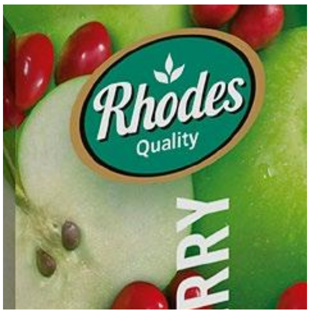
RFG



CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 29 March 2020

KEY FEATURES

Group turnover

+9.6%

Regional turnover

+11.5%

International turnover

+0.5%

EBITDA

+4.3%

Net foreign exchange losses of

R47.6 million

(2019: net gains of R14.1 million)

Operating profit

-5.3%

Diluted HEPS

-3.1%

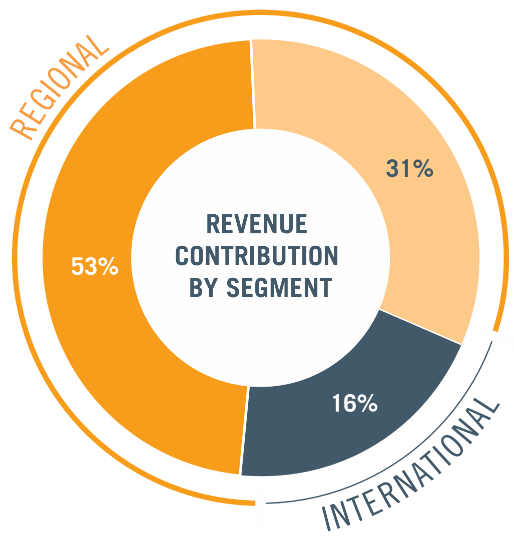
Cash generated from operations

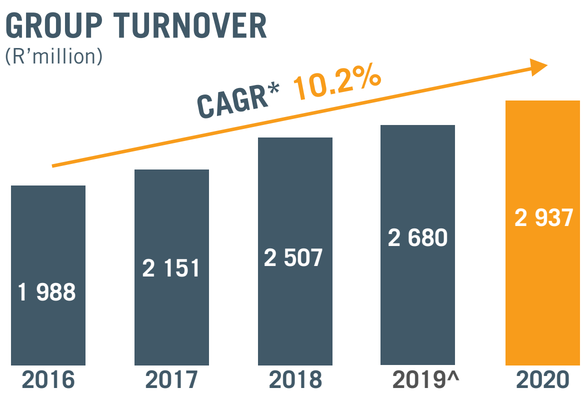
+16.6%

Net debt/equity ratio improved from

58.9% to

55.0%





*Compound annual growth rate.
^Restated.

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

Impact of new accounting standards

The group has adopted IFRS 16 Leases on a modified retrospective basis for the 2020 financial year and the comparatives have not been restated. The main impact on the statement of comprehensive income has been an increase of R5.7 million in profit before interest and taxation and an increase of R5.6 million in interest paid, resulting in a net increase of R0.1 million in profit after tax.

As previously advised to shareholders, the adoption of IFRS 15 in the 2019 financial year resulted in distribution and warehouse allowances being reclassified from expenses to revenue. The comparatives for the respective revenue and expense line items have been restated.

Commentary

Group turnover increased by 9.6% to R2.9 billion.

Turnover in the regional segment (South Africa and the rest of Africa) increased by 11.5% and benefited from strong sales in March following the state of disaster being declared in the country and ahead of the introduction of the national lockdown. Sales for March were 22.2% higher than the previous year.

- Long Life Foods increased turnover by 12.6% (6.3% volume growth) with good growth in fruit juices and baked beans and particularly strong sales in canned fruit, vegetables and meat in March before the start of the lockdown.
- Fresh Foods sales increased by 9.6%, with volume growth of 4.7% and acquisitive growth of 3.2%. The ready meals and pie categories continued to be the main drivers of sales growth.

International turnover was in line with last year. The division was severely impacted by the slowdown in exports of canned fruit to China from early January following the outbreak of Covid-19. Limited shipments were made to China in the first quarter of 2020 and exports were further impacted by constraints at the Cape Town port in March, contributing to a decline of 11.5% in international volumes.

Manufacturing operating costs increased by 14.2% due to above-inflation increases in repairs and maintenance (20.1% increase) and depreciation (13.6% increase). Excluding these items the increase was limited to 5.8%. Other operating costs were 12.4% higher, impacted primarily by the 79.6% increase in depreciation (mainly related to pineapple bearer plants), insurance (74.8% increase) and advertising (18.3% increase). Excluding these items the growth was contained to 5.5%.

As a result of foreign exchange losses, the group's operating profit declined by 5.3% to R160.7 million and the operating margin declined to 5.5% from 6.3%.

The regional operating profit increased by 21.1% as the operating margin improved from 7.6% to 8.3%, lifted by the good growth in the Fresh Foods segment.

The sudden and rapid devaluation of the Rand had a significant impact on the profitability of the international segment, with net unrealised losses amounting to R48.8 million on the mark-to-market revaluation of forward exchange contracts for the period (2019: net gains of R4.9 million). The difference of R1.2 million relates to net gains on other foreign currency denominated assets and liabilities (2019: net gains of R9.2 million).

This contributed to the international segment posting a loss for the first half of R44.0 million relative to a profit of R3.7 million in the prior period. The international operating margin declined from 0.8% to -9.5%.

Earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 4.3% to R260.6 million, while the EBITDA margin was lower at 8.9% (2019: 9.3%).

Net interest paid reduced by R4.1 million to R54.0 million owing to the reduction in the group's debt levels. Excluding an IFRS 16 interest charge of R5.6 million, interest paid reduced by R9.7 million or 16.7%.

Profit after tax declined by 3.0% to R77.8 million. Headline earnings were 3.0% lower at R81.6 million, with diluted headline earnings per share down 3.1% at 31.1 cents.

Net working capital days improved from 133 to 128 days. A 13 day improvement in inventory days was partially negated by the combined increase of 8 days in debtor and creditor days.

Cash generated from operations increased by 16.6% to R137.8 million. The group repaid term loans of R121.8 million while capital expenditure for the six months reduced from R129.0 million to R87.2 million. Net debt, now including lease liabilities of R106.6 million in the current year, reduced by R24.1 million and the net debt to equity ratio improved from 58.9% to 55.0%.

COMMENTARY CONTINUED

Capital projects undertaken during the first half included equipment upgrades and replacement 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.

UPDATE ON RFG RESPONSE TO COVID-19

As an essential service under the national state of disaster regulations, the group has continued to operate throughout the lockdown to ensure ongoing supply of food products.

Protocols to reduce the risks associated with the virus were developed in accordance with the guidelines of the World Health Organisation, National Institute for Communicable Diseases and Department of Health. A senior leadership team comprising technical and operational executives meets daily to monitor and respond to the impact of Covid-19 on the business.

RFG has experienced an ongoing uplift in demand for long life products, particularly canned fruit, vegetables and meat, and production has been increased to meet this demand. Government restrictions on the sale of hot meals, which were implemented 25 days into the lockdown period, resulted in a marked slowdown in the sale of pies. The pie production facilities in Aeroton and Pietermaritzburg are being closed periodically to balance production with the significantly reduced demand.

The group's fruit canning factory in Tulbagh in the Western Cape was recently closed for four days for deep cleaning following nine employees testing positive for Covid-19 over the past month. The required protocols were followed to decontaminate the factory and ensure the safety of the workforce. RFG is one of the largest employers in the Witzenberg region which is a Covid-19 hotspot, having recorded over 200 positive cases.

RFG has created an employee assistance fund through contributions from the company's directors and senior management to support staff who are financially impacted by Covid-19 related factory closures.

The CEO has contributed 50% and the rest of the executive team 30% of their salaries for three months. Board members have contributed 30% of their directors' fees for the same period. Senior managers are supporting the fund on a voluntary basis.

OUTLOOK

Owing to the anticipated negative impact of Covid-19 on the economy and the increased risk to the business, management is focusing on cash preservation through tighter cost management and by reviewing all non-critical expenditure, including capital investment. Measures being undertaken include maximising exports to improve cash flow and the closure of factories where necessary. Increasing working capital efficiency and reducing debt levels remain priorities.

The reductions in the SA Reserve Bank's repo rate totaling 225 basis points should have a material benefit to the group in the second half although this could be partially eroded by increased borrowings owing to Covid-19 related impacts on cash flows.

Capital expenditure for the financial year is expected to be R150 million. While certain capital projects are being delayed the group has committed to installing a new fruit juice line in its Wellington factory to meet increased demand.

In the regional segment, sales of Long Life Foods for the first seven weeks of the second half of the financial year have remained buoyant, with continued strong demand for canned fruit, vegetables and meat. Fresh Foods sales have slowed owing mainly to the restrictions on the sale of hot pies during lockdown.

RFG's supply chain continues to function efficiently despite numerous Covid-19 related constraints, and the group has sufficient imported and local raw material stock cover. Management is confident that the group has adequate stock to meet the increased demand for Long Life products.

Consumer spending is likely to come under extreme pressure as the economy suffers from the effects of the lockdown measures. RFG's broad range of product categories is providing a degree of resilience and the focus in the regional segment in the months ahead will be on driving organic growth, maintaining margins and increasing brand shares.

The recent deterioration in the Rand/US dollar exchange rate will have a favourable impact on the profitability of the international segment in the second half of the year.

The group expects a slow recovery in exports of canned fruit into China from around July. Management is confident that product previously destined for China in the first half of the year will be placed in other markets.

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

Bruce Henderson
Chief Executive Officer

Tiaan Schoombie
Chief Financial Officer

Groot Drakenstein
19 May 2020

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 29 March 2020

	Notes	Reviewed Six-month period ended 29 March 2020 R'000	Reviewed Six-month period ended 31 March 2019 R'000	Audited year ended 29 September 2019 R'000
ASSETS				
Non-current assets		**2 594 542**	2 513 627	2 519 880
Property, plant and equipment	3	**1 817 232**	1 819 937	1 831 270
Right-of-use assets	1.1	**81 853**	–	–
Intangible assets		**210 047**	222 895	217 155
Goodwill		**444 857**	444 857	444 857
Investment in associate		**5 680**	5 253	5 572
Biological assets		**13 461**	12 501	13 033
Deferred taxation asset		**11 134**	36	138
Loans receivable		**10 278**	8 148	7 855
Current assets		**2 653 829**	2 395 762	2 193 757
Inventory	5	**1 405 128**	1 369 156	1 203 670
Accounts receivable		**1 201 879**	977 870	947 745
Biological assets		**29 629**	17 099	24 447
Loans receivable		**5 838**	3 490	5 472
Taxation receivable		**10**	9 123	5 362
Foreign exchange contract asset	4	**–**	5 551	–
Bank balances and cash on hand		**11 345**	13 473	7 061
Total assets		**5 248 371**	4 909 389	4 713 637
EQUITY AND LIABILITIES				
Capital and reserves		**2 467 146**	2 342 600	2 477 583
Share capital		**1 562 509**	1 562 509	1 562 509
Equity-settled employee benefits reserve		**13 768**	14 052	13 747
Accumulated profit		**883 696**	757 578	892 969
Equity attributable to owners of the company		**2 459 973**	2 334 139	2 469 225
Non-controlling interest		**7 173**	8 461	8 358
Non-current liabilities		**1 017 902**	1 097 137	1 016 541
Long-term loans		**679 735**	864 765	753 454
Long-term lease liabilities	1.1	**80 858**	–	–
Deferred taxation liability		**242 700**	215 031	246 059
Employee benefit liability		**14 609**	17 341	17 028
Current liabilities		**1 763 323**	1 469 652	1 219 513
Accounts payable and accruals		**1 030 407**	877 817	726 379
Employee benefits accrual		**35 358**	55 616	68 321
Current portion of long-term loans		**185 935**	241 546	234 046
Short-term lease liabilities	1.1	**25 764**	–	–
Taxation payable		**36 190**	7 464	1 273
Foreign exchange contract liability	4	**54 626**	–	5 790
Bank overdraft		**395 043**	287 209	183 704
Total equity and liabilities		**5 248 371**	4 909 389	4 713 637

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six-month period ended 29 March 2020

	Notes	Reviewed Six-month period ended 29 March 2020 R'000	Reviewed Six-month period ended 31 March 2019 Restated R'000	Audited Year ended 29 September 2019 Restated R'000
Revenue	9 and 11.2	**2 937 157**	2 680 241	5 413 625
Direct manufacturing costs		**(1 920 340)**	(1 798 337)	(3 609 804)
Manufacturing operating costs		**(332 301)**	(290 882)	(582 304)
Selling and distribution costs		**(208 448)**	(196 616)	(387 270)
Other operating costs	11.3	**(275 326)**	(245 026)	(484 888)
Other income	11.3	**7 564**	6 236	18 738
Net foreign exchange (loss)/gain	11.3	**(47 601)**	14 084	24 103
Profit before interest and taxation		**160 705**	169 700	392 200
Interest paid		**(54 398)**	(59 318)	(117 978)
Interest received		**444**	1 271	875
Profit before taxation		**106 751**	111 653	275 097
Taxation		**(28 988)**	(31 466)	(59 632)
Profit for the period		**77 763**	80 187	215 465
Profit attributable to:				
Owners of the company		**78 948**	80 875	216 256
Non-controlling interest		**(1 185)**	(688)	(791)
		77 763	80 187	215 465
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss		**–**	–	10
Remeasurement of employee benefit liability		**–**	–	14
Deferred taxation effect		**–**	–	(4)
Total comprehensive income for the period		**77 763**	80 187	215 475
Total comprehensive income attributable to:				
Owners of the company		**78 948**	80 875	216 266
Non-controlling interest		**(1 185)**	(688)	(791)
		77 763	80 187	215 475
Earnings per share (cents)		**30.2**	30.9	82.7
Diluted earnings per share (cents)		**30.1**	30.9	82.5

During the year ended 29 September 2019, the Group elected to present expenses by nature in order to provide more reliable and relevant information. The disclosure of costs by nature provides more detailed information about, and will enhance users' ability to understand the composition of the Group's manufacturing and other related costs. Costs were previously presented by function and accordingly the comparative costs have been reclassified to reflect costs by nature.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six-month period ended 29 March 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 – audited		1 565 509	17 723	725 459	9 149	2 317 840
Total comprehensive income for the period		–	–	80 875	(688)	80 187
Equity-settled employee benefits expense recognised		–	2 885	–	–	2 885
Equity-settled employee benefits settlement		–	(6 556)	4 356	–	(2 200)
Treasury shares dividend received		–	–	229	–	229
Redemption of preference shares		(3 000)	–	–	–	(3 000)
Dividend paid		–	–	(53 341)	–	(53 341)
Balance at 31 March 2019 – reviewed		1 562 509	14 052	757 578	8 461	2 342 600
Total comprehensive income for the period		–	–	135 391	(103)	135 288
Equity-settled employee benefits expense recognised		–	(2 602)	–	–	(2 602)
Equity-settled employee benefits settlement		–	2 297	–	–	2 297
Balance at 29 September 2019 – audited		1 562 509	13 747	892 969	8 358	2 477 583
IFRS 16 transition adjustment to retained earnings at beginning of year	1.1	–	–	(17 937)	–	(17 937)
Total comprehensive income for the period		–	–	78 948	(1 185)	77 763
Equity-settled employee benefits expense recognised		–	4 892	–	–	4 892
Equity-settled employee benefits settlement		–	(4 871)	2 712	–	(2 159)
Treasury shares dividend received		–	–	314	–	314
Dividend paid	10	–	–	(73 310)	–	(73 310)
Balance at 29 March 2020 – reviewed		**1 562 509**	**13 768**	**883 696**	**7 173**	**2 467 146**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six-month period ended 29 March 2020

	Notes	**Reviewed Six-month period ended 29 March 2020 R'000**	Reviewed Six-month period ended 31 March 2019 Restated R'000	Audited year ended 29 September 2019 R'000
Cash flows from operating activities				
Cash generated from operations		**137 800**	118 199	495 148
Net interest paid		**(53 321)**	(57 626)	(117 002)
Taxation refunded		**3 904**	19 871	20 195
Net cash inflow from operating activities		**88 383**	80 444	398 341
Cash flows from investing activities				
Purchase of property, plant and equipment		**(87 175)**	(128 983)	(231 484)
Proceeds on disposal of property, plant and equipment		**4 766**	5 849	8 046
Acquisition of intangible assets		**–**	(30 000)	(30 000)
Loans receivable advanced		**(4 641)**	–	(2 006)
Loans receivable repaid		**1 852**	582	899
Treasury shares dividend received		**314**	229	229
Net cash outflow from investing activities		**(84 884)**	(152 323)	(254 316)
Cash flows from financing activities				
Redemption of preference shares		**–**	(3 000)	(3 000)
Lease liability payments		**(13 255)**	–	–
Equity-settled employee benefits settlement		**(2 159)**	(2 200)	(2 200)
Loans repaid		**(121 830)**	(119 540)	(238 351)
Dividend paid	10 and 11.1	**(73 310)**	(53 341)	(53 341)
Net cash outflow from financing activities		**(210 554)**	(178 081)	(296 892)
Net decrease in cash and cash equivalents		**(207 055)**	(249 960)	(152 867)
Cash and cash equivalents at beginning of the period		**(176 643)**	(23 776)	(23 776)
Cash and cash equivalents at end of the period		**(383 698)**	(273 736)	(176 643)

CONDENSED CONSOLIDATED SEGMENTAL REPORT

for the six-month period ended 29 March 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 has 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.

	Reviewed Six-month period ended 29 March 2020 R'000	Reviewed Six-month period ended 31 March 2019 Restated R'000	Audited Year ended 29 September 2019 R'000
		Segment revenue	
Regional			
Fresh products sales	**920 598**	840 233	1 759 770
Long life products sales	**1 553 860**	1 379 630	2 579 418
	2 474 458	2 219 863	4 339 188
International			
Long life products sales	**462 699**	460 378	1 074 437
Total	**2 937 157**	2 680 241	5 413 625
		Segment profit	
Regional	**204 663**	168 995	358 705
International	**(43 958)**	3 722	36 512
Total	**160 705**	172 717	395 217
Impairment loss	**–**	(3 017)	(3 017)
Interest received	**444**	1 271	875
Interest paid	**(54 398)**	(59 318)	(117 978)
Profit before taxation	**106 751**	111 653	275 097
		Segment depreciation	
Regional	**74 196**	63 012	129 452
International	**18 616**	12 301	34 405
Total	**92 812**	75 313	163 857
		Segment amortisation	
Regional	**6 990**	4 711	10 284
International	**118**	85	252
Total	**7 108**	4 796	10 536
		Share of profit/(loss) of associate	
Regional	**108**	(82)	237
International	**–**	–	–
Total	**108**	(82)	237

CONDENSED CONSOLIDATED SEGMENTAL REPORT CONTINUED

for the six-month period ended 29 March 2020

Segment revenue reported above represents revenue generated from external customers. Intercompany sales amounted to R210.092 million (six months ended 31 March 2019: R275.886 million, year ended 29 September 2019 R523.287 million).

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. Executive management does not evaluate any of the Group's other assets or liabilities on a segmental basis for decision-making purposes.

	Reviewed Six-month period ended 29 March 2020 R'000	Reviewed Six-month period ended 31 March Restated 2019 R'000	Audited Year ended 29 September 2019 R'000
		Non-current assets	
South Africa	**1 979 232**	1 924 726	1 919 026
Eswatini	**159 319**	144 008	155 859
	2 138 551	2 068 734	2 074 885
		Revenue	
South Africa	**2 858 372**	2 620 468	5 269 217
Eswatini	**78 785**	59 773	144 408
	2 937 157	2 680 241	5 413 625

INFORMATION REGARDING MAJOR CUSTOMERS

Two customers (six months ended 31 March 2019: two, year ended 29 September 2019: two) individually contributed 10% or more of the Group's revenues arising from both regional and international sources.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six-month period ended 29 March 2020

1. BASIS OF PREPARATION

RFG Holdings Limited is a company domiciled in the Republic of South Africa. These condensed consolidated financial statements as at and for the six-month period ended 29 March 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 for the Group during the periods ended 29 March 2020 and 31 March 2019.

The condensed consolidated financial statements are prepared in accordance with and contain the information required by IAS 34: Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Pronouncements as issued by Financial Reporting Standards Council, the requirements of the Companies Act of South Africa and the JSE Listing Requirements.

During the interim period ended 29 March 2020, 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.

1.1 IFRS 16 – LEASES

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.

1.1.1 IMPACT OF IMPLEMENTATION OF IFRS 16

The Group applied the modified retrospective approach and has not restated prior period financial information. 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 8.5% and 12.5%.

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 retained earnings on the date of adopting the standard.

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

	September 2019 R'000
Assets	
Increase in right-of-use assets	94 962
Increase in deferred tax asset	6 978
Equity and liabilities	
Increase in long-term lease liabilities	93 162
Increase in short-term lease liabilities	26 715
Decrease in accumulated profit	(17 937)

1.1.2 PRACTICAL EXPEDIENTS AND EXEMPTIONS APPLIED

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.
- 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the six-month period ended 29 March 2020

1.1.3 RECONCILIATION OF OPERATING LEASE COMMITMENTS PREVIOUSLY DISCLOSED UNDER IAS 17 AND LEASE LIABILITIES INITIALLY RECOGNISED UNDER IFRS 16

	R'000
Operating lease commitments as at 29 September 2019	165 498
Discounted using the incremental borrowing rate at 30 September 2019	(45 621)
Lease liabilities recognised at 30 September 2019	119 877

1.1.4 THE GROUP'S REVISED POLICY REGARDING LEASES IS SUMMARISED BELOW:

The Group leases various buildings, equipment 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 are generally:

- Land and buildings: 2 to 10 years
- Office equipment: 3 to 5 years
- Plant and machinery: 3 to 5 years
- Motor vehicles: 5 years

Although none of the lease agreements impose any covenants, leased assets may not be used as security for borrowing purposes.

Definition of a lease
Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

Recognition and measurement principles
From 30 September 2019, on implementation of IFRS 16, the Group recognised a right-of-use asset and a corresponding lease liability at the lease commencement date, being the date at which the leased asset is available for use by the Group.

The right-of-use asset is measured at cost initially, which will equal the amount of the lease liability and any applicable initial costs and dismantling liabilities. The Group excluded any initial direct costs from the measurement of the right-of-use assets at the date of initial application, as allowed under the practical expedients of IFRS 16. Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements in the lease liability. Depreciation of the right-of-use asset is determined using the straight-line method, over the lease term or the useful life of the underlying leased asset, whichever is shorter. In addition, the right-of-use asset is tested for impairment when there are indicators of impairment and periodically reduced by impairment losses, if required.

The lease term is determined to be the non-cancellable period of a lease, together with periods covered by any options for the lessee to either extend or terminate a lease, where the lessee is reasonably certain to exercise these options.

The lease liability is measured initially at the present value of the lease payments not paid at commencement date, discounted using the implicit rate in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate.

The lease liability is subsequently increased by interest costs and decreased for lease payments made. It is only remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee or, as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised

In accordance with the practical expedients of IFRS 16, lease payments associated with leases of low value assets are expensed. The expense is presented within other operating costs in the consolidated statement of profit or loss and other comprehensive income. Low value assets are assets that, when new, have a value of R100 000 or less.

Significant judgements and areas of estimation
For most leases in the Group, the interest rate implicit in the lease cannot be readily determined, and the lessee's incremental borrowing rate is used as the discount rate. A single discount rate was applied to a portfolio of leases with reasonably similar characteristics within the Group, as allowed under the practical expedients of IFRS 16.

Extension and termination options are included in a number of leases across the Group. These terms are used to maximise operational flexibility in the management of contracts. The Group has applied judgement to determine the lease term for some of the lease contracts, in which it is a lessee, that include renewal options. The Group applied hindsight in determining the lease terms for contracts that contain extension and termination options, as allowed by the practical expediency of IFRS 16.

Other than as indicated above, the accounting policies and methods of computation applied in the preparation of the condensed consolidated financial statements are consistent with those applied in the audited consolidated financial statements for the year ended 29 September 2019.

These condensed consolidated financial statements were prepared under the supervision of CC Schoombie CA(SA), Chief Financial Officer.

2. SEASONALITY OF OPERATIONS

The Group's performance is subject to seasonal trends based on the seasonality of fruit crops which are processed annually from November to April and June to August. Due to the seasonal nature of fruit production, working capital is actively managed over an annual cycle.

3. PROPERTY, PLANT AND EQUIPMENT

During the six-month period ended 29 March 2020 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	Closing balance R'000
29 March 2020	**2 377 646**	**87 175**	**(22 189)**	**2 442 632**
31 March 2019	2 185 493	128 983	(14 590)	2 299 886
29 September 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	Closing balance R'000
29 March 2020	**546 376**	**92 812**	**(13 788)**	**–**	**625 400**
31 March 2019	408 879	75 313	(7 260)	3 017	479 949
29 September 2019	408 879	163 857	(29 377)	3 017	546 376

NET ASSET VALUE	Opening balance R'000	Closing balance R'000
29 March 2020	**1 831 270**	**1 817 232**
31 March 2019	1 776 614	1 819 937
29 September 2019	1 776 614	1 831 270

The disposal of property, plant and equipment resulted in a loss of R3.635 million (six months ended 31 March 2019: loss of R1.481 million, year ended 29 September 2019 loss of R1.908 million). There was no impairment of property, plant and equipment during the six month period ended 29 March 2020 (six months ended 31 March 2019: loss of R3.017 million, year ended 29 September 2019: loss of R3.017 million). These losses were recognised as part of 'other operating costs' in the condensed consolidated statement of profit or loss and other comprehensive income.

During the six month period ended 29 March 2020, the Group contracted R14.793 million (six months ended 31 March 2019: R32.063 million, year ended 29 September 2019: R13.016 million) for future capital commitments. This will be financed through a combination of operating cash flows and available credit 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the six-month period ended 29 March 2020

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

4.1 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:

	Foreign amount '000	Rand value R'000	Contract fair value R'000	Contract gain/(loss) R'000
29 March 2020				
FEC in respect of anticipated receipts from customers				
AUD	**2 150**	**22 822**	**23 322**	**(500)**
CAD	**1 500**	**17 052**	**19 033**	**(1 981)**
USD	**15 375**	**238 073**	**275 754**	**(37 682)**
GBP	**2 980**	**58 484**	**66 955**	**(8 471)**
EUR	**2 225**	**38 618**	**44 611**	**(5 992)**
		375 049	**429 675**	**(54 626)**
31 March 2019				
FEC in respect of anticipated receipts from customers				
AUD	4 490	48 201	47 032	1 169
CAD	2 404	27 855	26 623	1 232
USD	18 970	280 545	278 709	1 836
GBP	3 735	72 978	72 067	911
EUR	1 145	19 490	19 087	403
		449 069	443 518	5 551
29 September 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)

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

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

5. INVENTORY

A provision of R27.662 million is included in the inventory balance as at 29 March 2020 (31 March 2019: R20.518 million, 29 September 2019: R27.662 million) in order to recognise inventory at the lower of cost or net realisable value.

6. HEADLINE EARNINGS PER SHARE

6.1 HEADLINE EARNINGS PER SHARE

	Reviewed Six-month period ended 29 March 2020 R'000	Reviewed Six-month period ended 31 March 2019 R'000	Audited year ended 29 September 2019 R'000
Reconciliation between profit attributable to owners of the parent and headline earnings:			
Profit attributable to owners of the parent	**78 948**	80 875	216 256
Adjustments to profit attributable to owners of the parent	**2 617**	3 239	3 546
Loss on disposal of property, plant and equipment	**3 635**	1 481	1 908
Impairment of property, plant and equipment	**–**	3 017	3 017
Taxation effect	**(1 018)**	(1 259)	(1 379)
Headline earnings	**81 565**	84 114	219 802
Headline earnings per share (cents)	**31.2**	32.1	84.0

6.2 DILUTED HEADLINE EARNINGS PER SHARE

Headline earnings	**81 565**	84 114	219 802
Diluted headline earnings per share (cents)	**31.1**	32.1	83.8

6.3 WEIGHTED AVERAGE NUMBER OF SHARES IN ISSUE

Ordinary shares in issue at beginning of the period	**262 762 018**	253 762 018	253 762 018
Weighted number of shares issued during the period	**–**	9 000 000	9 000 000
Treasury shares	**(1 125 000)**	(1 125 000)	(1 125 000)
Weighted average number of shares in issue	**261 637 018**	261 637 018	261 637 018
Effect of share options	**440 738**	489 926	581 724
Weighted average number of dilutive shares in issue	**262 077 756**	262 126 944	262 218 742

7. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of the financial assets and liabilities reported in the condensed consolidated statement of financial position approximate fair values at the reporting date, except where noted otherwise in the notes. The net foreign exchange (loss)/gain recognised in the condensed consolidated statement of profit or loss and other comprehensive income includes an unrealised loss of R48.836 million (six months ended 31 March 2019: gain of R4.918 million, year ended 29 September 2019 loss of R6.423 million).

8. RELATED PARTY TRANSACTIONS

The Group sold goods to Peaty Mills Plc for R116.189 million (six months ended 31 March 2019: R97.137 million, year ended 29 September 2019: R222.002 million). Included in trade receivables are amounts due from Peaty Mills Plc for R56.630 million (six months ended 31 March 2019: R32.510 million, year ended 29 September 2019: R48.166 million).

The Group sold goods to Ma Baker Xpress Proprietary Limited for R7.126 million (six months ended 31 March 2019: R6.775 million, year ended 29 September 2019: R14.152 million). Included in trade receivables are amounts due from Ma Baker Xpress Proprietary Limited for R5.714 million (six months ended 31 March 2019: R5.626 million, year ended 29 September 2019: R5.943 million).

There were no other significant related party transactions during the period under review.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the six-month period ended 29 March 2020

9. REVENUE

The disaggregated revenue from contracts with customers is as follows:

	Reviewed Six-month period ended 29 March 2020 R'000	Reviewed Six-month period ended 31 March 2019 R'000	Audited year ended 29 September 2019 R'000
Perishable products	**920 592**	769 141	1 679 552
Fruit products	**748 876**	718 683	1 599 578
Grocery products	**1 267 689**	1 192 417	2 134 495
	2 937 157	2 680 241	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 and pickles, fruit juice, dry packaged foods and infant meals.

10. DIVIDEND

On 20 January 2020, a dividend of 27.9 cents (14 January 2019: 20.3 cents) per share was paid amounting to a total dividend of R73.3 million (2019: R53.3 million).

11. RECLASSIFICATIONS MADE TO THE COMPARATIVE PERIOD PRESENTED

11.1 RECLASSIFICATION OF CASH FLOWS RESULTING FROM PRIOR YEAR ERROR

Dividends paid in the period ended 31 March 2019 have been reclassified in the statement of cash flows from cash flows from investing activities to cash flows from financing activities to align with the requirements of IAS 7: Statement of Cash Flows. The reclassification had no impact on the net increase in cash and cash equivalents with respect to the period ended 31 March 2019.

11.2 RECLASSIFICATION OF EXPENSES RESULTING FROM ADOPTION OF IFRS 15

During the prior year, the adoption of IFRS 15 resulted in a reclassification of variable consideration relating to distribution and warehouse allowances from expenses to revenue with no impact on operating profit or profit for the year. The effect of the restatement on the six-month period ended 31 March 2019 is as follows:

	31 March 2019 R'000
Decrease in revenue	(61 205)
Decrease in selling and distribution cost	61 205

11.3 RECLASSIFICATION OF FOREIGN EXCHANGE DIFFERENCES RESULTING FROM CHANGE IN PRESENTATION

During the six-month period ended 29 March 2020, the Group elected to present foreign exchange differences as a separate line item in the condensed consolidated statement of profit or loss and other comprehensive income in order to provide more reliable and relevant information. The effect of the reclassification on the period ended 31 March 2019 and the year ended 29 September 2019 is as follows:

	31 March 2019 R'000	29 September 2019 R'000
Decrease in other operating costs	800	–
Decrease in other income	(14 884)	(24 103)
Increase in net foreign exchange (loss)/gain	14 084	24 103

12. EVENTS SUBSEQUENT TO REPORTING DATE

The Group's response to Covid-19 is comprehensively covered in the commentary included in these condensed consolidated financial results.

The board has assessed the impact of Covid-19 on the Group's solvency and liquidity position by applying scenario forecasting and is confident in the Group's ability to continue as a going concern for the foreseeable future.

The Group considers this to be a non-adjusting post balance sheet event.

The board of directors is not aware of any matter or circumstance of a material nature arising since the end of the six-month period ended 29 March 2020, otherwise not dealt with in the condensed consolidated financial statements, which significantly affects the financial position of the Group or the results of its operations.

13. SIX-MONTH PERIOD END

The Group's financial year ends in September which reflects 52 weeks (2019: 52 weeks) of trading, and as a result the reporting date may differ year on year. References to an interim financial period are to the 26 weeks ended on or about 31 March. As a result the interim financial statements were prepared for the 26-week period ended 29 March 2020 (2019: 26-week period ended 31 March 2019).

14. REVIEW REPORT

The directors have elected to engage the Group's auditors, Deloitte & Touche, to conduct a voluntary review of the condensed consolidated financial statements.

The Group's auditors have issued an unmodified review conclusion on the condensed consolidated financial statements. Any reference to the Group's outlook included in this announcement has not been reviewed or reported on by the Group's auditors.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the six-month period ended 29 March 2020

15. INDEPENDENT AUDITOR'S REVIEW

REPORT ON INTERIM FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF RFG HOLDINGS LIMITED

We have reviewed the condensed consolidated financial statements of RFG Holdings Limited, contained in the accompanying interim report, which comprise the condensed consolidated statement of financial position as at 29 March 2020 and the condensed consolidated statement of profit or loss and other comprehensive income, changes in equity and cash flows for the period then ended, and selected explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE INTERIM FINANCIAL STATEMENTS

The directors are responsible for the preparation and presentation of these interim financial statements in accordance with International Financial Reporting Standard (IAS) 34, Interim Financial Reporting, the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council 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 interim financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express a conclusion on these interim financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of interim financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and other within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

The procedures performed in a review are substantially less than and differ in nature from those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated financial statements of RFG Holdings Limited for the period ended 29 March 2020 are not prepared, in all material respects, in accordance with IAS 34, Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.

Deloitte & Touche

Deloitte & Touche
Registered Auditor

Per: Paul Schneider
Partner

19 May 2020

1st Floor, The Square, Cape Quarter, 27 Somerset Road, Green Point, 8005, Western Cape

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) BAS Henderson (Chief Executive Officer) TP Leeuw* 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

www.rfg.com