RFG

2020

PRELIMINARY SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

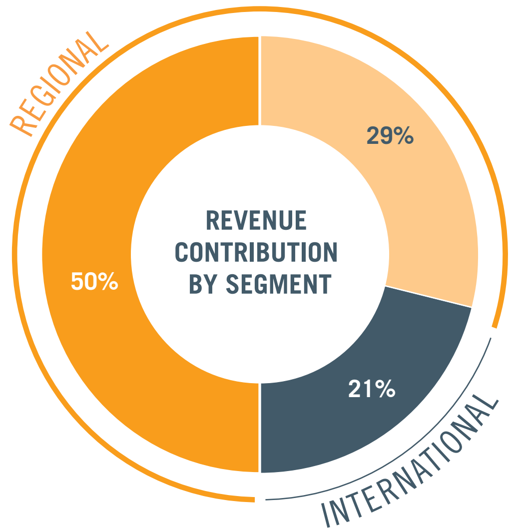
For the year ended 27 September 2020

KEY FEATURES

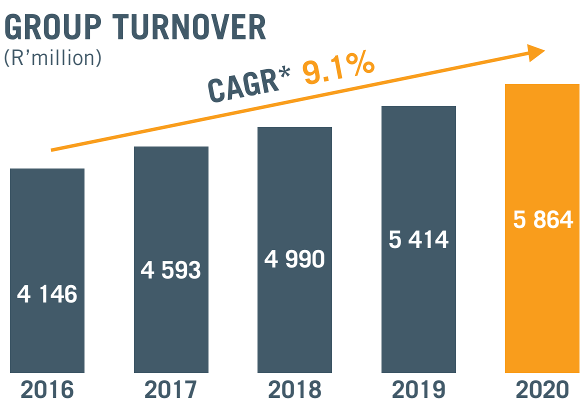
Group turnover	Regional turnover	International turnover
+ 8.3%	+ 6.6%	+ 15.5%

Net foreign exchange losses of	EBITDA	Diluted HEPS
R54.6 million (2019: gains of R24.1 million)	+ 10.3% to R625.0 million	+ 3.1% to 86.4cents

Dividend per share	Cash generated from operations	Net debt/equity ratio improved from
+ 3.2% to 28.8 cents	+ 21.6%	47.0% to 43.0%



Long Life Foods
Fresh Foods
International



*Compound annual growth rate.

COMMENTARY

PROFILE

RFG is a leading producer of fresh, frozen and long life convenience meal solutions for customers and consumers across South Africa, sub-Saharan Africa and in major global markets. The portfolio of market leading brands, which includes Rhodes, Bull Brand, Magpie, Squish, Bisto, Hinds and Pakco, is complemented by private label product ranges packed for all major South African retailers and international customers.

TRADING AND FINANCIAL PERFORMANCE

RFG continued to trade throughout the Covid-19 crisis and despite the abnormal operating environment during the second half of the year, the Group increased turnover by 8.3% to R5.9 billion.

However, the lockdown and related restrictions resulted in lower sales and profitability in key categories and channels, additional Covid-19 costs, temporary factory closures and pressure on consumer spending.

Turnover in the regional segment (South Africa and the rest of Africa) increased by 6.6%.

- Long Life Foods increased turnover by 9.6% with strong growth in dry foods and sustained demand for canned food during the lockdown. This growth was offset by a decline in fruit juice volumes which were severely impacted for five months from the start of the lockdown, owing mainly to restrictions on entertainment and the closure of schools. Juice sales have, however, shown a recovery in the months of September and October.
- Fresh Foods sales increased by 1.7% with ready meals proving resilient throughout the lockdown. Pie sales declined sharply from April to June due to government restrictions on the sale of hot meals in the earlier stages of lockdown and the slowdown in convenience store traffic. As restrictions have been relaxed, pie sales have shown a pleasing turnaround.

International turnover increased by 15.5% owing mainly to the 14.8% depreciation in the Rand against the basket of trading currencies. Canned fruit export volumes have shown an improving trend since July, increasing by 12.6% for the second half compared to a decline of 11.5% in the first six months. Limited shipments were made to China in the first quarter of 2020 owing to the outbreak of Covid-19. The remainder of the shipments destined for China were sold in other markets, at significantly lower margins. Exports were further impacted by constraints at the Cape Town port during the first three months of the lockdown.

Manufacturing operating costs increased by 7.8% due to above-inflation increases in repairs and maintenance and depreciation. Excluding net foreign exchange losses of R54.6 million, other operating costs were 12.0% higher, impacted primarily by increases in insurance and advertising. Once-off costs included direct Covid-19 expenses of R7.6 million and R7.0 million related to the rationalisation of the KZN pie manufacturing facilities into the Pinetown facility and the closure of the Pietermaritzburg facility. The Pietermaritzburg property asset was impaired by R9.5 million.

The Group's operating profit was consistent with the previous year at R392.0 million and the operating profit margin declined from 7.2% to 6.7%.

The regional operating profit margin declined from 8.3% to 7.9% owing to an adverse change in sales mix, lower juice and pie volumes and Covid-19 related costs.

After reporting a loss for the first half, the international segment recovered to post a profit of R36.6 million for the year. The operating margin declined from 3.4% to 3.0%. While the depreciation of the Rand has positively impacted top-line sales and profitability, the benefit was negated by the foreign exchange loss and significantly lower sales in China. The net foreign exchange losses amounted to R54.6 million compared to gains of R24.1 million in the prior year.

Earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 10.3% to R625.0 million, while the EBITDA margin was higher at 10.7% (2019: 10.5%).

Net interest paid reduced by R21.9 million to R95.2 million owing to the 300 basis points reduction in the repo rate of the SA Reserve Bank over the past year and the Group's lower debt levels. Excluding an IFRS 16 interest charge of R12.1 million, interest paid reduced by R34.3 million or 29.1%.

Taxation was R21.0 million higher, with the effective tax rate increasing from 21.7% to 27.2% as income tax rebates of R10.0 million granted in the prior year were not repeated in the current year.

Profit after tax increased by 0.3% to R216.1 million. Headline earnings were 3.2% higher at R226.7 million, with diluted headline earnings per share increasing by 3.1% to 86.4 cents.

The increase in net working capital was contained to 2.6% and contributed to cash generated from operations increasing by 21.6% to R602.0 million. Capital expenditure for the year reduced by R71.9 million to R159.6 million. Net debt, including lease liabilities of R197.5 million following the adoption of IFRS 16 in the current year, reduced by R40.6 million while the net debt to equity ratio improved from 47.0% to 43.0%. Excluding lease liabilities, net debt reduced by R238.1 million.

Capital expenditure included the initial costs for the installation of an additional fruit juice line, equipment upgrades and replacements at the fruit products facility in Tulbagh, vegetable factory in Limpopo and pie facility in Gauteng, additional fire protection equipment at Groot Drakenstein and the ongoing development of the new pineapple plantations in Eswatini.

COMMENTARY CONTINUED

OUTLOOK

Covid-19 will continue to impact the Group into the 2021 financial year through slower sales due to the deteriorating economic conditions in the country and weaker consumer spending, which could be compounded by increasing levels of unemployment expected in the country. The Group will continue to incur additional Covid-19 related costs, mainly to protect the health and safety of employees.

South Africa remains at risk of reverting to stricter lockdown regulations if Covid-19 infection rates escalate from their current low levels. However, based on the current financial position, strength of the forecast cash flows and access to unutilised borrowing facilities, the directors believe the Group has the capacity to withstand the impact of further trading restrictions, should they arise.

RFG's broad range of product categories should continue to provide resilience in this environment, supported by the continuing recovery of the fruit juice and pie categories and the ongoing demand for canned and dry foods and ready meals.

Capital expenditure of R250 million is planned for the new financial year, including the installation of the additional fruit juice line and the building of a new warehouse at the fruit juice facility in Wellington, an additional filling line in the baby food factory at Groot Drakenstein and the upgrade of the bakery facility to accommodate the integration of the KZN operations.

The Group plans to rationalise certain commercial operations as well as its KZN pies and pastries business (formerly Ma Baker). The KZN pies and pastries operation will be closed at the end of November 2020 and consolidated into the Gauteng pie facility in Aeroton and the bakery products factory in Linbro Park. This rationalisation will create production efficiencies and cost savings which will benefit the Group in the current difficult trading conditions.

Management continues to evaluate opportunities for strategic, bolt-on acquisitions which are aligned to the Group's core product categories.

Any reference to future performance included in this announcement has not been reviewed or reported on by the Group's independent auditor.

DECLARATION OF CASH DIVIDEND

The board of directors has declared a gross cash dividend of 28.80 cents per share in respect of the year ended 27 September 2020 for holders of ordinary shares.

The dividend has been declared out of income reserves. A dividend withholding tax of 20% will be applicable to all shareholders who are not exempt, resulting in a net dividend to these shareholders of 23.04 cents.

Shareholders are advised of the following salient dates in respect of the dividend declaration:

Last day to trade to receive a dividend	Tuesday, 19 January 2021
Shares commence trading "ex" the dividend	Wednesday, 20 January 2021
Record date	Friday, 22 January 2021
Dividend payment to shareholders	Monday, 25 January 2021

The number of ordinary shares in issue at the date of declaration is 262 762 018.

The company's tax reference number is 9348/292/17/9.

Share certificates may not be dematerialised or rematerialised between Wednesday, 20 January 2021 and Friday, 22 January 2021, both days included.

Bruce Henderson
Chief Executive Officer

Tiaan Schoombie
Chief Financial Officer

Groot Drakenstein
13 November 2020

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 27 September 2020

	Notes	2020 R'000	2019 R'000
ASSETS			
Non-current assets		**2 618 323**	2 519 880
Property, plant and equipment	2	**1 771 694**	1 831 270
Right-of-use assets	3	**169 456**	–
Intangible assets		**203 744**	217 155
Goodwill		**444 857**	444 857
Investment in associate		**5 599**	5 572
Deferred taxation asset		**385**	138
Biological assets		**12 169**	13 033
Loans receivable		**10 419**	7 855
Current assets		**2 269 190**	2 193 757
Inventory	5	**1 221 586**	1 203 670
Accounts receivable		**1 001 387**	947 745
Biological assets		**32 758**	24 447
Loans receivable		**7 064**	5 472
Taxation receivable		**18**	5 362
Bank balances and cash on hand		**6 377**	7 061
Assets classified as held for sale	6	**10 148**	–
Total assets		**4 897 661**	4 713 637
EQUITY AND LIABILITIES			
Capital and reserves		**2 610 840**	2 477 583
Share capital		**1 562 509**	1 562 509
Equity-settled employee benefits reserve		**15 425**	13 747
Accumulated profit		**1 024 730**	892 969
Equity attributable to owners of the company		**2 602 664**	2 469 225
Non-controlling interest		**8 176**	8 358
Non-current liabilities		**972 528**	1 016 541
Long-term loans		**558 513**	753 454
Long-term lease liabilities	7	**155 162**	–
Deferred taxation liability		**247 285**	246 059
Employee benefit liability		**11 568**	17 028
Current liabilities		**1 312 001**	1 219 513
Accounts payable and accruals		**760 481**	726 379
Employee benefits accrual		**73 637**	68 321
Taxation payable		**58 297**	1 273
Current portion of long-term loans		**195 067**	234 046
Current portion of lease liabilities	7	**42 322**	–
Foreign exchange contract liability	4	**3 323**	5 790
Bank overdraft		**178 874**	183 704
Liabilities directly associated with assets classified as held for sale	6	**2 292**	–
Total equity and liabilities		**4 897 661**	4 713 637

SUMMARISED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 27 September 2020

	Notes	2020 R'000	2019 R'000
Revenue	8	**5 864 452**	5 413 625
Direct manufacturing costs		**(3 839 529)**	(3 609 804)
Manufacturing operating costs		**(627 693)**	(582 304)
Selling and distribution costs		**(420 751)**	(387 270)
Other operating costs		**(597 721)**	(484 888)
Other income		**13 200**	42 841
Operating profit before associate profit		**391 958**	392 200
Associate profit		**27**	–
Profit before interest and taxation		**391 985**	392 200
Interest paid		**(95 808)**	(117 978)
Interest received		**598**	875
Profit before taxation		**296 775**	275 097
Taxation		**(80 626)**	(59 632)
Profit for the year		**216 149**	215 465
Profit attributable to:			
Owners of the company		**216 331**	216 256
Non-controlling interest		**(182)**	(791)
		216 149	215 465
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss		**2 855**	10
Remeasurement of employee benefit liability		**3 938**	14
Deferred taxation effect		**(1 083)**	(4)
Total comprehensive income for the year		**219 004**	215 475
Total comprehensive income attributable to:			
Owners of the company		**219 186**	216 266
Non-controlling interest		**(182)**	(791)
		219 004	215 475
Earnings per share (cents)		**82.7**	82.7
Diluted earnings per share (cents)		**82.5**	82.5

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 27 September 2020

	Note	Share capital R'000	Equity-settled employee benefits reserve R'000	Accumulated profit R'000	Non-controlling interest R'000	Total R'000
Balance at 30 September 2018		1 565 509	17 723	725 459	9 149	2 317 840
Total comprehensive income for the year		–	–	216 266	(791)	21 5475
Equity-settled employee benefits expense recognised		–	283	–	–	283
Equity-settled employee benefits settlement		–	(4 259)	4 356	–	97
Treasury shares dividend received		–	–	229	–	229
Redemption of preference shares		(3 000)	–	–	–	(3 000)
Dividend paid	13	–	–	(53 341)	–	(53 341)
Balance at 29 September 2019		1 562 509	13 747	892 969	8 358	2 477 583
Adjustment from the adoption of IFRS 16	1	–	–	(17 223)	–	(17 223)
Balance at 30 September 2019		1 562 509	13 747	875 746	8 358	2 460 360
Profit for the year		–	–	216 331	(182)	216 149
Other comprehensive income for the year		–	–	2 855	–	2 855
Equity-settled employee benefits expense recognised		–	6 789	–	–	6 789
Equity-settled employee benefits settlement		–	(5 111)	2 801	–	(2 310)
Dividend paid	13	–	–	(73 003)	–	(73 003)
Balance at 27 September 2020		**1 562 509**	**15 425**	**1 024 730**	**8 176**	**2 610 840**

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 27 September 2020

	Notes	2020 R'000	2019 R'000
Cash flows from operating activities			
Cash generated from operations		**601 978**	495 148
Interest paid		**(95 750)**	(117 877)
Interest received		**598**	875
Taxation refunded/(paid)		**(9 575)**	20 195
Net cash inflow from operating activities		**497 251**	398 341
Cash flows from investing activities			
Purchase of property, plant and equipment		**(159 604)**	(231 484)
Proceeds on disposal of property, plant and equipment		**7 297**	8 046
Acquisition of intangible assets		**–**	(30 000)
Loans receivable advanced		**(4 855)**	(2 006)
Loans receivable repaid		**713**	899
Treasury shares dividend received		**–**	229
Net cash outflow from investing activities		**(156 449)**	(254 316)
Cash flows from financing activities			
Redemption of preference shares		**–**	(3 000)
Equity-settled employee benefits settlement		**(2 310)**	(2 200)
Dividends paid	13	**(73 003)**	(53 341)
Loan-term loans repaid		**(233 920)**	(238 351)
Lease liabilities repaid		**(27 423)**	–
Net cash outflow from financing activities		**(336 656)**	(296 892)
Net increase/(decrease) in cash and cash equivalents		**4 146**	(152 867)
Cash and cash equivalents at beginning of the year		**(176 643)**	(23 776)
Cash and cash equivalents at end of the year		**(172 497)**	(176 643)

SUMMARISED CONSOLIDATED SEGMENTAL REPORT

for the year ended 27 September 2020

PRODUCTS AND SERVICES FROM WHICH REPORTABLE SEGMENTS DERIVE THEIR REVENUES

Information reported to the chief operating decision-maker for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided, and in respect of the "regional" and "international" operations, the information is further analysed based on the different classes of customers. The chief operating decision-maker of the Group have chosen to organise the Group around the difference in geographical areas and operate the business on that basis.

Specifically, the Group's reportable segments under IFRS 8: Operating segments are as follows:

- Regional
- International

SEGMENT REVENUES AND RESULTS

The Group's revenue and results by reportable segment are analysed below and incorporate disaggregation of revenue.

	Notes	**2020 R'000**	Restated 2019 R'000
		Segment revenue	
Regional			
Fresh products sales	9	**1 708 600**	1 679 552
Long life products sales	9	**2 914 824**	2 659 636
		4 623 424	4 339 188
International			
Long life products sales		**1 241 028**	1 074 437
Total		**5 864 452**	5 413 625
		Segment profit	
Regional		**365 186**	358 705
International		**36 602**	36 512
Total		**401 788**	395 217
Impairment loss		**(9 803)**	(3 017)
Interest received		**598**	875
Interest paid		**(95 808)**	(117 978)
Profit before taxation		**296 775**	275 097
		Segment depreciation	
Regional		**169 869**	129 452
International		**49 712**	34 405
Total		**219 581**	163 857
		Segment amortisation	
Regional		**13 272**	10 284
International		**139**	252
Total		**13 411**	10 536
		Share of profit of associate	
Regional		**27**	237

Segment revenue reported above represents revenue generated from external customers. Intercompany sales in the regional long life segment amounted to R432.940 million (2019: R523.287 million), which have been eliminated upon consolidation.

SUMMARISED CONSOLIDATED SEGMENTAL REPORT CONTINUED

for the year ended 27 September 2020

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 1. Segment profit represents the profit before tax earned by each segment without allocation of impairment losses, acquisition costs, interest received and interest paid. This is the measure reported to the chief operating decision-maker for the purpose of resource allocation and assessment of segment performance.

GEOGRAPHICAL INFORMATION

The Group's non-current assets by location of operations (excluding goodwill and deferred taxation asset) and revenue are detailed below. The chief operating decision-maker does not evaluate the Group's assets or liabilities on a segmental basis for decision-making purposes.

	2020 R'000	2019 R'000
	Non-current assets	
South Africa	**1 968 569**	1 919 026
Eswatini	**204 512**	155 859
	2 173 081	2 074 885
	Revenue	
South Africa	**5 651 071**	5 269 217
Eswatini	**213 381**	144 408
	5 864 452	5 413 625

INFORMATION REGARDING MAJOR CUSTOMERS

Two customers (2019: two customers) individually contributed 10% or more of the Group's revenues arising from both regional and international sources.

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 27 September 2020

1. BASIS OF PREPARATION

RFG Holdings Limited is a company domiciled in South Africa. These audited summarised consolidated financial statements ("financial statements") as at and for the financial year ended 27 September 2020 comprise the company and its subsidiaries (together referred to as the "Group"). The main business of the Group is the manufacturing and marketing of convenience meal solutions. These include fresh and frozen ready meals, pastry-based products, dairy products, juice and juice products, fruit purees and concentrates and long life meals including jams, fruits, salads, vegetables, meat and dry packed foods. There were no major changes in the nature of the business of the Group during the period ended 27 September 2020.

The summarised consolidated financial statements are an extract from the audited consolidated financial statements for the year ended 27 September 2020, and have been prepared in accordance with the framework concepts, the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Pronouncements as issued by the Financial Reporting Standards Council, and the requirements of the Companies Act of South Africa applicable to summarised financial statements and the JSE Limited Listings Requirements. The summarised consolidated financial statements contain, as a minimum, the information required by IAS 34: Interim Financial Reporting.

The accounting policies and methods of computations applied in the preparation of the summarised consolidated financial statements comply with IFRS and are consistent with those applied in the consolidated financial statements for the year ended 29 September 2019, except as mentioned below.

The summarised consolidated financial statements were prepared under the supervision of Tiaan Schoombie, CA(SA), Chief Financial Officer.

The directors take full responsibility for the preparation of the summarised consolidated financial statements and confirm that the financial information therein has been correctly extracted from the underlying audited consolidated financial statements.

In the current year, the Group applied the following new and revised International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for accounting periods that begin on or after 1 January 2019.

IFRS 16 – Leases

IFRS 16 "Leases" replaces IAS 17 "Leases" along with three Interpretations (IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC 15 "Operating Leases-Incentives" and SIC 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease").

The adoption of this new standard has resulted in the Group recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

The new standard has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of accumulated profit for the current period. Prior periods have not been restated

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- Used a single discount rate to discount a portfolio of leases with reasonably similar characteristics.
- Relied on its assessment of whether leases are onerous immediately before the date of initial application.
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4.

On transition, the lease liabilities were measured using the present values of the remaining lease payments discounted at the rates implicit in the lease agreements, or where the implicit rates could not be readily determined, the incremental borrowing rates at the date of initial application were used. The rates applied to the leases range between 8.52% and 12.50% for South African Rand denominated leases and 3.10% for USD denominated leases.

The right-of-use assets were measured as if IFRS 16 had always applied (but using rates implicit in the lease agreements or incremental borrowing rates at the date of initial application). The cumulative effect of initially applying IFRS 16 has been recognised as an adjustment to the opening balance of accumulated profit on the date of adopting the standard.

The standard requires that all leases entered into as lessee are accounted for using a single accounting model. Assets and liabilities are recognised for all leases unless the lease term is 12 months or shorter, or the underlying asset has a value of less than R100 000.

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 27 September 2020

1. BASIS OF PREPARATION CONTINUED

The adjustments that were made to the statement of financial position on 30 September 2019 as a result of adopting IFRS 16 are as follows:

	30 September 2019 R'000
Assets	
Increase in right-of-use assets	95 908
Increase in deferred tax asset	6 698
Equity and liabilities	
Increase in lease liabilities	119 829
Decrease in accumulated profit[1]	(17 223)

Reconciliation of operating lease commitments previously disclosed under IAS 17 and lease liabilities initially recognised under IFRS 16	
Operating lease commitments as at 29 September 2019	165 498
Discounted using the incremental borrowing rate at 30 September 2019	(45 669)
Lease liabilities recognised at 30 September 2019	119 829

[1] *The decrease in accumulated profit as a result of adopting IFRS 16 in the condensed consolidated statement of changes in equity for the six months period ended 29 March 2020 differs from the above by R0.714 million. At the time, incorrect variable interest rates were used to calculate the adjustments to the statement of financial position as at 30 September 2019. This is a result of management reassessing the variable interest rates used to more accurately calculate the adjustments to the statement of financial position as at 30 September 2019.*

2. PROPERTY, PLANT AND EQUIPMENT

During the year ended the following transactions accounted for the movement in the property, plant and equipment balance:

COST	Opening balance R'000	Additions R'000	Disposals R'000	Reclassified to assets held for sale R'000	Closing balance R'000
2020	**2 377 646**	**159 604**	**(64 506)**	**(20 726)**	**2 452 018**
2019	2 185 493	231 484	(39 331)	–	2 377 646

ACCUMULATED DEPRECIATION AND IMPAIRMENT	Opening balance R'000	Depreciation R'000	Disposals R'000	Impairment R'000	Reclassified to assets held for sale R'000	Closing balance R'000
2020	**546 376**	**187 358**	**(52 551)**	**9 803**	**(10 662)**	**680 324**
2019	408 879	163 857	(29 377)	3 017	–	546 376

NET ASSET VALUE	Opening balance R'000	Closing balance R'000
2020	**1 831 270**	**1 771 694**
2019	1 776 614	1 831 270

Assets classified as held for sale of R9.466 million were impaired because the book value exceeds expected proceeds.

The disposal and impairment of property, plant and equipment resulted in losses of R4.658 million (2019: R1.908 million) and R9.803 million (2019: R3.017 million) respectively which were recognised as part of "operating costs" in the summarised consolidated statement of profit or loss and other comprehensive income.

During the year, the Group contracted R73.987 million (2019: R13.016 million) for future capital commitments. This will be financed through a combination of operating cash flows and available overdraft facilities.

There has been no major change in the nature of property, plant and equipment, the policy regarding the use thereof, or the encumbrances over the property, plant and equipment.

3. RIGHT-OF-USE ASSETS

The Group leases various buildings, plant and machinery and vehicles. Rental contracts are typically entered into for fixed periods, but may sometimes have extension options. Lease terms are negotiated on an individual basis by the underlying business components and contain a range of terms and conditions. The Group's lease periods for land and buildings are generally between two and ten years and for plant and machinery and vehicles generally between three and five years.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	Adoption of IFRS 16 R'000	Additions R'000	Terminations R'000	Depreciation R'000	Remeasurements R'000	Closing balance R'000
Land and buildings	**69 630**	**17 819**	**–**	**(15 173)**	**–**	**72 276**
Plant and machinery	**24 436**	**88 426**	**(594)**	**(16 178)**	**120**	**96 210**
Vehicles	**1 842**	**–**	**–**	**(872)**	**–**	**970**
Net book value	**95 908**	**106 245**	**(594)**	**(32 223)**	**120**	**169 456**

4. FINANCIAL INSTRUMENT AT FAIR VALUE HELD THROUGH PROFIT OR LOSS

FOREIGN EXCHANGE CONTRACTS

The Group enters into forward exchange contracts ("FEC") to buy and sell specified amounts of foreign currency in the future at a predetermined exchange rate. The contracts are entered into to manage the Group's exposure to fluctuations in foreign currency exchange rates on specific transactions. The contracts are matched by anticipated future cash flows in foreign currencies. The Group does not use forward exchange contracts for speculative purposes.

At the reporting date, the Group had entered into the following forward exchange contracts:

2020	Foreign amount '000	Rand value R'000	Contract fair value R'000	Foreign exchange contract liability R'000
FEC in respect of anticipated receipts from customers				
AUD	**1 250**	**14 168**	**15 246**	**(1 078)**
CAD	**760**	**9 470**	**9 842**	**(372)**
USD	**6 900**	**117 962**	**119 188**	**(1 226)**
GBP	**1 850**	**40 786**	**40 828**	**(42)**
EUR	**925**	**18 020**	**18 625**	**(605)**
		200 406	**203 729**	**(3 323)**
2019				
FEC in respect of anticipated receipts from customers				
AUD	2 735	29 132	28 497	635
CAD	2 166	24 488	25 085	(597)
USD	16 515	248 239	254 030	(5 791)
GBP	725	13 701	13 847	(146)
EUR	1 725	29 607	29 498	109
		345 167	350 957	(5 790)

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 27 September 2020

4. FINANCIAL INSTRUMENT AT FAIR VALUE HELD THROUGH PROFIT OR LOSS CONTINUED

VALUATION OF FINANCIAL INSTRUMENT AT FAIR VALUE HELD THROUGH PROFIT OR LOSS

Financial instruments at fair value through profit or loss	Level	Valuation technique
Forward exchange contracts	Level 2	Mark to market rates by issuer of instrument

5. INVENTORY

The value of the inventory disclosed at net realisable value is R94.073 million (2019: R103.075 million). Refer to the cost of goods sold per the statement of profit or loss and other comprehensive income where the expense relating to inventories are recognised.

Cost of sales consists of direct manufacturing costs and an allocation of manufacturing operating costs. Cost of sales amounted to R4 467.222 million for the year ended 27 September 2020 (29 September 2019: R4 192.108 million).

6. ASSETS CLASSIFIED AS HELD FOR SALE

The directors resolved to dispose of two of the Group's properties and negotiations with interested parties have subsequently taken place. The disposals are consistent with the Group's strategy to focus its core activities. The properties and related assets and liabilities, which are expected to be sold within 12 months, have been classified as a disposal Group held for sale and presented separately in the statement of financial position.

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

	2020 R'000
Land and buildings	10 064
Accounts receivable	84
Total assets classified as held for sale	**10 148**
Accounts payable and accruals	(124)
Deferred taxation	(2 168)
Total liabilities associated with assets classified as held for sale	**(2 292)**
Net assets of disposal group	**7 856**

7. LEASE LIABILITIES

The Group has leases for land and buildings, plant and machinery and vehicles. With the exception of short-term leases and leases with low-value underlying assets, each lease is reflected on the statement of financial position as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or an interest rate are excluded from the initial measurement of the lease liability and asset. The Group classifies its right-of-use assets in a consistent manner to property, plant and machinery and vehicles (refer to note 2).

Leases of plant and machinery and vehicles are generally limited to a lease term of five years. Leases of property generally have a lease term ranging from five years to ten years. Lease payments are generally fixed however the Group has a limited number of leases where rentals are linked to annual changes in an index (either CPI or the prime interest rate).

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying leased asset outright at the end of the lease, or to extend the lease for a further term. The Group is prohibited from selling or pledging the underlying leased assets as security. For leases over office buildings and factory premises the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Group must insure the property, plant and machinery and vehicles and maintain such items in accordance with the lease agreements.

7. LEASE LIABILITIES CONTINUED

Lease liabilities

Lease liabilities are presented in the statement of financial position as follows:

	2020 R'000	2019 R'000
Total lease liabilities	**197 484**	–
Less: Current lease liabilities	**(42 322)**	–
Non-current lease liabilities	**155 162**	–
At 27 September 2020 the company had committed to leases which had not commenced yet. The total future cash outflows for leases that had not yet commenced were as follows:		
Type of asset		
Plant and machinery	**17 617**	–

Operating leases have only been disclosed for the prior period. On 30 September 2019 the company adopted IFRS 16 using the modified retrospective approach, without restating comparative information.

8. REVENUE

The disaggregated revenue from contracts with customers is as follows:

	2020 R'000	2019 R'000
Perishable products	**1 708 600**	1 679 552
Fruit products	**1 762 207**	1 599 578
Grocery products	**2 393 645**	2 134 495
	5 864 452	5 413 625

The revenue categories consist of net sales of the following:

- Perishable products: Ready meals, pies, bakery and dairy products.
- Fruit products: Canned fruit and jam, fruit purees and fruit concentrates.
- Grocery products: Canned vegetables, canned meat, bottled salads & pickles, fruit juice, dry packaged foods and infant meals.

9. RECLASSIFICATION OF SEGMENT REVENUE AND RESULTS

During the year ended 27 September 2020, the Group elected to reclassify baby food from fresh to long life within the regional segment, due to operational changes with effect from 30 September 2019. The effect of the reclassification on the results for the year ended 29 September 2019 is as follows:

	2019 R'000
Decrease in fresh product sales	(80 218)
Increase in long life product sales	80 218

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 27 September 2020

10. HEADLINE EARNINGS PER SHARE

10.1 HEADLINE EARNINGS PER SHARE

	2020 R'000	2019 R'000
Reconciliation between profit attributable to owners of the parent and headline earnings:		
Profit attributable to owners of the parent	**216 331**	216 256
Adjustments to profit attributable to owners of the parent	**10 412**	3 546
Loss on disposal of property, plant and equipment	**4 658**	1 908
Impairment of property, plant and equipment	**9 803**	3 017
Taxation effect	**(4 049)**	(1 379)
Headline earnings	**226 743**	219 802
Headline earnings per share (cents)	**86.7**	84.0

10.2 DILUTED HEADLINE EARNINGS PER SHARE

	2020 R'000	2019 R'000
Headline earnings	**226 743**	219 802
Diluted headline earnings per share (cents)	**86.4**	83.8

10.3 WEIGHTED AVERAGE NUMBER OF SHARES IN ISSUE

	2020	2019
Weighted average number of shares in issue	**262 762 018**	262 762 018
Treasury shares	**(1 125 000)**	(1 125 000)
Weighted average number of shares in issue	**261 637 018**	261 637 018
Effect of share options	**660 539**	581 724
Weighted average number of dilutive shares in issue	**262 297 557**	262 218 742

11. FINANCIAL INSTRUMENTS

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of the financial assets and liabilities reported in the statement of financial position approximate fair values at the reporting date, except where noted otherwise in the notes.

12. RELATED PARTY TRANSACTIONS

The Group sold goods to Peaty Mills Plc for R299.221 million (2019: R222.002 million). Included in trade receivables are amounts due from Peaty Mills Plc for R49.660 million (2019: R48.166 million).

The Group sold goods to Ma Baker Xpress (Pty) Ltd for R12.627 million (2019: R14.152 million). Included in trade receivables are amounts due from Ma Baker Xpress (Pty) Ltd for R6.195 million (2019: R5.943 million).

13. DIVIDENDS

On 20 January 2020, a dividend of 27.9 cents (2019: 20.3 cents) per share was paid amounting to a total dividend of R73.0 million (2019: R53.3million).

14. EVENTS SUBSEQUENT TO REPORTING DATE

Covid-19 will continue to impact the Group into the 2021 financial year through slower sales due to the deteriorating economic conditions in the country and weaker consumer spending, which could be compounded by increasing levels of unemployment. The Group will continue to incur additional Covid-19 related costs. South Africa remains at risk of reverting to stricter lockdown regulations if Covid-19 infection rates escalate from their current low levels.

As at the date of approving these annual consolidated financial statements, the board has assessed that there is no event that have caused a material impact on the annual consolidated financial statements for the year ended 27 September 2020.

15. FINANCIAL YEAR-END

The company's financial year ends in September which reflects 52 weeks of trading and as a result the reporting date may differ year on year. References to "financial year" are to the 52 weeks ended on or about 30 September. As a result the financial statements were prepared for the year ended 27 September 2020 (2019: 29 September).

16. APPROVAL OF SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

The summarised consolidated financial statements were approved by the board of directors on 13 November 2020.

17. AUDIT OPINION

These summarised consolidated financial statements have been derived from the consolidated financial statements and are consistent, in all material respects, with the consolidated financial statements. The consolidated financial statements, which have been audited by Deloitte & Touche, and the accompanying unmodified audit report are available for inspection at the company's registered office.

The auditor's report does not necessarily report on all of the information contained in these financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the issuer's registered office.

INDEPENDENT AUDITOR'S REPORT ON SUMMARY CONSOLIDATED FINANCIAL STATEMENTS
To the shareholders of RFG Holdings Limited

Opinion
The summary consolidated financial statements of RFG Holdings Limited, which comprise the summary consolidated statement of financial position as at 27 September 2020, the summary consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of RFG Holdings Limited for the year ended 27 September 2020.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements of RFG Holdings Limited, in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, set out in note 1 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Other matter
We have not audited future financial performance and expectations by management included in the accompanying summary consolidated financial statements and accordingly do not express any opinion thereon.

Summary consolidated financial statements
The summary consolidated financial statements do not contain all the disclosures required by the International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements of RFG Holdings Limited and the auditor's report thereon.

The audited consolidated financial statements and our report thereon
We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 16 November 2020. That report also includes the communication of key audit matters as reported in the auditor's report of the audited consolidated financial statements.

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 27 September 2020

17. AUDIT OPINION CONTINUED

Directors' responsibility for the summary consolidated financial statements
The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for abridged reports, set out in note 1 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

The Listings Requirements require abridged reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, and to also, as a minimum, contain the information required by IAS 34, *Interim Financial Reporting*.

Auditor's responsibility
Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements.*

Deloitte & Touche

Deloitte & Touche
Registered Auditor

Per: Michael van Wyk
Partner

16 November 2020

Unit 11, La Gratitude, Ground Floor, 97 Dorp Street, Stellenbosch, Western Cape, 7600

CORPORATE INFORMATION

RFG HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)
Registration number: 2012/074392/06
JSE share code: RFG
ISIN: ZAE000191979

Registered address	Pniel Road, Groot Drakenstein, 7680 Private Bag X3040, Paarl, 7620
Directors	Dr YG Muthien * (Chairperson) MR Bower * (Lead Independent Director) WP Hanekom (Deputy Chief Executive Officer – Appointed 8 July 2020) BAS Henderson (Chief Executive Officer) TP Leeuw * S Maitisa * (Appointed 19 October 2020) LA Makenete * BN Njobe * CC Schoombie (Chief Financial Officer) CL Smart ** GJH Willis ** ** Independent non-executive* *** Non-executive*
Company secretary	BM Lakey
Transfer secretaries	Computershare Investor Services Proprietary Limited
Sponsor	Rand Merchant Bank, a division of FirstRand Bank Limited
Auditors	Deloitte & Touche