of life and livelihoods caused by COVID-19 is of deep concern to us and we particularly sympathise with the families of our employees who have succumbed to the virus.

CIVIL UNREST IMPACT

During July 2021, KwaZulu-Natal and Gauteng were impacted by devastating civil unrest, which included looting and vandalism of property. Certain Chicken and Vector Logistics sites, based in KwaZulu-Natal, were affected by the unrest. Whilst the event occurred post the 2021 financial year-end cut-off, and is considered to be a non-adjusting event for accounting purposes, the Group has estimated the impact of the unrest to be R45,8 million. The insurance claim process has been initiated with the Group's insurers.

STRATEGIC PROGRESS

Our journey over the past few years has centred on creating a resilient and future-fit business that delivers a more sustainable shareholder value. Key steps towards this have been the creation of a consolidated Food Division with a sharpened strategic focus; our investment into the plant-based foods category; the creation of a stand-alone Chicken Division; and a recent strategic review of our portfolio. Highlights of our progress on this strategic journey are reported below, together with key Group-wide initiatives to create a more sustainable and future-fit RCL FOODS.

STRATEGIC PORTFOLIO REVIEW

In November 2020, we announced a strategic review to assess whether our portfolio is optimally configured in terms of our stated intent to build a profitable business that delivers sustainable quality of earnings for shareholders. Rand Merchant Bank (RMB) was appointed to assist with the evaluation and review of strategic options as they relate to the composition of the underlying RCL FOODS basket, and a Steering Committee consisting of the RCL FOODS senior leadership team, RMB and Deloitte was appointed to run the review process. A key guiding principle was the need to optimise our portfolio's growth prospects and sharpen its strategic thesis, while preserving the synergies, scale and efficiency benefits achieved thus far.

We are pleased to report that we have made substantial progress in this regard. The rigorous review process has confirmed that our current portfolio is not optimally configured for sustainable value creation in line with our strategic ambitions going forward, owing to the extent of its diversification across different asset classes, i.e. value-add branded foods (Groceries and Baking) ("FMCG"), poultry (Chicken and grain-based feed), sugar (Sugar and molasses-based feed) and logistics (Vector Logistics). In this context, the Board has resolved that a separation of the businesses will ultimately better position the Group to achieve a more consistent quality of earnings and thus enable shareholder value creation.

Our intention is clear – to unlock growth in the FMCG component of the business through sharper strategic focus and active investment, to identify value creation opportunities and to scale into adjacent and new categories, both organically and through acquisition activity, and we are currently actively evaluating opportunities in this regard. As passionate brand builders, we recognise our differentiated strategic advantage in terms of the integrated functional capabilities we have built, and we plan to continue to leverage this where appropriate.

COMMENTARY CONTINUED

Furthermore, a dedicated focus on Chicken, Sugar and Vector Logistics will clear the path for more sustainable growth in each of these assets. We continue to believe that our Chicken, Sugar and Vector Logistics businesses are each attractive exposures in the context of their established market position and medium- to long-term outlook, with good opportunity for future value creation. We envisage seeking an optimised path for each to operate in a pureplay environment in order to deliver enhanced value for shareholders and believe a well-managed separation will better enable these businesses to thrive into the future.

The Board is currently evaluating how the managed separation can be most optimally achieved, bearing in mind the efficient operating platform that has been created in the Group and the opportunity to continue to leverage that across the various businesses, while also being mindful of the prospect of further rescaling opportunities that may present themselves. This will be a carefully considered process over the next 12 months. We will continue to apprise shareholders of further material developments in the implementation of specific initiatives arising from the outcomes of the strategic review.

STAND-ALONE CHICKEN DIVISION ESTABLISHED

In line with our stated intent to ensure a competitive, profitable and sustainable Chicken business, a decision was taken in November 2020 to establish Chicken as a stand-alone division within RCL FOODS, reporting directly to the Chief Executive Officer. This was to enable a focused implementation of the revised Chicken strategy which is aimed at improving competitiveness by fixing the cost base (particularly in agriculture), re-establishing the Rainbow brand and driving a regional demand model to increase profitability and market intimacy.

A new management team was appointed to lead the initiative from January 2021 and an appropriately resourced organisational structure has since been put in place to support delivery. As of July, the Chicken Division has been operating as a stand-alone entity, while still utilising certain shared services on the RCL FOODS platform. The division is expected to be a fully independent legal entity from the second quarter of the 2022 financial year.

Significant progress has been made in defining and resourcing regional leadership structures and addressing key strategic imperatives, with an emphasis on addressing the breed issues in agriculture and managing supply chain and distribution costs. These have already started to reap benefits. With the right people, structure and strategy in place, the business is now more optimally positioned for recovery and sustainable future growth.

To align the financial results with this structural change in Chicken, the division's results are reported as a separate segment in the results below.

LIVEKINDLY COLLECTIVE AFRICA (LKCA) ESTABLISHED

RCL FOODS has identified plant-based protein as a key strategic investment focus, given the need to nourish the growing population in a more sustainable way. The global "alternative protein" market is expanding rapidly, driven by increasing consumer consciousness around health, environmental sustainability and animal welfare, and is expected to grow to c. US$370 billion by 2035, compared to a US$1,6 trillion animal meat market. Projections are that the South African plant-based protein market could make up R14 billion of a R208 billion total protein market by 2035. RCL FOODS entered the plant-based protein category in 2020, via an investment in a minority shareholding in the newly-established LIVEKINDLY Collective (LKC) which was founded by the leading plant-based investor, Blue Horizon, with the aim of creating a vertically integrated plant-based food value chain with global reach. LKC, under the leadership of former Unilever global executive team member, Kees Kruythoff, has gained massive momentum globally since then, acquiring a growing number of brands – among them locally-born Fry's Family Foods – and raising US$535 million in just over a year, the single fastest and biggest private plant-based fundraise to date.

The South African plant-based protein market is projected to make up R14 billion of a R208 billion total protein market by 2035

The relationship between RCL FOODS and LKC has also grown during the year, culminating in the establishment of LKCA in May 2021, which is governed by a joint board. Its aim is to develop the plant-based market in South Africa and Sub-Saharan Africa by leveraging LKC's brands, technology and intellectual property and RCL FOODS' integrated services platform and strong customer relationships. The new company will be responsible for selling all of LKC's brands in the region, including Fry's, Oumph!, NO MEAT, Like Meat and more. Being chosen to partner with a highly pedigreed, globally connected entity like LKC represents a very significant opportunity for RCL FOODS to make plant-based protein more accessible and affordable to people in South Africa and beyond, as part of a collective vision of making plant-based living "the new norm" and shifting the global food system to a more sustainable one.

COMMENTARY CONTINUED

INTEGRATION OF THE ICL BUSINESS

Having become South Africa's largest frozen distribution provider through its acquisition of the ICL business in late 2019, Vector Logistics has been on a journey to create a single, consolidated, customer-focused network. With the COVID-19 pandemic having delayed the consolidation of the two networks in 2020, this has been a key focus for the business in 2021 and good progress has been made. In order to ensure adequate consolidated capacity in key cities, capital investments have been made to extend the Durban, Gqeberha (previously known as "Port Elizabeth"), Polokwane and Bloemfontein facilities. Despite construction delays having impacted integration timelines, the consolidation process is expected to be completed within the next six months.

While Vector Logistics is still in the process of delivering on its customer strategy, it is leveraging its collaborative culture and digital mindset to drive mutually beneficial efficiency improvements with customers. These include electronic proof of delivery, a customer ordering portal and a new Chatbot facility on WhatsApp that provides customers with real-time visibility of their order status, enables them to check estimated time of delivery and allows them to engage via an automated chat.

> **"Vicky the Vector Bot" was developed in response to customer demand for multi-channel engagement platforms**

Vector Logistics is also leveraging digital technology to drive efficiencies in its primary transport business. Having acquired the 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, with positive results.

DRIVING GROWTH THROUGH OUR BRANDED PRODUCT PORTFOLIO

We continued to invest in growing strong brands in key categories with the aim of growing their market share and extending into adjacent and new categories where appropriate. In a constrained consumer environment, many of our brands grew volumes and market share and nine brands successfully defended their market-leading positions.

Product extensions and innovations in pies and chicken polony were successfully launched in recent months. One such example is the Pieman's Big Deal Pie, a larger pie-in-a-box concept for the grab-and-go garage forecourt market. Selling over two million pies in the first three months of launch, the innovation cemented Pieman's channel leadership and its reputation for driving revenue and profit for its partners.

Staying abreast of changing consumer needs and preferences has helped us to remain relevant by catering to a growing emphasis on value, convenience and online availability. Our tiered Pet Food portfolio was a case in point, growing market share across multiple brands and categories and driving strong growth via e-commerce platforms. In cat food, Catmor, Feline Cuisine and Ultra Cat all reached historic market share highs in the economy, premium and veterinary categories respectively. Catmor's new 2in1 range doubled its sales and Feline Cuisine climbed to number two spot for the first time.

> **Optimizor Dog Food continued its strong growth trajectory in the co-op channel, growing to a R100 million brand in 2021**

COMMENTARY CONTINUED

DIGITALLY-ENABLED TRANSFORMATION

As a key enabler within all transformational business processes and initiatives, digital is core to the RCL FOODS strategy and future. By positioning digital transformation as a "way of doing things" rather than a systems project, we are working to create a digital mindset that integrates with our culture and our values – including "seeing and doing things differently". Digitisation is enabling processes to operate more efficiently, while data is increasingly being leveraged to generate insights that can help improve decision-making. Being able to track sales at point of purchase, for instance, allows for better stock management, especially during promotional periods. With the COVID-19 pandemic changing the way consumers purchase, we have accelerated our digital strategy to take a more insight-driven approach to the way we market, sell and distribute our products, and have automated key areas of the customer interface to speed up service delivery.

During the lockdown we have leveraged our data-free employee mobile app, *Let's Talk,* to connect digitally with nearly 13 000 of our staff members and have utilised the Microsoft platform to maintain and establish regular connections. A particular highlight has been the large-scale webinars introduced during the year, at which approximately 800 members of staff and management regularly connect "live" for business updates and question-and-answer sessions. Continued proactive investment in, and focus on, cyber security has remained a key priority during the year to ensure that our systems and platforms are secure.

DOING BUSINESS SUSTAINABLY

Energy security has been in the spotlight during the year amidst regular bouts of load shedding. We supplied 160 GWh of our electricity needs from self-generated sources in 2021, including sugar co-generation, Waste-to-Value (W2V) and rooftop solar. Electricity generation from W2V (biogas) increased 182% with the first-phase commissioning of the new Rustenburg W2V plant, and solar generation increased 509% due to new installations coming online at Vector Logistics' Peninsula hub and our Nelspruit bakery.

Water efficiency remains a key focus, particularly in Sugar agriculture. Various water management systems are used to ensure optimal irrigation rates, and inefficient irrigation systems are progressively being replaced with water-saving ones. The business is on track to meet its 2023 target of a 30% improvement in water use efficiency.

Having joined the South African Plastics Pact in February 2020, we are making progress with our 2025 Plastics Packaging Sustainability Strategy which seeks to eliminate unnecessary plastic use; innovate to ensure plastic reuse and recycling; and circulate used plastics in the economy to keep them out of the environment. The Group has made strides in understanding the implications of the new Extended Producer Responsibility regulations and laying a foundation for adherence to them and is engaged in a number of projects to reduce undesirable plastics in its packaging and to encourage recycling.

On a social level, RCL FOODS continues to invest in corporate social investment initiatives co-ordinated through the DO MORE FOUNDATION. We are particularly proud to have partnered with the Foundation in developing its own branded DO MORE PORRIDGE to help address the hunger crisis brought on by the hard lockdown in South Africa. This now forms the basis of the Foundation's extended feeding interventions in Early Childhood Development centres across the country. We also contributed directly to their youth enterprise development efforts in Hammarsdale via an order for 22 000 branded fabric face masks which we presented to our employees to celebrate our 2020 Top Employer certification.

Creating a diverse and inclusive culture is key to RCL FOODS' strategic transformation journey and has been central to our efforts during the year. Internal research in 2019 confirmed that there was a need for greater focus in this area, and a series of Diversity and Inclusivity Conversation Circles were subsequently launched as a way of progressively engaging the business in open, safe and honest discussions where we can listen to and learn from each other. We have also been bringing more focused attention to increasing diversity through our hiring, promotion and retention strategies, especially at management level. As part of this we have set stretching new five-year diversity targets (focusing on both race and gender), especially at senior leadership level. RCL FOODS acknowledges that while transforming the face and culture of our organisation will take time and effort, it is critical to create a stronger, more productive and more relevant business.

RCL FOODS FINANCIAL REVIEW

INCOME STATEMENT

RCL FOODS' revenue for the year ended June 2021 increased 14.0% to R31,7 billion (2020: R27,8 billion). The increase was largely driven by increased Sugar revenue due to higher local market share, higher Vector Logistics revenue resulting from the take-on of new customers post the ICL acquisition (full year *versus* seven months in the prior year) and an improvement in Chicken following the negative impact of the COVID-19 pandemic and lockdown on the last quarter of the 2020 financial year.

EBITDA improved R773,1 million (47.3%) to R2 409,1 million (2020: R1 636,0 million) at a margin of 7.6% (2020: 5.9%). However, included in this result are a number of material once-offs and accounting impacts, such as:

- A R121,3 million negative impact arising from COVID-19 direct costs incurred (2020: R266,8 million); and
- A prior year gain on bargain purchase related to the initial accounting for the Vector Logistics acquisition of ICL, which was considered a "once-off" profit. The total gain on bargain purchase of R277,5 million was offset by costs related to the operation of a duplicated network for the majority of the year.

Excluding the above impacts, underlying EBITDA improved R795,2 million (45.8%) to R2 530,4 million (2020: R1 735,3 million) at a margin of 8.0% (2020: 6.2%).

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

NET FINANCE COSTS

Net finance costs decreased by R165,6 million (36.4%) on the prior year due mainly to lower interest rates in the current year and well-managed working capital balances during the year, coupled with a positive R3,0 million fair value adjustment on the Group's interest rate collar hedges (2020: negative R89,8 million).

Net finance costs paid for the period of R216,6 million are R72,5 million lower than net finance costs expensed in the income statement mainly due to the non-cash leases interest charge (R135,0 million) and the unrealised portion of the fair value adjustment on the interest rate collar hedge (R62,5 million gain).

TAXATION

The Group's effective tax rate, excluding joint ventures and associates, was 27.1% (2020: 13.4%). The current year tax rate was impacted by a gain recognised on the deemed disposal of the 45% investment in L&A Logistics Limited following an additional investment resulting in it being recognised as a subsidiary. This deemed disposal has no tax consequences (R4,5 million tax impact). The utilisation of unrecognised deferred tax assets for profits made during the year in our 50% owned sugar cane-grower companies (R8,2 million tax impact) has also affected the tax rate. Excluding the above items, the effective tax rate was 28.4%.

The 2020 effective tax rate was materially impacted by the impairment of goodwill which has no tax consequences (R167,4 million impact), the net gain on bargain purchase on the ICL acquisition, deferred tax assets not recognised in our 50% owned sugar cane-grower companies (R25,3 million tax impact) and a release of the deferred tax asset raised in previous years for future tax deductions on the Group's employee share schemes relating to unexercised share appreciation rights (SARs) and conditional shares (CSPs) awarded to employees (R43,1 million tax impact).

RCL FOODS FINANCIAL REVIEW CONTINUED

STATEMENT OF FINANCIAL POSITION

Property, plant and equipment increased by R274,5 million, driven by capital expenditure totalling R899,7 million for the year, partially offset by depreciation charges of R595,6 million.

Capital expenditure (including intangibles of R21,5 million) for the year ended June 2021 was R921,3 million (2020: R811,4 million). The only significant spend items were:

- Replacements within the Vector Logistics fleet (R74,0 million); and
- Replacement of certain production lines at the Pretoria West bakery (R22,5 million); and
- Electricity generation spend within Sugar (R21,9 million).

The remaining spend consists of smaller items individually less than R20,0 million.

An amount of R514,0 million (2020: R325,8 million) has been contracted and committed, but not spent, whilst a further R394,8 million (2020: R279,1 million) has been approved but not contracted. Major items included in these amounts relate to:

- Expansion of the bread, buns and rolls production lines (R186,0 million);
- Planned replacements within the Vector Logistics fleet (R39,6 million); and
- The expansion of Vector Logistics' Thekweni chiller (R32,6 million).

Right-of-use assets decreased by R278,5 million from June 2020. The decrease was mainly driven by the early exit of a leased property which reduced the right-of-use assets balance by R104,6 million, and depreciation of R229,4 million. This was partially offset by additions of R75,7 million.

Investment in associates increased by R177,0 million driven mainly by profits capitalised in the Royal Eswatini Sugar Corporation (RES) of R128,7 million and the investment in LKCA of R155,9 million, partially offset by the deemed disposal of the investment in L&A Logistics Limited of R59,4 million and dividends received from RES of R71,6 million.

Investment in financial assets increased by R77,1 million over the prior period mainly driven by the fair value revaluation at year-end. The investment relates to the Group's minority shareholding in the LKC and is denominated in US Dollar.

Net working capital (including biological assets) has increased by R693,4 million over the prior period and from 10.0% to 11.0% as a percentage of revenue.

Inventory increased by R190,7 million to R3 171,4 million largely due to normalised sugar inventory levels relative to the prior year, coupled with an increase in commodity raw material pricing feeding into product valuations. This was marginally offset by a decrease in year-on-year chicken stock levels mainly due to the clearing of the stock-build which resulted from the lockdown in the last quarter of the 2020 financial year.

Biological assets increased by R150,3 million to R955,3 million mainly due to higher volumes in Chicken. The prior year was impacted by a down placement due to COVID-19 and the national lockdown.

Trade and other receivables decreased by R538,0 million and from 21.5% to 17.1% of revenue, whilst trade and other payables decreased by R890,4 million and from 25.1% to 19.2% of revenue. The gross decrease in both of these lines was largely driven by the timing of the year-end cut-off. The current financial year cut-off was 4 July 2021, whilst the prior year cut-off was 28 June 2020. As a result, debtors' receipts were collected, and creditors were paid before year-end cut-off in the current year. On a net basis, trade and other receivables and trade and other payables decreased by R352,4 million.

Cash on hand, net of overdrafts, decreased by R133,1 million to R897,0 million. The decrease was largely due to the normalisation of working capital levels in the current year as well as timing of the period end cut-off.

Total interest-bearing liabilities of R2 965,0 million are R244,7 million higher than last year with the increase mainly due to external funding of R350,0 million being secured within the sugar cane-grower companies which was used to repay internal funding.

Lease liabilities of R1 415,0 million are R230,2 million lower than last year mainly due to repayments made during the year of R299,0 million and the early exit of the property lease which reduced total lease liabilities by R123,3 million, partially offset by interest capitalised of R135,0 million.

RCL FOODS FINANCIAL REVIEW CONTINUED

CASH FLOW AND WORKING CAPITAL

Cash generated by operations decreased by R944,0 million (36.7%) to R1 627,4 million, largely due to the increase in working capital. As mentioned earlier, both trade receivables and trade payables were impacted by the timing of year-end cut-off in the current year *versus* the prior year.

The cash conversion ratio decreased to 68% (2020: 157%). Included in the non-cash items of R557,3 million are add-backs of depreciation, amortisation and impairment charges of R932,3 million and non-cash IFRS 2 and BEE charges of R92,5 million. These were offset by deductions of positive fair value adjustments on biological assets within the Chicken and Sugar business units of R23,2 million and R254,7 million respectively, as well as a fair value adjustment recognised on the investment in the LKC of R98,4 million. Within the Sugar business unit, the entire biological assets balance is capitalised using a fair value adjustment, with the realisation of the prior year's biological assets expensed through cost of sales and reflected under working capital movements (R261,4 million), resulting in a net R6,7 million decrease in Sugar biological assets for the year.

Cash outflows from investing activities increased by R224,3 million to R1 042,8 million in the current year. Material items included within investing activities relate to capital expenditure (including intangibles) of R921,3 million (2020: R811,4 million), the investment in LKCA of R155,9 million and proceeds on disposal of fixed assets and assets held-for-sale of R41,8 million (2020: R17,1 million).

The net cash outflow from financing activities of R36,5 million relates mainly to payments on lease liabilities which was partially offset by loans received in our sugar cane-grower companies.

RETURN ON INVESTED CAPITAL

Return on invested capital (ROIC) remains a key metric used by the Group to measure its efficiency and effectiveness of capital allocation. ROIC is calculated using a rolling 12-month net operating profit after tax (including share of profits/losses of associates and joint ventures) divided by invested capital. Unadjusted ROIC is reflected in the table below.

ROIC (%)	**Unadjusted June 2021**	Unadjusted June 2020	% change
Group	**8.5**	(4.8)	13.3ppts
Food Division	**14.3**	(1.6)	15.9ppts
Chicken Division	**(6.0)**	(14.3)	8.3ppts
Vector Logistics	**3.8**	(36.8)	40.6ppts

ROIC has been materially impacted by once-off items and accounting adjustments referred to earlier in the announcement, as well as by cash-generating unit impairments recognised in the prior year. Excluding these items, "underlying" ROIC is reflected in the table below.

ROIC (%)	**Underlying June 2021**	Underlying June 2020	% change
Group	**12.3**	7.3	5.0ppts
Food Division	**27.0**	11.2	15.8ppts
Chicken Division	**(6.9)**	4.0	(10.9)ppts
Vector Logistics	**4.1**	(11.9)	16.0ppts

REVIEW OF OPERATIONS

FOOD DIVISION

The Food Division delivered a strong result, with a record performance in Sugar, which benefited from higher demand, strong cost control and improved sales mix, as well as a significantly improved Baking result and pleasing growth in Groceries. All business units continued to benefit from increased in-home consumption and associated higher demand for pantry essentials. Our "on-the-go" Pies and Beverages operating units, heavily impacted in the prior year by reduced out-of-home consumption, are slowly rebuilding volumes. A focus on internal cost control and progress against key strategic imperatives supported the division's positive overall result. Demand has begun to stabilise in recent months with the special COVID-19 grant coming to an end amidst continuing high unemployment and commodity price pressure.

GROCERIES

	June 2021	June 2020	% change
Revenue (Rm)	**5 522,0**	4 984,2	10.8
EBITDA (Rm)	**557,8**	522,4	6.8
EBITDA margin (%)	**10.1**	10.5	(0.4)ppts
Underlying EBITDA (Rm)	**562,4**	535,9	4.9
Underlying EBITDA margin (%)	**10.2**	10.8	(0.6)ppts

Groceries revenue of R5 522,0 million increased 10.8% on the prior year (2020: R4 984,2 million), driven by a good recovery in Pies volumes and higher prices in Grocery in response to commodity input cost pressure. Underlying EBITDA rose 4.9% to R562,4 million (2020: R535,9 million), mainly as a result of a strong performance in Pet Food and cost savings in Beverages. Underlying margin declined to 10.2% (2020: 10.8%) due to the impact of rising commodity costs which were only partially offset by price increases.

The net direct cost of COVID-19 was R4,5 million (2020: R13,4 million).

Nola is the new market leader in Mayonnaise

Culinary brands remained resilient in 2021. Nola Mayonnaise continued to grow in a competitive market, taking number one spot. The oil segment delivered an exceptional result driven by higher selling prices and a favourable procurement position for sunflower seed relative to imported oil. Yum Yum Peanut Butter volumes and market share held steady during the year despite fierce local competition, aggressive pricing and continued competition from imported peanut butter. Perversely, raw peanut imports attract import duties whereas imported peanut butter does not. This is currently under review by the Department of Trade, Industry and Competition (DTIC).

Sales and market shares on Catmor, Feline Cuisine and Ultra Cat reached new all-time highs

The Group's Pet Food brands continued to perform well, maintaining their category leadership and growing market share despite tough market conditions. The cat food category delivered particularly pleasing volume and value growth, with strong share gains in the Ultra Cat veterinary brand and the Feline Cuisine and Catmor premium and economy supermarket brands. In dog food, Canine Cuisine grew 8.7% in the premium supermarket segment while Optimizor grew by 58% and gained an additional 7.5% share of the co-op channel.

Pieman's sold two million "Big Deal" pies in the first three months of launch

In the Pies operating unit, a key focus has been on regaining volumes lost during the lockdown period when consumers were doing less travelling and making fewer shopping trips. A strong "back to market" recovery plan has seen double digit growth in the forecourt channel, albeit off a low base, with the newly launched Pieman's Big Deal pie making a strong impact. After a brand extension for a key retail customer, this was the second innovation out of the Group's new pies plant which was completed in July 2020 as part of the Pies recovery and growth strategy. Softer demand in the Retail Prepared channel still remains a challenge which, together with rising raw material costs, is placing pressure on margins.

Beverage volumes, also affected by reduced "on-the-go" consumption during the lockdown, are beginning to increase gradually. The main driver behind Beverages' improved result was efficiencies arising from the consolidation of its ultra-high temperature (UHT) volumes into its fresh plant in March 2021.

REVIEW OF OPERATIONS CONTINUED

BAKING

	June 2021	June 2020	% change
Revenue (Rm)	5 849,0	5 195,1	12.6
EBITDA (Rm)	520,6	371,7	40.0
EBITDA margin (%)	8.9	7.2	1.7ppts
Underlying EBITDA (Rm)	529,9	396,1	33.8
Underlying EBITDA margin (%)	9.1	7.6	1.5ppts

Baking delivered an excellent result across all operating units. Revenue of R5 849,0 million improved 12.6% on the prior year (2020: R5 195,1 million) driven by increased in-home consumption and a more favourable sales mix. Underlying EBITDA rose 33.8% to R529,9 million at a margin of 9.1% (2020: R396,1 million at a margin of 7.6%).

The net direct cost of COVID-19 was R9,3 million (2020: R24,4 million).

Aided by higher volumes in the Bread, Buns & Rolls and Speciality operating units, the strong Baking performance was underpinned by focused strategic execution leading to a successful turnaround in the Gauteng bakeries, as well as a more favourable sales mix in the Milling operating unit. Rising commodity input costs were partially offset by an early bread price increase and production efficiencies, supporting improved margins across all operating units.

The R128 million investment in the Polokwane bakery, which commenced during the year, is positioning the Bread, Buns & Rolls category for growth in line with the Baking strategy.

Despite lower volumes, the Milling operating unit's performance has improved considerably by shifting (forward integrating) more of its flour into internal Bread, Buns & Rolls production and improving efficiencies.

34 million units of Speciality products sold during the year

The Speciality operating unit continued to deliver strong results, boosted by volume growth in breads and speciality cakes.

SUGAR (INCLUDING MOLATEK ANIMAL FEED)

	June 2021	June 2020	% change
Revenue (Rm)	**8 397,7**	7 621,8	10.2
EBITDA (Rm)	**900,4**	354,9	153.7
EBITDA margin (%)	**10.7**	4.7	6.0ppts
Underlying EBITDA (Rm)	**907,5**	371,6	144.2
Underlying EBITDA margin (%)	**10.8**	4.9	5.9ppts

Sugar reported a record performance, with revenue climbing 10.2% to R8 397,7 million (2020: R7 621,8 million) and underlying EBITDA increasing 144.2% to R907,5 million at a margin of 10.8% (2020: R371,6 million at a margin of 4.9%).

The net direct cost of COVID-19 was R7,2 million (2020: R16,7 million).

Sugar's record result was mainly driven by increased consumer demand amidst the ongoing COVID-19 lockdown, tight cost control combined with a successful shift in its sales mix towards higher-priced local market sales. Increased local sugar demand and a shrinking industry crop have created a more favourable supply-demand balance. A higher world sugar price has also impacted favourably on export revenue.

Although Sugar's sales volumes were down 3.6% on the prior year, the recovery in local market demand and lower industry production contributed to the improved mix and consequently profit. Undersales is a net sugar industry sales redistribution.

Category	Volumes (tons) 2021	Volumes (tons) 2020	Variance (%)
Local market	**387 639**	389 708	(0.5)
Undersales	**123 848**	47 730	159.5
Raw exports	**191 405**	275 637	(30.6)
Refined exports	**57 516**	75 657	(24.0)
Total	**760 408**	788 732	(3.6)

REVIEW OF OPERATIONS CONTINUED

Selati's speciality sugar grew 2% in a declining category.

While favourable industry factors provided an advantage for Sugar during the year, internal cost management and margin restoration initiatives have been critical in improving profitability in a volatile category. With a focus on "controlling our controllables", efforts to identify and unlock cost savings in the supply chain and in agriculture have delivered exceptional results, further supported by excellent factory performance.

Progress was also made in addressing funding challenges for Sugar's three sugar cane-grower companies, which are 50% owned community-based joint ventures with land claim beneficiaries. A debt restructuring solution has been put in place; however further work is required in this space to ensure future sustainability.

Molatek performed in line with the previous year, with an improvement in volumes offset by an adverse sales mix.

SUGAR INDUSTRY MASTER PLAN

The Sugar Industry Master Plan, signed by government and industry stakeholders in November 2020, seeks to improve the sustainability of the South African sugar industry by increasing consumption of locally-produced *versus* imported sugar, providing adequate protection against dumping from international sugar-producing countries, and diversifying the sugarcane value chain to enable the production of a wider range of globally-competitive sugarcane-based .

RCL FOODS supports the Master Plan and is contributing actively to implementation efforts. So far, industrial users and retailers have committed to a minimum offtake of local sugar and government and industry players have embarked on a concerted "Buy local" campaign to encourage South Africans to buy local sugar products. Despite the multi-stakeholder task teams meeting regularly, progress on the industry restructure has been slow. The year-long conditional exemption granted by the Competition Commission expired on 21 June 2021 and the South African Sugar Association (SASA) has requested an extension to enable engagement to continue.

CHICKEN DIVISION (INCLUDING EPOL ANIMAL FEED)

	June 2021	June 2020	% change
Revenue (Rm)	**10 335,9**	8 813,6	17.3
EBITDA (Rm)	**5,2**	28,2	(81.6)
EBITDA margin (%)	**0.1**	0.3	(0.2)ppts
Underlying EBITDA (Rm)	**98,8**	197,8	(50.1)
Underlying EBITDA margin (%)	**1.0**	2.2	(1.2)ppts

The Chicken Division's performance was significantly behind the prior year. Despite revenue increasing 17.3% to R10 335,9 million (2020: R8 813,6 million), underlying EBITDA dropped 50.1% to R98,8 million at a margin of 1.0% (2020: R197,8 million at a margin of 2.2%). Extra storage costs and supply chain relief measures materially impacted results by R112,4 million (2020: R169,6 million) – the largest portion of the direct COVID-19 costs adjusted out of the underlying Group numbers. This was partially offset by insurance proceeds of R18,8 million.

Chicken's volumes, excluding Epol Animal Feed, increased by 6.5% to 1 092 tons per day over the prior period, with pricing up 8.6%.

The underlying result was mainly impacted by continuing breed performance challenges, significant raw material cost increases and the lingering impacts of the initial COVID-19 lockdown, compounded by Avian Influenza (AI) and, to a lesser extent, industry-wide challenges with Salmonella Enteritis (SE).

The underperformance of the current breed is due to genetic challenges at grandparent level, leading to sub-standard egg production and poor hatchability at parent level. This is being addressed as a key priority and the benefits of the management interventions taken will start to flow through from the 2022 financial year.

The substantial rally in commodity prices during the year has had a negative impact on input costs in both Chicken agriculture and Epol Animal Feed. To support its maize procurement, the business has partnered with a leading international grain and oil seed provider that offers a one-stop solution backed by a wealth of market knowledge and pricing insight. To counter exposure to rising raw material costs, a less energy-dense feed has been implemented in Chicken agriculture and is being monitored to ensure an optimal feed specification.

REVIEW OF OPERATIONS CONTINUED

The prevalence and control of first SE and then AI have posed an added challenge across the South African poultry industry. While the implementation of additional control measures has added to costs and supply chain pressure, the risks are being effectively managed and contracted demand has been met.

While the COVID-19 pandemic continues to affect consumers and the market as a whole, its impact has moderated somewhat since the first half of the year when the Chicken Division had to manage large volumes of excess stock due to the sudden closure of the food service sector. A positive spinoff is that retail and wholesale relationships have been reactivated through the temporary redirection of excess chicken volumes away from food service, and this will be a crucial growth driver going forward.

Simply Chicken remains market leader in the Freezer to Fryer category

Rejuvenating the Rainbow brand is a key focus of the Chicken strategy and the business has actively invested behind this during the year, with promising results. The newly launched Rainbow economy polony has been well received, and the Simply Chicken value-added brand maintained its lead in the freezer-to-fryer category while gaining market share in chilled processed meats.

The business has also set its sights on growing its Epol Animal Feed business into a significant player in the external market, leveraging the strength of the brand to grow volumes and dilute costs.

Underpinning delivery of the business' various efficiency and growth initiatives is its decentralised model which entails managing the elements of the value chain (feed, breed, agriculture, processing, distribution and sales) on a regional basis to ensure lowest cost production and optimal responsiveness.

POULTRY SECTOR MASTER PLAN

Chicken continues to support and actively participate in the Poultry Sector Master Plan which was co-created by government and the private sector. Although significant change is yet to materialise, the Plan has the potential to support domestic growth, expansion and investment. Currently, chicken imports still exceed the volumes produced by the largest South African chicken company and it is hoped that the Master Plan will assist with curtailing dumped imports, promoting domestic production and opening markets for exports of South African chicken.

VECTOR LOGISTICS

	June 2021	June 2020	% change
Revenue (Rm)	**3 153,6**	2 589,4	21.8
EBITDA (Rm)	**282,9**	244,3	15.8
EBITDA margin (%)	**9.0**	9.4	(0.4)ppts
Underlying EBITDA (Rm)	**289,6**	119,4	142.6
Underlying EBITDA margin (%)	**9.2**	4.6	4.6ppts

Vector Logistics had a significantly better year, with revenue increasing 21.8% to R3 153,6 million (2020: R2 589,4 million) mainly as a result of ICL's former principals being included on a full-year basis, compared to seven months in the prior period. Underlying EBITDA improved 142.6% to R289,6 million at a margin of 9.2% (2020: R119,4 million at a margin of 4.6%) as the consolidation of the Vector Logistics and ICL networks reduced the cost base significantly. Included in the prior year result was a net gain on bargain purchase arising on the ICL acquisition of R167,5 million. The net direct cost of COVID-19 was R6,7 million (2020: R42,6 million).

After being significantly impacted by the sudden closure of the food service sector during the hard lockdown, Vector Logistics has seen an improvement in its food service volumes, although these are not yet at pre-COVID-19 levels. Over and above the revenue from ICL's former principals mentioned above, new revenue was generated through additional bulk storage provided to principals due to COVID-19 lockdown impacts, along with increased distribution into retail during the same period. New business gained by Vector Trade Marketing early in the period also contributed to improved revenue.

During the year, Vector Logistics acquired an additional 40.0% of L&A Logistics Limited in Zambia, thus increasing its shareholding in the company to 85.0%. This further strengthens its platform into Africa via its operations in Zambia, Namibia and Botswana. The current year result includes an accounting gain on the deemed disposal of the 45.0% investment of R16,4 million.

EQUITY ACCOUNTED INVESTMENTS

ASSOCIATES

ROYAL ESWATINI SUGAR CORPORATION (RES) (ESWATINI)

RCL FOODS share of RES' after-tax results for the year ended June 2021 was up 8.4% to R128,7 million (2020: R118,7 million). The current year improvement was due to increased selling prices throughout the year as well as strong ethanol sales arising from the demand for alcohol-based sanitiser products.

HMH RAINBOW (HMH) (UGANDA)

HMH's after-tax contribution was a profit of R5,8 million (2020: R1,8 million loss) mainly due to an asset revaluation that was recognised in the current year.

LIVEKINDLY COLLECTIVE AFRICA (LKCA) (SOUTH AFRICA)

During the current year, RCL FOODS and the LKC established a local initiative, LIVEKINDLY Collective Africa. RCL FOODS acquired 49.999% of the issued share capital of LKCA on 1 May 2021. The share of profits for the current year was R0,3 million.

L&A LOGISTICS (L&A) (ZAMBIA)

In February 2021, Vector Logistics increased its shareholding in L&A from 45.0% to 85.0%. This investment resulted in L&A being controlled by Vector Logistics from the effective date of 23 February 2021 and L&A's results are accordingly consolidated from this date. The current year share of profits of R0,7 million was R0,8 million lower than last year (2020: R1,5 million) mainly driven by the prior year including a full year result as well as the impact of foreign exchange losses due to the weakening of the Zambian Kwacha against the Rand and the US Dollar.

JOINT VENTURES

AKWANDZE AGRICULTURAL FINANCE (AKWANDZE) (SOUTH AFRICA)

Akwandze's equity accounted share of after-tax losses was R25,4 million for the 12 months to June 2021 (2020: profit of R3,1 million). The decrease in Akwandze's after-tax profits was mainly driven by losses due to an identified fraud, the insurance recovery for which is anticipated but only in the 2022 financial year. Other negative impacts included the exit of a lending arrangement with the Land Bank resulting in a smaller lending book, an increase in the provision for expected credit losses due to the prevailing economic climate and fewer loans to the cane-growers due to their improved profitability as a result of higher RV prices.

MANANGA SUGAR PACKERS (MANANGA) (ESWATINI)

The Mananga investment contributed an equity share of after-tax profit of R27,3 million for the 12 months to June 2021 (2020: R24,9 million). The improved performance was largely due to improved sales margins.

SENN FOODS LOGISTICS (SENN) (BOTSWANA)

Senn experienced a challenging year due to the negative impact of COVID-19 on many of its key customers, particularly in the Quick Service Restaurant and food service channels. Whilst distribution costs were well managed, revenue and margins came under significant pressure which impacted on profitability. Its after-tax contribution of R9,5 million was R8,7 million down on prior year (2020: R18,2 million).

EMPLOYEE SHARE OWNERSHIP SCHEME

The current B-BBEE schemes, of which the Employee Share Ownership Scheme is the majority participant, were implemented in January 2014 and will vest in the 2022 financial year. These schemes are currently underwater and as part of the Group's announced strategic review, it is considering various options for these schemes. These will be announced in due course.

PROSPECTS

The ongoing economic and social impacts of the COVID-19 pandemic, combined with the fallout of the devastating social unrest in KwaZulu-Natal and Gauteng during July 2021, will put significant strain on the South African economy in coming months. Indications are that a large contraction in the third quarter could counter gains made during the year and prolong the country's economic recovery period. Collaboration between business and government, as already shown during the pandemic and continued through the unrest, will be vital in restoring stability and rebuilding the economy.

Against this backdrop, the significant commodity price surge is expected to continue. This will put strong emphasis on cost recoveries, which may constrain volumes. Crop estimates in South Africa for the next season are however acceptable, which should assist to protect margins over the medium-term. The Group is committed to driving savings in distribution, manufacturing costs and overheads to offset some of the downside risk.

Sugar's momentum is expected to continue into the next financial year. It is however highly unlikely that the business unit will deliver a result of the same magnitude again, given the unusually favourable combination of external factors amplifying its results. Good progress in improving efficiencies and margins have set it on a more sustainable path and these will be a major focus in the next year, along with investigations into diversification opportunities and support for the implementation of the Sugar Industry Master Plan.

Focus, simplicity, agility and relevant innovation will be key to navigating the road ahead. Our Food business is well positioned with a clear strategic focus and growth aspiration.

Key priorities for the coming year include driving further cost efficiencies across all business units, delivering innovations in Grocery, achieving volume growth in Baking, improving volumes in Pies and Beverages, and accelerating execution in terms of the opportunities posed by the LKCA initiative.

A number of exciting new Pet Food innovations are in development for launch in the new financial year, which will further strengthen our category thought leadership status

Acknowledging that the plant-based food market is still in its infancy in the region, market development underpinned by consumer education is critical to grow the plant-based protein category. A key focus of the initiative will be on partnering with retail and food service customers and engaging with consumers to delight them with the products and support them in including more plant-based protein in their diet. LKCA is also exploring opportunities to make its offerings more affordable.

In the Chicken Division, progress has been made to date in addressing the agriculture cost base, and the new management team will accelerate its cost-saving and growth initiatives to restore profitability. These should start to deliver benefits in the 2022 financial year.

The logistics industry is experiencing diminishing margins amidst rising fuel prices, heightened security concerns and the ongoing impacts of COVID-19, among other factors. Innovation and collaboration are central to Vector Logistics' value proposition and are key enablers in its customer-focused recovery strategy – with a core deliverable being the finalisation of its network consolidation project.

At a Group level, we will continue with our plans to unlock value in our portfolio by executing on the strategic outcomes emanating from the portfolio review in a well-considered manner. The next phase in our journey will see us building sustainable shareholder value in scaling strategic components of our business while preserving what makes RCL FOODS unique: our people, our culture, our integrated platform, our compelling brands, and our strong history as a great food business.

CASH DIVIDEND DECLARATION

Notice is hereby given that the directors have declared a final gross cash dividend (number 93) of 30.0 cents (24.0 cents net of dividend withholding tax) for the year ended June 2021.

The dividend has been declared from income reserves.

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

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

The salient dates for the dividend will be as follows:

Publication of declaration data	Monday, 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

Share certificates may not be dematerialised or rematerialised between Wednesday, 27 October 2021 and Friday, 29 October 2021, both days inclusive.

BASIS OF PREPARATION

The summarised consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the information required by IAS 34 Interim Financial Reporting, IFRIC interpretations, SAICA financial reporting guides and circulars and in compliance with the Companies Act of South Africa and the Listings Requirements of the JSE Limited, under the supervision of the Chief Financial Officer, Robert Field CA(SA). The accounting policies comply with IFRS and are consistent with those applied in the previous year and corresponding interim period. These results are extracted from audited information, but are not themselves audited.

The consolidated financial statements were audited by PricewaterhouseCoopers Inc., who expressed an unqualified opinion thereon. The audited consolidated financial statements and the auditor's report thereon are available for inspection on our website www.rclfoods.com or at the Company's registered office and shareholders are advised that, in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report together with the accompanying financial information. The auditor's report does not necessarily report on all the information contained in this announcement. The directors take full responsibility for the preparation of these results and confirm that the financial information has been correctly extracted from the underlying consolidated financial statements. The Integrated Annual Report will be posted to shareholders and made available on RCL FOODS' website on or before 27 September 2021.

RCL FOODS has reported on the retail calendar of trading weeks which treats each financial year as an exact 52-week period, incorporating trade from Monday to Sunday each week. This treatment effectively results in the loss of a day (or two in a leap year) per calendar year. These days are brought to account approximately every six years by including a 53rd week. The financial statements and results for 2021 are presented for the 371-day period ended 4 July 2021, compared to a 364-day period in the previous financial year which ended on 28 June 2020.

RECONCILIATION BETWEEN REPORTED AND UNDERLYING RESULTS

The underlying view of results which is considered *pro forma* financial information in terms of the JSE Listings Requirements, has been presented for illustrative purposes only, to provide users with relevant information and measures used by the Group to assess performance for the period under review. The underlying adjustments have been extracted from the Group's accounting records and is the responsibility of its board of directors. The underlying view of results is a non-IFRS measure and therefore may not fairly present the Group's financial position, changes in equity, results of operations or cash flows for the periods presented. This *pro forma* financial information has been reported on by the Group's auditors, being PricewaterhouseCoopers Inc., and their independent reporting accountant's report is available for inspection at the Group's registered offices and on the RCL FOODS website, https://rclfoods.com/financial-results-and-reports-2021/.

June 2021 (Rm)	Unadjusted results	COVID-19 direct costs	Underlying results
EBITDA	2 409,1	**121,3**	2 530,4
Food Division	1 978,8	**21,0**	1 999,8
Groceries	557,8	**4,5**	562,4
Baking	520,6	**9,3**	529,9
Sugar	900,4	**7,2**	907,5
Chicken Division	5,2	**93,6**	98,8
Vector Logistics	282,9	**6,7**	289,6
Group	142,3		142,3
EPS (cents)	111.8	**9.8**	121.6
Headline earnings	958,1	**87,3**	1 045,5
HEPS (cents)	107.9	**9.8**	117.7

June 2020 (Rm)	Unadjusted results	COVID-19 direct costs	Cash-generating unit impairments	Gain on bargain purchase	Underlying results
EBITDA	1 636,0	**266,8**		**(167,5)**	1 735,3
Food Division	1 249,1	**54,5**			1 303,6
Groceries	522,4	**13,4**			535,9
Baking	371,7	**24,4**			396,1
Sugar	354,9	**16,7**			371,6
Chicken Division	28,2	**169,6**			197,8
Vector Logistics	244,3	**42,6**		**(167,5)**	119,4
Group	114,5				114,5
EPS (cents)	(103.0)	**21.9**	**142.7**	**(19.1)**	42.5
Headline earnings	114,6	**192,1**		**79,2**	385,9
HEPS (cents)	13.1	**21.9**		**9.0**	44.0

RECONCILIATION BETWEEN REPORTED AND UNDERLYING RESULTS CONTINUED

Unadjusted information has been extracted without adjustment from the consolidated annual financial statements for the year ended June 2021.

- COVID-19 relates to the negative impact arising from COVID-19 direct costs incurred and excludes any revenue impact. This is disclosed net of insurance proceeds received in the current year. Direct costs associated with COVID-19 include, but are not limited to, additional casual labour and overtime costs arising as a result of lockdown capacity constraints; amounts spent on personal, protective equipment for our employees; transportation of employees to and from home to ensure staff safety, which has now ceased; deep cleaning costs incurred as a result of COVID-19; additional storage due to stock-builds; and the supply chain relief driven by excess stock levels.
- Cash-generating unit impairments relate to impairments processed in the prior year largely due to a lower forecast of growth into the future and the lingering impact of COVID-19 throughout the business.
- Gain on bargain purchase relates to the gain arising from the initial accounting for the Vector Logistics acquisition of ICL and is considered a “once-off” profit.

The headline earnings impact of the underlying adjustments in the table above differs from EBITDA mainly due to the impact of taxation and certain elements of the gain on bargain purchase being headline earnings exclusions.

For and on behalf of the Board

JJ Durand
Non-executive Chairman

M Dally
Chief Executive Officer

Durban
6 September 2021

CORPORATE INFORMATION

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

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

Company secretary: JMJ Maher

Registration number: 1966/004972/06

JSE share code: RCL

ISIN: ZAE000179438

Registered office: RCL Foods Limited, Ten The Boulevard, Westway Office Park, Westville, 3629

Transfer secretaries: Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196

Auditors: PricewaterhouseCoopers Inc.

Sponsor: RAND MERCHANT BANK (a division of FirstRand Bank Limited)

Bankers: Absa Bank Limited, FirstRand Bank Limited, Investec Bank Limited, Nedbank Limited and Standard Bank of South Africa Limited

Website: www.rclfoods.com

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	4 July 2021 R'000	28 June 2020 R'000
ASSETS		
Non-current assets		
Property, plant and equipment	**5 559 851**	5 285 323
Right-of-use asset	**1 105 221**	1 383 754
Intangible assets	**1 667 018**	1 737 932
Investment in joint ventures	**287 828**	310 309
Investment in associates	**853 866**	676 856
Deferred income tax asset	**99 742**	86 428
Loans receivable	**49 375**	66 964
Trade and other receivables	**24 597**	23 060
Investment in financial asset	**214 138**	137 039
Goodwill	**1 992 947**	1 939 123
	11 854 583	11 646 788
Current assets		
Inventories	**3 171 386**	2 980 665
Biological assets	**955 343**	805 088
Trade and other receivables	**5 427 265**	5 965 279
Derivative financial instruments	**62 979**	9 723
Tax receivable	**32 503**	44 358
Loan receivable		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		
Capital and reserves	**10 693 667**	9 821 976
LIABILITIES		
Non-current liabilities		
Interest-bearing liabilities	**2 274 763**	2 477 189
Lease liabilities	**1 250 568**	1 482 769
Deferred income tax liabilities	**1 051 561**	1 034 622
Retirement benefit obligations	**106 900**	101 269
Trade and other payables	**461**	3 059
	4 684 253	5 098 908
Current liabilities		
Trade and other payables	**6 083 071**	6 973 515
Deferred income	**2 078**	2 741
Interest-bearing liabilities	**690 210**	243 036
Lease liabilities	**164 481**	162 509
Derivative financial instruments	**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

	Year ended June 2021 R'000	Year ended June 2020 R'000
Revenue from contracts with customers	**31 687 850**	27 803 611
Operating profit before depreciation, amortisation and impairment^ (EBITDA)	**2 409 135**	1 636 037
Depreciation, amortisation and impairment^	**(932 330)**	(2 441 834)
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
Share of profits of associates	**135 553**	118 338
Impairment of associate		(18 897)
Profit/(loss) before tax	**1 334 581**	(1 114 818)
Income tax expense	**(338 824)**	155 780
Profit/(loss) for the period	**995 757**	(959 038)
Attributable to:		
Equity holders of the company	**992 909**	(901 396)
Non-controlling interests	**2 848**	(57 642)
HEADLINE EARNINGS		
Profit/(loss) for the period attributable to equity holders of the company	**992 909**	(901 396)
(Profit)/loss on disposal of property, plant and equipment and assets held-for-sale	**(18 225)**	257
Bargain purchase gain		(246 740)
Insurance proceeds	**(1 234)**	(5 871)
Impairments of fixed assets and intangibles	**7 070**	1 249 463
Gain on deemed disposal of L&A	**(16 396)**	
Change in ownership of associate	**(2 298)**	
Profit on disposal of property, plant and equipment included in equity accounted earnings of associates	**(247)**	
Net impairments included in equity accounted earnings of associates	**(1 858)**	
Gain on bargain purchase included in equity accounted earnings of associates	**(1 582)**	
Impairments of associate		18 897
Headline earnings*	**958 139**	114 610
	Cents	Cents
Earnings per share attributable to equity holders of the company		
Basic earnings per share	**111.8**	(103.0)
Basic earnings per share – diluted	**111.7**	(102.9)
Headline earnings per share*	**107.9**	13.1
Headline earnings per share – diluted*	**107.7**	13.1

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

* *Headline earnings for the 2020 financial year have been restated to align with the requirements of Circular 1/2021 which is effective for the year ended June 2021.*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	June 2021 R'000	June 2020 R'000
Profit/(loss) for the period	**995 757**	(959 038)
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified to profit and loss		
Remeasurement of retirement medical obligations – net of tax	**185**	18 982
Share of associates other comprehensive income	**543**	408
Items that may be reclassified subsequently to profit and loss		
Currency translation differences	**(12 279)**	11 389
Other comprehensive income for the period – net of tax	**(11 551)**	30 779
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**984 206**	(928 259)
Total comprehensive income for the period attributable to:		
Equity holders of the company	**981 358**	(870 617)
Non-controlling interests	**2 848**	(57 642)
	984 206	(928 259)

CONSOLIDATED CASH FLOW INFORMATION

	June 2021 R'000	June 2020 R'000
OPERATING PROFIT/(LOSS)	**1 476 805**	(805 797)
Non-cash items	**557 306**	2 057 895
OPERATING PROFIT BEFORE WORKING CAPITAL REQUIREMENTS	**2 034 111**	1 252 098
Working capital requirements		
Movement in inventories	**(176 336)**	127 903
Movement in biological assets	**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
CASH GENERATED BY OPERATIONS	**1 627 425**	2 571 384
Net finance cost	**(216 592)**	(257 724)
Tax paid	**(335 127)**	(47 852)
CASH AVAILABLE FROM OPERATING ACTIVITIES	**1 075 706**	2 265 808
Dividend received	**96 046**	69 197
Dividends paid	**(225 316)**	(221 751)
Cash outflows 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 businesses	**(4 528)**	110 000
Investment in financial asset		(114 196)
Acquisition of associate	**(155 949)**	
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 and intangible assets	**37 169**	6 769
Net cash outflow from investing activities	**(1 042 781)**	(818 469)
Cash outflows from financing activities		
Repayment of interest-bearing liabilities	**(421 775)**	(265 013)
Advances of interest-bearing liabilities	**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 period	**1 030 041**	(110 378)
Exchange rate translation	**(198)**	
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**896 969**	1 030 041

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Stated capital R'000	Share-based payments R'000	Other reserves R'000	Common control reserve R'000	Retained earnings R'000	Controlling interest total R'000	Non-controlling interest R'000	Total R'000
Balance at 30 June 2019	10 134 574	729 273	(169)	(1 919 832)	1 886 781	10 830 627	3 399	10 834 026
Loss for the period					(901 396)	(901 396)	(57 642)	(959 038)
Other comprehensive income for the period			11 389		19 390	30 779		30 779
BEE share-based payments charge		17 600				17 600		17 600
Employee share option scheme:					1			
Value of employee services		120 359				120 359		120 359
Equity component of tax on share-based payments		1						1
Exercise of employee share options	183 505	(183 505)						
Ordinary dividend paid					(220 251)	(220 251)	(1 500)	(221 751)
Balance at 28 June 2020	10 318 079	683 728	11 220	(1 919 832)	784 524	9 877 719	(55 743)	9 821 976
Profit for the period					992 909	992 909	2 848	995 757
Other comprehensive income for the period			(12 279)		728	(11 551)		(11 551)
BEE share-based payments charge		17 600				17 600		17 600
Employee share option scheme:								
Value of employee services		74 897				74 897		74 897
Equity component of 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 dividend 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**

SUPPLEMENTARY INFORMATION

		June 2021 R'000	June 2020 R'000
Capital expenditure contracted and committed		**513 988**	325 800
Capital expenditure approved but not contracted		**394 781**	279 079

STATISTICS

Statutory ordinary shares in issue (includes BEE shares)	(000's)	**959 004**	959 004
Ordinary shares in issue for accounting purposes	(000's)	**888 246**	888 246
Weighted average ordinary shares in issue	(000's)	**888 246**	875 497
Diluted weighted average ordinary shares in issue	(000's)	**889 274**	876 172
Net asset value per share	(cents)	**1 203.9**	1 105.8
Ordinary dividends per share:			
Interim dividend declared	(cents)	**15.0**	15.0
Final dividend declared	(cents)	**30.0**	10.0
Total dividends	(cents)	**45.0**	25.0

SEGMENTAL ANALYSIS

	June 2021 R'000	June 2020 R'000
Revenue from contracts with customers	**31 687 850**	27 803 611
Food Division	**19 768 620**	17 801 120
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#	**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	**(194 367)**	(103 369)
Baking sales to Groceries	**(151 431)**	(123 830)
Baking sales to Sugar	**(1 253)**	
Baking sales to Chicken	**(113 523)**	(106 229)
Sugar sales to Groceries	**(82 214)**	(70 100)
Sugar sales to Baking	**(67 746)**	(59 676)
Sugar sales to Chicken	**(1 609)**	(2 257)
Chicken 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	**(773 327)**	(731 544)
Group sales to Chicken	**(42 562)**	(20 493)
Operating profit before depreciation, amortisation and impairment^ (EBITDA)	**2 409 135**	1 636 037
Food Division	**1 978 790**	1 249 096
Groceries	**557 843**	522 415
Baking	**520 586**	371 745
Sugar	**900 361**	354 936
Chicken Division	**5 199**	28 200
Vector Logistics	**282 859**	244 266
Group^z	**142 287**	114 475
Depreciation and amortisation	**(922 511)**	(935 551)
Impairments^	**(9 819)**	(1 506 283)
Operating profit/(loss)	**1 476 805**	(805 797)
Food Division	**1 542 894**	71 908
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^z	**55 924**	49 359

Group revenue relates to management fees for shared services.

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

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

SEGMENTAL ANALYSIS CONTINUED

	June 2021 R'000	June 2020 R'000
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	**9 499**	18 180
Share of profits/(loss) of associates	**135 553**	118 338
Sugar	**128 697**	118 744
Ugandan Operation and LKCA*	**6 150**	(1 861)
Vector	**706**	1 455
Impairment of Ugandan Operation		(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	**4 210 125**	4 242 863
Vector Logistics	**5 391 247**	5 835 607
Unallocated Group assets**	**1 628 703**	1 811 929
Ugandan operation	**41 474**	37 464
LKCA*	**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	**1 560 554**	1 788 261
Vector Logistics	**4 606 620**	5 712 356
Unallocated Group liabilities**	**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

* *LKCA was aquired in May 2021 and its results have been equity accounted from acquisition date.*
** *Includes assets and liabilities of the Group's shared services and treasury companies, Matzonox Proprietary Limited and consolidation entries.*

REVENUE

	June 2021 R'000	June 2020 R'000
Disaggregation of revenue from contracts[1] with customers		
REVENUE	**31 687 850**	27 803 611
FOOD DIVISION	**19 768 620**	17 801 120
Groceries	**5 521 971**	4 984 240
Groceries	**4 813 011**	4 454 350
Sundry sales[z]	**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[z]	**341 159**	307 060
VECTOR LOGISTICS	**3 153 570**	2 589 368
GROUP[#]	**194 728**	166 188
SALES BETWEEN SEGMENTS	**(1 764 957)**	(1 566 646)
Timing of revenue recognition[2]	**31 687 850**	27 803 611
Point in time	**29 432 885**	26 087 091
Over time	**2 254 965**	1 716 520

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

[#] Group revenue relates to management fees earned for shared services performed for Siqalo Foods Proprietary Limited, the revenue earned by Matzonox Proprietary Limited and income earned from shared services provided to LKCA.

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

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

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