RCL FOODS LIMITED

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE

2023

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## REGULATORY APPROVALS



## GROUP FINANCIAL STATEMENTS



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## SHARE AND SHAREHOLDER INFORMATION

# APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

for the year ended June 2023

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

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

In preparing the Annual Financial Statements, the Group has used appropriate accounting policies, supported by reasonable judgements and estimates, and has complied with all applicable accounting standards. The Directors are of the opinion that the Annual Financial Statements present fairly the financial position of the Company and the Group at June 2023 and the results of its operations for the year then ended. The Directors are also of the opinion that the Group will continue as a going concern in the year ahead.

The Annual Financial Statements set out on pages 15 to 137, which have been prepared on the going concern basis, were approved by the Board of Directors on 1 September 2023 and are signed on its behalf by:

**JJ Durand**
*Non-executive Chairman*

**PD Cruickshank**
*Chief Executive Officer*

1 September 2023

# STATEMENT OF RESPONSIBILITY

for the year ended June 2023

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

- the Annual Financial Statements set out on pages 15 to 137, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;
- to the best of our knowledge and belief 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 issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer;
- 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 as Executive Directors with primary responsibility for implementation and execution of controls;
- where we are not satisfied, we have disclosed to the Audit Committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls and have taken steps to remedy the deficiencies; and
- we are not aware of any fraud involving Directors.

**PD Cruickshank**
*Chief Executive Officer*
1 September 2023

**RH Field**
*Chief Executive Officer*

# CERTIFICATE BY THE COMPANY SECRETARY

for the year ended June 2023

I hereby certify that in respect of the year ended June 2023, 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.

**LG Kelso**
*Company Secretary*
1 September 2023

# REPORT OF THE AUDIT COMMITTEE

for the year ended June 2023

This report sets out how the Audit Committee discharged its responsibilities during the financial year ended June 2023 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 four independent non-executive directors, and the Chairman of the Risk Committee (*ex-officio*), Mr GC Zondi. Mrs CJ Hess retired on 9 November 2022 and Ms GP Dingaan was appointed to the Board, and as the Chairperson of the Committee. All members of the Committee have the requisite financial literacy, knowledge and commercial skills and experience to contribute effectively to committee deliberations.

The Committee met four times during the year as per the Audit Committee charter. The Chief Executive Officer (CEO), Chief Financial Officer (CFO), Internal Audit Director (IAD), Group Finance Director (FD) and the external audit partners 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 | 25 August 2022 | 2 September 2022 | 2 March 2023 | 22 June 2023 |
|---|---|---|---|---|---|---|
| GP Dingaan[1] | BCom (Acc), HDip (Acc), CA(SA) | **November 2022** | **N/A** | **N/A** | **Present** | **Present** |
| CJ Hess[1] | BCom, PGDA, CA(SA) | **June 2018** | **Present** | **Present** | **Retired** | **Retired** |
| NP Mageza | ACCA (UK) | **September 2009** | **Present** | **Present** | **Present** | **Present** |
| DTV Msibi | BBusSc, BCom (Hons), MCom, CA(SA) | **August 2013** | **Present** | **Present** | **Present** | **Present** |
| GM Steyn | BA (LLB) | **March 2019** | **Present** | **Present** | **Present** | **Present** |
| GC Zondi[2] | BCompt (Hons), AGA(SA) | **July 2018** | **Present** | **Present** | **Present** | **Present** |

[1] *Committee Chairperson.*
[2] *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 9 November 2022 that NP Mageza, DTV Msibi and GM Steyn be re-appointed as members of the Audit Committee until the next Annual General Meeting on 16 November 2023.

# REPORT OF THE AUDIT COMMITTEE CONTINUED

for the year ended June 2023

## 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 integrated reporting, ensures application of the combined assurance model, reviews the finance function, forms an integral component of the risk management process and provides oversight of both external audit and internal audit.

The Audit Committee has discharged its key responsibilities as follows:

- Reviewed the interim results, year-end financial statements and Integrated Annual Report, in the course of its review, the Committee:
  - » Took appropriate steps to ensure that the financial statements are prepared in accordance with International Financial Reporting Standards (IFRS);
  - » Considered and, when appropriate, made recommendations on financial statements, accounting practices and internal financial controls;
  - » Ensured that the Group has established appropriate financial reporting procedures and that those procedures operate effectively;
  - » Ensured that sustainability disclosures did not conflict with the financial information; and
  - » Took into consideration the process of proactive monitoring of financial statements for compliance with IFRS in terms of the JSE proactive monitoring report;
- Provide oversight in respect of financial reporting risks, internal financial controls, fraud risk and IT risk as it relates to financial reporting;
- Confirmed the Internal Audit charter and internal audit plan;
- 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, and the external audit partner, in line with applicable legislation;
- 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.

## 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 2023 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 the Group for 2023. The Committee continually monitors the independence and objectivity of the external auditors, and satisfied itself in relation to the ethical requirements. 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 as designated auditor complies with the JSE Listings Requirements, and that he is within his tenure and rotation requirements.

The Committee has reviewed the external 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 2023 financial year to PwC were R24,9 million (2022: R26,2 million), R5,4 million (2022: R2,3 million) of which related to non-audit services.

Ernst & Young Inc (EY) conducted the external audit for certain subsidiaries of the Group for the year ended June 2023. Total fees incurred during the 2023 financial year to EY were R3,9 million.

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

The Group will propose a resolution at the Annual General Meeting to rotate external auditors for the 2024 financial year. This follows the non-binding advisory vote which was passed at the 2021 AGM endorsing the potential appointment of EY as the Company's external auditor for the 2024 financial year. The Audit Committee has nominated, for election at the Annual General Meeting, EY as the external audit firm responsible for performing the functions of external auditor for the 2024 financial year.

The Audit Committee has requested the information detailed in section 22.15(h) of the JSE Listings Requirements from EY. 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 EY in terms of section 22.15(h) of the JSE Listings Requirements in its assessment. During the year, the audit partner from EY has attended meetings of the Committee by invitation.

## INTERNAL AUDIT

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

Internal Audit comprises a dedicated team of appropriately qualified and technically experienced personnel. Where necessary, certain audits are outsourced to consultants with appropriate skills and technical expertise. The activities of the Internal Audit function are co-ordinated by the 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 fulfil this role and that he had performed appropriately during the year under review.

## INTERNAL FINANCIAL CONTROLS

The Committee is satisfied that the Group's system of internal financial controls is effective and forms a basis for the preparation of reliable financial statements. This 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.

**GP Dingaan**

*Audit Committee Chairperson*

1 September 2023

# REPORT OF THE DIRECTORS

for the year ended June 2023

## NATURE OF BUSINESS

RCL Foods Limited's (RCL FOODS) vision is to be a purpose-led business that delivers value for all and creates the fuel to fund enduring positive impact.

It is the holding company of five principal operating subsidiaries, RCL Foods Consumer Proprietary Limited, RCL Foods Sugar & Milling Proprietary Limited, RCL Group Services Proprietary Limited, Foodcorp Proprietary Limited and Vector Logistics Proprietary Limited.

## STATED CAPITAL

There was an increase in issued share capital in the current financial year of 778 582 ordinary shares (2022: 1 222 393) relating to shares issued in terms of share incentive schemes. In addition, 63 830 231 shares were de-listed as part of the unwind of the Group's B-BBEE scheme. 150 000 shares were repurchased from a minority shareholder who exercised appraisal rights as part of the B-BBEE scheme unwind. At the reporting date unexercised share appreciation rights totalling 139 116 637 (2022: 157 763 657) had been granted to participants. At the reporting date the unexercised rights relating to the Conditional Share Plan was nil (2022: 604 228).

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

## PRESENTATION DATE OF FINANCIAL RESULTS

The results for the current year have been reported on the retail calendar of trading weeks, which treats each financial year as an exact 52-week period. 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 2023, and all references thereto within the results, are presented for the 52-week period ended 2 July 2023.

## FINANCIAL RESULTS

The profit for the year from continuing operations attributable to owners of the parent amounted to R542,8 million (2022: R951,1 million). This translates into a headline earnings per share from continuing operations of 60.6 cents (2022: 111.5 cents) based on the weighted average shares in issue during the year.

## VECTOR LOGISTICS DISCONTINUED OPERATION

In March 2023 the Group entered into a binding agreement with EMIF II Investment Proprietary Limited, a subsidiary of A.P. Møller Capital, to purchase the Vector Logistics segment. The Vector Logistics segment, which represents a separate major line of business, has been disclosed as held for sale in accordance with IFRS 5 and presented as a discontinued operation in these results. Comparatives have been restated in accordance with IFRS 5, where applicable.

## DIVIDENDS

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

### Interim dividend

There was no interim dividend declared or paid during the 2023 financial year.

### Final dividend

The directors have resolved not to declare a final dividend in order to preserve cash whilst the repositioning of the portfolio is in progress.

## B-BBEE TRANSACTIONS

RCL FOODS' B-BBEE transactions were implemented during the 2014 financial year resulting in the issues of 44 681 162 shares to the RCL Employee Trust, 19 149 069 shares to Business Venture Investments 1763 Proprietary Limited (BVI 1763) and 6 928 406 shares to Malongoana Investments (RF) Proprietary Limited.

These transactions are treated as options and therefore has no impact on the per share calculations.

During the prior financial year, the B-BBEE scheme related to the issue of 6 928 406 ordinary shares to Malongoana Investments (RF) Proprietary Limited came to an end. The shares issued in terms of this transaction were repurchased by RCL FOODS, and cancelled. This transaction had no impact on the shares in issue for accounting purposes of the Group.

The Group's B-BBEE scheme relating to the remaining shares came to an end in May 2022 and was closed out in February 2023. At close-out, the scheme was underwater due to the performance of the share price since inception. The ordinary shares issued to the RCL Employee Share Trust and BVI 1763 were repurchased on 23 February 2023, in accordance with the Companies Act and the provisions of the original agreements entered into. This transaction had no impact on the shares in issue for accounting purposes of the Group.

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 Directorate section of the Abridged Integrated Annual Report.

## DIRECTORS' SHAREHOLDINGS

At the date of this report, the directors in aggregate held direct beneficial interests in 2 122 841 (2022: 2 122 841) ordinary shares in the Company and had indirect beneficial interests in 386 (2022: 667 638) ordinary shares. Details of Directors' shareholdings are set out in note 31 of the notes to the consolidated financial statements.

## SUBSEQUENT EVENTS

The disposal of the Vector Logistics segment, which has been presented as held for sale at current reporting date, was finalised on 28 August 2023, resulting in a net cash receipt of R1 307,0 million, comprising the purchase price of R1 250,0 million, plus interest of R70,3 million from 1 March 2023 and less the post-tax share option liability of Vector of R13,4 million. The profit/loss on disposal of the Vector Logistics segment will be recognised in the 2024 financial year.

The purchase price is in excess of the net carrying value of the Vector Logistics segment and as a result no write-down to fair value was required in the 2023 results in accordance with IFRS 5. The purchase price is subject to certain EBITDA targets being met, which may result in a future adjustment of up to R100,0 million increase/decrease in the purchase price.

# INDEPENDENT AUDITOR'S REPORT

for the year ended June 2023

## 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 2 July 2023, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

### What we have audited

RCL Foods Limited's consolidated and separate financial statements set out on pages 15 to 137 comprise:

- the consolidated and company statements of financial position as at 2 July 2023;
- the consolidated income statement for the year then ended;
- the consolidated 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.

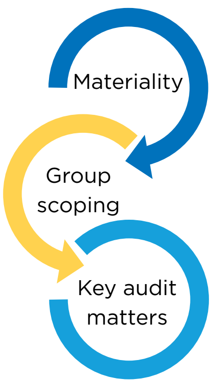
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### 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***

- *R188,9 million, which represents 0.5% of consolidated revenue from contracts with customers from continuing operation.*

***Group audit scope***

- *The consolidated financial statements comprise the holding company, thirty-eight subsidiaries, four joint ventures and three associates. For twelve entities, full scope audits were carried out, audits over significant balances and transactions were performed over a further six entities, and analytical procedures were performed for the remaining entities.*

***Key audit matters***

- *Impairments of goodwill, indefinite life intangible assets and property, plant and equipment*
- *Impairment assessment of investment in subsidiaries (applicable to the company financial statements)*

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

## Materiality

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

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

| | |
|---|---|
| *Overall group materiality* | R188,9 million |
| *How we determined it* | 0.5% 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.<br><br>We selected 0.5% 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-eight subsidiaries, four joint ventures and three 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 twelve components and audits 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 twenty-eight 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 two non-PwC firms 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 year. 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">Impairments 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>
Refer to the following notes to the consolidated financial statements for detail:
Note 1 – Property, plant, equipment and Right of Use Assets
Note 2 – Intangible Assets
Note 3 – Impairments
A significant portion of the Group's total assets relate to goodwill with a carrying value of R1,95 billion, trademarks with indefinite useful lives with a carrying value of R1,31 billion, as well as property, plant and equipment with a carrying value of R6,35 billion. For the year, impairments amounting to R70,3 million were recognised in the consolidated profit.
International Accounting Standard (IAS) 36 – Impairment of assets ("IAS 36") requires an impairment test to be performed annually on cash generating units or groups of cash generating units (CGUs) where goodwill and indefinite life intangible assets exist and for all other CGUs when there are indicators that these may be impaired. As described in the notes to the consolidated financial statements, management have assessed all CGUs for impairment, or reversals thereof in the current year.
The continued high agricultural commodity input costs along with loadshedding, have had a negative impact on the global and local economy in the current year. These are indicators that certain 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 the notes to the consolidated financial statements where these key assumptions are further described.
Management's assessment indicated the need for impairments which are detailed in Note 1.
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:
<ul>
<li>the significant judgement and estimates applied by management in the determination of the recoverable amounts of the respective CGUs; and</li>
<li>the magnitude and size of the related goodwill, trademarks and property, plant and equipment balances in relation to the consolidated financial statements.</li>
</ul>
</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:
<ul>
<li>testing the mathematical accuracy of management's impairment assessments, noting no material exceptions;</li>
<li>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;</li>
<li>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;</li>
<li>utilising 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 this discount rate to be within a reasonable range of our independent discount rate;</li>
<li>assessing the reasonableness of the growth rates assumed by comparing them to economic and industry forecasts. We found these rates to be within a reasonable range of the economic and industry forecasts.</li>
<li>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</li>
</ul>
For the Chicken, Pies, Beverages and Speciality CGUs, we further:
<ul>
<li>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</li>
<li>We assessed the disclosures in the notes to the consolidated financial statements against the requirements of IAS 36 – Impairment of assets and found them to be appropriate.</li>
</ul>
</td></tr>
</table>

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Impairment assessment of investments in subsidiaries<br><br>This key audit matter relates to the company financial statements.</td></tr>
<tr><td>Refer to the following note to the company financial statements for detail:<br><br>Note 1 – Investment in Subsidiaries and Group Companies<br><br>The carrying value of investments in subsidiaries recognised in the separate financial statements amounted to R9,7 billion as at 2 July 2023.<br><br>Investments in subsidiaries are carried at cost less impairment losses in the separate financial statements. No impairment charge was recognised in the current year.<br><br>Where an impairment indicator is identified, 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.<br><br>The continued high agricultural commodity input costs along with loadshedding, have had a negative impact on the global and local economy in the current year. This is an indicator of impairment for certain investments in subsidiaries.<br><br>We considered the impairment assessment of the investment in subsidiaries – RCL Foods Consumer to be a matter of most significance to the current year audit due to the following:<br><br>• degree of estimation uncertainty and the judgement applied by management in performing the impairment assessments; and<br>• the magnitude of these balances in relation to the company financial statements.</td><td>Our audit addressed this key audit matter as follows:<br><br>We obtained an understanding of the approach followed by management in assessing the recoverable amount of investments in subsidiaries.<br><br>We assessed the recoverable amount of the investment 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.<br><br>We recalculated and compared the recoverable amount of the relevant value-in-use calculations to the carrying values of the applicable investment in RCL Foods Consumer and based on our assessment noted no impairments to be recognised.</td></tr>
</table>

## 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 2023", which includes the Report of the Directors, Report of the Audit Committee and the Certificate by the Company Secretary as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and the other sections of the document titled "RCL Foods Limited Abridged Integrated Annual Report", which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

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

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

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

## Responsibilities of the Directors for the consolidated and separate financial statements

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current year 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.

# INDEPENDENT AUDITOR'S REPORT CONTINUED

for the year ended June 2023

## Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of RCL Foods Limited for 19 years.

PricewaterhouseCoopers Inc

**PricewaterhouseCoopers Inc.**

**Director: RD Klute**

*Registered Auditor*

Durban, South Africa

1 September 2023

*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.*

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at

| | Note | 2 July 2023 R'000 | 3 July 2022 R'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant, equipment and right-of-use assets | 1 | **6 349 203** | 6 886 623 |
| Intangible assets | 2 | **3 572 409** | 3 488 171 |
| Investment in joint ventures | 4 | **211 240** | 307 135 |
| Investment in associates | 5 | **942 333** | 822 991 |
| Deferred income tax asset | 19 | **42 289** | 45 435 |
| Investment in financial asset | 7 | **149 936** | 241 976 |
| Loans receivable | 6 | **12 000** | 31 095 |
| Trade and other receivables | 10 | | 26 289 |
| | | **11 279 410** | 11 849 715 |
| **Current assets** | | | |
| Inventories | 8 | **3 722 105** | 3 147 177 |
| Biological assets | 9 | **1 317 386** | 1 231 829 |
| Trade and other receivables | 10 | **2 157 318** | 6 099 577 |
| Derivative financial instruments | | **28 144** | 4 597 |
| Tax receivable | | **14 761** | 18 997 |
| Loans receivable | 6 | **59 233** | |
| Cash and cash equivalents | | **224 373** | 1 590 267 |
| | | **7 523 320** | 12 092 444 |
| Assets of disposal group classified as held for sale | 11 | **6 498 631** | 33 135 |
| **Total assets** | | **25 301 361** | 23 975 294 |
| **EQUITY** | | | |
| Stated capital | 12 | **10 340 765** | 10 334 136 |
| Share-based payments reserve | 13 | **925 070** | 863 744 |
| Other reserves | 14 | **2 502** | 1 995 |
| Common control reserve | | **(1 919 832)** | (1 919 832) |
| Retained earnings | | **2 528 980** | 2 169 240 |
| Equity attributable to the equity holders of the Company | | **11 877 485** | 11 449 283 |
| Non-controlling interests | | **(156 180)** | (59 951) |
| **Total equity** | | **11 721 305** | 11 389 332 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Deferred income | | **3 277** | 4 474 |
| Interest-bearing liabilities | 16 | **807 200** | 2 269 311 |
| Deferred income tax liabilities | 19 | **1 006 332** | 1 040 157 |
| Retirement benefit obligations | 15 | **65 974** | 115 725 |
| Trade and other payables | 18 | **10 858** | |
| | | **1 893 641** | 3 429 667 |
| **Current liabilities** | | | |
| Trade and other payables | 18 | **4 594 257** | 7 800 799 |
| Deferred income | | **2 211** | 2 768 |
| Interest-bearing liabilities | 16 | **2 123 292** | 1 266 605 |
| Derivative financial instruments | | **3 670** | 2 018 |
| Current income tax liabilities | | **100 894** | 58 629 |
| Bank overdraft | | **865 000** | 24 459 |
| | | **7 689 324** | 9 155 278 |
| Liabilities of disposal group classified as held for sale | 11 | **3 997 091** | 1 017 |
| **Total liabilities** | | **13 580 056** | 12 585 962 |
| **Total equity and liabilities** | | **25 301 361** | 23 975 294 |

# CONSOLIDATED INCOME STATEMENT

for the year ended June 2023

| | Note | 2023 R'000 | *Restated 2022 R'000 |
|---|---|---|---|
| **Continuing Operations** | | | |
| **Revenue from contracts with customers** | 20 | **37 782 948** | 32 200 777 |
| Operating profit before depreciation, amortisation and impairments (EBITDA)[1] | | **1 711 457** | 2 265 370 |
| Depreciation, amortisation and impairments[2] | | **(924 725)** | (798 853) |
| **Operating profit[3]** | 21 | **786 732** | 1 466 517 |
| Finance costs | 22 | **(376 069)** | (241 019) |
| Finance income | 23 | **38 726** | 39 475 |
| Share of profits of joint ventures | 4 | **36 185** | 26 113 |
| Share of profits of associates | 5 | **193 360** | 17 752 |
| **Profit before tax** | | **678 934** | 1 308 838 |
| Income tax expense | 24 | **(242 325)** | (394 904) |
| **Profit for the period from continuing operations** | | **436 609** | 913 934 |
| **Profit for the period from discontinued operation** | 11 | **76 299** | 63 750 |
| **Profit for the period** | | **512 908** | 977 684 |
| Attributable to: | | | |
| Equity holders of the Company | | **616 237** | 1 013 361 |
| – from continuing operations | | **542 788** | 951 066 |
| – from discontinued operation | 11 | **73 449** | 62 295 |
| Non-controlling interests | | **(103 329)** | (35 677) |
| – from continuing operations | | **(106 179)** | (37 132) |
| – from discontinued operation | 11 | **2 850** | 1 455 |
| | | **512 908** | 977 684 |
| **Earnings per share attributable to equity holders of the Company** | 25 | | |
| **Basic earnings per share** | (cents) | **69.3** | 114.0 |
| – from continuing operations | (cents) | **61.0** | 107.0 |
| – from discontinued operation | (cents) | **8.3** | 7.0 |
| **Diluted earnings per share** | (cents) | **68.7** | 113.1 |
| – from continuing operations | (cents) | **60.5** | 106.1 |
| – from discontinued operation | (cents) | **8.2** | 7.0 |

[1] *Includes net expected credit losses raised on loans receivable and trade and other receivables of R42,7 million (2022: R63,1 million expected credit losses reversed). Refer notes 6 and 10 for further detail.*

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

[3] *Operating profit is earnings before interest and tax.*

* *The prior year numbers have been restated as required by IFRS 5 to reflect the Vector Logistics segment as a discontinued operation. Refer to note 11 for further detail.*

# CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended June 2023

| | Note | 2023 R'000 | *Restated 2022 R'000 |
|---|---|---|---|
| **Profit for the year – continuing operations** | | **436 609** | 913 934 |
| **Other comprehensive income** | | | |
| ***Items that will not be reclassified to profit and loss:*** | | | |
| Remeasurement of retirement medical aid obligations | | **8 575** | (1 246) |
| Share of associates other comprehensive income | 5 | **229** | 1 354 |
| ***Items that may subsequently be reclassified to profit and loss:*** | | | |
| Currency translation differences | 14 | **7 102** | 1 674 |
| Foreign currency translation reserve recycled into profit and loss | | **(9 654)** | (182) |
| **Other comprehensive income for the year – net of tax** | | **6 252** | 1 600 |
| **Total comprehensive income for the year – continuing operations** | | **442 861** | 915 534 |
| Total comprehensive income for the year attributable to: | | | |
| Equity holders of the company – continuing operations | | **549 040** | 952 666 |
| Non-controlling interests – continuing operations | | **(106 179)** | (37 132) |
| | | **442 861** | 915 534 |
| **Profit for the year – discontinued operation** | | **76 299** | 63 750 |
| **Other comprehensive income** | | | |
| ***Items that will not be reclassified to profit and loss:*** | | | |
| Remeasurement of retirement medical aid obligations | | **1 738** | (398) |
| ***Items that may subsequently be reclassified to profit and loss:*** | | | |
| Currency translation differences | 14 | **3 059** | 954 |
| **Other comprehensive income for the year – net of tax** | | **4 797** | 556 |
| **Total comprehensive income for the year – discontinued operation** | | **81 096** | 64 306 |
| Total comprehensive income for the year attributable to: | | | |
| Equity holders of the Company – discontinued operation | | **77 938** | 63 459 |
| Non-controlling interests – discontinued operation | | **3 158** | 847 |
| | | **81 096** | 64 306 |

Items in the statement of other comprehensive income above are disclosed net of tax. The tax relating to the remeasurement of medical aid obligations for continuing operations was R3,2 million (2022: R0,5 million).

* *The prior year numbers have been restated as required by IFRS 5 to reflect the Vector Logistics segment as a discontinued operation. Refer to note 11 for further detail.*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended June 2023

| | 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 | Controlling interest total R'000 | Non-controlling interests R'000 | Total R'000 |
| **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 |
| Profit for the year | | | | | | | | |
| – from continuing operations | | | | | 951 066 | 951 066 | (37 132) | 913 934 |
| – from discontinued operation | | | | | 62 295 | 62 295 | 1 455 | 63 750 |
| Other comprehensive income | | | | | | | | |
| – from continuing operations | | | 1 492 | | 108 | 1 600 | | 1 600 |
| – from discontinued operation | | | 1 562 | | (398) | 1 164 | (608) | 556 |
| B-BBEE share-based payments charge | | 9 694 | | | | 9 694 | | 9 694 |
| Employee share option scheme: | | | | | | | | |
| – value of employee services | | 93 653 | | | | 93 653 | | 93 653 |
| – equity component of deferred tax on share-based payments | | 231 | | | | 231 | | 231 |
| – exercise of employee share options | 16 057 | (16 057) | | | | | | |
| Shareholder loans converted to equity | | | | | | | 15 123 | 15 123 |
| Ordinary dividend paid | | | | | (399 926) | (399 926) | (2 950) | (402 876) |
| **Balance at 3 July 2022** | **10 334 136** | **863 744** | **1 995** | **(1 919 832)** | **2 169 240** | **11 449 283** | **(59 951)** | **11 389 332** |
| Profit for the year | | | | | | | | |
| – from continuing operations | | | | | **542 788** | **542 788** | **(106 179)** | **436 609** |
| – from discontinued operation | | | | | **73 449** | **73 449** | **2 850** | **76 299** |
| Other comprehensive income | | | | | | | | |
| – from continuing operations | | | **(2 552)** | | **8 804** | **6 252** | | **6 252** |
| – from discontinued operation | | | **3 059** | | **1 738** | **4 797** | **308** | **5 105** |
| Repurchase of shares | **(2 204)** | | | | | **(2 204)** | | **(2 204)** |
| Employee share option scheme: | | | | | | | | |
| – value of employee services | | **70 390** | | | | **70 390** | | **70 390** |
| – equity component of deferred tax on share-based payments | | **(231)** | | | | **(231)** | | **(231)** |
| – exercise of employee share options | **8 833** | **(8 833)** | | | | | | |
| Additional equity contribution by non-controlling interest | | | | | | | **8 692** | **8 692** |
| Ordinary dividend paid | | | | | **(267 039)** | **(267 039)** | **(1 900)** | **(268 939)** |
| **Balance at 2 July 2023** | **10 340 765** | **925 070** | **2 502** | **(1 919 832)** | **2 528 980** | **11 877 485** | **(156 180)** | **11 721 305** |

# CONSOLIDATED CASH FLOW STATEMENT

for the year ended June 2023

| | Note | 2023 R'000 | *Restated 2022 R'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated by operations | A | **1 061 276** | 3 063 470 |
| Finance income received | | **38 726** | 39 475 |
| Finance costs paid[1] | | **(337 456)** | (241 902) |
| Tax paid | B | **(292 344)** | (337 951) |
| Cash available from operating activities | | **470 202** | 2 523 092 |
| Dividends received | | **40 876** | 66 392 |
| Dividends paid | | **(268 939)** | (402 876) |
| Net cash inflow from operating activities – continuing operations | | **242 139** | 2 186 608 |
| Net cash inflows from operating activities – discontinued operation | | **(197 158)** | 343 990 |
| **Net cash inflow from operating activities** | | **44 981** | 2 530 598 |
| **Cash flows from investing activities** | | | |
| Replacement property, plant and equipment | | **(828 487)** | (657 909) |
| Expansion property, plant and equipment | | **(306 864)** | (448 150) |
| Intangible asset additions | | **(25 174)** | (25 662) |
| Acquisition of business | C | **(214 892)** | (7 024) |
| Advances of interest-bearing loans | | **(76 370)** | (2 998) |
| Receipts from interest-bearing loans advanced | | **6 000** | 13 277 |
| Proceeds on disposal of property, plant and equipment and intangible assets | | **19 483** | 21 380 |
| Net cash outflow from investing activities – continuing operations | | **(1 426 304)** | (1 107 086) |
| Net cash outflow from investing activities – discontinued operation | | **(178 591)** | (148 967) |
| **Net cash outflow from investing activities** | | **(1 604 895)** | (1 256 053) |
| **Cash flows from financing activities** | | | |
| Repayment of interest-bearing liabilities | D | **(554 027)** | (607 978) |
| Advances of interest-bearing liabilities | D | **940 941** | 152 609 |
| Repurchase of shares | | **(2 204)** | |
| Additional capital contribution by non-controlling interest | | **8 692** | |
| Net cash inflow/(outflow) from financing activities – continuing operations | | **393 402** | (455 369) |
| Net cash outflow from financing activities – discontinued operation | | **(125 553)** | (150 487) |
| Net cash inflow/(outflow) from financing activities | | **267 849** | (605 856) |
| Net movement in cash and cash equivalents | | **(1 292 065)** | 668 689 |
| Cash and cash equivalents at the beginning of the year | | **1 565 808** | 896 969 |
| Exchange rate translation from discontinued operation | | **1 874** | 150 |
| Cash and cash equivalents at the end of the period[2] | E | **275 617** | 1 565 808 |

[1] *Finance costs paid exclude finance costs in respect of IFRS 16 Leases of R38,6 million (2022: R92,1 million), which have been disclosed as repayments of interest-bearing activities within financing activities.*

[2] *Includes cash and cash equivalents disclosed as part of the disposal group held for sale at 2 July 2023 and excludes bank overdraft deemed a financing activity in the current financial year. The cash and cash equivalents at the end of the period of R275,6 million consists of R224,4 million as reported on the Statement of Financial Position and R51,2 million related to the Vector Logistics segment which has been classified as a disposal group held for sale at year-end.*

* *The prior year numbers have been restated as required by IFRS 5 to reflect the Vector Logistics segment as a discontinued operation. Refer to note 11 for further detail.*

# NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

for the year ended June 2023

| | 2023 R'000 | *Restated 2022 R'000 |
|---|---|---|
| **A. CASH GENERATED BY OPERATIONS** | | |
| Operating profit | **786 732** | 1 466 517 |
| Adjusted for: | | |
| Depreciation, amortisation and impairment[1] | **924 725** | 798 853 |
| Deferred income | **(1 754)** | (473) |
| Loss on disposal of property, plant and equipment and intangible assets | **1 817** | 6 995 |
| Profit on disposal of assets held for sale | | (6 104) |
| Movement in retirement benefit obligations | **4 746** | 4 273 |
| Movement in derivative financial instruments | **(22 023)** | 58 186 |
| Fair value adjustment on investment in financial asset | **127 446** | |
| Fair value adjustment in biological assets[2] | **(333 275)** | (359 955) |
| Share-based payments – B-BBEE charge | | 8 475 |
| Share-based payments – Employee Share Award Scheme | **70 390** | 81 171 |
| Expected credit loss recognised/(reversed) on loans receivable | **30 232** | (60 942) |
| Gain on remeasurement of leases | **(3 114)** | (6 010) |
| IFRS 2 adjustment on disposal group held for sale | **2 836** | |
| Unrealised foreign exchange gains | **(35 088)** | (27 280) |
| Gain on change in shareholding of associate | | (2 586) |
| Foreign currency translation reserve recycled to profit and loss | **(9 654)** | (182) |
| Loss on disposal of associate | **1 955** | |
| Fair value adjustment on disposal group held for sale | **3 410** | |
| Other non-cash flow items | **(3)** | (16) |
| | **1 549 378** | 1 960 922 |
| Working capital changes: | | |
| Movement in inventories | **(649 529)** | 85 099 |
| Movement in biological assets[2] | **247 719** | 83 468 |
| Movement in trade and other receivables | **(33 576)** | (30 472) |
| Movement in trade and other payables | **(52 716)** | 964 453 |
| | **(488 102)** | 1 102 548 |
| | **1 061 276** | 3 063 470 |
| **B. TAX PAID** | | |
| Amount payable at the beginning of the year | **(39 632)** | (16 653) |
| Acquisition of subsidiary | **2 083** | |
| Transfer to disposal group held for sale | **534** | |
| Charged to the income statement | **(341 462)** | (361 645) |
| **Normal tax** | **(354 228)** | (348 772) |
| **Prior year over/(under) provision** | **12 766** | (12 873) |
| Amount payable at the end of the year | **86 133** | 39 632 |
| | **(292 344)** | (338 666) |
| Movement in Vector Logistics | | 715 |
| | **(292 344)** | (337 951) |

[1] *Relates only to impairments of property, plant and equipment, right-of-use assets and intangible assets.*

[2] *The movement in biological assets is represented by the non-cash fair value adjustment on biological assets of R333,3 million (2022: R360,0 million) and the movement included in working capital changes of R247,7 million (2022: R83,5 million). The net increase in biological assets for the year was R85,6 million (2022: R276,5 million). Refer to note 8 for further detail.*

* *The prior year numbers have been restated as required by IFRS 5 to reflect the Vector Logistics segment as a discontinued operation. Refer to note 11 for further detail.*

| | 2023 R'000 | *Restated 2022 R'000 |
|---|---|---|
| **C. ACQUISITION OF BUSINESSES** | | |
| Net cash paid for business | **(214 892)** | (7 024) |
| Sunshine Bakery Holding Proprietary Limited | **(214 892)** | |
| Purchase price | **(244 485)** | |
| Cash acquired on date of acquisition | **29 593** | |
| Siyathuthuka Sugar Estate Proprietary Limited[1] | | (7 024) |

## D. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Movements in net debt for the year ended June 2023 are as follows:

| | 3 July 2022 R'000 | Transferred to held for sale R'000 | Cash inflows R'000 | Cash outflows R'000 | Non-cash flows[2,3] R'000 | 2 July 2023 R'000 |
|---|---|---|---|---|---|---|
| Institutional borrowings | **29 984** | | | **(2 511)** | | **27 473** |
| Loan from Green Create W2V SA Proprietary Limited | **94 578** | | **15 941** | | | **110 519** |
| Loan from Facility for Investments in Renewable Small Transactions (RF) Proprietary Limited | **153 955** | | | **(12 194)** | | **141 761** |
| Lease liabilities | **885 612** | **(464 633)** | | **(161 883)** | **337 293** | **596 389** |
| Term-funded debt package | **2 012 500** | | | **(337 500)** | | **1 675 000** |
| Bank overdraft | | | **865 000** | | | **865 000** |
| Loan from Inclusive Farming Partnership Proprietary Limited | **30 430** | | | **(3 144)** | | **27 286** |
| Loans from Akwandze Agricultural Finance Proprietary Limited | **328 857** | | **60 000** | **(36 795)** | | **352 062** |
| | **3 535 916** | **(464 633)** | **940 941** | **(554 027)** | **337 293** | **3 795 490** |

* *The prior year numbers have been restated as required by IFRS 5 to reflect the Vector Logistics segment as a discontinued operation. Refer to note 11 for further detail.*

1 *Refer to note 11 for further detail.*

2 *Refer to note G of the cash flow statements for further detail.*

3 *During the current financial year, the Group acquired a 100% shareholding in Sunshine Bakery Holdings Proprietary Limited which has been consolidated with effect from 1 March 2023. Refer note 35.*

# NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT CONTINUED

for the year ended June 2023

## D. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES CONTINUED

Movements in net debt for the year ended June 2022 are as follows:

| | 4 July 2021 R'000 | Cash inflows R'000 | Cash outflows R'000 | Non-cash flows[1] R'000 | 3 July 2022 R'000 |
|---|---|---|---|---|---|
| Institutional borrowings | 32 495 | | (2 511) | | 29 984 |
| Loan from Green Create W2V SA Proprietary Limited | 102 600 | 23 000 | (31 022) | | 94 578 |
| Loan from Facility for Investments in Renewable Small Transactions (RF) Proprietary Limited | 76 385 | 87 650 | (10 080) | | 153 955 |
| Lease liabilities | 1 415 049 | | (311 948) | (217 489) | 885 612 |
| Term-funded debt package | 2 350 000 | | (337 500) | | 2 012 500 |
| Loan from Ingwenyama Simhulu Trust | | 2 860 | | (2 860) | |
| Loan from Matsamo Communal Property Association | 1 780 | 500 | (5) | (2 275) | |
| Loan from Siphumelele Tenbosch Trust | 7 476 | 2 531 | (19) | (9 988) | |
| Loan from Inclusive Farming Partnership Proprietary Limited | | 36 068 | | (5 638) | 30 430 |
| Loans from Akwandze Agricultural Finance Proprietary Limited | 394 237 | | (65 380) | | 328 857 |
| | 4 380 022 | 152 609 | (758 465) | (238 250) | 3 535 916 |

## E. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include restricted balances of R60,2 million (2022: R78,8 million). Restricted cash balances consist of margin 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 R18,1 million (2022: R23,9 million) relates to the Facility for Investments in Renewable Small Transactions (RF) Proprietary Limited 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 (2022: 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 as well as R11,4 million (2022: R11,8 million) relating to funds received from the South African Sugar Association to be utilised for specific small-scale grower initiatives. This cash will only be accessible by the Group to be utilised for the designated projects.

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

Cash and cash equivalents, including continuing operations and the disposal group held for sale, include amounts denominated in the following currencies:

| | **2023 R'000** | 2022 R'000 |
|---|---|---|
| Rand | **277 471** | 1 565 024 |
| USD | **962** | 6 875 |
| Namibian Dollar | **21 349** | 4 649 |
| Zambian Kwacha | **(24 357)** | (10 908) |
| Other currencies | **192** | 168 |
| Total | **275 617** | 1 565 808 |

[1] *Refer to note G of the cash flow statements for further detail.*

| | | 2023 R'000 | 2022 R'000 |
|---|---|---|---|
| **F.** | **RECONCILIATION OF LEASE LIABILITIES** | | |
| | Opening balance | **885 612** | 1 415 049 |
| | Additions[1] | **232 241** | 90 083 |
| | Repayment of lease liabilities | **(161 883)** | (311 948) |
| | Termination of leases[1] | **(18 579)** | (3 020) |
| | Acquisition of Sunshine[1] | **78 467** | |
| | Transferred to disposal group held for sale | **(464 633)** | |
| | Foreign currency translation[1] | | 1 721 |
| | Interest accrued[1] | **38 614** | 92 144 |
| | Remeasurements of leases[1] | **6 550** | (398 417) |
| | Closing balance | **596 389** | 885 612 |

## G. RECONCILIATION OF CASH FLOW STATEMENT MOVEMENT

The Vector Logistics segment was classified as a disposal group held for sale and discontinued operation for the year ended June 2023. The date of classification as held for sale was 29 March 2023. At date of classification assets and liabilities relating to the Vector Logistics segment were transferred to held for sale, with nine months of the movement relating to the Vector Logistics segment being included in the opening to closing balance reconciliations for line items in the statement of financial position, and subsequently being transferred to the disposal group held for sale. This treatment differs to the treatment of movements for cash flow reporting purposes, with IFRS 5 requiring the cash flows from discontinued operations to be disclosed as a single line item for the full 12-month period (with comparatives being restated). A reconciliation of movements in the consolidated cash flow statement to the movements included in relevant statement of financial position line items is provided below.

| | | 2023 R'000 |
|---|---|---|
| a. | Property, plant and equipment additions per note 1 | **1 302 490** |
| | Property, plant and equipment additions per consolidated cash flow statement | **1 135 351** |
| | Replacement property, plant and equipment – per cash flow* | **828 487** |
| | Expansion property, plant and equipment – per cash flow* | **306 864** |
| | **Difference[2]** | **167 139** |
| b. | Intangible asset additions per note 2 | **25 254** |
| | Intangible asset additions per consolidated cash flow statement | **25 174** |
| | **Difference[2]** | **80** |

* *Excludes right-of-use asset additions*

[1] *Non-cash movements per note D.*

[2] *Relates to additions within the Vector Logistics segment for nine months to date of classification as a disposal group held for sale. Additions up to date of classification as a disposal group held for sale have been included as part of additions in note 1 and note 2 of the consolidated financial statements, whilst the cash flow additions relate to continuing operations only with additions relating to the Vector Logistics segment being separately disclosed as part of the net cash outflow from investing activities – discontinued operation line.*

## G. RECONCILIATION OF CASH FLOW STATEMENT MOVEMENT CONTINUED

| | | 2023 R'000 |
|---|---|---|
| c. | Loss on disposal of property, plant and equipment per note A to the consolidated cash flow statement | **1 817** |
| | Proceeds on disposal of property, plant and equipment per consolidated cash flow statement | **19 483** |
| | Proceeds receivable included in trade and other receivables as a non-cash movement | **29 727** |
| | Carrying value of property, plant and equipment disposed of per note 1 and note 2 | **54 867** |
| | *Adjusted for: Carrying value of disposals relating to the Vector Logistics segment to date of classification as held for sale* | **(3 840)** |
| d. | Movement in retirement benefit obligations per note A to the consolidated cash flow statement | **4 746** |
| | Movement in retirement benefit obligations per note 15 | **5 957** |
| | **Difference[1]** | **(1 211)** |

[1] *Relates to the current service cost, interest costs and benefits paid within the Vector Logistics segment for nine months to date of classification as a disposal group held for sale. These costs and payments up to date of classification as a disposal group held for sale have been included as part of the movement in note 15 of the consolidated financial statements, whilst the cash flow movement in retirement benefit obligations relates to continuing operations only, with the movement relating to the Vector Logistics segment being separately disclosed as part of the net cash inflows from operating activities – discontinued operation.*

# ACCOUNTING POLICIES

for the year ended June 2023

## 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 1 September 2023 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 2023, and all references thereto within the results, are presented for the 52-week period ended 2 July 2023.

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 37 to 38.

## 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.

## Changes in ownership in subsidiaries without change in control

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

## Disposal of subsidiaries

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

## Associates

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

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

The Group's share of the post-acquisition after-tax profit or loss is recognised in the income statement, and its share of post-acquisition after-tax movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the associate is impaired. If this is the case, the Group calculates the amount of the impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to share of profit/loss of associates in the income statement.

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

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

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.

## Joint arrangements

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

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

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

### Accounting treatment for subsidiaries in company financial statements

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

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

## FOREIGN CURRENCY TRANSLATION

### Functional and presentation currency

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

### Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Foreign exchange gains and losses are presented in the income statement within operating profit.

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

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

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

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

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

## PROPERTY, PLANT AND EQUIPMENT

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

The Group's sugarcane roots, litchi trees and banana plants are bearer plants under the definition in IAS 41 Agriculture and are therefore accounted for 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 29 and 30 for accounting policy on right-of-use assets.

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

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

Depreciation is calculated over the following estimated useful lives:

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

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

Owned 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.

### Goodwill

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

## COMPUTER SOFTWARE

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

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product to use;
- there is an ability to use or sell the software product;
- the software product will generate probable future economic benefits;
- adequate technical, financial and other resources are available to complete the development and to use the software product; 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 3 to 12 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

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

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

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

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

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

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

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.

## IMPAIRMENT OF NON-FINANCIAL ASSETS

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

## DISPOSAL GROUPS HELD FOR SALE AND DISCONTINUED OPERATIONS

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.

Where a disposal group represents a separate major line of business or geographical area of operations, the results of the disposal group have been presented separately in the statement of comprehensive income. The statement of comprehensive income for the comparative period is restated in order to reflect the results of the disposal group as a discontinued operation.

Inter-company transactions, balances, income and expenses on transactions between the Group's continuing operations and disposal groups held for sale and/or discontinued operations have been eliminated within the Group and/or the disposal group respectively.

Depreciation and equity accounting of profits from joint ventures and associates within the disposal group are stopped once the disposal group is classified as held for sale.

## INVENTORIES

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

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

## BIOLOGICAL ASSETS

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

- consumable biological assets, comprising standing sugarcane, litchi fruit and bananas, are measured at their fair value, determined on current estimated market prices less estimated harvesting, transport, packing and point-of-sales costs;
- standing cane is valued at estimated sucrose content, age and market price; and
- growing fruit is valued at estimated yield, quality standard, age and market price.

The sugarcane roots, litchi trees and banana plants are bearer plants under the definition of IAS 41 *Agriculture* 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 8 of the consolidated financial statements.

Breeding stock includes the Cobb, Indian River and Aviagen 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-sales costs are recognised in the income statement in the period in which they arise.

## STATED CAPITAL

Ordinary shares are classified as equity.

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

### Treasury shares

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

## CURRENT AND DEFERRED TAX

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

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

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

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

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

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

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

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

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

## CAPITAL GAINS TAX (CGT)

CGT is levied when capital assets are disposed of or deemed to be disposed of. CGT is levied on the difference between the proceeds on the sale of capital assets and the base cost (tax value) of the capital asset. The capital gain is included at a rate of 80.0% in the taxable income of the Company. Capital losses are ring-fenced.

## EMPLOYEE BENEFITS

### Retirement funds

The Group operates defined contribution plans.

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

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

### Post-retirement medical benefits – Defined benefit plan

The Group provides post-retirement medical benefits to its retirees. These benefits apply to RCL Foods Consumer Proprietary Limited and RCL Group Services Proprietary Limited employees engaged pre-October 2003 and Vector Logistics Proprietary Limited employees engaged pre-January 1997. 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 plans

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

### Share-based payments

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

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

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

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

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

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

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

## B-BBEE TRANSACTIONS

B-BBEE 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.

B-BBEE 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 B-BBEE credentials are received upfront. Incremental costs that are directly associated with the B-BBEE 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 is recognised as revenue and payments as cost of sales at the notional local market price of sugar at the point in time.

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

The following payment terms are applicable to the Group:

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

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

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

### Interest income

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

### Dividend income

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

## FINANCIAL INSTRUMENTS

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

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

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

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

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

## Measurement of financial assets

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

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

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

- **AMORTISED COST**

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

- **FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

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

## Financial liabilities at fair value through profit or loss

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

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

## Financial liabilities at amortised cost

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

## Derecognition

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

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

## Recognition and measurement

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

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

## Accounting for derivative financial instruments

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

Trading derivatives are classified as a current asset or liability, and the fair values thereof are disclosed in note 28 of the consolidated financial statements.

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

## Impairment of financial assets

Financial assets carried at amortised cost

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

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

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

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

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

## Fair value estimation

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

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

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

## Trade and other receivables

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

## Cash and cash equivalents

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

## Trade and other payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities.

### Borrowings

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

### Deferred income

Deferred income represents unearned funding received from AGRISETA and interest income not yet earned on loans received from Akwandze Agricultural Finance Propriety Limited as a result of the interest rate charged being below market-related rates. The unearned funding received from AGRISETA 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.

The deferred interest income is recorded in the income statement over the period of the loan in the same manner that the effective interest expense on the loan is charged to the income statement.

## DIVIDEND DISTRIBUTION

Dividend distribution to the Company's shareholder's 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.

The RCL FOODS Value-Added Business is made up of the following segments:

- Groceries: Culinary (includes Mayonnaise, Peanut Butter, Rusks etc.) and Pet Food (previously Grocery), and Beverages operations;
- Baking: including the Milling, Speciality, Bread, Buns and Rolls and Pies (previously reporting as part of the Groceries segment) operations;
- Sugar: including Sugar and molasses-based feed (Molatek) operations.

The Rainbow segment comprises the chicken and grain-based feed (Epol and Driehoek) operations and also includes the Group's Ugandan operations, which is a chicken producer situated in Uganda which was sold at 30 June 2023.

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, Foodservice customers and retailers to distribute food products on their behalf across Southern Africa. The Vector Logistics segment has been classified as a disposal group held for sale and discontinued operation for the year ended June 2023.

## 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 note 3 of the consolidated financial statements.

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

### Fair value assessment of biological assets

The key assumptions used in the calculation of the fair value of chicken, banana and sugarcane stock and a sensitivity analysis are disclosed in note 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 15 of the consolidated financial statements.

### Share-based payments and B-BBEE 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 B-BBEE transaction is disclosed in note 12 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 IAS 1, Making materiality judgements

IAS 1 require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

The amendments are effective for the annual periods beginning on/after 1 January 2023. Management has assessed the financial impact to be immaterial.

### Amendments to IAS 8, Definition of accounting estimates

Amendments to IAS 8, 'Accounting policies, changes in accounting estimates and errors' clarifies the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Further clarification is provided on how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for the annual periods beginning on/after 1 January 2023. Management has assessed the financial impact to be immaterial.

### Amendments to IAS 12, Deferred tax related to assets and liabilities arising from a single transaction

Amendments to IAS 12, 'Income Taxes' which narrows the scope of the initial recognition exception under IAS 12, so that it no longer applies to certain transactions that give rise to equal taxable and deductible temporary differences.

The amendments are effective for the annual periods beginning on/after 1 January 2023. Management has assessed the financial impact to be immaterial.

### IFRS 17, Insurance contracts

IFRS 17 Insurance Contracts was issued as a replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are remeasured in each reporting period. The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income.

The new standard is effective for the annual periods beginning on/after 1 January 2023. Management has assessed the financial impact to be immaterial.

### IAS 1, Non-current liabilities with covenants

Amendments to IAS 1 which requires entities to consider the compliance with financial covenants on its debt. The classification of debt a current or non-current based on the future ability of the entities to comply with financial covenants is not affected, however, entities are required to disclose details of these covenants.

The amendment is applicable for annual reporting periods beginning on or after 1 January 2024, with early application permitted. The Group has applied these amendments from the year ended June 2022.

### Amendments to IAS 1, Classification of liabilities as current or non-current

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

The amendments are effective for the annual periods beginning on/after 1 January 2024. Management has assessed the financial impact to be immaterial.

### Amendment to IFRS 16 – Leases on sale and leaseback

These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.

The amendments are effective for the annual periods beginning on or after 1 January 2024. Management has assessed the financial impact to be immaterial.

### Amendment to IAS 12 – International tax reform – pillar two model rules

These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.

The deferred tax exemption and disclosure of the fact that the exception has been applied, is effective immediately. The other disclosure requirements are effective for the annual periods beginning on or after 1 January 2023.

### Amendments to IAS 7 and IFRS 7 on supplier finance arrangements

These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.

The new standard is effective for the annual periods beginning on/after 1 January 2024. Management has assessed the financial impact to be immaterial as the amendment relates to disclosure requirements only.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended June 2023

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

| June 2023<br>Cost | Land and buildings R'000 | Plant, equipment and furniture R'000 | Aircraft R'000 | Vehicles R'000 | Right-of-use assets: Plant R'000 | Right-of-use assets: Vehicles R'000 | Right-of-use assets: Land and buildings R'000 | Leasehold improvements R'000 | Bearer Plants R'000 | Capital work-in-progress R'000 | Total R'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| At the beginning of the year | 3 257 752 | 9 038 836 | 54 420 | 1 097 410 | 67 382 | 164 561 | 889 767 | 30 883 | 390 307 | 696 383 | 15 687 701 |
| Transfers between categories and intangible assets | 2 453 | 23 604 | | | | | | | | (26 799) | (742) |
| Additions[1; 2] | 168 103 | 995 988 | | 113 721 | 8 911 | 205 028 | 76 415 | | 33 375 | (8 697) | 1 592 844 |
| Disposals | (6 758) | (312 147) | | (84 055) | (4 581) | (66 153) | (43 676) | (1 145) | (12 354) | | (530 869) |
| Acquisition of business[3] | | 63 154 | | 26 135 | | | 31 079 | | | 131 | 120 499 |
| Transferred to held for sale | (371 604) | (699 662) | | (524 266) | (45 667) | (46 546) | (464 372) | | | (144 370) | (2 296 487) |
| Modification of leases | | | | | | (54) | | | | | (54) |
| Remeasurements | | | | | (45) | 6 039 | 1 504 | | | | 7 498 |
| Exchange differences on translation of foreign operations | | 399 | | 360 | | 40 | 3 255 | | | | 4 054 |
| **At the end of the year** | 3 049 946 | 9 110 172 | 54 420 | 629 305 | 26 000 | 262 915 | 493 972 | 29 738 | 411 328 | 516 648 | 14 584 444 |
| **Accumulated depreciation and impairment** | | | | | | | | | | | |
| At the beginning of the year | 1 559 749 | 5 758 399 | 11 730 | 620 229 | 35 533 | 107 521 | 454 072 | 20 354 | 233 491 | | 8 801 078 |
| Disposals | (4 837) | (300 609) | | (47 816) | (2 166) | (52 062) | (42 118) | (732) | (7 607) | | (457 947) |
| Impairment loss | 2 012 | 31 546 | | 1 297 | | | 4 897 | | 30 516 | | 70 268 |
| Transferred to held for sale | (166 886) | (365 651) | | (301 825) | (30 235) | (8 519) | (220 058) | | | | (1 093 174) |
| Depreciation | 105 283 | 529 324 | 2 093 | 80 244 | 10 488 | 51 625 | 100 582 | 2 423 | 31 791 | | 913 853 |
| Modification of leases | | | | | | (12) | | | | | (12) |
| Exchange differences on translation of foreign operations | | 99 | | 54 | | (15) | 1 037 | | | | 1 175 |
| **At the end of the year** | 1 489 822 | 5 658 607 | 13 823 | 352 183 | 13 620 | 98 538 | 298 412 | 22 045 | 288 191 | | 8 235 241 |
| **Net book amount** | 1 560 124 | 3 451 565 | 40 597 | 277 122 | 12 380 | 164 377 | 195 560 | 7 693 | 123 137 | 516 648 | 6 349 203 |

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

[2] *Right-of-use asset additions are non-cash additions.*
*Refer to notes 17 and 22 for further detail on variable lease payments not capitalised to right-of-use assets.*

[3] *During the current financial year, the Group acquired a 100% shareholding in Sunshine Bakery Holdings Proprietary Limited which has been consolidated effective from 1 March 2023. Refer note 35. As at the end of June 2023 the purchase price allocation is still considered provisional.*

* *Movements in the table above include the Vector Logistics segment up to the date it was classified as held for sale, being 29 March 2023. The carrying value for cost and accumulated depreciation at this date has been transferred to held for sale.*

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

| **June 2022**<br>**Cost** | Land and buildings R'000 | Plant, equipment and furniture R'000 | Aircraft R'000 | Vehicles R'000 | Right-of-use assets: Plant R'000 | Right-of-use assets: Vehicles R'000 | Right-of-use assets: Land and buildings R'000 | Leasehold improvements R'000 | Bearer Plants R'000 | Capital work-in-progress R'000 | Total R'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| At the beginning of the year | 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 |
| Transfers between categories and intangible assets | 4 | 8 999 | | 32 713 | (38 361) | | 17 | (20) | | (12 612) | (9 260) |
| Additions[1; 2] | 170 966 | 649 749 | 1 415 | 104 887 | 5 659 | 38 399 | 68 608 | | 37 206 | 309 220 | 1 386 109 |
| Disposals | (18 330) | (108 529) | | (44 935) | (3 209) | (33 935) | (60 374) | (555) | (1 542) | (3 359) | (274 768) |
| Transferred to held for sale | (22 958) | (14 213) | | (3 673) | | | | | | | (40 844) |
| Transferred to held for sale | (22 958) | (14 213) | | (3 673) | | | | | | | (40 844) |
| Modification of leases | | | | | | | (489 566) | | | | (489 566) |
| Remeasurements | | | | | (1 758) | 4 805 | (28 278) | | | | (25 231) |
| Exchange differences on translation of foreign operations | | 297 | | 205 | | 309 | 2 333 | | | | 3 144 |
| **At the end of the year** | 3 257 752 | 9 038 836 | 54 420 | 1 097 410 | 67 382 | 164 561 | 889 767 | 30 883 | 390 307 | 696 383 | 15 687 701 |
| **Accumulated depreciation and impairment** | | | | | | | | | | | |
| At the beginning 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 |
| Transfers between categories and intangible assets | | 7 166 | | 32 328 | (38 361) | | | (1 200) | | | (67) |
| Disposals | (7 731) | (103 253) | | (34 214) | (3 208) | (20 168) | (56 752) | (555) | (982) | | (226 863) |
| Impairment loss | 5 175 | 915 | | | | | 99 815 | | | | 105 905 |
| Impairment loss reversed | (16 628) | (236 572) | | | | | | | | | (253 200) |
| Transferred to held for sale | (16 500) | (12 257) | | (2 278) | | | | | | | (31 035) |
| Depreciation | 92 726 | 457 692 | 2 155 | 82 227 | 14 467 | 53 483 | 137 657 | 3 688 | 30 731 | | 874 826 |
| Modification of leases | | | | | | | (135 423) | | | | (135 423) |
| Remeasurements | | | | | | | (6 912) | | | | (6 912) |
| Exchange differences on translation of foreign operations | | 77 | | 37 | | 18 | 670 | | | | 802 |
| **At the end of the year** | 1 559 749 | 5 758 399 | 11 730 | 620 229 | 35 533 | 107 521 | 454 072 | 20 354 | 233 491 | | 8 801 078 |
| **Net book amount** | 1 698 003 | 3 280 437 | 42 690 | 477 181 | 31 849 | 57 040 | 435 695 | 10 529 | 156 816 | 696 383 | 6 886 623 |

[1] *Transfers out of capital work-in-progress have been disclosed within additions of each of the appropriate individual categories.*
[2] *Right-of-use asset additions are non-cash additions.*

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

Capital commitments:

| Continuing Operations | 2023 R'000 | 2022 R'000 |
|---|---|---|
| Contracted and committed | **327 375** | 879 766 |
| Approved but not contracted | **361 640** | 278 677 |

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 through short-term borrowing facilities.

A register of land and buildings is available for inspection at the registered office of the respective subsidiary companies.

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. Reassessments of useful lives during the current year resulted in lower depreciation of R12,0 million in the Sugar segment and R5,0 million in the Rainbow segment.

## 2. INTANGIBLE ASSETS

| | Software R'000 | Trademarks R'000 | Customer relation-ships R'000 | Goodwill R'000 | Capital work-in-progress R'000 | Total R'000 |
|---|---|---|---|---|---|---|
| **June 2023** | | | | | | |
| Opening net book amount | **136 337** | **1 211 636** | **233 992** | **1 885 590** | **20 616** | **3 488 171** |
| Additions | **17 275** | | | | **7 979** | **25 254** |
| Disposals | **(9)** | | | | | **(9)** |
| Transfers between categories and property, plant and equipment | **22 289** | | | | **(21 547)** | **742** |
| Acquisition of business[1] | **181** | **98 700** | **6 500** | **118 785** | | **224 166** |
| Transferred to held for sale | **(12 508)** | | **(3 025)** | **(53 824)** | **(1 351)** | **(70 708)** |
| Amortisation charge | **(32 446)** | | **(62 761)** | | | **(95 207)** |
| **Closing net book amount** | **131 119** | **1 310 336** | **174 706** | **1 950 551** | **5 697** | **3 572 409** |
| Cost | **365 150** | **1 904 969** | **984 872** | **2 755 398** | **5 697** | **6 016 086** |
| Accumulated amortisation and impairment | **(234 031)** | **(594 633)** | **(810 166)** | **(804 847)** | | **(2 443 677)** |
| **Net book amount** | **131 119** | **1 310 336** | **174 706** | **1 950 551** | **5 697** | **3 572 409** |
| **June 2022** | | | | | | |
| Opening net book amount | 134 309 | 1 211 661 | 301 981 | 1 992 947 | 19 067 | 3 659 965 |
| Acquisition of business[2] | | | | 54 283 | | 54 283 |
| Additions | 22 111 | | | | 5 129 | 27 240 |
| Disposals | (200) | | | | | (200) |
| Transfers between categories and property, plant and equipment | 12 773 | | | | (3 580) | 9 193 |
| Amortisation charge | (32 656) | (25) | (67 989) | | | (100 670) |
| Impairment loss | | | | (161 640) | | (161 640) |
| **Closing net book amount** | 136 337 | 1 211 636 | 233 992 | 1 885 590 | 20 616 | 3 488 171 |
| Cost | 375 317 | 1 806 267 | 983 559 | 2 981 559 | 20 616 | 6 167 318 |
| Accumulated amortisation and impairment | (238 980) | (594 631) | (749 567) | (1 095 969) | | (2 679 147) |
| **Net book amount** | 136 337 | 1 211 636 | 233 992 | 1 885 590 | 20 616 | 3 488 171 |

[1] *During the current financial year, Foodcorp Proprietary Limited acquired a 100% shareholding in Sunshine Bakery Holdings Proprietary Limited. The acquisition resulted in goodwill being recognised. Refer to note 35 for further detail. As at the end of June 2023 the purchase price allocation is still considered provisional.*

[2] *During the prior financial year, RCL Foods Sugar and Milling Proprietary Limited acquired a 100% shareholding in Siyathuthuka Sugar Estate Proprietary Limited. The acquisition resulted in goodwill being recognised. The subsidiary was acquired exclusively with a view to resale and the goodwill was subsequently impaired in accordance with the measurement principles of IFRS 5. Refer to note 11 for further detail.*

* *Movements in the table above include the Vector Logistics segment up to the date it was classified as held for sale, being 29 March 2023. The carrying value for cost and accumulated depreciation at this date has been transferred to held for sale.*

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

| | 2023 | 2022 |
|---|---|---|
| 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:

| CGU | Trademarks | Useful Life | 2023 R'000 | 2022 R'000 |
|---|---|---|---|---|
| Grocery | Ouma, Nola, Yum Yum, 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 |
| **Total Groceries Segment** | | | **615 140** | 615 140 |
| Milling* | Supreme, Tafelberg, Safari, A1, 5 Star | Finite | | |
| Bread, buns & rolls | Sunbake | Indefinite | **331 020** | 331 020 |
| Pies[1] | Piemans | Indefinite | **260 000** | 260 000 |
| Sunshine[2] | Sunshine | Indefinite | **98 700** | |
| **Total Baking Segment** | | | **689 720** | 591 020 |
| Chicken* | Farmer Brown, Bonny Bird, FarmFare | Finite | | |
| Epol Animal Feed | Epol, Winterveld, Lotmix, Driehoek and Equus | Indefinite and Finite | **5 476** | 5 476 |
| **Total Rainbow Segment** | | | **5 476** | 5 476 |
| Sugar* | Selati | Finite | | |
| **Total Sugar Segment** | | | | |
| **Total Trademarks** | | | **1 310 336** | 1 211 636 |

* *The trademarks within these CGUs have a carrying amount of Rnil.*

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

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

[1] *With effect from 1 January 2023 the Pies operation, which previously formed part of the Groceries business unit, was moved to the Baking business unit. Refer to note 27 for further detail.*
[2] *Sunshine Bakery Holdings Proprietary Limited was acquired effective 1 March 2023. Refer to note 35 for further detail.*

| | 2023 | 2022 |
|---|---|---|
| **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; Selati which was acquired on acquisition of TSB Sugar RSA Proprietary Limited in 2014; and Supreme, Tafelberg, Safari, A1, 5 Star which were acquired on the acquisition of New Foodcorp Holdings Proprietary Limited (indirectly Foodcorp) in 2013.

| | 2023 | 2022 |
|---|---|---|
| **Indefinite life** | | |
| Is intangible title restricted in any way | **No** | No |

Significant trademarks comprise Ouma, Nola, Yum Yum, Bobtail, Catmor, Dogmor, Sunbake, Ultra dog, Canine Cuisine, Mageu Number 1, Monati, Optimizor, Mnandi, Piemans and Feline Cuisine 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. Sunshine was acquired as part of the acquisition of Sunshine Bakery Holdings Proprietary Limited in 2023.

## 2. INTANGIBLE ASSETS CONTINUED

### Trademarks continued

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

### Customer relationships

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| **Finite life** | | |
| 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, on the acquisition of L&A Logistics Limited in the 2021 financial year and on acquisition of Sunshine Bakery Holdings Proprietary Limited in the current financial year.

Customer relationships relating to L&A Logistics Limited were transferred to the disposal group held for sale on 29 March 2023. Refer to note 11 for further detail.

### Goodwill

Goodwill arose from business combinations and relates to the acquisition of:

- New Foodcorp Holdings Proprietary Limited in 2013;
- Driehoek Voere in 2019 (included in the Epol Animal Feed CGU, below);
- L&A Logistics Limited in 2021 (transferred to the disposal group held for sale in the current year);
- Siyathuthuka Sugar Estate Proprietary Limited, which was acquired in the 2022 financial year exclusively with the view to resale and immediately impaired in accordance with IFRS 5; and
- Sunshine Bakery Holdings Proprietary Limited in the current financial year. Refer to note 35 for further detail.

During the prior financial year, impairments of R107,4 million were recognised within the Beverages CGU and R54,3 million within the Sugar CGU.

At year-end, the Group has goodwill of R1 950,6 million (2022: R1 885,6 million).

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. Refer to note 3 for detail on impairment assessments.

| 2023 | Opening R'000 | Additions R'000 | Transferred to held for sale R'000 | Closing R'000 |
|---|---|---|---|---|
| Grocery | **191 205** | | | **191 205** |
| Pies | **474 541** | | | **474 541** |
| Beverages | **28 774** | | | **28 774** |
| Speciality | **429 831** | | | **429 831** |
| Epol Animal Feed | **19 315** | | | **19 315** |
| Bread, buns & rolls | **688 100** | | | **688 100** |
| Sunshine | | **118 785** | | **118 785** |
| L&A Logistics | **53 824** | | **(53 824)** | |
| **Total** | **1 885 590** | **118 785** | **(53 824)** | **1 950 551** |

## 2. INTANGIBLE ASSETS CONTINUED

### Goodwill continued

| 2022 | 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 | | (107 357) | 28 774 |
| Speciality | 429 831 | | | 429 831 |
| Sugar | | 54 283 | (54 283) | |
| Epol Animal Feed | 19 315 | | | 19 315 |
| Bread, buns & rolls | 688 100 | | | 688 100 |
| L&A Logistics | 53 824 | | | 53 824 |
| **Total** | 1 992 947 | 54 283 | (161 640) | 1 885 590 |

### Capital work-in-progress

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

## 3. IMPAIRMENTS

### Recognised impairment losses

The total net impairments recognised across the Group by segment are as follows:

| 2023 | Property, plant and equipment R'000 | Right-of-use assets R'000 | | Total R'000 |
|---|---|---|---|---|
| **Sugar** | **(63 954)** | **(4 897)** | | **(68 851)** |
| **Rainbow** | **(1 417)** | | | **(1 417)** |
| | **(65 371)** | **(4 897)** | | **(70 268)** |

| 2022 | Property, plant and equipment R'000 | Right-of-use assets R'000 | Goodwill R'000 | Total R'000 |
|---|---|---|---|---|
| Beverages | | | (107 357) | (107 357) |
| Sugar | 253 200 | (33 728) | (54 283) | 165 189 |
| Vector Logistics | (6 090) | | | (6 090) |
| Unallocated Segment | | (66 087) | | (66 087) |
| | 247 110 | (99 815) | (161 640) | (14 345) |

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. In addition, where there are indicators of impairments, or reversals of previous impairments recognised, an impairment test is required. The details of the Group's impairment assessments performed during the year are presented below.

During the current financial year, a total impairment of R68,9 million was recognised within the Sugar segment. The impairment in the Sugar segment relates to the Sivunosetfu Proprietary Limited CGU. The impairment is due to an ongoing decline in agricultural performance, compounded by the impact of load-shedding in the current financial year.

The recoverable amount has been determined based on value-in-use calculations. The key assumptions used in the value-in-use calculation are presented below.

## 3. IMPAIRMENTS CONTINUED

Impairment tests were performed for the Grocery, Pies, Beverages, Speciality, Milling, Bread buns & rolls, Epol and Sunshine CGUs as these are mandatory due to these CGUs including indefinite useful life intangible assets. Impairment tests were performed for the community-based cane joint ventures and Rainbow due to the decline in profitability.

The impairment loss in Rainbow related to individual assets which became redundant.

In the prior financial year a partial impairment reversal of R253,2 million was recognised in respect of the Sugar CGU. In addition to the above reversal, within the Sugar business, further CGU impairments were recognised of which R33,7 million related to property, plant and equipment and right-of-use assets, as well as an impairment loss of R54,3 million recognised in terms of IFRS 5 *Non-current Assets Held for Sale and discontinued operations* on a subsidiary acquired exclusively with a view to resale (Siyathuthuka Sugar Estate Proprietary Limited).

The prior financial year also included an impairment of goodwill in the Beverages CGU of R107,4 million and an impairment of the right-of-use asset relating to the Group's national office of R66,1 million due to the internal restructure of operations as a result of the strategic review.

The prior period impairment loss in Vector Logistics related to individual assets which became redundant.

The recoverable amount is determined based on value-in-use calculations.

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 key 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.
- 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 based on the output of the Group's five-year business planning process.
- 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: In the current year a perpetuity growth rate of 4.0% (2022: 4.0%) was applied.
- Discount rate: Refer below for the pre-tax discount rates used in each of the value-in-use calculations.

No further impairment losses nor reversals of impairments are required in the current financial year based on these assessments.

A sensitivity analysis of the assumptions have been presented below.

Key assumptions used in the current period CGU impairment test were as follows:

| 2023 | Discount rate pre-tax % | Perpetuity growth rate % | Period Years |
|---|---|---|---|
| Grocery | **16.9** | **4.0** | **5** |
| Pies | **16.8** | **4.0** | **5** |
| Beverages | **16.6** | **4.0** | **5** |
| Speciality | **16.7** | **4.0** | **5** |
| Milling | **17.1** | **4.0** | **5** |
| Bread, buns & rolls | **16.5** | **4.0** | **5** |
| Sunshine | **17.8** | **4.0** | **5** |
| Sivunosetfu Farming Services Proprietary Limited – Sugar | **18.3** | **4.0** | **5** |
| Libuyile Farming Services Proprietary Limited – Sugar | **16.5** | **4.0** | **5** |
| Mgubho Farming Services Proprietary Limited – Sugar | **16.6** | **4.0** | **5** |
| Epol Animal Feed | **20.1** | **4.0** | **5** |
| Chicken | **19.3** | **4.0** | **5** |

## 3. IMPAIRMENTS CONTINUED

| 2023 | Discount rate Movement (%) | Total Impairment (Rm) | Perpetuity growth rate Movement (%) | Total Impairment (Rm) |
|---|---|---|---|---|
| Grocery | +1.0 | Nil | (0.5) | Nil |
| Pies | +1.0 | Nil | (0.5) | Nil |
| Beverages | +1.0 | 38,9 | (0.5) | 19,8 |
| Speciality | +1.0 | Nil | (0.5) | Nil |
| Milling | +1.0 | Nil | (0.5) | Nil |
| Bread, buns & rolls[1] | +1.0 | 105,8 | (0.5) | 11,2 |
| Sunshine | +1.0 | 25,7 | (0.5) | 5,8 |
| Sivunosetfu Farming Services Proprietary Limited – Sugar[2] | +1.0 | Nil | (0.5) | Nil |
| Libuyile Farming Services Proprietary Limited – Sugar | +1.0 | 5,6 | (0.5) | Nil |
| Mgubho Farming Services Proprietary Limited – Sugar | +1.0 | Nil | (0.5) | Nil |
| Epol Animal Feed | +1.0 | Nil | (0.5) | Nil |
| Chicken[3] | +1.0 | 120,1 | (0.5) | Nil |

[1] *The decline in the headroom for the Bread, buns & rolls CGU is largely due to lower margins as a result of high input costs and a highly price competitive bread market.*

[2] *The current year impairment was processed fully against the available carrying amount of property, plant and equipment and right-of-use assets with the remaining assets within the CGU already at fair value. No further impairment can be processed.*

[3] *Key assumptions related to the Chicken CGU also include the feed conversion ratio, net invoice prices and feed input prices.*

A sensitivity analysis of the above assumptions used in the current period impairment test for the Chicken CGU is presented below:

| | Movement | Total Impairment (Rm) | Movement | Total Impairment (Rm) |
|---|---|---|---|---|
| Feed conversion ratio | +1.0% | 43,1 | (1.0%) | Nil |
| Net invoice price | +1.0% | Nil | (1.0%) | 943,9 |
| Feed input price | +R100/ton | Nil | (R100/ton) | Nil |

Key assumptions used in the prior period impairment test were as follows[1]:

| 2022 | Discount rate pre-tax % | Perpetuity growth rate % | Period Years |
|---|---|---|---|
| Grocery | 16.2 | 4.0 | 5 |
| Pies | 15.9 | 4.0 | 5 |
| Beverages | 16.3 | 4.0 | 5 |
| Speciality | 15.7 | 4.0 | 5 |
| Milling | 16.3 | 4.0 | 5 |
| Bread, buns & rolls | 14.5 | 4.0 | 5 |
| Sugar | 16.6 | 4.0 | 5 |
| Epol Animal Feed | 17.5 | 4.0 | 5 |
| Rainbow | 17.8 | 4.0 | 5 |
| L&A Logistics | 33.0 | 4.0 | 5 |
| Unallocated Segment | 45.0 | 4.0 | 5 |

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

## 3. IMPAIRMENTS CONTINUED

Sensitivity analysis of assumptions used in the prior period impairment test[1]:

| 2022 | Discount rate Movement (%) | Total Impairment (Rm) | Perpetuity growth rate Movement (%) | Total Impairment (Rm) |
|---|---|---|---|---|
| Grocery | +1.0 | Nil | (0.5) | Nil |
| Pies | +1.0 | 21,3 | (0.5) | Nil |
| Beverages | +1.0 | 146,8 | (0.5) | 123,3 |
| Speciality | +1.0 | Nil | (0.5) | Nil |
| Milling | +1.0 | Nil | (0.5) | Nil |
| Bread, buns & rolls | +1.0 | Nil | (0.5) | Nil |
| Sugar[2] | +1.0 | 45,0 | (0.5) | 38,0 |
| Epol Animal Feed | +1.0 | Nil | (0.5) | Nil |
| Rainbow | +1.0 | 306,9 | (0.5) | 52,2 |
| L&A Logistics* | +1.0 | Nil | (0.5) | Nil |

[1] *The key assumptions and impairment sensitivities above relate to the full carrying value of the CGUs[1].*
[2] *The prior year impairment sensitivities relate to Sivunosetfu Farming Services Proprietary Limited[2].*
* *L&A Logistics forms part of the Vector Logistics segment which has been disclosed as a disposal group held for sale. No write-down below carrying value was required on the disposal group. Refer to note 11.*

## 4. INVESTMENT IN JOINT VENTURES

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| Opening balance | **307 135** | 287 828 |
| Share of profits of joint ventures – continuing operations | **36 185** | 26 113 |
| Share of profits of joint ventures – discontinued operation* | **12 333** | 12 791 |
| Exchange differences on translation of joint venture – discontinued operation* | **5 429** | (3 416) |
| Dividends received from joint ventures | **(11 239)** | (16 181) |
| Transferred to held for sale* | **(138 603)** | |
| **Balance at June** | **211 240** | 307 135 |

* *Senn Foods Logistics Proprietary Limited forms part of the Vector Logistics segment which met the criteria to be classified as held for sale on 29 March 2023. In accordance with IFRS 5, the results for Senn Foods Logistics Proprietary Limited are no longer equity accounted from this date. Refer to note 11 for further detail.*

Set out below are the joint ventures of the Group as at June 2023. 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 Services Proprietary Limited (TSGRO) | **South Africa** | **50.0*** | **Note 4** |

* *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.*

## 4. INVESTMENT IN JOINT VENTURES CONTINUED

**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 2023.

**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 2023.

**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 2023. The use of the different date in applying the equity method is due to the practicality of obtaining the audited results timeously.

Senn Foods Logistics Proprietary Limited forms part of the Vector Logistics segment which met the criteria to be classified as held for sale on 29 March 2023. In accordance with IFRS 5, the results for Senn Foods Logistics Proprietary Limited are no longer equity accounted from this date. Refer to note 11 for further detail.

**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 2023.

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:

| | **2023 R'000** | 2022 R'000 |
|---|---|---|
| Guarantee: | | |
| Long-term Loan Guarantee for Akwandze Agricultural finance on behalf of TSGRO Farming Services Proprietary Limited | **25 000** | |
| Long-term Loan Guarantee for Rand Merchant Bank on behalf of Akwandze Agricultural Finance Proprietary Limited | **350 000** | 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. The loans of the debtors not relating to the Group are supported by external suretyships.

## 4. INVESTMENT IN JOINT VENTURES CONTINUED

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

| 2023<br>Summarised statement of financial position | Akwandze<br>June 2023<br>R'000 | Mananga<br>June 2023<br>R'000 | Senn Foods*<br>March 2023<br>R'000 | TSGRO<br>June 2023<br>R'000 | Total<br>2023<br>R'000 |
|---|---|---|---|---|---|
| **Current** | | | | | |
| Cash and cash equivalents | **36 503** | **74 170** | | **623** | **111 296** |
| Other current assets | **317 185** | **388 269** | | **11 276** | **716 730** |
| Total current assets | **353 688** | **462 439** | | **11 899** | **828 026** |
| Financial liabilities (excluding trade payables) | **345 714** | | | **475** | **346 189** |
| Other current liabilities (including trade payables) | **17 427** | **136 414** | | **4 832** | **158 673** |
| Total current liabilities | **363 141** | **136 414** | | **5 307** | **504 862** |
| **Non-current** | | | | | |
| Assets (including customer relationships) | **103 984** | **60 244** | | **3 567** | **167 795** |
| Financial liabilities | **58 519** | | | **34 787** | **93 306** |
| Other liabilities | | **9 860** | | | **9 860** |
| Total non-current liabilities | **58 519** | **9 860** | | **34 787** | **103 166** |
| **Net assets** | **36 012** | **376 409** | | **(24 628)** | **387 793** |

| 2022<br>Summarised statement of financial position | Akwandze<br>June 2022<br>R'000 | Mananga<br>June 2022<br>R'000 | Senn Foods<br>March 2022<br>R'000 | TSGRO<br>June 2022<br>R'000 | Total<br>2022<br>R'000 |
|---|---|---|---|---|---|
| **Current** | | | | | |
| Cash and cash equivalents | 56 324 | 175 956 | 35 887 | 1 736 | 269 903 |
| Other current assets | 85 857 | 253 226 | 168 277 | 12 916 | 520 276 |
| Total current assets | 142 181 | 429 182 | 204 164 | 14 652 | 790 179 |
| Financial liabilities (excluding trade payables) | 208 313 | | 7 912 | 491 | 216 716 |
| Other current liabilities (including trade payables) | 32 119 | 150 107 | 90 554 | 5 482 | 278 262 |
| Total current liabilities | 240 432 | 150 107 | 98 466 | 5 973 | 494 978 |
| **Non-current** | | | | | |
| Assets (including customer relationships) | 314 182 | 61 103 | 40 153 | 5 715 | 421 153 |
| Financial liabilities | 183 525 | | | 29 823 | 213 348 |
| Other liabilities | | 10 054 | 2 446 | | 12 500 |
| Total non-current liabilities | 183 525 | 10 054 | 2 446 | 29 823 | 225 848 |
| Net assets | 32 406 | 330 124 | 143 405 | (15 429) | 490 506 |

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

* *Senn Foods Logistics Proprietary Limited forms part of the Vector Logistics segment which met the criteria to be classified as held for sale on 29 March 2023. In accordance with IFRS 5, the results for Senn Foods Logistics Proprietary Limited are no longer equity accounted from this date. Refer to note 11 for further detail.*

## 4. INVESTMENT IN JOINT VENTURES CONTINUED

| 2023<br>Summarised statement of comprehensive income | Akwandze<br>June 2023<br>R'000 | Mananga<br>June 2023<br>R'000 | Senn Foods*<br>March 2023<br>R'000 | TSGRO**<br>June 2023<br>R'000 | Total<br>2023<br>R'000 |
|---|---|---|---|---|---|
| **Revenue from contracts with customers** | **42 235** | **1 295 513** | **693 884** | **27 166** | **2 058 798** |
| Depreciation and amortisation | **(25)** | **(2 273)** | **(4 964)** | **(69)** | **(7 331)** |
| Finance costs | **(29 823)** | **(382)** | **(69)** | **(291)** | **(30 565)** |
| Finance income | **2 710** | **4 209** | **123** | **289** | **7 331** |
| **Profit/(loss) before tax** | **4 971** | **85 053** | **32 269** | **(3 484)** | **118 809** |
| Income tax expense | **(1 365)** | **(16 291)** | **(7 099)** | **(5 715)** | **(30 470)** |
| **Profit/(loss) after tax** | **3 606** | **68 762** | **25 170** | **(9 199)** | **88 339** |
| **Total comprehensive income/(loss)** | **3 606** | **68 762** | **25 170** | **(9 199)** | **88 339** |
| Dividends received from joint ventures | | **11 239** | | | **11 239** |

| 2022<br>Summarised statement of comprehensive income | Akwandze<br>June 2022<br>R'000 | Mananga<br>June 2022<br>R'000 | Senn Foods<br>March 2022<br>R'000 | TSGRO<br>June 2022<br>R'000 | Total<br>2022<br>R'000 |
|---|---|---|---|---|---|
| **Revenue from contracts with customers** | 29 386 | 1 239 818 | 590 563 | 30 372 | 1 890 139 |
| Depreciation and amortisation | (14) | (2 035) | (12 960) | (1 740) | (16 749) |
| Finance costs | (19 740) | (296) | (905) | (331) | (21 272) |
| Finance income | 5 263 | 3 385 | 113 | 21 | 8 782 |
| **Profit/(loss) before tax** | 25 584 | 46 437 | 34 531 | (914) | 105 638 |
| Income tax (expense)/credit | (7 096) | (12 694) | (8 428) | 50 | (28 168) |
| **Profit/(loss) after tax** | 18 488 | 33 743 | 26 103 | (864) | 77 470 |
| **Total comprehensive income/(loss)** | 18 488 | 33 743 | 26 103 | (864) | 77 470 |
| Dividends received from joint ventures | | 12 152 | 4 029 | | 16 181 |

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

| 2023<br>Reconciliation of summarised financial information presented to the carrying amount of the joint ventures | Akwandze<br>June 2023<br>R'000 | Mananga<br>June 2023<br>R'000 | Senn Foods<br>March 2023<br>R'000 | TSGRO<br>June 2023<br>R'000 | Total<br>2023<br>R'000 |
|---|---|---|---|---|---|
| Opening net assets | **32 406** | **330 124** | **143 405** | **(15 429)** | **490 506** |
| Profit/(loss) for the period | **3 606** | **68 762** | **25 170** | **(9 199)** | **88 339** |
| Dividends paid | | **(22 478)** | | | **(22 478)** |
| Exchange differences on translation of joint venture | | | **11 080** | | **11 080** |
| Closing net assets | **36 012** | **376 408** | **179 655** | **(24 628)** | **567 446** |
| Interest in joint venture (%) | **50** | **50** | **49** | **50** | |
| Losses deferred to future reporting periods* | | | | **11 541** | **11 541** |
| Goodwill | **4 937** | **93** | **50 572** | **773** | **56 375** |
| Transferred to held for sale | | | **(138 603)** | | **(138 603)** |
| Carrying value | **22 943** | **188 297** | | | **211 240** |

* *Senn Foods results have been equity accounted for nine months, to the date of held for sale classification. In accordance with IFRS 5, the results for Senn Foods Logistics Proprietary Limited are no longer equity accounted from this date. Refer to note 11 for further detail.*

** *The carrying amount of the investment in TSGRO is Rnil (2022: Rnil), hence profits will only be recognised once cumulative losses have been recouped.*

## 4. INVESTMENT IN JOINT VENTURES CONTINUED

**2022**

| **Reconciliation of summarised financial information presented to the carrying amount of the joint ventures** | Akwandze June 2022 R'000 | Mananga June 2022 R'000 | Senn Foods March 2022 R'000 | TSGRO June 2022 R'000 | Total 2022 R'000 |
|---|---|---|---|---|---|
| Opening net assets | 13 918 | 320 684 | 132 499 | (14 565) | 452 536 |
| Profit/(loss) for the period | 18 488 | 33 743 | 26 103 | (864) | 77 470 |
| Dividends paid | (24 303) | (8 222) | | (32 525) | |
| Exchange differences on translation of joint venture | | | (6 975) | | (6 975) |
| Closing net assets | 32 406 | 330 124 | 143 405 | (15 429) | 490 506 |
| Interest in joint venture (%) | 50 | 50 | 49 | 50 | |
| Losses deferred to future reporting periods* | | | | 6 942 | 6 942 |
| Investment capital and other Goodwill | 4 937 | 93 | 50 572 | 773 | 56 375 |
| Carrying value | 21 140 | 165 155 | 120 840 | | 307 135 |

## 5. INVESTMENT IN ASSOCIATES

| | **2023 R'000** | 2022 R'000 |
|---|---|---|
| **Opening balance** | **822 991** | 853 866 |
| Share of profits of associates | **193 360** | 17 752 |
| Dividends received from associate | **(29 637)** | (54 240) |
| Share of associates other comprehensive income | **229** | 1 354 |
| Exchange differences on translation of associates | **7 102** | 1 674 |
| Disposal of associate | **(51 712)** | |
| Change in interest of associate | | 2 585 |
| **Balance at June** | **942 333** | 822 991 |

Set out below are the associates of the Group for the year ended June 2023. 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** | **29.29%** | **Note 2** |
| Livekindly Collective Africa Proprietary Limited (LKCA) | **South Africa** | **49.999%** | **Note 3** |

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

The year-end date of RES is March 2023, however, the Group has equity accounted the results for the year ended June 2023.

## 5. INVESTMENT IN ASSOCIATES CONTINUED

As at June 2023 the shares had a fair value of E15.2 (2022: E15.2) per share on the Eswatini Stock Exchange, at a total market value for the Group's investment in RES of R427,4 million (2022: R427,4 million). Whilst the carrying value of the Group's investment in RES of R797,5 million at June 2023 (2022: R633,7 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. A review of performance and operations for the year has not highlighted any impairment indicators.

**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.

During the current financial year, a decision was taken to dispose of the investment in HMH. The sale was effective 30 June 2023.

**Note 3:** LKCA principal activities are to market, sell and distribute plant-based products in Sub-Saharan Africa. There are no quoted market prices available for the investment in LKCA. The year-end date of LKCA is December 2022, however, the Group has equity accounted the results for the year ended June 2023.

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

| | **2023 R'000** | 2022 R'000 |
|---|---|---|
| As part of the banking facilities, RES and its subsidiary company are liable for the following guarantees: | | |
| Customs and Excise | **8 500** | 8 500 |
| Eswatini Government – Labour | **60** | 60 |
| Eswatini Government – General Bond | **70** | 70 |
| South African Revenue Service – VAT | **550** | 550 |
| Transnet | **50** | 50 |

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

The RES's bank overdraft facilities are secured by cross guarantees for an unlimited amount between the RES, Mhlume (Eswatini) Sugar Company Limited and Royal Swazi Distillers Proprietary Limited.

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

## 5. INVESTMENT IN ASSOCIATES CONTINUED

Set out below is the summarised financial information for associates:

| 2023<br>Summarised statement of financial position | LKCA<br>June 2023<br>R'000 | RES<br>June 2023<br>R'000 | HMH*<br>June 2023<br>R'000 | Total<br>2023<br>R'000 |
|---|---|---|---|---|
| **Current** | | | | |
| Cash and cash equivalents | **36 178** | **338 818** | | **374 996** |
| Other current assets | **45 037** | **1 700 116** | | **1 745 153** |
| Total current assets | **81 215** | **2 038 934** | | **2 120 149** |
| Financial liabilities (excluding trade payables) | **24 015** | **133 761** | | **157 776** |
| Other current liabilities (including trade payables) | **56 888** | **822 559** | | **879 447** |
| Total current liabilities | **80 903** | **956 320** | | **1 037 223** |
| **Non-current** | | | | |
| Assets | **58 425** | **2 876 597** | | **2 935 022** |
| Total non-current assets | **58 425** | **2 876 597** | | **2 935 022** |
| Financial liabilities | **1 425** | **535 888** | | **537 313** |
| Other liabilities | | **684 757** | | **684 757** |
| Total non-current liabilities | **1 425** | **1 220 645** | | **1 222 070** |
| Net assets | **57 312** | **2 738 566** | | **2 795 878** |

| 2022<br>Summarised statement of financial position | LKCA<br>June 2022<br>R'000 | RES<br>June 2022<br>R'000 | HMH<br>June 2022<br>R'000 | Total<br>2022<br>R'000 |
|---|---|---|---|---|
| **Current** | | | | |
| Cash and cash equivalents | 5 754 | 37 111 | 3 163 | 46 028 |
| Other current assets | 57 909 | 1 301 784 | 85 087 | 1 444 780 |
| Total current assets | 63 663 | 1 338 895 | 88 250 | 1 490 808 |
| Financial liabilities (excluding trade payables) | 14 789 | 307 189 | 10 692 | 332 670 |
| Other current liabilities (including trade payables) | 53 791 | 370 284 | 50 148 | 474 223 |
| Total current liabilities | 68 580 | 677 473 | 60 840 | 806 893 |
| **Non-current** | | | | |
| Assets | 61 378 | 2 526 729 | 236 434 | 2 824 541 |
| Total non-current assets | 61 378 | 2 526 729 | 236 434 | 2 824 541 |
| Financial liabilities | 2 630 | 357 333 | 135 816 | 495 779 |
| Other liabilities | | 631 265 | | 631 265 |
| Total non-current liabilities | 2 630 | 988 598 | 135 816 | 1 127 044 |
| **Net assets** | 53 831 | 2 199 553 | 128 029 | 2 381 413 |

* *During the current financial year, a decision was taken to dispose of the investment in HMH Rainbow Limited. The sale was effective 30 June 2023.*

## 5. INVESTMENT IN ASSOCIATES CONTINUED

| 2023<br>**Summarised statement of comprehensive income** | **LKCA June 2023 R'000** | **RES June 2023 R'000** | **HMH June 2023 R'000** | **Total 2023 R'000** |
|---|---|---|---|---|
| Revenue from contracts with customers | **161 775** | **4 869 047** | **433 807** | **5 464 629** |
| Depreciation and amortisation | **(1 203)** | **(268 658)** | **(24 284)** | **(294 145)** |
| Finance expense | | **(28 672)** | **(15 996)** | **(44 668)** |
| Finance income | **14 832** | **16 091** | | **30 923** |
| **Profit before tax** | **8 717** | **869 293** | **19 965** | **897 975** |
| Income tax expense | **(2 506)** | **(229 515)** | **(3 225)** | **(235 246)** |
| **Profit after tax** | **6 211** | **639 778** | **16 740** | **662 729** |
| Other comprehensive income | | **785** | | **785** |
| **Total comprehensive income** | **6 211** | **640 563** | **16 740** | **663 514** |
| **Adjustments** | | | | |
| Amortisation of customer relationships (net of tax) | **(2 730)** | | | **(2 730)** |
| **Adjusted total comprehensive income** | **3 481** | **640 563** | **16 740** | **660 784** |
| Dividends received from associate | | **29 637** | | **29 637** |

| 2022<br>**Summarised statement of comprehensive income** | LKCA June 2022 R'000 | RES June 2022 R'000 | HMH June 2022 R'000 | Total 2022 R'000 |
|---|---|---|---|---|
| Revenue from contracts with customers | 190 953 | 3 309 107 | 285 370 | 3 785 430 |
| Depreciation and amortisation | (873) | (247 394) | (24 914) | (273 181) |
| Finance expense | | (18 333) | (14 439) | (32 772) |
| Finance income | 10 525 | 18 975 | | 29 500 |
| **(Loss)/profit before tax** | (14 918) | 135 622 | (16 148) | 104 556 |
| Income tax expense | 4 157 | (35 479) | | (31 322) |
| **(Loss)/profit after tax** | (10 761) | 100 143 | (16 148) | 73 234 |
| Other comprehensive income | | 4 640 | | 4 640 |
| Total comprehensive income | (10 761) | 104 783 | (16 148) | 77 874 |
| Adjustments | | | | |
| Amortisation of customer relationships (net of tax) | (2 730) | | | (2 730) |
| **Adjusted total comprehensive income** | (13 491) | 104 783 | (16 148) | 75 144 |
| Dividends received from associate | | 54 240 | | 54 240 |

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

## 5. INVESTMENT IN ASSOCIATES CONTINUED

| Reconciliation of summarised financial information presented to the carrying amount of the associate | LKCA June 2023 R'000 | RES June 2023 R'000 |
|---|---|---|
| **Opening net assets** | **53 831** | **2 199 553** |
| Total comprehensive income for the year | **3 481** | **640 563** |
| Dividends paid | | **(101 549)** |
| **Closing net assets** | **57 312** | **2 738 567** |
| Interest in associate (%) | **49.999** | **29.185** |
| Goodwill | | **122 629** |
| **Carrying value** | **151 285** | **791 048** |

| Reconciliation of summarised financial information presented to the carrying amount of the associate | LKCA June 2022 R'000 | RES June 2022 R'000 |
|---|---|---|
| **Opening net assets** | 67 322 | 2 280 621 |
| Total comprehensive income for the year | (13 491) | 104 783 |
| Exchange differences on translation of associates | | |
| Dividends paid | | (185 851) |
| **Closing net assets** | 53 831 | 2 199 553 |
| Interest in associate (%) | 49.999 | 29.1846 |
| Goodwill | | 122 629 |
| **Carrying value** | 149 544 | 633 740 |

During the current financial year, a decision was taken to dispose of the Group's investment in HMH.

The sale transaction was finalised and effective 30 June 2023, and as such the investment was equity accounted for the full 2023 financial year. The cumulative foreign currency translation recognised in other comprehensive income relating to HMH was consequently recycled to profit and loss upon disposal of the associate.

| Reconciliation of net assets of associate to disposal date | 2023 R'000 |
|---|---|
| Opening net assets | **128 029** |
| Total comprehensive income for the year | **16 740** |
| Exchange differences on translation of associates | **24 249** |
| **Closing net assets** | **169 018** |
| Interest in associate (%) | **29.29** |
| Goodwill | **4 509** |
| Refund of purchase price | **(2 302)** |
| **Carrying amount of associate at date of disposal** | **51 712** |

## 5. INVESTMENT IN ASSOCIATES CONTINUED

| Reconciliation of proceeds from sale to carrying amount of associate | R'000 |
|---|---|
| Proceeds on disposal | **49 757** |
| Carrying amount of associate at date of disposal | **51 712** |
| Loss on disposal of associate | **(1 955)** |
| Foreign currency translation reserve recycled to profit and loss | **9 654** |

| **June 2022** **Reconciliation of summarised financial information presented to the carrying amount of the associate** | % | HMH[1] June 2022 R'000 | RCL FOODS Share HMH 2022 R'000 |
|---|---|---|---|
| **Opening net assets** | 33.50 | 106 711 | 35 748 |
| Shares issued | | 14 792 | 4 955 |
| Carrying value of RCL FOODS' shares diluted | 2.25 | | (2 733) |
| **Opening net assets post dilution of shareholding – June 2021** | 31.25 | 121 503 | 37 970 |
| Total comprehensive income to dilution date | | (8 985) | (2 632) |
| Exchange differences on translation of associates | | 7 444 | 1 838 |
| **Closing net assets at date of dilution of shareholding** | | 119 962 | 37 176 |
| Shares issued | | 15 792 | 4 625 |
| Carrying value of RCL FOODS' shares diluted | 1.96 | | (2 039) |
| **Opening net assets post dilution of shareholding – September 2021** | 29.29 | 135 754 | 39 762 |
| Total comprehensive income for the balance of the year | | (7 163) | (2 098) |
| Exchange differences on translation of associates | | (562) | (165) |
| **Closing net assets** | 29.29 | 128 029 | 37 499 |
| Goodwill | | | 4 509 |
| Refund of purchase price | | | (2 302) |
| **Carrying value** | | | 39 706 |

[1] *In September 2021 the shareholding in HMH was diluted, resulting in RCL FOODS' shareholding reducing from 31.25% to 29.29%. In the prior financial year, RCL FOODS' shareholding was diluted from 33.5% to 31.25%, this change was effective on the last day of the financial year.*

## 6. LOANS RECEIVABLE

| **Non-current:** | 2023 R'000 | 2022 R'000 |
|---|---|---|
| Loans at the beginning of the year | **31 095** | 49 375 |
| Loans advanced during the year | **12 439** | 2 998 |
| Reclassified to current | **(1 302)** | |
| Repayment of loans | | (13 277) |
| Loans derecognised on acquisition of subsidiary[1] | | (68 943) |
| Expected credit loss allowance (recognised)/reversed | **(30 232)** | 60 942 |
| Loans at the end of the year | **12 000** | 31 095 |

[1] *During the prior financial year, RCL Foods Sugar and Milling Proprietary Limited acquired a 100% shareholding in Siyathuthuka Sugar Estate Proprietary Limited. The investment was acquired with a view to resale and was recognised as a disposal group held for sale in terms of IFRS 5. As a result of the acquisition, the previously recognised expected credit losses amounting to R57,4 million, in respect of the loan were derecognised on acquisition.*

## 6. LOANS RECEIVABLE CONTINUED

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| **Reconciliation of loss allowance** | | |
| At the beginning of the year | **1 728** | 62 670 |
| Expected credit loss allowance recognised/(reversed) | **30 232** | (60 942) |
| At the end of the year | **31 960** | 1 728 |

Non-current loans receivable consist of loans granted to the Livekindly Collective Africa of R12,0 million (2022: R5,0 million). An expected credit loss allowance was raised in the current year in respect of the total loan granted to TSGRO Farming Services Proprietary Limited (2022: non-current loan receivable R26,5 million). The loan receivable relating to the purchase price refund from HMH Rainbow Limited of R1,3 million (refer note 4) has been classified as current in the current financial year due to it being settled shortly after year-end (2022: R1,3 million).

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. These loans have thus been assessed for impairment using the lifetime basis.

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. In accordance Group policy, interest on Stage 3 loans are forgiven.

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.

The long-term loan to The Livekindly Collective Africa is unsecured and accrues interest at the prime rate which was between 8.25% and 11.75% in the current year (2022: between 7.0% and 8.25%) per annum. The loan is repayable on or before 31 December 2026.

Based on the current profitability, financial outlook and forward-looking information available on Livekindly Collective Africa Proprietary Limited , the Group has performed an expected credit loss (ECL) calculation for the loans receivable. Based on the assessment, the ECL has been deemed to be immaterial.

The long-term loans to TSGRO Farming Services Proprietary Limited are unsecured and accrues interest at 10.75% (2022: 7.25%) per annum. The loan was fully impaired in the current year.

TSGRO Farming Services Proprietary Limited is a joint venture of the Group, thus the Group has access to their results and forecast information for forthcoming years in order to assess the borrowers capacity to meet its contractual cash flow obligations as they become due. In assessing the expected credit losses arising on the loan to TSGRO Farming Services Proprietary Limited, both internal (current profitability and forward-looking information) and external (current and future state of sugar industry and macroeconomic factors) factors were considered and concluded that TSGRO Farming Services Proprietary Limited is facing major ongoing uncertainties and exposure to adverse business, financial, or economic conditions which could lead to them not having adequate capacity to meet its financial commitments. The full loan has been impaired as a specific provision as a result of TSGRO not having adequate capacity to meet its financial commitments and there are no guarantees or collateral held in respect of this loan.

## 6. LOANS RECEIVABLE CONTINUED

| Current: | 2023 R'000 | 2022 R'000 |
|---|---|---|
| Loans at the beginning of the year | | |
| Loans advanced during the year | **63 931** | 1 223 |
| Loans repaid during the year | **(6 000)** | |
| Reclassified from non-current | **1 302** | |
| Less: Expected credit loss allowance | | (1 223) |
| Loans at the end of the year | **592 233** | |

In the current year RCL Foods Sugar and Milling Proprietary Limited granted a loan facility of up to R15,0 million to Akwandze Agricultural Finance Proprietary Limited. The sole purpose of this loan is for funding of sugar cane growers to procure and apply fertiliser on their sugar cane fields. Repayment of the loan is 31 March 2024 and the loan is interest free. At year end R1,6 million of this loan facility has been utilised.

In the current year RCL Foods Sugar and Milling Proprietary Limited granted a loan facility of R60,0 million to Akwandze Agricultural Finance Proprietary Limited. The use of the loan is for the sole purpose of the approved "Access to Finance Intervention" by the South African Sugar Association for the benefit of Libuyile Farming Services Proprietary Limited, Mgubho Farming Services Proprietary Limited and Sivunosetfu Proprietary Limited. Repayment of the loan is 30 June 2024 and the loan bears interest at prime less 1.25%. At year end R6,0 million of this loan had been repaid.

Interest on these loans are capitalised to their outstanding balances.

The carrying amount of these loans approximate their fair values.

## 7. INVESTMENT IN FINANCIAL ASSET

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| At the beginning of the year | **241 976** | 214 138 |
| Foreign exchange gains | **35 406** | 27 838 |
| Fair value adjustments recorded in profit or loss | **(127 446)** | |
| At the end of the year | **149 936** | 241 976 |

Relates to 1.58% a minority shareholding in The LIVEKINDLY Collective as at 2 July 2023 and is denominated in US Dollar.

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

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

## 8. INVENTORIES

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| Finished goods | **2 235 199** | 1 750 665 |
| Work-in-progress | **19 958** | 14 864 |
| Raw materials and ingredients | **999 208** | 1 006 156 |
| Consumables and maintenance spares | **467 740** | 375 492 |
| At the end of the year | **3 722 105** | 3 147 177 |
| Carrying value of inventory written down to net realisable value | **657 193** | 163 130 |
| Amount expensed as write-down to net realisable value | **88 559** | 17 666 |

The Group's net realisable value write-down of R88,6 million (2022: R17,7 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. In addition the current year amount includes a write-down on feed stocks driven by lower selling prices for feed post year-end.

## 9. BIOLOGICAL ASSETS

| 2023 | 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 | **493 897** | **388 895** | **346 262** | **2 775** | **1 231 829** |
| Gains arising from cost inputs | **1 787 504** | **6 494 668** | | | **8 282 172** |
| Decrease due to harvest/Transferred to cost of sales | **(1 711 190)** | **(6 464 915)** | **(351 010)** | **(2 775)** | **(8 529 890)** |
| Fair value adjustments recorded in profit or loss | **7 315** | **12 408** | **313 552** | | **333 275** |
| At the end of the year at fair value | **577 526** | **431 056** | **308 804** | | **1 317 386** |

| 2022 | 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 | 408 978 | 292 279 | 247 176 | 6 910 | 955 343 |
| Gains arising from cost inputs | 1 475 957 | 4 808 033 | | | 6 283 990 |
| Decrease due to harvest/Transferred to cost of sales | (1 381 813) | (4 730 155) | (248 581) | (6 910) | (6 367 459) |
| Fair value adjustments recorded in profit or loss | (9 225) | 18 738 | 347 667 | 2 775 | 359 955 |
| At the end of the year at fair value | 493 897 | 388 895 | 346 262 | 2 775 | 1 231 829 |

The financial risk management disclosures relating to the fair value estimation of the Group's biological assets is included in note 29 of the consolidated financial statements.

## 10. TRADE AND OTHER RECEIVABLES

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| Non-current: | | |
| Other receivables | | 26 289 |
| **Total** | | 26 289 |

Other receivables in the prior year largely related to a refundable deposit of R21,3 million paid on a lease in Vector Logistics which has been included as part of the disposal group held for sale. Refer to note 11 for further detail.

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| **Current:** | | |
| Trade receivables | **1 588 742** | 5 113 818 |
| Less: Expected credit loss allowance | **(25 941)** | (28 544) |
| Net trade receivables | **1 562 801** | 5 085 274 |
| Prepayments | **140 302** | 161 602 |
| Other receivables[1] | **454 215** | 852 701 |
| At the end of the year | **2 157 318** | 6 099 577 |

## 10. TRADE AND OTHER RECEIVABLES CONTINUED

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

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| Terms (days) | **7 to 90** | 7 to 90 |
| Collateral held/insurance | **Yes** | Yes |
| Debtors covered by Lombard Insurance Company Limited (Lombard)[2] | **1 815 333** | 4 838 260 |
| Mortgage bonds – registered value | | 35 000 |
| Bank guarantees – actual value | | 1 500 |
| **Total** | **1 815 333** | 4 874 760 |

| | | |
|---|---|---|
| [1] Material items included in other receivables comprise: | | |
| • VAT receivable | **86 431** | 143 701 |
| • Insurance proceeds receivable* | **54 750** | |
| • Proceeds on sale of transport operation** | **30 574** | |
| • Other receivables*** | **272 307** | 154 889 |
| • Vector Logistics distribution contracts**** | | 553 830 |

* *These receivables represent insurance proceeds receivable on the rebuild of the Komatipoort warehouse and flood damage in the Nkomazi region. The Agreement of Loss has been received and proceeds have started being received in the 2024 financial year.*

** *This receivable represents the outstanding proceeds on the sale of the RCL Foods Sugar & Milling Proprietary Limited transport operation, settled shortly after year end.*

*** *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.*

**** *These receivables represent amounts due from large listed and/or well-established foodservice entities in the South African market, and is effectively secured over the value of inventory that the Vector 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. In the current year, these receivables are reflected as part of the net assets of the disposal group held for sale.*

[2] *The maximum insurance claim as a result of default on any single balance is R1,4 billion (2022: R1,4 billion). There are no individual debtors which exceed R1,4 billion at 2 July 2023.*

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

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 increase in the loss rates in the current year is predominantly due to a change in the forward-looking assumptions due to a combination of a weaker economy and outlook compared to 12 months ago.

## 10. TRADE AND OTHER RECEIVABLES CONTINUED

| General trade receivables subject to matrix approach | 2023 R'000 | 2022 R'000 |
|---|---|---|
| The loss allowance is calculated using the matrix approach based on the total trade receivables balance, segregated for: | **1 588 742** | 5 113 818 |
| • Individually material balances (Separately assessed) | **(909 880)** | (2 624 399) |
| • Sundry amounts* | **271 220** | (142 042) |
| • Receivables with specific financial issues | **(25 160)** | (38 043) |
| **General trade receivables subject to matrix approach** | **924 922** | 2 309 334 |

* *The current year sundry amounts relate to rebate provisions which reduced the trade receivables balance as at 2 July 2023. The trade receivables balance for the general book is therefore adjusted to reflect the gross amount on which an expected credit loss may be incurred. Should a debtor default on payment, any rebates provided for in relation to that debtor will be reversed. In the prior financial year, sundry amounts also included rebate provisions, as well as trade receivables relating to the Vector Logistics segment which has been classified as a disposal group held for sale in the current financial year. The Vector Logistics' amounts were considered low risk as they related to amounts recoverable from their principals.*

The loss allowance was determined as follows for trade receivables:

### June 2023

#### INDIVIDUALLY MATERIAL BALANCES

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

| | Balance R'000 | Loss rate % | Loss allowance R'000 |
|---|---|---|---|
| Customer A | **445 392** | **0.0492** | **219** |
| Customer B | **159 803** | **0.0557** | **89** |
| Customer C | **155 333** | **0.0830** | **129** |
| Customer D | **21 983** | **0.0591** | **13** |
| Customer E | **127 369** | **0.1013** | **129** |
| Total | **909 880** | | **579** |
| Less: VAT on expected credit losses – individually material balances[1] | | | **(57)** |
| **Loss allowance** | | | **522** |

## 10. TRADE AND OTHER RECEIVABLES CONTINUED

### June 2023 continued

#### GENERAL BOOK

| | 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 (%) | **0.2507** | **0.7363** | **10.1910** | **19.7294** | **18.2122** | |
| Gross carrying amount | **786 735** | **125 928** | **7 548** | **3 198** | **1 513** | **924 922** |
| Loss allowance based on matrix approach | **1 972** | **927** | **769** | **631** | **276** | **4 575** |
| Less: VAT on expected credit losses – general[1] | | | | | | **(248)** |
| **Loss allowance** | | | | | | **4 327** |
| **Specific provision for expected credit losses** | | | | | | **21 092** |
| **Total expected credit losses on trade receivables** | | | | | | **25 941** |

In the prior financial year, the loss allowance was determined as follows for trade receivables:

### June 2022

#### INDIVIDUALLY MATERIAL BALANCES

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

| | Balance R'000 | Loss Rate % | Loss Allowance R'000 |
|---|---|---|---|
| Customer A | 1 012 939 | 0.0216 | 219 |
| Customer B | 713 637 | 0.0243 | 173 |
| Customer C | 319 944 | 0.1248 | 399 |
| Customer D | 302 314 | 0.2315 | 700 |
| Customer E | 275 565 | 0.0318 | 88 |
| Total | 2 624 399 | | 1 579 |
| Less: VAT on expected credit losses – individually material balances[1] | | | (127) |
| **Loss allowance** | | | 1 452 |

[1] *The South African Revenue Service (SARS) permits an input VAT claim in the event of a trade receivable being written off, hence the portion of output VAT declared on these receivables is deemed to be recoverable from SARS.*

## 10. TRADE AND OTHER RECEIVABLES CONTINUED

### June 2022 continued

#### GENERAL BOOK

| | 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 (%) | 0.1011 | 0.3997 | 2.9161 | 8.4893 | 7.8737 | |
| Gross carrying amount | 2 205 064 | 61 736 | 10 450 | 9 741 | 22 343 | 2 309 334 |
| Loss allowance based on matrix approach | 2 230 | 247 | 305 | 827 | 1 759 | 5 368 |
| Less: VAT on expected credit losses – general[1] | | | | | | (531) |
| **Loss allowance** | | | | | | 4 837 |
| **Specific provision for expected credit losses** | | | | | | 22 255 |
| **Total expected credit losses on trade receivables** | | | | | | 28 544 |

[1] *The South African Revenue Service (SARS) permits an input VAT claim in the event of a trade receivable being written off, hence the portion of output VAT declared on these receivables is deemed to be recoverable from SARS.*

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| **Reconciliation of loss allowance** | | |
| At the beginning of the year | **(28 544)** | (57 360) |
| (Increase)/decrease in general loss allowance recognised in profit or loss during the year | **(7 789)** | 4 718 |
| Increase in specific loss allowance recognised in profit or loss during the year | **(3 575)** | (2 604) |
| Receivables written off during the year as uncollectible | **3 464** | 16 316 |
| Transferred to held for sale | **7 500** | |
| Unused amounts reversed | **3 003** | 10 386 |
| **At the end of the year** | **(25 941)** | (28 544) |

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| The carrying amounts of the Group's trade and other receivables are denominated in the following currencies: | | |
| Rand | **2 157 318** | 6 000 328 |
| USD | | 2 925 |
| Namibian Dollar | | 77 514 |
| Zambian Kwacha | | 45 099 |
| **Total** | **2 157 318** | 6 125 866 |

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.

## 11. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATION

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| **Assets** | | |
| Sugar | **26 803** | 23 326 |
| Vector Logistics | **6 471 828** | 9 809 |
| | **6 498 631** | 33 135 |
| **Liabilities** | | |
| Sugar | **1 017** | 1 017 |
| Vector Logistics | **3 996 074** | |
| | **3 997 091** | 1 017 |

June 2023

### VECTOR LOGISTICS PROPRIETARY LIMITED

In March 2023, the Group entered into a binding agreement with EMIF II Investment Proprietary Limited, a subsidiary of A.P. Møller Capital, to dispose of the Vector Logistics business. The Vector Logistics segment has been disclosed as held for sale in accordance with IFRS 5 Non-current assets held for sale and discontinued operations (IFRS 5) and presented as a discontinued operation in these results. Refer to note 33 for further details.

Based on the agreed selling price of the Vector Logistics segment, the fair value less costs to sell is higher than the carrying value, and as a result, no write-down is required as at June 2023.

The associated assets and liabilities are presented as held for sale in the current year statement of financial position.

The financial performance and cash flow information for the years ended June 2023 and 2022, are set out below:

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| **Summarised income statement** | | |
| **Revenue from contracts with customers** | **3 066 587** | 2 706 195 |
| Operating profit before depreciation, amortisation and impairment (EBITDA) | **315 176** | 330 286 |
| Depreciation, amortisation and impairment | **(154 602)** | (190 988) |
| **Operating profit** | **160 574** | 139 298 |
| Finance income | **31 067** | 23 359 |
| Finance costs | **(111 123)** | (93 041) |
| Share of profits of joint venture | **12 333** | 12 791 |
| **Profit before income tax** | **92 851** | 82 406 |
| Income tax expense | **(16 552)** | (18 657) |
| **Profit after tax** | **76 299** | 63 749 |
| **Non-controlling interest** | **(2 850)** | (1 455) |
| **Profit from discontinued operation attributable to equity holders of the company** | **73 449** | 62 294 |
| **Summarised cash flow statement** | | |
| Net cash (outflow)/inflow from operating activities | **(197 158)** | 343 990 |
| Net cash outflow from investing activities | **(178 591)** | (148 967) |
| Net cash outflow from financing activities | **(125 553)** | (150 487) |
| Net (decrease)/increase in cash generated by the disposal group | **(501 301)** | 44 535 |

## 11. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATION CONTINUED

The carrying amount of the assets and liabilities as at 2 July 2023 is presented below:

| | 2023 R'000 |
|---|---|
| **ASSETS** | |
| **Non-current assets** | |
| Property, plant, equipment and right-of-use assets | 1 297 234 |
| Intangible assets | 71 220 |
| Investment in joint ventures | 138 603 |
| Deferred income tax asset | 22 127 |
| Trade and other receivables | 45 213 |
| | 1 574 397 |
| **Current assets** | |
| Inventories | 116 574 |
| Trade and other receivables | 4 698 968 |
| Derivative assets | 87 |
| Tax receivable | 507 |
| Cash and cash equivalents | 81 295 |
| | 4 897 431 |
| **Total assets** | 6 471 828 |
| **LIABILITIES** | |
| **Non-current liabilities** | |
| Interest-bearing liabilities | 409 558 |
| Retirement benefit obligations | 42 040 |
| Share-based payment liability | 22 112 |
| | 473 710 |
| **Current liabilities** | |
| Trade and other payables | 3 391 603 |
| Interest-bearing liabilities | 100 708 |
| Bank overdraft | 30 051 |
| Current income tax liabilities | 2 |
| | 3 522 364 |
| **Total liabilities** | 3 996 074 |

## 11. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATION CONTINUED

The below disclosures have been specifically included for the Vector Logistics segment for the current year. The prior year comparative has been disclosed within the notes of the consolidated financial statements.

### i Capital commitments

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| **Discontinued operation** | | |
| Contracted and committed | **86 458** | 142 971 |
| Approved but not contracted | **44 729** | 82 834 |

### ii Trade and other receivables – discontinued operation

| | 2023 R'000 |
|---|---|
| **Non-current:** | |
| Other receivables | **45 213** |
| **Total** | **45 213** |

Included in other receivables, is a deposit 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.

| | 2023 R'000 |
|---|---|
| **Current:** | |
| Trade receivables | **4 060 064** |
| Less: Expected credit loss allowance | **(10 658)** |
| Net trade receivables | **4 049 406** |
| Prepayments | **63 062** |
| Other receivables[1] | **586 500** |
| At the end of the year | **4 698 968** |
| A summary of Vector Logistics' trade receivables covered by insurance or secured by collateral is as follows: | |
| Terms | **7 to 90** |
| Collateral held/insurance | **Yes** |
| Debtors covered by Lombard insurance[2] | **3 190 240** |
| Total | **3 190 240** |
| [1] Material items included in other receivables comprise: | |
| – Vector Logistics distribution contracts* | **554 606** |
| – VAT receivable | **17 036** |
| – Other receivables** | **14 858** |

* *These receivables represent amounts due from large listed and/or well-established foodservice entities in the South African market, and is effectively secured over the value of inventory that the Vector 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.*

** *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.*

[2] *The maximum insurance claim as a result of default on any single balance is R1,4 billion (2022: R1,4 billion). There are no individual debtors which exceed R1,4 billion at 2 July 2023. The debtors not covered by insurance are made up of intercompany accounts, principle debtors, and rebate debtors. These are low risk accounts because we have corresponding vendors for principle and rebates where there is a possibility of off-set if required.*

## 11. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATION CONTINUED

| | 2023 R'000 |
|---|---|
| The loss allowance is calculated using the matrix approach based on the total trade receivables balance; segregated for: | 4 060 064 |
| – Individually material balances (Separately assessed) | (1 889 876) |
| – Sundry amounts | (738 735) |
| – Receivables with specific financial issues | (15 859) |
| **General trade receivables subject to matrix approach** | **1 415 593** |

### June 2023

#### INDIVIDUALLY MATERIAL BALANCES

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

| | Balance R'000 | Loss rate % | Loss allowance R'000 |
|---|---|---|---|
| Customer A | 172 961 | 0.11 | 191 |
| Customer B | 584 499 | 0.07 | 434 |
| Customer C | 747 890 | 0.06 | 481 |
| Customer D | 126 314 | 0.13 | 168 |
| Customer E | 258 212 | 0.08 | 205 |
| Total | | | 1 479 |
| Less: VAT on expected credit losses – general[1] | | | (193) |
| Loss allowance | | | 1 286 |

#### GENERAL BOOK

| | 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 (%) | 0.12 | 0.54 | 2.72 | 7.38 | 7.38 | |
| Gross carrying amount | 1 217 899 | 149 793 | 18 619 | 10 723 | 18 559 | 1 415 593 |
| Loss allowance based on matrix approach | 1 406 | 810 | 506 | 791 | 1 370 | 4 884 |
| Less: VAT on expected credit losses – general[1] | | | | | | (637) |
| Loss allowance | | | | | | 4 247 |
| Specific provision for expected credit losses | | | | | | 5 125 |
| Total Expected Credit Losses on trade receivables | | | | | | 10 658 |

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

## 11. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATION CONTINUED

| | 2023 R'000 |
|---|---|
| Reconciliation of loss allowance | |
| At the beginning of the year | (7 501) |
| Increase in general loss allowance recognised in profit or loss during the year | (2 380) |
| Increase in specific loss allowance recognised in profit or loss during the year | (1 499) |
| Receivables written off during the year as uncollectible | 722 |
| At the end of the year | (10 658) |
| The carrying amounts of the trade and other receivables are denominated in the following currencies: | |
| Rand | 4 560 972 |
| Namibian Dollar | 69 272 |
| Zambian Kwacha | 68 724 |
| | 4 698 968 |

### iii Retirement benefit obligations – discontinued operation

| | | 2023 R'000 |
|---|---|---|
| Post-retirement medical benefits | | 42 040 |
| Post-retirement medical obligation<br>The obligation 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 unfunded liability for post-retirement medical aid benefits is determined actuarially each year and comprises: | | |
| At the beginning of the year | | 42 807 |
| Recognised as expense in the current year | | 4 778 |
| Interest costs | | 4 575 |
| Current service costs | | 203 |
| **Remeasurements:** | | (2 381) |
| Gain from change in financial assumptions | | (3 592) |
| Experience loss recognised | | 1 211 |
| Benefits paid | | (3 164) |
| At the end of the year (and balance per actuarial valuation) | | 42 040 |
| The principal actuarial assumptions are: | | |
| Discount rate | (%) | 12.9 |
| Healthcare cost inflation | (%) | 9.10 |
| Mortality – pre-retirement | | * |
| Mortality – post-retirement | | ** |
| Expected contributions for the year ending June | | 3 605 |

*  *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 10 years.

## 11. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATION CONTINUED

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** |
| 0.5 | (1 643) | 1 764 |
| 1.0 | 3 747 | (3 294) |

### RETIREMENT CONTRIBUTION PLANS

**Pension and provident fund schemes**

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

**Defined contribution pension and provident fund schemes**

| | 2023 R'000 |
|---|---|
| – RCL FOODS Pension Fund | **12 703** |
| – RCL FOODS Provident Fund | **62 622** |
| – Namflex Pension Fund | **1 452** |
| | **76 776** |

## iv Financial risk management

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

| | 2023 R'000 |
|---|---|
| Rating | |
| Rating not available | **2 407** |
| NP[1] | **48 642** |
| Cash on hand | **195** |
| Total | **51 244** |

[1] *Credit ratings for financial institutions have been obtained from Moody's. Issuers, or supporting institutions, rated Not Prime (NP) do not fall within any of the prime rating categories.*

## 11. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATION CONTINUED

### LIQUIDITY RISK

The table below summarises the maturity profile of the disposal groups financial liabilities based on contractual undiscounted payments:

| | Carrying value R'000 | Less than one year R'000 | One to two years R'000 | Two to three years R'000 | Greater than three years R'000 | Total R'000 |
|---|---|---|---|---|---|---|
| **June 2023** | | | | | | |
| Interest-bearing liabilities – non-current | **409 558** | | **120 844** | **87 695** | **296 186** | **504 725** |
| Interest-bearing liabilities – current | **100 708** | **137 906** | | | | **137 906** |
| Bank overdraft | **30 051** | **30 051** | | | | **30 051** |
| Trade and other payables | **3 314 103** | **3 314 103** | | | | **3 314 103** |
| **Total** | **3 931 920** | **3 559 560** | **120 844** | **87 695** | **296 186** | **4 064 285** |

### INTEREST RATE RISK

The impact of a 3.0% increase in interest rates on positive cash balances will result in additional finance income of R22,8 million.

### FOREIGN CURRENCY RISK

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 2023 | Average rate R | Foreign contract amount '000 | Fair value of FECs R'000 |
|---|---|---|---|
| USD FECs – assets | **20.77** | **92** | **87** |

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:

| | 2023 R'000 |
|---|---|
| **Forward exchange contracts, currency futures and options** | |
| 15% increase in the value of the USD against the rand | **190** |
| 15% decrease in the value of the USD against the rand | **(190)** |
| 10% increase in the value of the EUR against the rand | **127** |
| 10% decrease in the value of the EUR against the rand | **(127)** |
| **Trade receivables** | |
| 10% increase in the value of the ZMW against the rand | **4 719** |
| 10% decrease in the value of the ZMW against the rand | **(4 719)** |
| **Cash and cash equivalents** | |
| 10% increase in the value of the ZMW against the rand | **569** |
| 10% decrease in the value of the ZMW against the rand | **(569)** |
| **Trade payables** | |
| 10% increase in the value of the ZMW against the rand | **10 802** |
| 10% decrease in the value of the ZMW against the rand | **(10 802)** |

## 11. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATION CONTINUED

### v Statement of financial position – reconciliation of carrying amount of disposal group held for sale

| | Transferred to Disposal Group held for sale R'000 | Movement from date of classification R'000 | Balance at 2 July 2023 R'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant, equipment and right-of-use assets | 1 203 313 | 93 921 | 1 297 234 |
| Intangible assets | 70 708 | 512 | 71 220 |
| Investment in joint ventures | 138 603 | | 138 603 |
| Deferred income tax asset | 28 020 | (5 893) | 22 127 |
| Trade and other receivables | 23 101 | 22 112 | 45 213 |
| | 1 463 745 | 110 652 | 1 574 397 |
| **Current assets** | | | |
| Inventories | 83 177 | 33 397 | 116 574 |
| Trade and other receivables | 4 801 717 | (102 749) | 4 698 968 |
| Derivative assets | 47 | 40 | 87 |
| Tax receivable | 507 | | 507 |
| Cash and cash equivalents | | 81 295 | 81 295 |
| | 4 885 448 | 11 983 | 4 897 431 |
| **Total assets** | 6 349 193 | 112 635 | 6 471 828 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Interest-bearing liabilities | 381 741 | 27 817 | 409 558 |
| Retirement benefit obligations | 44 018 | (1 978) | 42 040 |
| Share-based payment liability | | 22 112 | 22 112 |
| | 425 759 | 47 951 | 473 710 |
| **Current liabilities** | | | |
| Trade and other payables | 3 141 500 | 250 103 | 3 391 603 |
| Interest-bearing liabilities | 81 987 | 18 721 | 100 708 |
| Bank overdraft | 33 968 | (3 917) | 30 051 |
| Current income tax liabilities | 194 284 | (194 282) | 2 |
| | 3 451 741 | 70 625 | 3 522 364 |
| **Total liabilities** | 3 877 499 | 118 575 | 3 996 074 |

## 11. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATION CONTINUED

### vi Deferred tax

Total assessed losses amounting to R277,7 million in the current year have not been recognised as a deferred tax asset in the current financial year.

Deferred tax assets 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 relate to Vector Logistic Namibia. The recognition of the deferred tax assets will be reassessed when performance of the entities begin to show sustained improvement and it appears likely that there will be future taxable profits available to offset these assessed losses. The assessed losses do not have an expiry date.

### June 2022

During the prior financial year, a decision was taken to sell properties located in Bloemfontein and Polokwane. At year-end, the sale agreement was signed, and the transfer of property completed. The transfer of the properties is expected to be completed within 12 months.

Certain vehicles within the Vector Logistics network were classified as held for sale in the prior financial year. The sales process in respect of the trucks classified as held for sale were initiated in the 2022 financial year and the sale was completed in the current year.

| | 2023<br>R'000 | 2022<br>R'000 |
|---|---|---|
| **Assets** | | |
| Land and buildings | | 6 458 |
| Plant and equipment | | 1 960 |
| Vehicles | | 1 391 |
| **Total** | | 9 809 |
| **Reconciliation of carrying amount of prior year assets held for sale** | | |
| Proceeds | **14 951** | 12 455 |
| Transferred from property, plant and equipment | **969** | |
| Carrying amount of assets held for sale | **(9 809)** | (6 353) |
| Profit recognised on sale | **6 111** | 6 102 |

## 11. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATION CONTINUED

### RCL FOODS SUGAR AND MILLING PROPRIETARY LIMITED

The assets and liabilities classified as held for sale as part of the Sugar segment are detailed below:

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| **Assets** | | |
| Siyathuthuka Sugar Estate Proprietary Limited | | |
| – assets of disposal group held for sale | **19 291** | 22 701 |
| Property, plant and equipment | **7 399** | 10 809 |
| Trade and other receivables | **3 288** | 3 288 |
| Biological assets | **7 459** | 7 459 |
| Cash and cash equivalents | **1 145** | 1 145 |
| **Other** | | |
| Land and buildings | **625** | 625 |
| Airport | **6 887** | |
| Balance at June | **26 803** | 23 326 |
| **Liabilities** | | |
| Siyathuthuka Sugar Estate Proprietary Limited | | |
| – liabilities of disposal group held for sale | **1 017** | 1 017 |
| Trade and other payables | **1 017** | 1 017 |
| Balance at June | **1 017** | 1 017 |
| **Reconciliation of asset balance** | | |
| Opening Balance | **23 326** | 625 |
| Decrease of fair value of Siyathuthuka investment | **(3 410)** | |
| Transfer from property, plant and equipment | **6 887** | |
| Acquisition of Siyathuthuka Sugar Estate Proprietary Limited | | 22 701 |
| Closing asset balance | **26 803** | 23 326 |

During the current financial year an agreement was entered into to dispose certain land and buildings and property and equipment of RCL Foods Sugar and Milling related to the airport. The selling price is in excess of the carrying value and as a result no write-down was required. The transfer of ownership of the property is still in process and expected to transfer in the new financial year.

During the previous financial year, agreements were entered into to dispose portion 13 of farm Mhlati and a subdivided portion of the farm Thornhill. The selling price is in excess of the carrying value and as a result no write-down was required. The transfer of ownership of the properties is still in process and expected to transfer in the new financial year.

### Siyathuthuka Sugar Estates Proprietary Limited

In the prior financial year RCL Foods Sugar and Milling Proprietary Limited acquired 100% of the shares in Siyathuthuka Sugar Estates Proprietary Limited, with a view to resale. Accordingly the investment was recognised in terms of IFRS 5.

At acquisition, the fair value less costs to sell of the Siyathuthuka Sugar Estates Proprietary Limited assets was R22,7 million. The liabilities related to the held for sale investment consists of trade creditors amounting to R1,0 million.

The sale is in the process of being finalised. The sale is still considered highly probable in the current year.

## 12. STATED CAPITAL

**Authorised**

2 000 000 000 (2022: 2 000 000 000) ordinary shares of no par value.

Issued ordinary shares of no par value:

| | Number of shares | 2023 R'000 | 2022 R'000 |
|---|---|---|---|
| At the beginning of the year | **889 468 139** | **10 334 136** | 10 318 079 |
| Repurchase of shares | **(150 000)** | **(2 204)** | |
| Shares issued in terms of share incentive schemes | **778 582** | **8 833** | 16 057 |
| **At the end of the year** | **890 096 721** | **10 340 765** | 10 334 136 |
| Statutory shares and shares in issue for accounting purposes – June 2023 | **890 096 721** | | |

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

Issued shares have been fully paid up.

### 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 2022 | Rights exercised during the year | Rights forfeited during the year | Rights at June 2023 | Rights exercisable at June 2023 |
|---|---|---|---|---|---|---|
| 1 592 | 9 September 2015 | 9 459 510 | | **(9 459 510)** | | |
| 1 366 | 2 March 2016 | 1 283 500 | | **(1 283 500)** | | |
| 1 405 | 7 September 2016 | 16 259 421 | | **(851 911)** | **15 407 510** | **15 407 510** |
| 1 556 | 3 March 2017 | 2 093 889 | | | **2 093 889** | **2 093 889** |
| 1 536 | 6 September 2017 | 15 053 501 | | **(971 172)** | **14 082 329** | **14 082 329** |
| 1 677 | 5 March 2018 | 761 580 | | | **761 580** | **761 580** |
| 1 697 | 10 September 2018 | 16 242 134 | | **(937 673)** | **15 304 461** | **10 100 878** |
| 1 250 | 11 March 2019 | 1 383 937 | | | **1 383 937** | **913 397** |
| 1 344 | 1 April 2019 | 818 452 | | | **818 452** | **540 178** |
| 993 | 9 September 2019 | 31 689 097 | **(1 269 077)** | **(1 033 352)** | **29 386 668** | **8 997 327** |
| 1 074 | 9 March 2020 | 2 479 459 | | | **2 479 459** | **818 220** |
| 855 | 10 September 2020 | 28 349 065 | | **(1 459 872)** | **26 889 193** | |
| 861 | 8 March 2021 | 3 135 888 | | | **3 135 888** | |
| 1 265 | 16 November 2021 | 28 754 224 | | **(1 380 953)** | **27 373 271** | |
| | | 157 763 657 | **(1 269 077)** | **(17 377 943)** | **139 116 637** | **53 715 308** |

## 12. STATED CAPITAL CONTINUED

### RCL FOODS SHARE APPRECIATION RIGHTS SCHEME CONTINUED

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

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

SAR awards vest as follows:

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

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

There were no awards issued in the current year. The Share Appreciation Rights Scheme was replaced during the 2023 financial year, with a value creation plan which is a cash reward not linked to shares.

The prior year weighted average fair value of rights awarded during the year was R4.03.

| | **2023 R'000** | 2022 R'000 |
|---|---|---|
| Weighted average award price of rights in issue at the beginning of the year | **12.37** | 12.70 |
| Weighted average award price of rights in issue at the end of the year | **12.13** | 12.37 |
| Weighted average award price of rights exercised during the year | **9.93** | 10.86 |
| Weighted average award price of rights forfeited during the year | **14.45** | 15.19 |
| Weighted average award price of rights awarded during the year | | 12.65 |
| Weighted average share price at date rights exercised during the year | **10.56** | 12.95 |

### 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 2022 | Conditional shares settled during the year | Conditional shares at June 2023 |
|---|---|---|---|
| 9 September 2020 | 604 228 | **(604 228)** | |
| Total | 604 228 | **(604 228)** | |

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.

## 12. STATED CAPITAL CONTINUED

The fair values of the SARs and CSPs were calculated using the binomial options pricing model. There were no awards issued in the current year. The inputs into the model for awards issued during the prior year were as follows:

| | | 2022 |
|---|---|---|
| Expected volatility | (%) | 36.7 – 38.7 |
| Risk-free rate | (%) | 7.38 – 8.08 |
| Expected dividend yield | (%) | 3.0 |
| Contractual life | (years) | 7 |
| Weighted average contractual life – rights | (years) | 3.9 |

## 13. SHARE-BASED PAYMENTS RESERVE

| | **2023 R'000** | 2022 R'000 |
|---|---|---|
| **Employee share scheme** | | |
| At the beginning of the year | **555 151** | 477 324 |
| Settlement of exercised rights | **(8 833)** | (16 057) |
| Equity component of deferred tax on share-based payments | **(231)** | 231 |
| Value of employee services expensed during the year | **70 390** | 93 653 |
| At the end of the year | **616 477** | 555 151 |
| **B-BBEE transaction** | | |
| At the beginning of the year | **308 593** | 298 899 |
| Employee portion – recurring[1] | | 9 694 |
| At the end of the year | **308 593** | 308 593 |
| Total at the end of the year | **925 070** | 863 744 |

[1] *Refer to note 33 for further details.*

## 14. OTHER RESERVES

| | **2023 R'000** | 2022 R'000 |
|---|---|---|
| **Foreign currency translation reserve** | | |
| At the beginning of year | **1 995** | (1 059) |
| Currency translation on foreign subsidiaries, joint ventures and associates – continuing operations | **7 102** | 3 236 |
| Currency translation on foreign subsidiaries, joint ventures and associates – disposal group held for sale | **3 059** | |
| Amounts recycled to profit or loss[2] | **(9 654)** | (182) |
| At the end of year | **2 502** | 1 995 |

[2] *In the current financial year the investment in HMH Rainbow Limited was disposed of, as a result the foreign currency translation reserve relating to the investment has been recycled to profit and loss.*

## 15. RETIREMENT BENEFIT OBLIGATIONS

| | | 2023 R'000 | 2022 R'000 |
|---|---|---|---|
| Post-retirement medical benefits | | **65 974** | 115 725 |
| **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 2023. The unfunded liability for post-retirement medical aid benefits is determined actuarially each year and comprises: | | | |
| At the beginning of the year | | **115 725** | 106 900 |
| Recognised as expense in the current year | | **12 452** | 12 420 |
| Interest costs | | **11 141** | 12 075 |
| Past service credit and settlements[1] | | | (1 019) |
| Current service costs | | **1 311** | 1 364 |
| **Remeasurements** | | **(11 690)** | 3 320 |
| (Gain)/loss from change in financial assumptions | | **(7 501)** | 4 761 |
| Experience gain recognised | | **(4 189)** | (1 441) |
| Benefits paid | | **(6 495)** | (6 915) |
| Transferred to held for sale | | **(44 018)** | |
| At the end of the year | | **65 974** | 115 725 |
| Balance per actuarial valuation | | **108 014** | 115 725 |
| – Included in retirement benefit obligations per the Statement of financial position | | **65 974** | 115 725 |
| – Included in the net assets of the disposal group held for sale | | **42 040** | |
| **The principal actuarial assumptions are:** | | | |
| Discount rate | (%) | **10.7 to 12.9** | 9.3 to 11.2 |
| Healthcare cost inflation | (%) | **7.6 to 9.4** | 7.9 to 8.8 |
| Mortality – pre-retirement | | ***** | * |
| Mortality – post-retirement | | ****** | ** |
| Expected contributions for the forthcoming year ending June | | **4 489** | 5 917 |

* *SA85/90 (light) ultimate.*

** *PA(90) ultimate table rated down two years plus 1.0% improvement per annum from 2006.*

[1] *During the previous financial year, the obligation relating to certain pensioners were transferred to an insurer, resulting in a settlement reduction of the post-retirement medical aid liability through a voluntary buy-out process.*

The weighted average duration of the liability is between 6 and 11 years (2022: 5 and 20 years).

## 15. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

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** | **(2 919)** | **3 164** |
| Healthcare cost inflation | **1.0** | **7 020** | **(6 034)** |

### Retirement contribution plans

#### PENSION AND PROVIDENT FUND SCHEMES

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

#### DEFINED CONTRIBUTION PENSION AND PROVIDENT FUND SCHEMES

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

| | 2023 R'000 | *Restated 2022 R'000 |
|---|---|---|
| – RCL FOODS Pension Fund | **62 582** | 60 330 |
| – RCL FOODS Provident Fund | **194 951** | 180 641 |
| – TSB ABSA Retirement Fund | **21 935** | 20 812 |
| – SATAWU Provident Fund | **3 882** | 3 883 |
| – TSB Agricultural Provident Fund | **2 542** | 4 458 |
| – TSB NBC Provident Fund | **7 923** | 7 142 |
| – Foodcorp Provident Fund | | 214 |
| – Alexander Forbes | **7 512** | 6 696 |
| – Old Mutual – SACCAWU | **6 090** | 5 473 |
| – FAWU | **227** | 467 |
| **Total** | **307 644** | 290 116 |

* *The prior year has been restated to reflect contributions relating to continuing operations only.*

## 16. INTEREST-BEARING LIABILITIES

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| **Long-term** | | |
| Institutional borrowings | **24 963** | 27 473 |
| Loan from Facility for Investments in Renewable Small Transactions (RF) Proprietary Limited | **128 461** | 142 585 |
| Lease liabilities (refer to note 17) | **436 134** | 730 482 |
| Term-funded debt package | | 1 225 000 |
| Loan from Green Create W2V SA Proprietary Limited | **110 519** | |
| Loan from Inclusive Farming Partnership Proprietary Limited | **23 790** | 27 104 |
| Loans from Akwandze Agricultural Finance Proprietary Limited | **83 333** | 116 667 |
| Total | **807 200** | 2 269 311 |
| **Short-term** | | |
| Institutional borrowings | **2 511** | 2 511 |
| Loan from Facility for Investments in Renewable Small Transactions (RF) Proprietary Limited | **13 301** | 11 370 |
| Lease liabilities (refer to note 17) | **160 255** | 155 130 |
| Current portion of Term-funded debt package | **1 675 000** | 787 500 |
| Loan from Green Create W2V SA Proprietary Limited | | 94 578 |
| Current portion of long-term loan from Akwandze Agricultural Finance Proprietary Limited | **33 333** | 33 334 |
| Current portion of long-term loan from Inclusive Farming Partnership Proprietary Limited | **3 496** | 3 326 |
| Short-term loans from Akwandze Agricultural Finance Proprietary Limited | **235 396** | 178 856 |
| **Total** | **2 123 292** | 1 266 605 |

### Institutional borrowings

Institutional borrowings are loans from Futuregrowth Asset Management Proprietary Limited with a carrying value in non-current liabilities of R25,0 million (2022: R27,5 million) and an amount of R2,5 million included in short-term institutional borrowings (2022: R2,5 million). These loans were used to fund certain contract grower operations in the Rainbow business unit. These loans bear interest at the three-month JIBAR with a margin of between 1.5 % and 4.25% per annum (2022: 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 40 to 50 days between payments.

The loans are unsecured. The carrying amount of institutional borrowings approximate its fair value.

## 16. INTEREST-BEARING LIABILITIES CONTINUED

### 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.

The repayment date for the loans were revised during the 2023 financial year which resulted in the loan balance being a non-current liability at year-end (2022: R94,6 million balance reflected as a current liability).

The loan is unsecured. Interest accrues at the prime rate plus 5% per annum. The loan is repayable as at September 2024.

The funding to Matzonox Proprietary Limited has been provided in equal proportions by Green Create W2V SA Proprietary Limited and the RCL FOODS Group. The Group's portion of the funding (R110,5 million) has been eliminated on consolidation.

The carrying amount of the loan approximates its fair value.

### Loans from Facility for Investments in Renewable Small Transactions (RF) Proprietary Limited

The Facility for Investments in Renewable Small Transactions (RF) 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 relates to the Group's Waste-to-Value operations (Matzonox Proprietary Limited) and was granted in two tranches. The first tranche was obtained in 2020 and accrues interest at three-month JIBAR plus 4.08%.

During 2022, a further loan from the FIRST was obtained in Matzonox Proprietary Limited (second tranche).

This loan accrues interest at three-month JIBAR plus 3.95%. The total loan balance is repayable quarterly over a ten-year term.

The loan is secured by:

- a notarial bond registered over the Worcester Waste-to-Value (first tranche) and Rustenburg Waste-to-Value (second tranche) plants;
- 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 with a carrying value in non-current liabilities of R128,5 million (2022: R 142,6 million) and an amount of R13,3 million (2022: R11,4 million) is included in short-term borrowings.

## 16. INTEREST-BEARING LIABILITIES CONTINUED

### Term-funded debt package

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

In the second half of the 2023 financial year, an agreement was reached with the Group's term-funded debt providers to defer repayments which were due in March, June and September 2023 to the expiry date in December 2023 in order to manage short-term liquidity requirements and whilst the Rainbow separation remains in progress. The overall capital structure and funding requirements of the Group is expected to be impacted by the Rainbow separation, and with expiry of the term-funded debt package in December 2023, the Group is engaging with lenders on refinancing and extension options.

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

| Type | Carrying amount at 2 July 2023 | Term | Effective interest rate |
|---|---|---|---|
| Facility A | **837 500** | **5 years** | **8.06%** |
| Facility B | **837 500** | **5 years** | **8.11%** |
| **Total** | **1 675 000** | | |

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 | **(337 500)** | **1 675 000** |
| 30 June 2024 | **(1 675 000)** | |

Management have assessed the impact of the modification of the repayment schedule on the fair value of the term-funded debt package and on the consolidated financial statements and have concluded that it is not material.

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 Agricultural Finance Proprietary Limited in excess of R1 350,0 million during the term of the debt package;
- more than three dividends paid in a financial year;
- entering into acquisitions and the payment of dividends requires the Group to meet the financial covenants specified in the term-funded debt package agreement both immediately after the proposed transaction and on a look-forward basis for the next interim and year-end reporting date after the proposed transaction; and
- in addition, there are various transactions in the normal course of business which require that the Group remain within the specified financial covenants.

## 16. INTEREST-BEARING LIABILITIES CONTINUED

### Term-funded debt package continued

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

| | Required | June 2023 | June 2022 |
|---|---|---|---|
| Senior leverage ratio | <3.00:1 | **1.6** | 0.6 |
| Senior interest cover | >3.50:1 | **5.4** | 10.5 |

For the year ended June 2023, the Group was within the limits of its financial covenants and the annual financial statements have been prepared based on the going concern assumption. Refer to note 36.

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

The fair value of the term-funded debt package at June 2023 amounted to R1,68 billion (2022: R2,04 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.

### Long-term loan from Akwandze Agricultural Finance Proprietary Limited

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

The long-term loans amounting to R83,3 million (2022: R116,6 million) are from Akwandze Agricultural Finance Proprietary Limited. The capital portion is repayable half yearly over a period of six years in equal instalments whilst interest is payable quarterly. The loan bears interest at a prime interest rate less 1.0% per annum. The current portion of R33,3 million (2022: R33,3 million) is included in short-term borrowings.

### Short-term Loans from Akwandze Agricultural Finance Proprietary Limited

The R150,0 million financing facility (2022: R150,0 million) from Akwandze Agricultural Finance Proprietary Limited bears interest at the prime rate less 1.0%. The facility is repayable on demand.

These loans have been guaranteed by RCL Foods Sugar & Milling Proprietary Limited.

The short-term loan amounting to R28,1 million (2022: R28,9 million) from Akwandze Agricultural Finance Proprietary Limited is unsecured, repayable on demand and bears interest at a variable rate of 8.05% (2022: 3.65%) per annum.

The R56,3 million loan from Akwandze Agricultural Finance Proprietary Limited bears interest at prime rate less 1.0%. The facility is repayable by 30 June 2024.

These loans have been guaranteed by RCL Foods Sugar & Milling Proprietary Limited.

The carrying amount of these loans approximate its fair values.

### Loans from Inclusive Farming Partnership Proprietary Limited

During the previous financial year, a loan of R36,0 million was granted by Inclusive Farming Partnership Proprietary Limited. The capital portion of the loan is repayable annually over a period of eight years in equal instalments and interest is payable annually. The loan bears interest at 3.0% per annum. The loan was revalued at a fair value interest rate of 7.25% per annum and the corresponding deferred income of R4,2 million (2022: R5,6 million) was recognised in the statement of financial position at year-end. The outstanding balance at the end of the year is R27,3 million (2022: R30,4 million).

## 17. LEASES

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| **Assets** | | |
| The recognised right-of-use assets relate to the following types of assets: | | |
| Land and Buildings | **195 560** | 435 696 |
| Plant and Equipment | **12 380** | 31 849 |
| Vehicles | **164 377** | 57 039 |
| Total right-of-use assets | **372 317** | 524 584 |
| Additions to the right-of-use assets during the current financial year were R290,4 million (2022: R112,7 million). | | |
| For further detail refer to note 1. | | |
| **Liabilities** | | |
| **Long-term** | | |
| Lease liabilities | **436 134** | 730 482 |
| **Short-term** | | |
| Lease liabilities | **160 255** | 155 130 |
| Gross lease liabilities – minimum lease payments | **753 973** | 1 157 538 |
| Due within one year | **193 082** | 222 369 |
| Due within two to five years | **431 901** | 657 904 |
| Due later than five years | **128 990** | 277 265 |
| Future finance charges on lease liabilities | **(157 584)** | (271 926) |
| Present value of lease liabilities | **596 389** | 885 612 |
| Due within one year | **160 255** | 155 130 |
| Due within two to five years | **353 179** | 498 296 |
| Due later than five years | **82 955** | 232 186 |
| | **596 389** | 885 612 |

For further detail on interest expense relating to the lease liabilities refer to note 22.

### 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 22.

The payments relating to the IFRS 16 lease liabilities have been disclosed in Note D to the Cash Flow Statement.

Certain property leases in the Sugar segment are linked to local recoverable value prices and are variable in nature.

At 2 July 2023, the Group has future lease commitments in relation to short-term leases of R8,7 million (2022: R7,2 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 4.8% (2022: 2.9%) of the total lease payments made in the 12 months to June 2023 were optional. Optional lease payments relate to payments made on leases for which the Group is in the extension option period.

Potential future cash outflows of R345,6 million (2022: R1 000,4 million) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

## 18. TRADE AND OTHER PAYABLES

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| **Long-term** | | |
| Other payables | **10 858** | |
| **Total** | **10 858** | |
| **Short-term** | | |
| Trade payables | **1 550 755** | 4 344 567 |
| Accruals | **1 891 371** | 2 096 875 |
| Other payables | **1 152 131** | 1 359 356 |
| **Total** | **4 594 257** | 7 800 799 |

Other long-term payables relate to the deferred bonus scheme implemented during the 2023 financial year which effectively replaces the Share Appreciation Rights Scheme.

The carrying amount of trade and other payables approximate their fair values.

Included in accruals and other payables above are non-financial liabilities of R415,5 million (2022: R424,9 million).

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

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| Rand | **4 581 254** | 7 384 559 |
| USD | **18 076** | 32 671 |
| Namibian Dollar | **158** | 23 706 |
| GBP | **1 849** | 90 450 |
| EUR | **3 777** | 192 974 |
| Zambian Kwacha | | 76 439 |
| **Total** | **4 605 115** | 7 800 799 |

## 19. DEFERRED INCOME TAX

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| **Deferred income tax liability movement:** | | |
| **At the beginning of the year** | **1 040 157** | 1 051 561 |
| (Credit)/charge for the year – income statement | **(78 153)** | 106 815 |
| Charge/(credit) for the year – other comprehensive income | **3 493** | (671) |
| Credit for the year – other[1] | | (79 240) |
| Prior year under/(over) provision | **3 898** | (6 020) |
| Acquisition of business | **36 937** | |
| Change in tax rate | | (32 288) |
| **At the end of the year** | **1 006 332** | 1 040 157 |
| **Deferred income tax liability comprises:** | | |
| Trademarks, property, plant and equipment | **1 137 504** | 1 017 255 |
| Right-of-use assets | **55 466** | 23 072 |
| Inventories and biological assets | **295 980** | 274 885 |
| Provisions | **(205 808)** | (211 660) |
| Derivative financial instruments | **5 938** | (6) |
| Investment in associate | **51 455** | 35 724 |
| Losses available for set-off against future taxable income | **(252 305)** | (114 362) |
| Other | **(81 898)** | 15 249 |
| **Total** | **1 006 332** | 1 040 157 |
| Deferred tax liability due after 12 months | **1 009 726** | 971 972 |
| Deferred tax liability due within 12 months | **(3 393)** | 68 185 |
| **Total** | **1 006 332** | 1 040 157 |
| **Deferred income tax asset movement:** | | |
| **At the beginning of the year** | **45 435** | 99 742 |
| Credit for the year – income statement | **25 699** | 24 947 |
| (Charge)/credit for the year – other comprehensive income | **(8)** | 155 |
| Credit for the year – other[1] | | (79 240) |
| Prior year over provision | **(817)** | (1 003) |
| Exchange differences arising on translation | | 214 |
| Transferred to held for sale | **(28 020)** | |
| Change in tax rate | | 620 |
| **At the end of the year** | **42 289** | 45 435 |
| **Deferred income tax asset comprises:** | | |
| Trademarks, property, plant and equipment | **(98 429)** | (18 811) |
| Right-of-use assets | **(3 096)** | (31 878) |
| Provisions | **1 055** | 47 822 |
| Losses available for set-off against future taxable income | **138 562** | 58 791 |
| Other | **4 197** | (10 489) |
| **Total** | **42 289** | 45 435 |
| Deferred tax assets due after 12 months | **(98 188)** | (47 937) |
| Deferred tax assets due within 12 months | **140 477** | 93 372 |
| **Total** | **42 289** | 45 435 |

[1] *During the prior year entities moved from a deferred tax asset position to a deferred tax liability position.*

## 19. DEFERRED INCOME TAX CONTINUED

Deferred tax is calculated on all temporary differences under the liability method using a principal tax rate of 27.0% (2022: 27.0%).

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 Matzonox Proprietary Limited and RCL Foods Consumer Proprietary Limited whose forecasts support the utilisation of the loss in the next financial period.

The Group has total assessed losses amounting to R427,6 million (2022: R413,3 million) and capital losses of R76,9 million (2022: R76,9 million) that have not been recognised as a deferred tax asset in the current financial year. Deferred tax assets of R128,1 million (2022: R89,9 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 relate to the 50% owned sugar cane-grower companies (refer note 34) and Vector Logistics Namibia (prior year only). The recognition of the deferred tax assets in these companies will be reassessed when performance of the entities begin to show sustained improvement and it appears likely that there will be future taxable profits available to offset these assessed losses. The assessed losses do not have an expiry date. A breakdown of the deferred tax asset not recognised is provided below:

Deferred income tax asset not recognised comprises:

| | **2023 R'000** | 2022 R'000 |
|---|---|---|
| Provisions | **2 599** | 3 149 |
| Trademarks, property, plant and equipment | **46 240** | 18 223 |
| Inventories and biological assets | **(49 763)** | (60 748) |
| Assessed loss not recognised as deferred tax asset | **115 465** | 115 917 |
| Other | **13 524** | 13 364 |
| | **128 065** | 89 905 |

## 20. REVENUE FROM CONTRACTS WITH CUSTOMERS

| | 2023 R'000 | *Restated 2022 R'000 |
|---|---|---|
| **Continuing operations** | | |
| Disaggregation of revenue from contracts with customers | | |
| **Revenue from contracts with customers** | **37 782 948** | 32 200 777 |
| **Groceries** | **5 034 203** | 4 731 888 |
| Groceries | **4 275 700** | 4 010 469 |
| Sundry sales[1] | **758 503** | 721 419 |
| **Baking** | **8 625 417** | 7 422 627 |
| **Sugar** | **11 101 417** | 9 001 341 |
| **Rainbow** | **13 463 861** | 11 384 801 |
| Rainbow | **13 153 186** | 11 022 347 |
| Sundry sales[1] | **310 675** | 362 454 |
| **Group**[2] | **197 910** | 189 707 |
| **Sales between segments**[3] | **(639 860)** | (529 587) |
| **Timing of revenue recognition**[4] | **37 782 948** | 32 200 777 |
| Point in time | **37 571 761** | 31 999 702 |
| Over time | **211 187** | 201 074 |
| **Major customers** | | |
| Revenue from the Group's top five customers is as follows: | | |
| – customer A | **4 553 576** | 3 138 497 |
| – customer B | **2 399 242** | 1 873 638 |
| – customer C | **2 292 931** | 1 845 198 |
| – customer D | **2 118 868** | 1 632 682 |
| – customer E | **2 102 500** | 2 320 562 |
| The above revenue is included in the segments above. | | |
| **Analysis of revenue** | | |
| Sale of food products | **34 250 084** | 28 330 050 |
| Sale of feed | **3 321 677** | 3 704 225 |
| Sale of services | **211 187** | 166 502 |
| **Total** | **37 782 948** | 32 200 777 |

All revenue from continuing operations is earned within South Africa.

Revenue from contracts with customers include sales between segments. Refer to note 27 for details of the inter-segmental eliminations.

* *The results for the Groceries and Baking segments in the comparative periods have been restated to reallocate the Pies operating unit, which now forms part of Baking for segmental reporting purposes. The Pies operating unit was previously included as part of the Groceries segment. The prior year numbers have also been restated as required by IFRS 5 to reflect the Vector Logistics segment as a discontinued operation. Refer to note 11 for further detail.*

[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 Livekindly Collective Africa.*

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

[4] *Revenue recognised at a point in time relates to the sale of goods whilst revenue recognised over time relates to the sale of services and certain goods for which payment is deferred.*

# NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the year ended June 2023

## 21. OPERATING PROFIT

| | 2023 R'000 | *Restated 2022 R'000 |
|---|---|---|
| **Continuing operations** | | |
| **Revenue from contracts with customers** | **37 782 948** | 32 200 777 |
| Cost of sales | **(31 021 489)** | (25 529 284) |
| **Gross profit** | **6 761 459** | 6 671 493 |
| Administration expenses | **(2 072 083)** | (1 707 986) |
| Selling and marketing expenses | **(1 206 170)** | (1 205 878) |
| Distribution expenses | **(3 461 748)** | (3 233 938) |
| Net impairments[1] (Refer note 1 and note 2) | **(70 268)** | (8 256) |
| Other income | **835 541** | 951 082 |
| **Operating profit** | **786 731** | 1 466 517 |
| **Material and disclosable items – other income:** | | |
| Profit on disposal of property, plant and equipment | **35 591** | 13 356 |
| Fair value adjustment on biological assets | **333 276** | 359 955 |
| Fair value adjustment on derivatives | **226 887** | 361 914 |
| Gain on remeasurement of leases | **3 114** | 6 010 |
| Bagasse and electricity income | **24 327** | 22 560 |
| Foreign exchange gains | **52 921** | 40 156 |
| Loss allowance reversed – loans receivable | | 60 942 |
| Insurance proceeds[2] | **123 808** | 49 371 |
| Rental income – operating leases | **44 074** | 48 301 |
| **Material and disclosable items – expenses:** | | |
| Technical consultants and legal fees | **135 559** | 90 125 |
| Fair value adjustment on derivatives | **142 006** | 129 879 |
| Net impairments | **70 268** | 8 255 |
| Impairment of property, plant and equipment and right-of-use assets | **70 268** | 99 815 |
| – impairment reversed[3] | | (253 200) |
| – impairment of goodwill | | 161 640 |
| Loss allowance – Loans receivable | **30 232** | |
| Lease payments | **187 834** | 169 283 |
| – low-value lease expense | **2 487** | 1 087 |
| – variable lease payments | **104 925** | 59 650 |
| – short-term lease expense | **80 422** | 108 546 |
| Contract grower fees | **500 161** | 454 357 |
| Loss allowance – trade receivables[4] | **7 265** | 2 644 |
| Foreign exchange losses | **21 196** | 19 504 |
| Inventory expense | **22 331 810** | 19 392 765 |
| Fuel and gas | **673 003** | 438 882 |
| Utilities | **1 432 250** | 1 252 565 |
| Repairs and maintenance expense | **1 241 513** | 1 030 901 |
| Loss on disposal of property, plant and equipment and intangible assets | **37 400** | 14 250 |
| Directors' remuneration | **34 977** | 56 976 |
| – executive | **28 308** | 50 582 |
| – non-executive | **6 669** | 6 394 |

1 *Net impairment on property, plant and equipment, right-of-use assets and intangible assets.*

2 *Insurance proceeds are disclosed net of the loss of R297,0 million incurred in respect of the fire at the Komatipoort sugar warehouse in the prior year.*

3 *Relates only to impairments of property, plant and equipment, right-of-use assets and intangible assets.*

4 *The increase in the loss allowance – trade receivables was mainly due to an update of loss rates in the current year. Refer to note 10 for further detail.*

## 21. OPERATING PROFIT CONTINUED

| | 2023 R'000 | *Restated 2022 R'000 |
|---|---|---|
| **Continuing operations** | | |
| Staff costs | **4 907 792** | 4 692 784 |
| – salaries and wages | **4 127 510** | 3 973 012 |
| – share-based payments | **70 390** | 83 705 |
| – retirement benefit costs | **306 474** | 290 116 |
| – other post-employment benefits | **7 894** | 9 049 |
| – retrenchment costs | **4 558** | 4 915 |
| – other | **390 966** | 331 987 |
| B-BBEE expense | | 8 475 |
| Administration fee paid to Group holding company | **27 412** | 25 868 |
| Auditors' remuneration | **30 150** | 25 500 |
| – fees for the audit | **23 927** | 22 335 |
| – prior year under provision | **522** | 834 |
| – disbursements | **257** | 150 |
| – fees for other services | **5 444** | 2 181 |

* *The results for the Groceries and Baking segments in the comparative periods have been restated to reallocate the Pies operating unit, which now forms part of Baking for segmental reporting purposes. The Pies operating unit was previously included as part of the Groceries segment. The prior year numbers have also been restated as required by IFRS 5 to reflect the Vector Logistics segment as a discontinued operation. Refer to note 11 for further detail.*

## 22. FINANCE COSTS

| | 2023 R'000 | **Restated 2022 R'000 |
|---|---|---|
| **Continuing operations** | | |
| Interest – financial institutions | **264 515** | 134 205 |
| Fair value adjustment on interest rate collar option | | 3 667 |
| Transaction costs on term-funded debt | **2 512** | 1 014 |
| Interest – Holding company, subsidiaries classified as held for sale, joint ventures and associates | **65 486** | 41 844 |
| Interest on lease liabilities | **38 619** | 37 892 |
| Interest – other | **4 937** | 22 397 |
| Total | **376 069** | 241 019 |

## 23. FINANCE INCOME

| | 2023 R'000 | **Restated 2022 R'000 |
|---|---|---|
| **Continuing operations** | | |
| Interest – financial institutions | **16 734** | 32 129 |
| Interest – Holding company, subsidiaries classified as held for sale, joint ventures and associates | **13 980** | 3 817 |
| Interest – other | **8 012** | 3 529 |
| Total | **38 726** | 39 475 |

** *The prior year numbers have been restated as required by IFRS 5 to reflect the Vector Logistics segment as a discontinued operation. Refer to note 11 for further detail.*

## 24. INCOME TAX EXPENSE

| | 2023 R'000 | *Restated 2022 R'000 |
|---|---|---|
| **Continuing operations** | | |
| **Current tax** | **341 462** | 361 646 |
| South African | **351 600** | 342 133 |
| Foreign | **2 628** | 6 639 |
| Prior year (over)/under provision | **(12 766)** | 12 873 |
| **Deferred tax** | **(99 137)** | 33 259 |
| South African | **(103 852)** | 71 540 |
| Change in tax rate | | (32 261) |
| Prior year under/(over) provision | **4 715** | (6 020) |
| Total | **242 325** | 394 904 |
| **Reconciliation of tax rate:** | | |
| Profit before tax | **678 934** | 1 308 839 |
| Tax charge at 27% | **183 312** | 366 475 |
| – capital gains tax | **272** | 1 633 |
| – tax rate change | | (32 261) |
| – foreign taxation | **2 628** | 6 639 |
| – share of associates' profits | **(52 207)** | (4 970) |
| – share of joint ventures' profits | **(9 770)** | (7 311) |
| – non-taxable income | **(2 646)** | (2 829) |
| – prior year (over)/under provision – current | **(12 766)** | 12 873 |
| – prior year under/(over) provision – deferred | **4 714** | (6 019) |
| – non-deductible impairment of assets | | 45 259 |
| – non-deductible impairment of loan | **8 163** | |
| – non-taxable reversal of impairment of loan | | (17 063) |
| – non-taxable profit on disposal of assets | **3 458** | (1 520) |
| – unrecognised deferred tax on losses made | **44 913** | 11 000 |
| – withholding tax on undistributed profits of associate | **15 731** | (2 365) |
| – non-deductible IFRS 2 charges | **19 422** | 19 638 |
| – non-deductible depreciation and amortisation | **3 306** | 4 281 |
| – Section 11D deduction – Research and Development | **(3 934)** | (3 376) |
| – non-deductible listed company expenses | **14 088** | 12 143 |
| – non-deductible fair value and foreign exchange adjustment on financial asset | **24 851** | (7 795) |
| – non-deductible loss on sale of associate | **528** | |
| – non-taxable foreign currency translation reserve recycled into profit or loss | **(2 607)** | |
| – other non-deductible items | **868** | 472 |
| Tax charge | **242 325** | 394 904 |

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

* *The prior year numbers have been restated as required by IFRS 5 to reflect the Vector Logistics segment as a discontinued operation. Refer to note 11 for further detail.*

## 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 Share Appreciation Rights Scheme (refer to note 12). 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.

| | | 2023 R'000 | 2022 R'000 |
|---|---|---|---|
| **Earnings** | | | |
| Profit attributable to equity holders of the Company | | **616 237** | 1 013 361 |
| – profit from continuing operations | | **542 788** | 951 066 |
| – profit from discontinued operation | | **73 449** | 62 295 |
| **Weighted average number of ordinary shares in issue** | | | |
| Weighted average number of ordinary shares in issue – basic earnings per share | (000) | **889 990** | 888 700 |
| Share option dilution impact | (000) | **6 882** | 7 667 |
| Weighted average number of shares – diluted earnings per share | (000) | **896 873** | 896 367 |

| | Gross* R'000 | Net R'000 |
|---|---|---|
| **Headline earnings – June 2023** | | |
| Headline earnings reconciliation: | | |
| **Continuing Operations** | | |
| Profit for the year attributable to equity holders of the Company | | **542 788** |
| Net impairments | **36 366** | **35 842** |
| Insurance proceeds on fixed assets | **(40 595)** | **(29 634)** |
| Profit on disposal of property, plant and equipment | **(35 591)** | **(25 975)** |
| Loss on disposal of property, plant and equipment and intangible assets | **37 408** | **24 447** |
| Reclassification of foreign currency translation reserve to profit or loss on disposal of investment | **(9 654)** | **(9 654)** |
| Loss on sale of associate | **1 955** | **1 955** |
| Profit on disposal of property, plant and equipment included in equity accounted earnings of associates | **(278)** | **(201)** |
| **Headline earnings** | | **539 568** |
| **Discontinued Operation** | | |
| Profit for the year attributable to equity holders of the Company | | **73 449** |
| Profit on disposal of property, plant and equipment | **(8 673)** | **(6 332)** |
| Loss on disposal of property, plant and equipment and intangible assets | **2 045** | **1 493** |
| **Headline earnings** | | **68 610** |

* *Pre-tax amounts attributable to equity holders of the Company.*

## 25. EARNINGS AND HEADLINE EARNINGS PER SHARE CONTINUED

| | Gross* R'000 | Net R'000 |
|---|---|---|
| **Headline earnings – June 2022** | | |
| Headline earnings reconciliation: | | |
| **Continuing Operations** | | |
| Profit for the year attributable to equity holders of the Company | | 951 066 |
| Net impairments | (8 609) | 41 971 |
| Insurance proceeds on fixed assets | (830) | (597) |
| Profit on disposal of property, plant and equipment | (13 356) | (9 614) |
| Loss on disposal of property, plant and equipment and intangible assets | 14 250 | 10 260 |
| Change in interest of associate | (2 768) | (2 768) |
| Loss on disposal of property, plant and equipment included in equity accounted earnings of associates | 1 278 | 927 |
| **Headline earnings** | | 991 245 |
| **Discontinued Operation** | | |
| Profit for the year attributable to equity holders of the Company | | 62 295 |
| Net impairments | 6 090 | 4 386 |
| Insurance proceeds on fixed assets | (90) | (65) |
| Profit on disposal of property, plant and equipment | (8 250) | (5 940) |
| Loss on disposal of property, plant and equipment and intangible assets | 8 954 | 6 447 |
| Profit on disposal of assets held for sale | (6 103) | (4 396) |
| **Headline earnings** | | 62 727 |

** Pre-tax amounts attributable to equity holders of the Company.*

| | **2023 cents** | 2022 cents |
|---|---|---|
| **Earnings per share** | | |
| **– basic** | **69.3** | 114.0 |
| – from continuing operations | **61.0** | 107.0 |
| – from discontinued operation | **8.3** | 7.0 |
| **– diluted** | **68.7** | 113.1 |
| – from continuing operations | **60.5** | 106.1 |
| – from discontinued operation | **8.2** | 7.0 |
| **Headline earnings per share** | | |
| **– basic** | **68.3** | 118.6 |
| – from continuing operations | **60.6** | 111.5 |
| – from discontinued operation | **7.7** | 7.1 |
| **– diluted** | **67.8** | 117.6 |
| – from continuing operations | **60.2** | 110.6 |
| – from discontinued operation | **7.6** | 7.0 |

* *Pre-tax amounts attributable to equity holders of the Company.*

## 26. DIVIDENDS PER SHARE

| | **2023 R'000** | 2022 R'000 |
|---|---|---|
| Interim – paid: Rnil (2022: 15.0 cents) | **nil** | 133 420 |
| Final[1] – declared: Rnil (2022: 30.0 cents) | **nil** | 266 840 |
| Total: Rnil (2022: 45.0 cents) | **nil** | 400 260 |

[1] *The directors have resolved not to declare a final dividend in order to preserve cash whilst the repositioning of the portfolio is in progress.*

## 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 impairment (EBITDA) and operating profit (EBIT) and for joint ventures and associates based on their earnings after tax.

To accelerate momentum behind our growth agenda, drive synergies and improve collaboration for impact, we revised the configuration of our Value-Added Business from January 2023. The Pies operating unit, which previously formed part of the Groceries business unit, was moved to the Baking business unit

The Value-Added Business division is made up of the following segments:

- Groceries: Culinary (includes Mayonnaise, Peanut Butter, Rusks etc.) and Pet Food and Beverages operations;
- Baking: including the Milling, Speciality, Pies, Sunbake and Sunshine bakeries and Buns and Rolls;
- Sugar: including Sugar and molasses-based feed (Molatek) operations.

The Rainbow segment includes the chicken business, grain-based feed (Epol and Driehoek) and Waste-to-Value operations. The Vector Logistics segment which was classified as held for sale and accordingly recognised as a discontinued operation in the current year, 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, Foodservice customers and retailers to distribute food products on their behalf across Southern Africa. LKCA refers to the Group's investment in LIVEKINDLY Collective Africa.

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

| | 2023 R'000 | *Restated 2022 R'000 |
|---|---|---|
| **Continuing Operations** | | |
| **Revenue from contracts with customers** | **37 782 948** | 32 200 777 |
| Groceries | **5 034 203** | 4 731 888 |
| Baking | **8 625 417** | 7 422 627 |
| Sugar | **11 101 417** | 9 001 341 |
| Rainbow | **13 463 861** | 11 384 801 |
| Group[1] | **197 910** | 189 707 |
| Sales between segments: | | |
| Groceries sales to Baking | **(7 999)** | (7 769) |
| Groceries sales to Sugar | **(3 064)** | (9 498) |
| Groceries sales to Rainbow | **(226 648)** | (132 627) |
| Groceries sales to Group | **(1 925)** | (940) |
| Baking sales to Groceries | **(79 192)** | (74 024) |
| Baking sales to Sugar | **(1 813)** | (1 076) |
| Baking sales to Rainbow | **(152 480)** | (128 640) |
| Sugar sales to Groceries | **(95 263)** | (83 220) |
| Sugar sales to Baking | **(34 749)** | (54 133) |
| Sugar sales to Rainbow | **(6 673)** | (4 843) |
| Rainbow sales to Groceries | **(22 768)** | (25 747) |
| Rainbow sales to Sugar | **(7 286)** | (7 070) |

* *The results for Groceries and Baking segments in the comparative periods have been restated to reallocate Pies operating unit, which now forms part of Baking for segmental reporting purposes. The Pies operating unit was previously included as part of the Groceries segment. The prior year numbers have also been restated as required by IFRS 5 to reflect the Vector Logistics segment as a discontinued operation. Refer to note 11 for further detail.*

1 *Group revenue relates to management fees earned for shared services performed for Siqalo Foods Proprietary Limited and LIVEKINDLY Collective Africa.*

## 27. OPERATING SEGMENTS CONTINUED

| | 2023 R'000 | *Restated 2022 R'000 |
|---|---|---|
| **Continuing Operations** | | |
| **Operating profit before depreciation, amortisation and impairments (EBITDA)[1]** | **1 711 457** | 2 265 370 |
| Groceries | **389 286** | 481 587 |
| Baking | **527 879** | 556 384 |
| Sugar | **879 437** | 816 962 |
| Rainbow | **34 814** | 347 111 |
| Group[2] | **(63 847)** | 82 762 |
| Unallocated restructuring costs[3] | **(56 112)** | (19 436) |
| **Depreciation, amortisation and impairments[4]** | **(924 725)** | (798 853) |
| **Operating profit** | **786 732** | 1 466 517 |
| Groceries | **282 853** | 271 342 |
| Baking | **302 065** | 348 388 |
| Sugar | **592 298** | 817 206 |
| Rainbow | **(235 300)** | 89 667 |
| Group[2] | **(99 072)** | 25 437 |
| Unallocated restructuring costs[3] | **(56 112)** | (85 523) |
| **Finance costs** | **(376 069)** | (241 019) |
| **Finance income** | **38 726** | 39 475 |
| **Share of profits of joint ventures** | **36 185** | 26 113 |
| Sugar | **36 185** | 26 113 |
| **Share of profits/(loss) of associates** | **193 360** | 17 752 |
| Sugar | **186 717** | 29 226 |
| LIVEKINDLY Collective Africa | **1 741** | (6 745) |
| Ugandan Operation | **4 902** | (4 729) |
| Profit before tax | **678 934** | 1 308 838 |

* *The results for the Groceries and Baking segments in the comparative periods have been restated to reallocate the Pies operating unit, which now forms part of Baking for segmental reporting purposes. The Pies operating unit was previously included as part of the Groceries segment. The prior year numbers have also been restated as required by IFRS 5 to reflect the Vector Logistics segment as a discontinued operation. Refer to note 11 for further detail.*

1 *Includes net expected credit losses raised on loans receivable and trade and other receivables of R42,7 million (2022: R63,1 million expected credit losses reversed). Refer notes 6 and 10 for further detail.*

2 *Includes the operating costs of RCL Foods Limited and RCL Group Services Proprietary Limited (shared services portion only), the fair value and foreign exchange adjustments relating to the Group's investments in the LIVEKINDLY Collective, losses/gains on the Group's self-insurance arrangement and profit from management fees earned on shared services functions for Siqalo Foods Proprietary Limited and LIVEKINDLY Collective Africa Proprietary Limited.*

3 *Unallocated costs recognised as a result of the managed separation of the Rainbow business, due to the internal restructure.*

4 *Impairments relate only to impairments of property, plant and equipment, right-of-use assets and intangible assets.*

# NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the year ended June 2023

## 27. OPERATING SEGMENTS CONTINUED

| | 2023 R'000 | *Restated 2022 R'000 |
|---|---|---|
| **Discontinued Operation**[1] | | |
| **Revenue from contracts with customers**[2] | **3 066 587** | 2 706 195 |
| **Operating profit before depreciation, amortisation and impairment**[3] **(EBITDA)** | **315 176** | 330 286 |
| Depreciation, amortisation and impairments[3] | **(154 602)** | (190 988) |
| **Operating profit** | **160 574** | 139 298 |
| Finance costs | **(111 123)** | (93 041) |
| Finance income | **31 067** | 23 359 |
| Share of profits of joint ventures | **12 333** | 12 791 |
| **Profit before tax** | **92 851** | 82 407 |
| **Assets** | | |
| Groceries | **3 199 393** | 3 106 529 |
| Baking | **5 553 007** | 5 078 939 |
| Sugar | **5 216 967** | 4 685 752 |
| Rainbow | **6 547 735** | 5 804 772 |
| Unallocated Group assets[4] | **612 216** | 1 775 249 |
| LIVEKINDLY Collective Africa | **151 284** | 149 884 |
| Set-off of inter-segment balances | **(2 451 069)** | (2 441 895) |
| Vector Logistics[5] | | 5 816 064 |
| **Total per statement of financial position – continuing operations** | **18 829 533** | 23 975 294 |
| Vector Logistics[5] – disposal group held for sale | **6 471 828** | |
| **Total per statement of financial position** | **25 301 361** | 23 975 294 |
| **Liabilities** | | |
| Groceries | **1 076 436** | 1 018 796 |
| Baking | **1 649 314** | 1 443 986 |
| Sugar | **1 918 098** | 2 048 174 |
| Rainbow | **2 322 261** | 2 186 383 |
| Unallocated Group liabilities[4] | **2 892 720** | 2 433 709 |
| Set-off of inter-segment balances | **(274 847)** | (2 441 895) |
| Vector Logistics[5] | | 5 896 809 |
| **Total per statement of financial position – continuing operations** | **9 583 982** | 12 585 962 |
| Vector Logistics[5] – disposal group held for sale | **3 996 074** | |
| **Total per statement of financial position** | **13 580 056** | 12 585 962 |

[1] *Relates to the Vector Logistics segment.*
[2] *Excludes intercompany revenue which has been eliminated in accordance with the Group accounting policies.*
[3] *Impairments relate only to impairments of property, plant and equipment, right-of-use and intangible assets.*
[4] *Includes assets and liabilities of the Group treasury company and consolidation entries.*
[5] *Classified as a disposal group held for sale in the current year.*

## 27. OPERATING SEGMENTS CONTINUED

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| **Additions to property, plant and equipment and intangible assets** | | |
| Groceries* | | |
| Property, plant and equipment[1] | **110 829** | 83 150 |
| Intangible assets | **1 424** | |
| Baking* | | |
| Property, plant and equipment[1] | **271 204** | 316 898 |
| Intangible assets | **5 207** | 4 506 |
| Sugar | | |
| Property, plant and equipment[1] | **381 754** | 341 065 |
| Intangible assets | **5 838** | 7 543 |
| Rainbow | | |
| Property, plant and equipment[1] | **573 359** | 433 132 |
| Intangible assets | **7 636** | 1 234 |
| Vector Logistics (Disposal group held for sale) | | |
| Property, plant and equipment[1] | **328 209** | 208 024 |
| Intangible assets | **594** | 1 577 |
| Unallocated group segment[2] | | |
| Property, plant and equipment[1] | **29 734** | 3 840 |
| Intangible assets | **5 069** | 12 379 |
| **Impairment losses[3]** | | |
| Groceries | | 107 357 |
| Sugar | **68 851** | 88 011 |
| Rainbow | **1 417** | |
| Unallocated restructuring costs[4] | | 66 087 |
| **Impairment losses reversed** | | |
| Sugar | | 253 200 |
| **Depreciation and amortisation** | | |
| Groceries | **106 433** | 102 888 |
| Baking | **225 814** | 207 996 |
| Sugar | **218 288** | 164 945 |
| Rainbow | **268 697** | 257 444 |
| Unallocated segment[2] | **35 200** | 57 325 |

* *The results for Groceries and Baking segments in the comparative periods have been restated to reallocate the Pies operating unit, which now forms part of Baking for segmental reporting purposes. The Pies operating unit was previously included as part of the Groceries segment.*

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 (shared services only).*

3 *These impairments relate only to impairments of property, plant and equipment, right-of-use assets and intangible assets.*

4 *Relates to the impairment of the national office right-of-use building.*

## 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, investments, 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 10) and amounts guaranteed as disclosed in this note.

In the current year, 85.2% (2022: 94.6%) of the Group's trade debtors from continuing operations, which have not been specifically impaired, have been covered by credit insurance. The RCL FOODS Value-Added Business segment business units (Groceries, Baking, Sugar) trade debtors are covered by Lombard Insurance on all debtors balances in excess of R50 000 which covered 97.6% of their debtors in the current financial year (2022: 100.0%). Animal Feed debtors within the Rainbow segment are covered by Lombard Insurance on all debtors balances in excess of R50 000 which covered 100.0% of their debtors in the current financial year. The Rainbow and a portion of the RCL FOODS Value-Added Business segment trade debtors represent large retail customers assessed as being a low risk of default. Rainbow and Groceries segment trade debtors are managed by the Vector Logistics segment and subject to the covers that Vector Logistics 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

### Credit risk continued

The majority of the Group's loans receivable are with related parties (joint ventures or associates of the Group). The Group has access to the financial information of these entities in order to assess their financial position and creditworthiness and is used as part of the basis for calculating the expected credit loss.

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.

| Rating | 2023<br>R'000 | 2022*<br>R'000 |
|---|---|---|
| Rating not available | | 1 103 |
| NP[1] | **223 899** | 1 588 287 |
| Cash on hand | **474** | 877 |
| Total | **224 373** | 1 590 267 |

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

[1] *Credit ratings for financial institutions have been obtained from Moody's. Issuers, or supporting institutions, rated Not Prime (NP) do not fall within any of the prime rating categories.*

* *Restated to reflect cash balances only, excluding overdraft.*

## 28. FINANCIAL RISK MANAGEMENT CONTINUED

### Liquidity risk

The Group actively monitors its cash flows to ensure there is sufficient cash available to meet its working capital requirements. Its unutilised borrowing capacity is R2 555,0 million (2022: R2 450,0 million). Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding through draw down availability under committed and uncommitted credit lines. Management monitors rolling forecasts of the Group's cash and cash equivalents requirements on the basis of expected cash flow.

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

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

| | Carrying value R'000 | Less than one year R'000 | One to two years R'000 | Two to three years R'000 | Greater than three years R'000 | Total R'000 |
|---|---|---|---|---|---|---|
| **2023** | | | | | | |
| Interest-bearing liabilities – non-current | **371 065** | | **208 051** | **80 900** | **220 054** | **509 004** |
| Interest-bearing liabilities – current | **1 963 037** | **1 993 014** | | | | **1 993 014** |
| Lease liabilities – non-current | **436 134** | | **179 468** | **150 991** | **230 432** | **560 891** |
| Bank overdraft | **865 000** | **865 000** | | | | **865 000** |
| Lease liabilities – current | **160 255** | **193 082** | | | | **193 082** |
| Trade and other payables – non-current | **10 858** | | | **10 858** | | **10 858** |
| Trade and other payables | **4 189 633** | **4 189 633** | | | | **4 189 633** |
| Derivative financial liabilities | **3 670** | **3 670** | | | | **3 670** |
| Total | **8 404 276** | **7 649 023** | **387 519** | **242 749** | **450 486** | **8 729 776** |
| **2022** | | | | | | |
| Interest-bearing liabilities – non-current | 1 538 829 | | 1 332 517 | 58 546 | 218 679 | 1 609 742 |
| Interest-bearing liabilities – current | 1 111 475 | 1 258 972 | | | | 1 258 972 |
| Lease liabilities – non-current | 730 482 | | 168 612 | 159 466 | 561 079 | 889 157 |
| Bank overdraft | 24 459 | 24 459 | | | | 24 459 |
| Lease liabilities – current | 155 130 | 199 051 | | | | 199 051 |
| Trade and other payables | 7 375 861 | 7 375 861 | | | | 7 375 861 |
| Derivative financial liabilities | 2 018 | 2 018 | | | | 2 018 |
| Total | 10 938 254 | 8 860 361 | 1 501 129 | 218 012 | 779 758 | 11 359 260 |

## 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 8.1% (2022: 6.0%).

The impact of a 3.0% increase in interest rates on the Group's interest-bearing liabilities and overdraft will result in additional finance costs of R86,0 million (2022: R114,8 million). The impact of a 3.0% increase in interest rates on positive cash balances will result in additional finance income of R6,7 million (2022: R76,8 million). The net impact as such will result in additional finance costs of R79,3 million for the forthcoming financial year (2022: R38,0 million).

#### 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 R23,9 million (2022: R416,2 million) and trade and other receivables include net receivables of Rnil (2022: R125,5 million) in respect of sales and purchases in foreign currencies and cash and cash equivalents including cash related to the disposal group held for sale, include cash balances of R1,8 million (2022: R0,8 million) relating to cash denominated in foreign currency. The currencies predominantly traded in by the Group are USD, GBP, ZMK, Namibian Dollar and EUR. As a result, the Group is subject to exposure from fluctuations in foreign currency exchange rates. The Group utilises forward exchange contracts, currency futures and options to minimise foreign currency exchange risk in terms of its risk management policy. All forward exchange contracts, futures and currency options are supported by underlying transactions.

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

| | Average rate Rand | Foreign contract amount '000 | Fair value of FECs R'000 |
|---|---|---|---|
| **June 2023** | | | |
| USD FECs – assets* | **20.31** | **1 083** | **14 601** |
| USD FECs – liabilities | **18.52** | **(1 000)** | **(408)** |
| USD currency options – assets* | | **5 000** | |
| USD currency options – liabilities* | | **(10 788)** | |
| **June 2022** | | | |
| USD FECs – assets* | 16.50 | 1 368 | 769 |
| USD FECs – liabilities | 16.41 | (5 154) | 1 768 |
| USD Futures – assets* | 16.59 | 26 722 | |
| EUR Futures – assets* | 17.42 | 862 | |
| EUR currency options – liabilities* | | 215 | |
| USD currency options – liabilities* | | 22 600 | |

* *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

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, EUR and ZMW at June assuming the spot price remains constant thereafter until the maturity of the contracts and balances:

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| **Forward exchange contracts, currency futures and options** | | |
| 15% increase in the value of the USD against the rand | **(16 645)** | (38 136) |
| 15% decrease in the value of the USD against the rand | **23 345** | 47 482 |
| 10% increase in the value of the EUR against the rand | | 1 112 |
| 10% decrease in the value of the EUR against the rand | | (1 171) |
| **Trade receivables** | | |
| 10% increase in the value of the USD against the rand | | 293 |
| 10% decrease in the value of the USD against the rand | | (293) |
| 10% increase in the value of the ZMW against the rand | | 4 566 |
| 10% decrease in the value of the ZMW against the rand | | (4 566) |
| **Cash and cash equivalents** | | |
| 15% increase in the value of the USD against the rand | **(142)** | |
| 15% decrease in the value of the USD against the rand | **142** | |
| 10% increase in the value of the USD against the rand | | 686 |
| 10% decrease in the value of the USD against the rand | | (686) |
| 10% increase in the value of the ZMW against the rand | | 581 |
| 10% decrease in the value of the ZMW against the rand | | (581) |
| **Trade payables** | | |
| 15% increase in the value of the USD against the rand | **(1 876)** | |
| 15% decrease in the value of the USD against the rand | **1 876** | |
| 10% increase in the value of the USD against the rand | | (1 238) |
| 10% decrease in the value of the USD against the rand | | 1 238 |
| 10% increase in the value of the EUR against the rand | **(149)** | (12) |
| 10% decrease in the value of the EUR against the rand | **149** | 12 |
| 10% increase in the value of the GBP against the rand | | (20) |
| 10% decrease in the value of the GBP against the rand | | 20 |
| 10% increase in the value of the ZMW against the rand | | (7 644) |
| 10% decrease in the value of the ZMW against the rand | | 7 644 |

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 quarterly 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 impacts 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.

| | 2023 R'000 |
|---|---|
| Sunflower seeds – 25% increase | **26 973** |
| Sunflower seeds – 25% decrease | **(26 973)** |
| Maize – 25% increase | **19 465** |
| Maize – 25% decrease | **(5 553)** |
| Soya Oil – 20% increase | **1 537** |
| Soya Oil – 20% decrease | **(1 537)** |
| Soya – 20% increase | **165 849** |
| Soya – 20% decrease | **(122 583)** |
| Diesel – 20% increase | **1 826** |
| Diesel – 20% decrease | **(1 826)** |
| Wheat – 25% increase | **36 329** |
| Wheat – 25% decrease | **(36 329)** |

| | 2022 R'000 |
|---|---|
| Sunflower seeds – 20% increase | 56 475 |
| Sunflower seeds – 20% decrease | (56 475) |
| Maize – 25% increase | 24 996 |
| Maize – 25% decrease | (38 798) |
| Soya Oil – 15% increase | 6 124 |
| Soya Oil – 15% decrease | (6 736) |
| Soya – 15% increase | 80 452 |
| Soya – 15% decrease | (78 022) |
| Wheat – 25% increase | 12 653 |
| Wheat – 25% decrease | (23 584) |

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

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

Fees payable to the contract growers are accrued for based on the stage of completion of the broiler cycle at year-end.

The commitment value as at June 2023 was R23,7 million (2022: R20,9 million).

## 28. FINANCIAL RISK MANAGEMENT CONTINUED

### 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 return on invested capital (ROIC) in excess of its weighted average cost of capital. In 2023, ROIC for continuing operations was 4.6% (2022: 8.1%).

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:

| | Level 1 R'000 | Level 2 R'000 | Level 3 R'000 | Total R'000 |
|---|---|---|---|---|
| **June 2023** | | | | |
| **Assets** | | | | |
| Investment in financial asset (refer note 6) | | | **149 936** | **149 936** |
| Breeding stock – chicken (refer note 8) | | | **577 526** | **577 526** |
| Broiler stock – chicken (refer note 8) | | | **431 056** | **431 056** |
| Sugarcane plants (refer note 8) | | | **308 804** | **308 804** |
| Derivatives | | **28 144** | | **28 144** |
| Total assets | | **28 144** | **1 467 322** | **1 495 466** |
| Liabilities | | | | |
| Derivatives | | **3 670** | | **3 670** |
| Total liabilities | | **3 670** | | **3 670** |
| **June 2022** | | | | |
| **Assets** | | | | |
| Investment in financial asset (refer note 6) | | | 241 976 | 241 976 |
| Breeding stock – chicken (refer note 8) | | | 493 897 | 493 897 |
| Broiler stock – chicken (refer note 8) | | | 388 895 | 388 895 |
| Banana fruit (refer note 8) | | | 2 775 | 2 775 |
| Sugarcane plants (refer note 8) | | | 346 262 | 346 262 |
| Derivatives | | 4 597 | | 4 597 |
| Total assets | | 4 597 | 1 473 805 | 1 478 402 |
| **Liabilities** | | | | |
| Derivatives | | 2 018 | | 2 018 |
| Total liabilities | | 2 018 | | 2 018 |

## 28. FINANCIAL RISK MANAGEMENT CONTINUED

### Fair value estimation continued

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

Specific valuation techniques used to value the derivatives include:

- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the statement of financial position date with the resulting value discounted back to present value.
- The fair value of options are determined using appropriate option pricing models which take into account the volatility of the underlying instrument.

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

| Description | Fair value at June 2023 | Valuation technique | Unobservable inputs | Range of unobservable inputs | Relationship of unobservable input to fair value |
|---|---|---|---|---|---|
| Chicken stock | **1 008 583** | Replacement costs of the components of growing the stock | Eggs per hen | 129 to 191 per hen | The higher the eggs per hen, the higher the fair value |
| | | | Cost of a day-old breeder bird | R71.18 to R111.60 per chick | The higher the cost per chick, the higher the fair value |
| | | | Mortality rates | 3.1% to 7.9% | The higher the mortality, the lower the fair value |
| | | | Average live mass | 1,61 kg to 1,88 kg per bird | The higher the average live mass, the higher the fair value |
| | | | Feed cost | R8 270 to R9 021 per ton | The higher the feed cost per ton, the higher the fair value |
| Sugarcane plants | **308 803** | Recoverable value | Recoverable value price per ton of sucrose less harvesting, transport and other costs to sell | R4 764 to R5 037 per ton | The higher the recoverable value of sucrose less harvesting, transport and other costs to sell per ton, the higher the value of sugar standing cane |
| Investment in financial asset | **149 936** | Recoverable value | Market-related per share | US$1 per share | The higher the price per share the higher the fair value. RCL FOODS holds a 1.58% shareholding in the LIVEKINDLY Collective. As a result of the minority shareholding, access to information is limited. The fair value of the investment has been based on the cost of US$1 per share, with no shares being issued recently to use as a reference point. Cost approximates fair value. |

## 28. FINANCIAL RISK MANAGEMENT CONTINUED

### 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 R20,8 million change in fair value (2022: R23,6 million). |
| Feed cost – chicken stock | A 5.0% change in feed cost would result in a R12,1 million (2022: R10,0 million) change in fair value. |

| Description | Fair value at June 2022 | Valuation technique | Unobservable inputs | Range of unobservable inputs | Relationship of unobservable input to fair value |
|---|---|---|---|---|---|
| Chicken stock | 882 792 | Replacement costs of the components of growing the stock | Eggs per hen | 152 to 166 per hen | The higher the eggs per hen, the higher the fair value |
| | | | Cost of a day-old breeder bird | R62.04 to R84.62 per chick | The higher the cost per chick, the higher the fair value |
| | | | Mortality rates | 4.3% to 10.5% | The higher the mortality, the lower the fair value |
| | | | Average live mass | 1.60 kg to 1.86 kg per bird | The higher the average live mass, the higher the fair value |
| | | | Feed cost | R6 663 to R7 723 per ton | The higher the feed cost per ton, the higher the fair value |
| Banana fruit | 2 775 | 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 | 346 261 | Recoverable value | Recoverable value price per ton of sucrose less harvesting, transport and other costs to sell | R3 816 to R4 174 per ton | The higher the recoverable value of sucrose less harvesting, transport and other costs to sell per ton, the higher the value of sugar standing cane |
| Investment in financial asset | 241 976 | Recoverable value | Market-related value per share based on previous shares issued | US$1.85 per share | The higher the price of shares issued the higher the fair value of the investment |

# NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the year ended June 2023

## 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 2023** | | | |
| Investment in financial asset | | **149 936** | **149 936** |
| Trade and other receivables | **1 930 586** | | **1 930 586** |
| Loans receivable | **71 233** | | **71 233** |
| Derivative financial instruments | | **28 144** | **28 144** |
| Cash and cash equivalents | **224 373** | | **224 373** |
| At the end of the year | **2 226 192** | **178 080** | **2 404 272** |
| **June 2022** | | | |
| Investment in financial asset | | 241 976 | 241 976 |
| Trade and other receivables | 5 794 272 | | 5 794 272 |
| Loans receivable | 31 095 | | 31 095 |
| Derivative financial instruments | | 4 597 | 4 597 |
| Cash and cash equivalents | 1 590 267 | | 1 590 267 |
| At the end of the year | 7 415 634 | 246 573 | 7 662 207 |

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 2023** | | | |
| Interest-bearing liabilities – non-current | **371 066** | | **371 066** |
| Interest-bearing liabilities – current | **1 963 037** | | **1 963 037** |
| Lease liabilities – non-current | **436 134** | | **436 134** |
| Lease liabilities – current | **160 255** | | **160 255** |
| Derivative financial instruments | | **3 670** | **3 670** |
| Bank overdraft | **865 000** | | **865 000** |
| Trade and other payables | **4 189 633** | | **4 189 633** |
| At the end of the year | **7 985 125** | **3 670** | **7 988 794** |
| **June 2022** | | | |
| Interest-bearing liabilities – non-current | 1 538 829 | | 1 538 829 |
| Interest-bearing liabilities – current | 1 111 475 | | 1 111 475 |
| Lease liabilities – non-current | 730 482 | | 730 482 |
| Lease liabilities – current | 155 130 | | 155 130 |
| Derivative financial instruments | | 2 018 | 2 018 |
| Bank overdraft | 24 459 | | 24 459 |
| Trade and other payables | 7 375 861 | | 7 375 861 |
| At the end of the year | 10 936 236 | 2 018 | 10 938 254 |

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

## 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 transactions and balances below relate to total operations, i.e. continuing and discontinued operations.

The ultimate controlling party of the Group is Remgro Limited.

### Group

As detailed in note 1 to the Company financial statements on page 132, the Company has concluded certain lending transactions with these related parties. In addition the following transactions were concluded:

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| **Transactions and balances with ultimate holding company** | | |
| Interest paid | **8 591** | |
| Administration and other fees paid | **28 349** | 25 860 |
| Service fees received | | 1 010 |
| Other expenses paid | **3 009** | 492 |
| Amounts owing to the holding company included in trade and other payables | **5 301** | 7 527 |
| Directors' fees | **1 405** | 1 334 |
| **Transactions and balances with subsidiaries of the holding company** | | |
| Sales | **531 331** | 491 714 |
| Purchases | **59** | 2 617 |
| Amounts owing by subsidiaries of the holding company included in trade and other receivables | **52 642** | 91 788 |
| Amounts owing to subsidiaries of the holding company included in trade and other payables | **838 427** | 784 228 |
| **Transactions and balances with associates of the holding company** | | |
| Purchases | **116 584** | 78 722 |
| Sales | **89 641** | 6 730 |
| Amounts owing to associates of the holding company included in trade and other payables | **8 858** | 17 880 |
| Amounts owing by associates of the holding company included in trade and other receivables | **145** | 1 299 |
| **Transactions and balances with associates and joint ventures within the Group** | | |
| Interest paid | **29 976** | 21 585 |
| Interest received | **3 538** | 1 638 |
| Management fees received | **1 437** | 1 368 |
| Service fees paid | **13 177** | 10 144 |
| Dividends received | **46 874** | 70 420 |
| Sales | **172 858** | 147 541 |
| Purchases | **1 250 025** | 1 219 984 |
| Amounts owing by associates and joint ventures within the Group included in trade and other receivables | **32 985** | 24 817 |
| Amounts owing to associates and joint ventures within the Group included in non-current interest-bearing liabilities | **83 333** | 116 667 |
| Amounts owing to associates and joint ventures within the Group included in current interest-bearing liabilities | **268 729** | 212 190 |
| Amounts owing to associates and joint ventures within the Group included in trade and other payables | **144 476** | 160 799 |
| Amounts owing by associates and joint ventures within the Group included in loans receivable | **75 931** | 31 095 |

## 30. RELATED PARTY TRANSACTIONS CONTINUED

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| **Key management of RCL Foods Limited** | | |
| In terms of IAS 24 "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 | **704 691** | 733 002 |
| – post-employment benefits | **53 020** | 50 238 |
| – termination benefits | **5 173** | 6 259 |
| – share-based payments settled | **8 833** | 16 057 |
| – share-based payments expense | **70 390** | 93 653 |
| **Total** | **842 108** | 899 209 |

## 31. DIRECTORS EMOLUMENTS

| | Basic Salary R'000 | Pension contribution R'000 | Bonus[1] R'000 | Other benefits[2] R'000 | Total R'000 |
|---|---|---|---|---|---|
| **2023** | | | | | |
| PD Cruickshank | **7 420** | **606** | **9 000** | **232** | **17 258** |
| RH Field | **5 243** | **564** | **5 000** | **243** | **11 050** |
| **Total** | **12 663** | **1 170** | **14 000** | **475** | **28 308** |
| **2022** | | | | | |
| PD Cruickshank[3] | 4 203 | 343 | | 131 | 4 677 |
| RH Field | 5 032 | 541 | 4 000 | 224 | 9 797 |
| M Dally[4] | 4 021 | 244 | 31 521 | 322 | 36 108 |
| **Total** | 13 256 | 1 128 | 35 521 | 677 | 50 582 |

1 *Bonus payments made in 2023 relate to the 2022 financial year. An amount of R12,2 million has been accrued for the 2023 financial year.*
2 *Other benefits include company contributions to disability insurance, medical aid and UIF.*
3 *PD Cruickshank was appointed as Chief Executive Officer with effect from 1 December 2021. Remuneration disclosed is only included as post appointment date remuneration.*
4 *M Dally retired as Chief Executive Officer and director of the Company on 30 November 2021.*

## 31. DIRECTORS EMOLUMENTS CONTINUED

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| **Non-executives (for services as a director)** | | |
| **Present directors** | | |
| HJ Carse[1] | **425** | 403 |
| JJ Durand[1] | **555** | 528 |
| GP Dingaan (appointed 9 November 2022) | **653** | |
| CJ Hess (retired 9 November 2022) | **319** | 864 |
| PR Louw[1] | **425** | 403 |
| NP Mageza | **812** | 772 |
| PM Moumakwa | **646** | 574 |
| DTV Msibi | **638** | 606 |
| GM Steyn | **865** | 821 |
| GCJ Tielenius Kruythoff | **369** | 351 |
| GC Zondi[2] | **962** | 914 |
| MM Nhlanhla (retired 16 November 2021) | | 158 |
| **Total** | **6 669** | 6 394 |

[1] *Paid to Remgro Management Services Limited.*

[2] *Paid to Imbewu Capital Partners Management Services Proprietary Limited.*

### Long-Term Incentives (LTI) payable

The RCL FOODS Value Creation Plan (VCP) aims to incentivise eligible participants to drive particular financial measures linked to value creation to encourage a long-term focus on sustainable growth and to attract and retain suitably skilled and competent personnel. VCP allocations are made on an annual basis or when retention/attraction risks apply to executive directors and selected employees.

A vesting period of 3 years applies. Upon lapsing of the 3-year period, and where a participant has remained employed for the duration of the vesting period, and the extent to which performance conditions have been made, cliff vesting of the award will occur and the participant will be entitled to settlement to the value of the vested award. The VCP has a vesting cap of 200% of Total Cost to Company for executives and prescribed officers.

Expected settlements on VCP allocations to executive directors for the year ended June 2023 are as follows:

| | Expected settlement on unvested awards[3] R'000 | Amounts paid in the current financial year R'000 |
|---|---|---|
| PD Cruickshank | **2 228** | |
| RH Field | **2 082** | |
| Expected payment on condition performance targets are achieved | **4 310** | |
| Liability included in long-term trade and other payables | **1 437** | |

[3] *Expected future payments on vesting of open scheme. One third of the awards have been accrued for in the 2023 financial year.*

## 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 2023 are as follows:

| | Award price Rand | Rights at June 2022 | Rights forfeited during the year | Rights at June 2023 | Fair value of rights awarded[1] R'000 | Rights exercisable at June 2023 |
|---|---|---|---|---|---|---|
| **PD Cruickshank** | 15.92 | 181 809 | (181 809) | | | |
| | 14.05 | 704 282 | | 704 282 | 2 155 | 704 282 |
| | 15.36 | 366 020 | | 366 020 | 1 245 | 366 020 |
| | 16.97 | 323 507 | | 323 507 | 1 417 | 213 514 |
| | 9.93 | 2 068 897 | | 2 068 897 | 4 903 | 682 736 |
| | 8.55 | 714 010 | | 714 010 | 1 564 | |
| | 12.65 | 2 510 776 | | 2 510 776 | 11 524 | |
| Subtotal | | 6 869 301 | (181 809) | 6 687 492 | 22 808 | 1 966 552 |
| **RH Field** | | | | | | |
| | 15.92 | 319 448 | (319 448) | | | |
| | 14.05 | 1 087 325 | | 1 087 325 | 3 327 | 1 087 325 |
| | 15.36 | 669 653 | | 669 653 | 2 277 | 669 653 |
| | 16.97 | 620 061 | | 620 061 | 2 716 | 409 240 |
| | 9.93 | 1 217 339 | | 1 217 339 | 2 885 | 401 721 |
| | 8.55 | 1 188 869 | | 1 188 869 | 2 604 | |
| | 12.65 | 1 095 283 | | 1 095 283 | 5 027 | |
| Subtotal | | 6 197 978 | (319 448) | 5 878 530 | 18 836 | 2 567 939 |
| **Total** | | 13 067 279 | (501 257) | 12 566 022 | 41 644 | 4 534 491 |

[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 rights' 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 2022 are as follows:

| | Award price Rand | Rights at June 2021 | Rights awarded during the year | Rights forfeited during the year | Rights at June 2022 | Fair value of rights awarded[1] R'000 | Rights exercisable at June 2022 |
|---|---|---|---|---|---|---|---|
| **PD Cruickshank[2]** | 15.93 | 197 884 | | (197 884) | | | |
| | 15.92 | 181 809 | | | 181 809 | 571 | 181 809 |
| | 14.05 | 704 282 | | | 704 282 | 2 155 | 704 282 |
| | 15.36 | 366 020 | | | 366 020 | 1 245 | 241 573 |
| | 16.97 | 323 507 | | | 323 507 | 1 417 | 106 757 |
| | 9.93 | 2 068 897 | | | 2 068 897 | 4 903 | |
| | 8.55 | 714 010 | | | 714 010 | 1 564 | |
| | 12.65 | | 2 510 776 | | 2 510 776 | 11 524 | |
| Subtotal | | 4 556 409 | 2 510 776 | (197 884) | 6 869 301 | 23 379 | 1 234 421 |
| **RH Field** | | | | | | | |
| | 15.93 | 559 397 | | (559 397) | | | |
| | 15.92 | 319 448 | | | 319 448 | 1 003 | 319 448 |
| | 14.05 | 1 087 325 | | | 1 087 325 | 3 327 | 1 087 325 |
| | 15.36 | 669 653 | | | 669 653 | 2 277 | 441 970 |
| | 16.97 | 620 061 | | | 620 061 | 2 716 | 204 620 |
| | 9.93 | 1 217 339 | | | 1 217 339 | 2 885 | |
| | 8.55 | 1 188 869 | | | 1 188 869 | 2 604 | |
| | 12.65 | | 1 095 283 | | 1 095 283 | 5 027 | |
| Subtotal | | 5 662 092 | 1 095 283 | (559 397) | 6 197 978 | 19 839 | 2 053 363 |
| **M Dally[3]** | | | | | | | |
| | 15.93 | 1 014 820 | | (1 014 820) | | | |
| | 15.92 | 540 869 | | | 540 869 | 1 698 | 540 869 |
| | 14.05 | 1 962 930 | | | 1 962 930 | 6 007 | 1 962 930 |
| | 15.36 | 1 284 422 | | | 1 284 422 | 4 367 | 847 718 |
| | 16.97 | 1 153 718 | | | 1 153 718 | 5 053 | 380 726 |
| | 9.93 | 2 189 069 | | | 2 189 069 | 5 188 | |
| | 8.55 | 2 168 330 | | | 2 168 330 | 4 749 | |
| **Sub total** | | 10 314 158 | | (1 014 820) | 9 299 338 | 27 062 | 3 732 243 |
| **Total** | | 20 532 659 | 3 606 059 | (1 772 101) | 22 366 617 | 70 280 | 7 020 027 |

[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 rights' vesting period.*

[2] *PD Cruickshank was appointed as Chief Executive Officer with effect from 1 December 2021.*

[3] *M Dally retired as Chief Executive Officer and director of the Company on 30 November 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:

| | 2023 Direct beneficial | 2023 Indirect beneficial | 2022 Direct beneficial | 2022 Indirect beneficial |
|---|---|---|---|---|
| **Executive directors** | | | | |
| PD Cruickshank | **447 811** | | 447 811 | |
| RH Field | **1 675 030** | | 1 675 030 | |
| **Non-executive directors** | | | | |
| NP Mageza | | **386** | | 386 |
| GC Zondi[1] | | | | 667 252 |
| **Total** | **2 122 841** | **386** | 2 122 841 | 667 638 |

[1] *Assumes 100% vesting in terms of B-BBEE 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.

### Directors' emoluments paid by Remgro Limited

| | Fees R'000 | Salaries R'000 | Retirement fund R'000 | Other benefits[2] R'000 | Total R'000 |
|---|---|---|---|---|---|
| **June 2023** | | | | | |
| **Executive** | | | | | |
| HJ Carse | | **2 652** | **526** | **378** | **3 556** |
| JJ Durand | **413** | **12 819** | **2 625** | **442** | **16 299** |
| PR Louw | | **3 221** | **639** | **455** | **4 315** |
| **Subtotal** | **413** | **18 692** | **3 790** | **1 275** | **24 170** |
| **Independent non-executive** | | | | | |
| NP Mageza | **657** | | | | **657** |
| **Subtotal** | **657** | | | | **657** |
| **Total** | **1 070** | **18 692** | **3 790** | **1 275** | **24 827** |
| **June 2022** | | | | | |
| **Executive** | | | | | |
| HJ Carse | | 2 529 | 501 | 321 | 3 351 |
| JJ Durand | 390 | 12 107 | 2 479 | 418 | 15 394 |
| PR Louw | | 3 037 | 598 | 432 | 4 067 |
| **Subtotal** | 390 | 17 673 | 3 578 | 1 171 | 22 812 |
| **Independent non-executive** | | | | | |
| NP Mageza | 620 | | | | 620 |
| **Subtotal** | 620 | | | | 620 |
| **Total** | 1 010 | 17 673 | 3 578 | 1 171 | 23 432 |

[2] *Other benefits include medical aid contributions and vehicle benefits.*

## 31. DIRECTORS EMOLUMENTS CONTINUED

### Variable pay – long-term incentive plans

**REMGRO EQUITY SETTLED SHARE APPRECIATION RIGHT SCHEME (SARS) – 2023**

| Participant | Balance of SARs accepted as at June 2022 | SARs accepted during the period | Offer date | Offer price Rand | Number of SARs exercised/ (forfeited) | Date exercising/ forfeiting SARs | Balance of SARs accepted as at June 2023 | Fair value of SARs granted[1] R'000 |
|---|---|---|---|---|---|---|---|---|
| **Executive** | | | | | | | | |
| HJ Carse | 7 546 | | | 90.97 | | | 7 546 | 434 |
| | 11 767 | | | 123.80 | | | 11 767 | 313 |
| | 17 775 | | | 160.29 | | | 17 775 | 63 |
| | 8 273 | | | 166.08 | | | 8 273 | 18 |
| | 9 988 | | | 122.38 | | | 9 988 | 278 |
| | 16 972 | | | 114.92 | | | 16 972 | 723 |
| | 5 915 | | | 107.67 | | | 5 915 | 303 |
| | 14 494 | | | 89.21 | | | 14 494 | 954 |
| | 14 502 | | | 89.69 | | | 14 502 | 999 |
| | 11 172 | | | 121.63 | | | 11 172 | 642 |
| | | 15 000 | 2022/12/05 | 141.64 | | | 15 000 | 806 |
| JJ Durand | 271 258 | | | 90.97 | | | 271 258 | 15 615 |
| | 93 128 | | | 123.80 | 93 128 | 2022/11/29 | | |
| | 108 468 | | | 160.29 | | | 108 468 | 386 |
| | 192 676 | | | 166.08 | | | 192 676 | 414 |
| | 150 872 | | | 122.38 | 150 872 | 2022/11/29 | | |
| | 132 309 | | | 114.92 | | | 132 309 | 5 637 |
| | 235 427 | | | 89.21 | 68 272 | 2022/12/05 | 167 155 | 6 600 |
| | 235 454 | | | 89.69 | | | 235 454 | 9 733 |
| | 181 378 | | | 121.63 | | | 181 378 | 6 251 |
| | | 172 168 | 2022/12/05 | 141.64 | | | 172 168 | 5 548 |
| PR Louw | 22 646 | | | 90.97 | 22 646 | 2023/06/22 | | |
| | 12 944 | | | 123.80 | 12 944 | 2023/06/22 | | |
| | 5 952 | | | 160.29 | | | 5 952 | 21 |
| | 9 497 | | | 166.08 | | | 9 497 | 20 |
| | 91 120 | | | 122.38 | 91 120 | 2023/06/22 | | |
| | 20 301 | | | 114.92 | | | 20 301 | 865 |
| | 46 428 | | | 89.21 | 13 464 | 2022/12/05 | 32 964 | 1 302 |
| | 46 448 | | | 89.69 | | | 46 448 | 1 920 |
| | 35 796 | | | 126.99 | | | 35 796 | 1 234 |
| | | 37 780 | 2022/12/05 | 141.64 | | | 37 780 | 1 218 |
| **Total** | **2 010 506** | **224 948** | | | **452 446** | | **1 783 008** | **62 297** |

[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 rights' vesting period.*

## 31. DIRECTORS EMOLUMENTS CONTINUED

### Variable pay – long-term incentive plans continued

**REMGRO EQUITY SETTLED SHARE APPRECIATION RIGHT SCHEME (SARS) – 2022**

| Participant | Balance of SARs accepted as at June 2021 | SARs accepted during the period | Offer date | Offer price Rand | Number of SARs exercised/ (forfeited) | Date exercising/ forfeiting SARs | Balance of SARs accepted as at June 2022 | Fair value of SARs granted[1] R'000 |
|---|---|---|---|---|---|---|---|---|
| **Executive** | | | | | | | | |
| HJ Carse | 7 546 | | | 94.22 | | | 7 546 | 295 |
| | 11 767 | | | 127.40 | | | 11 767 | 202 |
| | 17 775 | | | 164.57 | | | 17 775 | 88 |
| | 8 273 | | | 170.38 | | | 8 273 | 35 |
| | 9 988 | | | 125.95 | | | 9 988 | 145 |
| | 16 972 | | | 118.86 | | | 16 972 | 470 |
| | 5 915 | | | 112.38 | | | 5 915 | 218 |
| | 28 996 | | | 93.82 | | | 28 996 | 1 613 |
| | | 11 172 | 2021/12/05 | 126.99 | | | 11 172 | 550 |
| JJ Durand | 271 258 | | | 94.22 | | | 271 258 | 10 614 |
| | 93 128 | | | 127.40 | | | 93 128 | 1 597 |
| | 108 468 | | | 164.57 | | | 108 468 | 535 |
| | 192 676 | | | 170.38 | | | 192 676 | 823 |
| | 150 872 | | | 125.95 | | | 150 872 | 2 193 |
| | 132 309 | | | 118.86 | | | 132 309 | 3 662 |
| | 87 135 | | | 112.38 | (87 135) | 2021/12/06 | | |
| | 470 881 | | | 93.82 | | | 470 881 | 26 191 |
| | | 181 378 | 2021/12/05 | 126.99 | | | 181 378 | 8 937 |
| PR Louw | 22 646 | | | 94.22 | | | 22 646 | 886 |
| | 12 944 | | | 127.40 | | | 12 944 | 222 |
| | 5 952 | | | 164.57 | | | 5 952 | 29 |
| | 9 497 | | | 170.38 | | | 9 497 | 41 |
| | 91 120 | | | 125.95 | | | 91 120 | 1 325 |
| | 20 301 | | | 118.86 | | | 20 301 | 562 |
| | 17 881 | | | 112.38 | (17 881) | 2021/12/06 | | |
| | 92 876 | | | 93.82 | | | 92 876 | 5 166 |
| | | 35 796 | 2021/12/05 | 126.99 | | | 35 796 | 1 764 |
| **Total** | 1 887 176 | 228 346 | | | (105 016) | | 2 010 506 | 68 163 |

[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

### Variable pay – long-term incentive plans continued

#### REMGRO EQUITY SETTLED CONDITIONAL SHARE PLAN (CSPS) – 2023

| Participant | Balance of CSPs accepted as at June 2022 | CSPs accepted during the period[1] | Offer date | Offer price Rand | Additional CSPs from dividends | Number of CSPs vested/ (forfeited) | Date vested/ forfeited CSPs | Balance of CSPs accepted as at June 2023 | Fair value of CSPs[1] R'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Executive** | | | | | | | | | |
| HJ Carse | **14 494** | **318** | **2022/10/12** | **93.82** | **62** | **(7 860)** | **2022/05/12** | **7 014** | **619** |
| | **14 502** | **318** | **2022/10/12** | **93.82** | | | | **14 820** | **1 308** |
| | **2 662** | **59** | **2022/10/12** | **93.82** | **25** | | | **2 746** | **404** |
| | **11 172** | **245** | **2022/10/12** | **126.99** | | | | **11 417** | **1 007** |
| | | **15 000** | **2022/12/05** | **141.64** | | | | **15 000** | **1 323** |
| JJ Durand | **235 427** | **5 156** | **2022/10/12** | **93.82** | **996** | **(127 703)** | **2022/05/12** | **113 876** | **10 047** |
| | **235 454** | **5 157** | **2022/10/12** | **93.82** | | | | **240 611** | **21 229** |
| | **95 672** | **2 096** | **2022/10/12** | **93.82** | **855** | | | **98 623** | **14 503** |
| | **181 379** | **3 973** | **2022/10/12** | **126.99** | | | | **185 352** | **16 354** |
| | | **172 168** | **2022/12/05** | **141.64** | | | | **172 168** | **15 190** |
| PR Louw | **46 428** | **1 017** | **2022/10/12** | **93.82** | **197** | **(25 184)** | **2022/12/05** | **22 458** | **1 981** |
| | **46 448** | **1 018** | **2022/10/12** | **93.82** | | | | **47 466** | **4 188** |
| | **7 988** | **175** | **2022/10/12** | **93.82** | **72** | **(8 235)** | **2023/06/22** | | |
| | **35 796** | **784** | **2022/10/12** | **126.99** | | | | **36 580** | **1 936** |
| | | **37 780** | **2022/12/05** | **141.64** | | | | **37 780** | **3 333** |
| **Total** | **927 422** | **245 264** | | | **2 207** | **(168 982)** | | **1 005 911** | **93 422** |

#### REMGRO EQUITY SETTLED CONDITIONAL SHARE PLAN (CSPS) – 2022

| Participant | Balance of CSPs accepted as at June 2021 | CSPs accepted during the period[1] | Offer date | Offer price Rand | Number of CSPs vested/ (forfeited) | Date vested/ forfeited CSPs | Balance of CSPs accepted as at June 2022 | Fair value of CSPs[1] R'000 |
|---|---|---|---|---|---|---|---|---|
| **Executive** | | | | | | | | |
| HJ Carse | 8 154 | | | 205.07 | (8 154) | 2021/06/12 | | |
| | 31 658 | | | 93.82 | | | 31 658 | 3 827 |
| | | 11 172 | 2021/12/05 | 126.99 | | | 11 172 | 1 370 |
| JJ Durand | 120 107 | | | 205.07 | (120 107) | 2021/06/12 | | |
| | 566 553 | | | 93.82 | | | 566 553 | 65 555 |
| | | 181 379 | 2021/12/05 | 126.99 | | | 181 379 | 22 240 |
| PR Louw | 24 648 | | | 205.07 | (24 648) | 2021/06/12 | | |
| | 100 864 | | | 93.82 | | | 100 864 | 12 224 |
| | | 35 796 | 2021/12/05 | 126.99 | | | 35 796 | 4 389 |
| **Total** | 851 984 | 228 347 | | | (152 909) | | 927 422 | 109 605 |

[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.*

## 32. B-BBEE TRANSACTION

On 16 January 2014, shareholders approved a Broad-Based Black Economic Empowerment (B-BBEE) transaction. The participants in the B-BBEE transaction were the Imbewu Consortium, Ikamva Labantu Empowerment Trust (a Corporate and Social Investment Community Trust), the RCL Employee Share Trust, Mrs MM Nhlanhla, who was previously a non-executive director of RCL Foods Limited (RCL FOODS), Malongoana Investments (RF) Proprietary Limited, MTM Family Trust and Nakedi Mathews Phosa (collectively the B-BBEE 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 were 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 were pledged in favour of RCL FOODS.

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

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

During the prior financial year, the B-BBEE scheme related to the third issue of ordinary shares to Malongoana Investments (RF) Proprietary Limited came to an end. The shares issued in terms of this transaction were repurchased by RCL FOODS. This transaction had no impact on the shares in issue for accounting purposes of the Group.

The Group's B-BBEE scheme relating to the first and second issues came to an end in May 2022 and was closed out in February 2023. At close-out, the scheme was underwater due to the performance of the share price since inception. The ordinary shares issued to the RCL Employee Share Trust and BVI 1763 were repurchased on 23 February 2023, in accordance with the Companies Act and the provisions of the original agreements entered into. The ordinary shares relating to the first issue were repurchased at a value of R11.49 per share (being the 30-day volume weighted average price of an RCL FOODS share up to and including 11 October 2022, being the business day prior to the day on which the terms of the Framework Agreement were agreed), whilst the ordinary shares relating to the second issue were repurchased at a value of R0,01 per share. Proceeds from the repurchase were used to settle a portion of the NVF balance. The close-out of the scheme had no impact on RCL FOODS' results.

## 32. B-BBEE TRANSACTION CONTINUED

### Details of the transaction continued

| | | 2022<br>R'000 |
|---|---|---|
| Total amount expensed related to the B-BBEE scheme | | 9 694 |
| 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 |
| Dividend yield | (%) | 4.33 |
| Risk-free interest rate | (%) | 4.8 to 8.22 |
| Vesting period | (years) | 8 |

The B-BBEE scheme was closed out in the current year therefore no expense or valuation inputs have been disclosed for the current year.

## 33. SUBSEQUENT EVENTS

The disposal of the Vector Logistics segment, which has been presented as held for sale at current reporting date, was finalised on 28 August 2023, resulting in a net cash receipt of R1 307,0 million, comprising the purchase price of R1 250,0 million, plus interest of R70,3 million from 1 March 2023 and less the post-tax share option liability of Vector Logistics of R13,4 million. The proceeds and profit/loss on disposal of the Vector Logistics segment will be recognised in the 2024 financial year. A reasonable estimate of the profit/loss on disposal of the Vector Logistics segment cannot be made as at 1 September 2023, due to the statement of financial position for the Vector Logistics segment not yet being available.

The purchase price is in excess of the net carrying value of the Vector Logistics segment and as a result no write-down to fair value was required in the 2023 results in accordance with IFRS 5. The purchase price is subject to certain EBITDA targets being met, which may result in a future adjustment of up to R100,0 million increase/decrease in the purchase price.

The shareholder loan advanced from RCL Foods Limited to Vector Logistics (R539,2 million as at 2 July 2023) was converted to equity on disposal of the Vector Logistics segment, whilst the short-term borrowings/cash invested between Vector Logistics and the Group's treasury company (R678,2 million as at 2 July 2023) was settled in cash.

The transition of Vector Logistics out of RCL FOODS and its shared service platform is expected to take place over the next 12 months.

## 34. INTEREST IN SUBSIDIARIES

The Group has the following subsidiaries at June 2023:

| 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 % |
|---|---|---|---|---|---|
| RCL Foods Consumer | South Africa | Food producer and manufacturer and animal feed operations | 100 | | |
| Vector Logistics[1] | South Africa | Logistics provider | 100 | | |
| RCL Foods Sugar & Milling | South Africa | Sugar operations | 100 | | |
| RCL Foods Treasury | South Africa | Treasury company | 100 | | |
| RCL Group Services | South Africa | Food producer and manufacturer and shared services company | 100 | | |
| Foodcorp | South Africa | Food producer and manufacturer | 100 | | |
| **Indirectly owned** | | | | | |
| Vector Logistics (Namibia)[1] | Namibia | Logistics provider | | 100 | |
| Epol | South Africa | Dormant | | 100 | |
| Farmer Brown | South Africa | Dormant | | 100 | |
| Rainbow Farms Investments | South Africa | Investment holding | | 100 | |
| Matzonox | South Africa | Waste-to-Value operation | | 50 | 50 |
| TSB Sugar International | South Africa | International investments | | 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 |
| Sivunosetfu | South Africa | Farming | | 50 | 50 |
| Libuyile Farming Services | South Africa | Farming | | 50 | 50 |
| Mgubho Farming Services | South Africa | Farming | | 50 | 50 |
| Siyathuthuka Sugar Estate[1] | South Africa | Farming | | 100 | |
| Rainbow Chicken Foods | South Africa | Dormant | | 100 | |
| Astoria Bakery Lesotho | Lesotho | Dormant | | 100 | |
| Mkhuhlu Bakery | South Africa | Dormant | | 100 | |
| Selati Sugar | South Africa | Dormant | | 100 | |
| Matzonox Fertilizers | South Africa | Sales and marketing | | 50 | 50 |
| Do More Foundation[2] | South Africa | CSI Initiative | | | |
| L&A Logistics[1] | Zambia | Logistics provider | | 85 | 15 |
| Empty Trips[1] | South Africa | Logistics provider | | 100 | |
| The Hatchery Group | South Africa | Food Innovation and research | | 100 | |
| Sunshine Bakery holding | South Africa | Investment Holding | | 100 | |
| Scenic Route Trading 217 | South Africa | Dormant | | 100 | |
| Sunshine Bakery Operation | South Africa | Food producer and manufacturer | | 100 | |
| Sunshine Bakery Durban | South Africa | Food producer and manufacturer | | 100 | |
| Sunshine IP | South Africa | Investment Holding | | 100 | |

[1] *Included in the disposal group held for sale. Refer to note 11 for further detail.*
[2] *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.*

## 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 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.

| | 2023<br>R'000 | 2022<br>R'000 |
|---|---|---|
| **Outstanding loan balance as at June** | **27 473** | 29 984 |

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 2023 R'000 | Income statement (share of profit/(loss)) 2023 R'000 | Statement of financial position 2022 R'000 | Income statement (share of profit/(loss)) 2022 R'000 |
|---|---|---|---|---|
| Matzonox Proprietary Limited | **30 476** | **(24 796)** | 55 273 | (19 508) |
| Matzonox Fertiliser Proprietary Limited | **755** | **(1 745)** | | |
| Quality Sugars Proprietary Limited | **11 571** | **2 017** | 11 454 | 1 907 |
| Sivunosetfu Proprietary Limited | **(126 771)** | **(47 563)** | (79 809) | (20 942) |
| Libuyile Farming Services Proprietary Limited | **(49 368)** | **(22 689)** | (29 819) | (9 279) |
| Mgubho Farming Services Proprietary Limited | **(29 922)** | **(11 403)** | (20 970) | 10 690 |
| | **(163 259)** | **(106 179)** | (63 871) | (37 132) |
| **Disposal group held for sale** | | | | |
| L&A Logistics Limited | **7 079** | **2 850** | 3 920 | 1 455 |
| **Total** | **(156 180)** | **(103 329)** | (59 951) | (35 677) |

### 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 122 to 124 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

### Summarised statement of financial position

| | Current | | | Non-current | | | |
|---|---|---|---|---|---|---|---|
| | Assets R'000 | Liabilities R'000 | Total current net assets assets/ (liabilities) R'000 | Assets R'000 | Liabilities R'000 | Total non-current net assets/ (liabilities) R'000 | Net Assets/ (Liabilities) R'000 |
| **As at June 2023** | | | | | | | |
| Matzonox Proprietary Limited | **33 498** | **(39 583)** | **(6 085)** | **416 536** | **(349 500)** | **67 036** | **60 951** |
| Matzonox Fertilisers Proprietary Limited | **1 931** | **(2 378)** | **(447)** | **1 956** | | **1 956** | **1 509** |
| Quality Sugars Proprietary Limited | **909 831** | **(879 285)** | **30 546** | **16 761** | **(1 024)** | **15 737** | **46 283** |
| Sivunosetfu Proprietary Limited* | **102 237** | **(112 545)** | **(10 308)** | | **(243 234)** | **(243 234)** | **(253 542)** |
| Libuyile Farming Services Proprietary Limited* | **140 847** | **(138 268)** | **2 579** | **101 231** | **(202 547)** | **(101 316)** | **(98 737)** |
| Mgubho Farming Services Proprietary Limited* | **131 061** | **(124 880)** | **6 181** | **66 022** | **(132 044)** | **(66 022)** | **(59 841)** |
| **Disposal group held for sale** | | | | | | | |
| L&A Logistics Limited | **180 289** | **(146 542)** | **33 747** | **24 294** | **(8 564)** | **15 730** | **49 477** |
| **Total** | **1 499 694** | **(1 443 481)** | **56 213** | **626 800** | **(936 913)** | **(310 113)** | **(253 900)** |
| **As at June 2022** | | | | | | | |
| Matzonox Proprietary Limited | 43 828 | (133 567) | (89 739) | 342 869 | (142 585) | 200 284 | 110 545 |
| Quality Sugars Proprietary Limited | 841 442 | (815 312) | 26 130 | 33 121 | (13 433) | 19 688 | 45 818 |
| Sivunosetfu Proprietary Limited | 90 639 | (87 124) | 3 515 | 67 664 | (230 796) | (163 132) | (159 617) |
| Libuyile Farming Services Proprietary Limited | 153 412 | (101 536) | 51 876 | 89 846 | (201 359) | (111 513) | (59 637) |
| Mgubho Farming Services Proprietary Limited | 140 244 | (104 617) | 35 627 | 63 001 | (140 567) | (77 566) | (41 939) |
| **Disposal group held for sale** | | | | | | | |
| L&A Logistics Limited | 121 021 | (96 829) | 24 192 | 14 411 | (12 470) | 1 941 | 26 133 |
| **Total** | 1 390 586 | (1 338 985) | 51 601 | 610 912 | (741 210) | (130 298) | (78 697) |

* *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

| | Continuing Operations | | | | | | Discontinued Operation |
|---|---|---|---|---|---|---|---|
| | Matzonox Proprietary Limited R'000 | Matzonox Fertilisers 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 | L&A Logistics Limited R'000 |
| **For the year ended June 2023** | | | | | | | |
| Revenue | **61 696** | **449** | **219 774** | **196 545** | **314 655** | **235 569** | **509 331** |
| Profit/(loss) before tax | **(67 935)** | **(3 490)** | **11 045** | **(95 125)** | **(45 377)** | **(22 806)** | **27 406** |
| Income tax expense | **18 343** | | **(2 980)** | | | | **(8 409)** |
| Profit/(loss) after tax for the year | **(49 592)** | **(3 490)** | **8 066** | **(95 125)** | **(45 377)** | **(22 806)** | **18 997** |
| Total comprehensive income/(loss) | **(49 592)** | **(3 490)** | **8 066** | **(95 125)** | **(45 377)** | **(22 806)** | **18 997** |
| Total comprehensive income allocated to non-controlling interests | **(24 796)** | **(1 745)** | **2 016** | **(47 563)** | **(22 689)** | **(11 403)** | **2 850** |
| Dividends paid to non-controlling interest | | | **1 900** | | | | |
| **For the year ended June 2022** | | | | | | | |
| Revenue | 55 349 | | 234 404 | 155 314 | 229 132 | 184 226 | 381 961 |
| Profit/(loss) before tax | (53 025) | | 10 629 | (41 884) | (18 578) | 21 356 | 15 516 |
| Income tax expense | 14 008 | | (3 002) | | | | (5 813) |
| Profit/(loss) after tax for the year | (39 017) | | 7 627 | (41 884) | (18 578) | 21 356 | 9 703 |
| Other comprehensive income | | | 1 | | 20 | 24 | |
| Total comprehensive income/(loss) | (39 017) | | 7 628 | (41 884) | (18 558) | 21 380 | 9 703 |
| Total comprehensive income allocated to non-controlling interests | (19 508) | | 1 907 | (20 942) | (9 279) | 10 690 | 1 455 |
| Dividends paid to non-controlling interest | | | 2 950 | | | | |

## 34. INTEREST IN SUBSIDIARIES CONTINUED

### Summarised cash flows

| | Continuing operations | | | | | | Discontinued Operation |
|---|---|---|---|---|---|---|---|
| | Matzonox Proprietary Limited R'000 | Matzonox Fertilisers 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 | L&A Logistics Limited R'000 |
| **June 2023** | | | | | | | |
| Cash generated/(utilised) from operations | **21 398** | **(1 396)** | **48 104** | **(6 852)** | **17 427** | **9 556** | **14 331** |
| Interest paid | **(16 717)** | | **(1 646)** | **(13 287)** | **(8 960)** | **(10 027)** | **(6 339)** |
| Interest received | **1 193** | **15** | | | | | |
| Income tax paid | | | **(4 267)** | | | | **(12 917)** |
| Net cash generated/(utilised) from operating activities | **5 874** | **(1 381)** | **42 190** | **(20 139)** | **8 467** | **(471)** | **(4 924)** |
| Net cash utilised in investing activities | **(1 852)** | **(1 956)** | **(27 101)** | **(9 812)** | **(34 910)** | **(14 872)** | **(243)** |
| Net cash generated/(utilised)from financing activities | **(7 370)** | **5 000** | **(16 981)** | **29 205** | **25 500** | **14 390** | **(10 156)** |
| Net (decrease)/increase in cash and cash equivalents | **(3 348)** | **1 663** | **(1 892)** | **(746)** | **(943)** | **(953)** | **(15 323)** |
| **June 2022** | | | | | | | |
| Cash generated/(utilised) from operations | 18 941 | | 80 212 | (4 022) | (23 430) | (335) | 7 493 |
| Interest paid | (31 827) | | (1 291) | (10 754) | (6 638) | (7 642) | (4 118) |
| Interest received | 668 | | | | | | |
| Income tax paid | | | (2 646) | | | | (9 123) |
| Net cash (utilised)/generated from operating activities | (12 218) | | 76 275 | (14 776) | (30 068) | (7 977) | (5 748) |
| Net cash utilised in investing activities | (37 423) | | (94 129) | (16 081) | (19 835) | (8 470) | (7 214) |
| Net cash generated/(utilised) from financing activities | 61 528 | | 17 878 | 30 940 | 50 058 | 16 572 | (3 727) |
| Net increase/(decrease) in cash and cash equivalents | 11 887 | | 24 | 83 | 155 | 125 | (16 689) |

## 35. ACQUISITION OF BUSINESS

### Sunshine Bakery Holdings Proprietary Limited

On 1 March 2023, RCL FOODS, via its subsidiary Foodcorp Proprietary Limited (Foodcorp), acquired a 100% shareholding in Sunshine Bakery Holdings Proprietary Limited (Sunshine), a baking business with a presence in KwaZulu-Natal.

The investment is expected to strengthen the ability of the Group to enter and expand into the KwaZulu-Natal bread market.

For the year ended June 2023, Sunshine has been consolidated as a wholly-owned subsidiary of the Group.

The purchase consideration paid by the Group for the 100% shareholding was R244,5 million. The year-end of Sunshine is March 2023. The purchase agreement includes R135,0 million contingent consideration. The purchase price allocation presented at June 2023 is still provisional.

The acquisition of Sunshine 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 R244,5 million. The following table summarises the consideration paid compared to the fair value of assets acquired and liabilities assumed at the acquisition date.

| | 2023 R'000 |
|---|---|
| **Cash consideration transferred** | **244 485** |
| **Fair value of identifiable assets acquired and liabilities assumed** | |
| Property, plant and equipment and right-of-use assets | 120 499 |
| Intangible assets | 105 381 |
| Inventory | 9 000 |
| Trade and other receivables | 15 592 |
| Current tax receivable | 2 083 |
| Cash | 29 593 |
| Lease Liabilities | (78 468) |
| Deferred Tax | (36 937) |
| Trade and other payables | (41 043) |
| **Total identifiable net assets** | **125 700** |
| **Goodwill** | **118 785** |

Goodwill of R118,8 million arose from the acquisition. Goodwill represents the expected synergies from the combined business of scale and expansion into the KwaZulu-Natal bread market. The acquisition augments Foodcorp's footprint in KwaZulu-Natal. None of the goodwill recognised is deductible for tax purposes.

Acquisition-related costs of R7,5 million have been incurred in the current financial year.

Sunshine 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-acquisition 4-month results R'000 |
|---|---|---|
| Revenue | 573 221 | 198 750 |
| Operating profit before depreciation, amortisation and impairments | (1 360) | (409) |
| Operating profit | (18 735) | (6 150) |
| Loss before tax | (26 797) | (9 224) |

## 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.

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 | 2 July 2023 R'000 | 3 July 2022 R'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Investment in subsidiaries | 1 | **9 739 343** | 10 290 637 |
| Investment in financial asset | 2 | **149 936** | 241 976 |
| Investment in associate | 3 | **155 949** | 155 949 |
| Loans to Group companies | 1 | **2 901 639** | 3 740 037 |
| Loan receivable | 4 | **12 000** | 5 000 |
| | | **12 958 867** | 14 433 599 |
| **Current assets** | | | |
| Cash and cash equivalents | | **3 783** | 3 662 |
| | | **3 783** | 3 662 |
| **Non-current assets held for sale** | 1 | **995 860** | |
| **Total assets** | | **13 958 510** | 14 437 261 |
| **EQUITY** | | | |
| Stated capital | 5 | **10 340 765** | 10 334 136 |
| Share-based payments reserve | | **350 144** | 358 977 |
| Accumulated profit | | **3 230 655** | 3 727 763 |
| **Total equity** | | **13 921 564** | 14 420 876 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Loans from Group companies | 6 | | 6 538 |
| **Total non-current liabilities** | | | 6 538 |
| **Current liabilities** | | | |
| Trade and other payables | | **23 395** | 9 847 |
| Loans from Group companies | 6 | **13 551** | |
| **Total current liabilities** | | **36 946** | 9 847 |
| **Total liabilities** | | **36 946** | 16 385 |
| **Total equity and liabilities** | | **13 958 510** | 14 437 261 |

# COMPANY STATEMENT OF COMPREHENSIVE INCOME

for the year ended June 2023

| | Note | 2023 R'000 | 2022 R'000 |
|---|---|---|---|
| **Revenue** | 7 | | 5 843 658 |
| **Operating profit** | | **(230 069)** | 5 901 350 |
| Finance income | | **1 233** | 240 |
| Finance costs | | **(1 233)** | (244) |
| Profit before tax | 8 | **(230 069)** | 5 901 346 |
| Profit for the year | | **(230 069)** | 5 901 346 |
| Total comprehensive income for the year | | **(230 069)** | 5 901 346 |

# COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended June 2023

| | Stated capital R'000 | Share-based payments reserve R'000 | Accumulated Profit/(loss) R'000 | Total R'000 |
|---|---|---|---|---|
| **Balance at 4 July 2021** | 10 318 079 | 365 339 | (1 773 657) | 8 909 761 |
| Total comprehensive income for the year | | | 5 901 346 | 5 901 346 |
| Dividends paid | | | (399 926) | (399 926) |
| B-BBEE share-based payments charge | | 9 695 | | 9 695 |
| Employee share option scheme: | | | | |
| – exercise of employee share options | 16 057 | (16 057) | | |
| Balance at 3 July 2022 | **10 334 136** | **358 977** | **3 727 763** | **14 420 876** |
| Total comprehensive income for the year | | | **(230 069)** | **(230 069)** |
| Dividends paid | | | **(267 039)** | **(267 039)** |
| Repurchase of shares | **(2 204)** | | | **(2 204)** |
| Employee share option scheme: | | | | |
| – exercise of employee share options | **8 833** | **(8 833)** | | |
| Balance at 2 July 2023 | **10 340 765** | **350 144** | **3 230 655** | **13 921 564** |

# COMPANY CASH FLOW STATEMENT

for the year ended June 2023

| | Note | 2023 R'000 | 2022 R'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash utilised by operations | A | **(138 029)** | (43 371) |
| Dividends received | | | 529 000 |
| Dividends paid | | **(267 039)** | (399 926) |
| Movement in trade and other payables | | **13 548** | 2 536 |
| Net cash inflow from operating activities | | **(391 520)** | 88 239 |
| **Cash flows from investing activities** | | | |
| Loans advanced | | **(7 000)** | |
| Net movement in loans to Group companies[1] | | **393 833** | (87 962) |
| Net cash outflow from investing activities | | **386 833** | (87 962) |
| **Cash flows from financing activities** | | | |
| Loans received from Group companies | | **7 012** | |
| Repurchase of shares | | **(2 204)** | |
| Net cash inflow from financing activities | | **4 808** | |
| Movement in cash and cash equivalents | | **121** | 277 |
| Cash and cash equivalents at the beginning of the year | | **3 662** | 3 385 |
| Cash and cash equivalents at the end of the year | | **3 783** | 3 662 |

[1] *The net movement in loans to Group companies has been shown as it is not practicable to show advances and repayments of these loans during the year.*

# NOTES TO THE COMPANY CASH FLOW STATEMENT

for the year ended June 2023

| | | 2023 R'000 | 2022 R'000 |
|---|---|---|---|
| **A.** | **CASH GENERATED BY OPERATIONS** | | |
| | (Loss)/Profit before tax | **(230 069)** | 5 901 346 |
| | Adjusted for: | | |
| | Foreign exchange gain – unrealised | **(35 406)** | (27 838) |
| | Fair value adjustment – unrealised | **127 446** | |
| | Dividend income[1] | | (5 843 658) |
| | Profit on sale of shares | | (73 299) |
| | Loss on sale of shares | | 78 |
| | | **(138 029)** | (43 371) |

[1] *Refer to note 7 for further detail.*

## 1. INVESTMENT IN SUBSIDIARIES AND LOANS TO GROUP COMPANIES

| Effective holding | Issued share capital 2023 R | Issued share capital 2022 R | Effective holding 2023 % | Effective holding 2022 % |
|---|---|---|---|---|
| **Directly owned** | | | | |
| RCL Foods Consumer | **40 000** | 40 000 | **100** | 100 |
| Vector Logistics[1] | **50** | 50 | **100** | 100 |
| RCL Foods Sugar & Milling | **10** | 10 | **100** | 100 |
| RCL Foods Treasury | **1** | 1 | **100** | 100 |
| RCL Group Services | **312** | 312 | **100** | 100 |
| Foodcorp | **1** | 1 | **100** | 100 |
| **Indirectly owned** | | | | |
| Rainbow Farms Investments | **99 900** | 99 900 | **100** | 100 |
| Farmer Brown | **1** | 1 | **100** | 100 |
| Epol | **78 000** | 78 000 | **100** | 100 |
| Matzonox | **120** | 120 | **50** | 50 |
| Matzonox Fertiliser | **50** | 50 | **50** | 50 |
| Astoria Bakery Lesotho[2] | **100** | 100 | **100** | 100 |
| Libuyile Farming Services | **100** | 100 | **50** | 50 |
| Mgubho Farming Services | **100** | 100 | **50** | 50 |
| Mkhuhlu Bakery[2] | **450 000** | 450 000 | **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 |
| Siyathuthuka Sugar Estate[1] | **700** | 700 | **100** | 100 |
| TSB Sugar International | **100** | 100 | **100** | 100 |
| Vector Logistics (Namibia)[1,3] | **100 000** | 100 000 | **100** | 100 |
| Makhalempongo Chicken[6] | | | | |
| Fieldsend Farming[6] | | | | |
| Valleychicks[6] | | | | |
| Empty Trips[1] | **1** | 1 | **100** | 100 |
| Do More Foundation[4] | | | | |
| L&A Logistics[1,5] | **5 000** | 5 000 | **85** | 85 |
| The Hatchery Group | **100** | 100 | **100** | 100 |
| Sunshine Bakery Holding | **102** | | **100** | |
| Scenic Route Trading 217 | **100** | | **100** | |
| Sunshine Bakery Operation | **100** | | **100** | |
| Sunshine Bakery Durban | **100** | | **100** | |
| Sunshine IP | **1 000** | | **100** | |

1 *Included in the diposal group held for sale. Refer to note 11 of the consolidated financial statements.*
2 *Incorporated in Lesotho.*
3 *Incorporated in Namibia.*
4 *The Do More Foundation is a CSI initiative of the Company and is incorporated as a trust.*
5 *Incorporated in Zambia.*
6 *Relates to the contract growers. Refer to note 34 of the consolidated financial statements.*

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

## 1. INVESTMENT IN SUBSIDIARIES AND LOANS TO GROUP COMPANIES CONTINUED

| Share and indebtedness | Shares 2023 R'000 | Shares 2022 R'000 | Indebtedness 2023 R'000 | Indebtedness 2022 R'000 | Total 2023 R'000 | Total 2022 R'000 |
|---|---|---|---|---|---|---|
| RCL Foods Treasury[1] | | | **9 636** | 233 173 | **9 636** | 233 173 |
| RCL Foods Consumer | **1 251 066** | 1 251 066 | **1 365 313** | 1 364 910 | **2 616 379** | 2 615 976 |
| RCL Group Services[1] | **4 138 133** | 4 138 133 | **17 106** | 9 331 | **4 155 239** | 4 147 464 |
| Foodcorp | | | **1 506 238** | 1 590 179 | **1 506 238** | 1 590 179 |
| RCL Foods Sugar & Milling | **4 000 000** | 4 000 000 | **3 346** | 3 289 | **4 003 346** | 4 003 289 |
| Vector Logistics[2] | | 456 612 | | 539 155 | | 995 766 |
| Matzonox[3] | | 85 849 | | | | 85 849 |
| | **9 389 199** | 9 931 660 | **2 901 639** | 3 740 037 | **12 290 838** | 13 671 697 |
| Subsidiaries portion of share-based payments reserve | **350 144** | 358 977 | | | **350 144** | 358 977 |
| | **9 739 343** | 10 290 637 | **2 901 639** | 3 740 037 | **12 640 982** | 14 030 674 |
| Vector Logistics[2] | **456 612** | | **539 248** | | **995 860** | |

[1] *RCL Foods Limited value of shareholding in RCL FOODS Treasury is R1 (2022: R1) , RCL Group Services R312 (2022: R312).*

[2] *The shareholder loan with Vector Logistics will be converted to equity once the disposal is finalised. The proceeds of the disposal will exceed the value of the shareholder loan. Refer to note 11 of the consolidated financial statements for further details.*

[3] *During the current financial year RCL Foods Limited disposed of its shares in Matzonox to RCL Foods Consumer Proprietary Limited for R1.*

The above loans receivable are unsecured, interest-free and repayable at an unspecified date. There is no intention to recall these loans within the next 12 months.

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.

## 2. INVESTMENT IN FINANCIAL ASSET

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| At the beginning of the year | **241 976** | 214 138 |
| Foreign exchange gain | **35 406** | 27 838 |
| Fair value adjustment | **(127 446)** | |
| At the end of the year | **149 936** | 241 976 |

Relates to a 1.58% minority shareholding in the LIVEKINDLY Collective as at 2 July 2023 and is denominated in US Dollar.

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

The financial risk management disclosures relating to the fair value estimation of the investment in financial asset is included in note 28 of the consolidated financial statements.

## 3. INVESTMENT IN FINANCIAL ASSOCIATE

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| At the beginning and end of the year | **155 949** | 155 949 |

LiveKindly Collective Africa Proprietary Limited (LKCA) principal activities are to market, sell and distribute plant-based products in Sub-Saharan Africa. There are no quoted market prices available for the investment in LKCA.

The investment in associate is measured at cost.

For further detail on the summarised financial information of the material associate refer to note 4 of the consolidated financial statements.

## 4. LOAN RECEIVABLE

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| **Non-current:** | | |
| Loans at the beginning of the year | **5 000** | 2 002 |
| Loans advanced during the year | **7 000** | 2 998 |
| Loans at the end of the year | **12 000** | 5 000 |

During the current year, an additional loan of R7,0 million was granted to Livekindly Collective Africa Proprietary Limited.

The loan is unsecured and repayable on 31 December 2026. Interest accrues at the prime rate per annum.

Based on the current profitability, financial outlook and forward-looking information available on Livekindly Collective Africa Proprietary Limited, the Company has performed an expected credit loss (ECL) calculation for the loan receivable taking into account its 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.

## 5. STATED CAPITAL

**Authorised**

2 000 000 000 (2022: 2 000 000 000) ordinary shares of no par value.

Issued ordinary shares of no par value:

| | Number of shares | 2023 R'000 | 2022 R'000 |
|---|---|---|---|
| At the beginning of the year | **889 468 139** | **10 334 136** | 10 318 079 |
| Repurchase of shares | **(150 000)** | **(2 204)** | |
| Shares issued in terms of share incentive plans | **778 582** | **8 833** | 16 057 |
| At the end of the year | **890 096 721** | **10 340 765** | 10 334 136 |

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

## 6. LOANS FROM GROUP COMPANY

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| **Non-current** | | |
| Payable to RCL Foods Treasury Proprietary Limited* | | 5 000 |
| Payable to Rainbow Farms Investments Proprietary Limited** | | 1 538 |
| | | 6 538 |
| **Current** | | |
| Payable to RCL Foods Treasury Proprietary Limited* | **12 000** | |
| Payable to Rainbow Farms Investments Proprietary Limited** | **1 551** | |
| | **13 551** | |

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

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

## 7. REVENUE

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| Dividends received from subsidiaries | | |
| – RCL Foods Sugar & Milling Proprietary Limited | | 389 000 |
| – RCL Foods Treasury Proprietary Limited | | 25 000 |
| – RCL Group Services Proprietary Limited | | 115 000 |
| – RCL Foods Consumer Proprietary Limited – dividend in specie[1] | | 4 138 133 |
| – RCL Foods Sugar & Milling Proprietary Limited – dividend in specie[2] | | 1 176 525 |
| | | 5 843 658 |

[1] *During the prior year, RCL Foods Consumer Proprietary Limited effected a distribution in specie to the Company.*
[2] *During the prior year, RCL Foods Sugar & Milling Proprietary Limited effected a distribution in specie to the Company.*

## 8. PROFIT BEFORE TAX

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| Foreign exchange gains – unrealised | **35 406** | 27 838 |
| Fair value adjustment | **(127 446)** | |
| Dividends received from subsidiaries | | 5 843 658 |
| Non-executive directors' fees | **(6 669)** | (6 395) |
| Consultancy expenses | **(18 235)** | (19 838) |
| Listed company expenses | **(4 546)** | (10 134) |
| Legal fees | **(13 015)** | (6 760) |
| Acquisition expenses | **(7 114)** | |
| Profit on sale of shares | | 73 299 |
| Loss on sale of shares | **(85 849)** | (78) |
| Other expenses | **(624)** | (72) |
| Securities Transfer Tax | **(1 977)** | (168) |
| Finance income | **1 233** | 240 |
| Finance costs | **(1 233)** | (244) |
| | **(230 069)** | 5 901 346 |

## 9. CONTINGENCIES

Banking and loan facilities are renewed annually and are subject to floating interest rates. At year-end the facilities granted amounted to R1 675 million in respect of the term-funded debt package (refer note 16 of the consolidated financial statements) and a R2 555 million unutilised general banking facility (2022: R2 450 million).

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 2023 is R1 675 million (2022: R2 012 million).

## 10. DIVIDENDS PER SHARE

Refer to note 26 of 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 R1 675 million (2022: R2 012 million).

### Liquidity risk

The table below summarises the maturity profile of the guaranteed loan.

| | 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 |
|---|---|---|---|---|---|
| **2023** | **1 675 000** | | | | **1 675 000** |
| 2022 | 787 500 | 1 225 000 | | | 2 012 500 |

**Cash**

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

| Rating | 2023 R'000 | 2022 R'000 |
|---|---|---|
| NP | **3 783** | 3 662 |

## 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 2023** | | | |
| Investment in financial asset | | **149 936** | **149 936** |
| Loans to Group companies | **3 440 887** | | **3 440 887** |
| Loan receivable | **12 000** | | **12 000** |
| Cash and cash equivalents | **3 783** | | **3 783** |
| At the end of the year | **3 456 670** | **149 936** | **3 606 606** |
| **June 2022** | | | |
| Investment in financial asset | | 241 976 | 241 976 |
| Loans to Group companies | 3 740 037 | | 3 740 037 |
| Loan receivable | 5 000 | | 5 000 |
| Cash and cash equivalents | 3 662 | | 3 662 |
| At the end of the year | 3 748 699 | 241 976 | 3 990 675 |

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

## 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 2023** | | | |
| Loans from Group companies | **13 551** | | **13 551** |
| Trade and other payables | **23 395** | | **23 395** |
| At the end of the year | **36 946** | | **36 946** |
| **June 2022** | | | |
| Loans from Group companies | 6 538 | | 6 538 |
| Trade and other payables | 9 847 | | 9 847 |
| At the end of the year | 16 385 | | 16 385 |

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

## 13. NON-CURRENT ASSET HELD FOR SALE

In March 2023, the Company entered into a binding agreement with EMIF II Investment Proprietary Limited, a subsidiary of A.P. Møller Capital, to dispose of the Vector Logistics business. The Vector Logistics segment has been disclosed as held for sale in accordance with IFRS 5 Non-current assets held for sale and discontinued operations (IFRS 5). Refer to note 35 of the consolidated financial statements for further details.

Consequently, the Company's investments and loan receivable from Vector Logistics has been disclosed as held for sale at year-end.

| | 2023 R'000 |
|---|---|
| A reconciliation of the assets held for sale are disclosed below: | |
| Investment in Vector Logistics | **456 612** |
| Loan receivable | **539 248** |
| Transferred to held for sale | **995 860** |

The shareholder loan was converted to equity on date of disposal.

## 14. GOING CONCERN

RCL FOODS Limited is the holding company of the Group.

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

# SHARE AND SHAREHOLDERS' INFORMATION

for the year ended June 2023

### STATED CAPITAL

| | |
|---|---|
| Authorised | **2 000 000 000** |
| Issued | **890 096 721** |
| Number of shareholders | **9 653** |

| | Number of shareholders | % | Number of shares | % |
|---|---|---|---|---|
| **Shareholder spread** | | | | |
| 1 – 1 000 | 8 225 | 85.21 | 854 684 | 0.10 |
| 1 001 – 10 000 | 1 037 | 10.74 | 4 019 156 | 0.45 |
| 10 001 – 100 000 | 287 | 2.97 | 9 058 515 | 1.02 |
| 100 001 – 1 000 000 | 83 | 0.86 | 28 316 087 | 3.18 |
| 1 000 001 and over | 21 | 0.22 | 847 848 279 | 95.25 |
| Total | 9 653 | 100.00 | 890 096 721 | 100.00 |
| **Distribution of shareholders** | | | | |
| Banks | 16 | 0.17 | 6 063 096 | 0.68 |
| Brokers | 9 | 0.09 | 5 358 962 | 0.60 |
| Close Corporations | 26 | 0.27 | 1 046 028 | 0.12 |
| Endowment Funds | 6 | 0.06 | 746 443 | 0.08 |
| Holding Company | 2 | 0.02 | 714 057 943 | 80.22 |
| Individuals | 9 112 | 94.40 | 17 150 286 | 1.93 |
| Insurance Companies | 14 | 0.15 | 3 309 740 | 0.37 |
| Investment Companies | 8 | 0.08 | 216 291 | 0.02 |
| Mutual Funds | 96 | 0.99 | 101 492 096 | 11.40 |
| Nominees and Trusts | 206 | 2.13 | 2 551 119 | 0.29 |
| Other Corporations | 16 | 0.17 | 27 003 | 0.01 |
| Pension Funds | 38 | 0.39 | 35 967 415 | 4.04 |
| Private Companies | 104 | 1.08 | 2 110 299 | 0.24 |
| Total | 9 653 | 100.00 | 890 096 721 | 100.00 |
| **Public and non-public shareholders** | | | | |
| Holding Company | 2 | 0.02 | 714 057 943 | 80.22 |
| Directors and associates of the Company holdings | 3 | 0.03 | 2 123 227 | 0.24 |
| Total non-public shareholders | 5 | 0.05 | 716 181 170 | 80.46 |
| Public shareholders | 9 648 | 99.95 | 173 915 551 | 19.54 |
| Total | 9 653 | 100.00 | 890 096 721 | 100.00 |
| **Beneficial shareholders' holding of 1% or more** | | | | |
| Remgro Limited | | | 713 902 129 | 80.21 |
| Oasis Crescent Equity Fund | | | 35 803 734 | 4.02 |
| Government Employees Pension Fund | | | 27 739 062 | 3.12 |
| M&G SA Equity Fund | | | 16 900 010 | 1.90 |
| Alexforbes Investments Solution Limited | | | 9 768 953 | 1.10 |
| **Fund managers holdings of 1% or more** | | | | |
| Remgro Limited | | | 714 057 943 | 80.22 |
| Oasis Asset Management Limited | | | 79 032 171 | 8.88 |
| MandG Investment Managers Proprietary Limited | | | 46 441 005 | 5.22 |
| Ninety One SA Proprietary Limited | | | 12 511 397 | 1.41 |

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