2020

RCL FOODS LIMITED

GROUP INTERIM FINANCIAL RESULTS AND CASH DIVIDEND DECLARATION

FOR THE SIX MONTHS ENDED DECEMBER 2019

FINANCIAL HIGHLIGHTS

↑ 7.1%
REVENUE
R14,2 BILLION

↑ 7.7%
EBITDA
R1 165,7 MILLION

↑ 11.1%
UNDERLYING EBITDA*
R1 033,3 MILLION

↓ 2.4%
HEADLINE EARNINGS
R463,6 MILLION

↓ 2.7%
HEADLINE EARNINGS PER SHARE
53.3 CENTS

↑ 24.1%
UNDERLYING HEADLINE EARNINGS*
R547,7 MILLION

↑ 23.8%
UNDERLYING HEADLINE EARNINGS PER SHARE*
63.0 CENTS

↑ 20.8%
CASH GENERATED BY OPERATIONS
R842,8 MILLION

15.0 cents
INTERIM DIVIDEND PER SHARE

* *The underlying view of the results excludes material once offs and accounting adjustments related to IFRS 9 Financial Instruments (IFRS 9) and IFRS 16 Leases (IFRS 16). Refer to the "Reconciliation between unadjusted and underlying results" section provided on page 17 of this announcement for further details*

KEY FEATURES

- New operational structure and segment definition
- Healthy cash generation, cash generated by operations up 20.8%
- Strong Pet Food performance and focus on operational excellence drives Groceries gains
- Baking declines in a highly competitive market
- Continued oversupply in poultry market and agricultural challenges in Chicken
- Improved Sugar result, though significant challenges remain in the industry
- Vector Logistics acquires Imperial Logistics South Africa's cold chain business, underlying results negatively impacted by higher costs incurred to absorb significant new business
- IFRS 16 adopted using modified restatement approach, comparatives not restated with a positive EBITDA and negative headline earnings impact in the current period

NEW OPERATIONAL STRUCTURE

During the period under review, RCL FOODS restructured its business by combining the Consumer and Sugar & Milling divisions into a single Food division with the previous eight business units restructured into four new business units as detailed below. This new single Food division is under the leadership of a Chief Operating Officer, Paul Cruickshank.

To further drive the strategic focus on Chicken and Sugar, Animal Feed has been reintegrated into these business units, with the predominantly grain-based Epol and Driehoek brands combining with Chicken, and the predominantly bagasse and molasses-based Molatek brand combining with Sugar. In addition, Speciality has been moved out of Groceries and combined with the previous Millbake business unit to form a new integrated Baking business unit.

The restructuring has established business units that are closely aligned and integrated which provides a solid foundation for creating further synergies, optimising resource allocation and sharpening our strategic focus.

In line with these changes the Group has determined that the new business units are operating segments in terms of IFRS 8, replacing the Consumer and Sugar & Milling segments. The results for the six months to December 2019 and all comparatives presented have been illustrated on the new segment basis, comprising the following segments:

- Groceries: Culinary (includes Mayonnaise, Peanut Butter, Rusks etc.) and Pet Food (previously Grocery), Pies and Beverages operations;
- Baking: including the Milling, Speciality, Sunbake bakeries and Buns and Rolls (the latter two previously Baking) operations;
- Chicken: including the Chicken and grain-based feed (EPOL and Driehoek, previously included in the Animal Feed business unit) operations; and
- Sugar: including Sugar and molasses-based feed (Molatek, previously included in the Animal Feed business unit) operations.

The remaining Logistics, Group and Ugandan operation segments are unchanged.

EXECUTIVE SUMMARY

RCL FOODS' underlying headline earnings for the six months ended December 2019 increased by 24.1% to R547,7 million driven by an improved Sugar result, stemming from higher market pricing and higher sales volumes. Reported headline earnings decreased by 2.4% to R463,6 million (December 2018: R475,1 million). The headline earnings result was materially impacted by a negative IFRS 9 adjustment of R84,4 million (R60,7 million post-tax) on commodity procurement positions in the current period (December 2018: positive R46,8 million, R33,7 million post-tax) and a negative R23,4 million headline earnings impact resulting from the implementation of IFRS 16.

The Group continues to operate in an environment characterised by low economic growth and weak consumer demand. Challenges with State-provided services, particularly water and electricity, affected production, efficiencies and costs. Within Chicken, the tough trading conditions were exacerbated by local market oversupply due to sustained high levels of dumped imports. A lack of appropriate regulatory frameworks enabling fair competition continues to hamper local poultry producers. Despite the improvement in Sugar's result, lower local market demand on the back of the implementation of the Health Promotion Levy continues to drive a sales mix shift towards the lower margin non value-added raw export markets. Fierce competition prevailed across all markets, with margins coming under pressure in order to protect volumes.

In response to the challenging market conditions, RCL FOODS have focused on the business drivers within our control – building an integrated business with a high-performance culture, applying continued discipline in operational leverage, investing in our brands and launching innovative products and extensions. Despite the external pressures we face, RCL FOODS has continued to position itself for future growth and profitability through the following activities:

- We acquired the Imperial Logistics South Africa Group Proprietary Limited's cold chain business (ICL) and entered into new agreements with their customers.
- As a result of the strength of the shared services platform we have developed, we were able to provide an innovative new operating model for Siqalo Foods Proprietary Limited (Siqalo Foods – Remgro's Spreads business), deriving a market-related fee for such services.
- We have defended and grown our market leadership in a range of products.
- We are driving exciting innovation into the market through the R80 million expansion of our Pies manufacturing facilities.
- We are leveraging our leading Rainbow brand to enter the Spices category.

EXECUTIVE SUMMARY CONTINUED

- We are investing in state-of-the-art facilities through our second waste-to-value plant based in Rustenburg to enhance our sustainability (R270,0 million invested to date).
- Our innovative technology in the pet food category has delivered good growth and provides significant opportunity to be leveraged.

Substantial focus has been placed across the Group on managing cash. Our cash generated from operations for the current period increased 20.8% due to sound working capital management and the improved profitability. We reported a net cash inflow of R257,5 million for the six months despite the seasonal working capital investment to peak December trading.

RCL FOODS measures its efficiency and effectiveness of capital allocation through return on invested capital (ROIC). ROIC is calculated using a rolling 12-month net operating profit after tax divided by invested capital. Excluding the R761,9 million Sugar impairment recorded in the second half of the 2019 financial year, ROIC for the period under review was 2.9% (December 2018: 7.1%), largely impacted by Sugar's lower profitability in the period January to June 2019. Invested capital is significantly up on the prior year and not comparable, due to the implementation of IFRS 16 which resulted in an additional R1,5 billion in right-of-use assets being recorded on the balance sheet.

GROWING OUR PORTFOLIO OF LEADING BRANDS

Our basket of leading brands in Groceries has continued to grow and deliver strong results. This is due to our implementation of solid brand strategies and consistent investment and innovation behind our brands, coupled with product and category extensions that have broadened and deepened our market reach. We continued to leverage our deep understanding of consumers' needs, our broad product portfolio and our integrated customer and marketing capability to deliver relevant and innovative solutions whilst also strengthening our strategic partnerships. In the current period, we have leveraged our market-leading Rainbow brand into the Spices category, laying the foundation for future growth in the Groceries portfolio.

CHICKEN MASTER PLAN

An industry framework to address structural and other challenges within the poultry industry was signed by industry participants, including government, in November 2019. The Chicken Master Plan's objectives include the expansion of local industry capacity and ensuring that locally produced products make up an increasingly larger proportion of consumption over time. It aims to contain imports and to protect the local industry from unfair trade through trade measures, to stimulate increased consumption of locally produced chicken and to drive exports of both raw and cooked chicken products. In support of the framework, investment pledges at an industry level have been made to expand processing and broiler farming capacity.

RCL FOODS believes that these are positive steps towards the recovery of an industry that is an important contributor to the South African economy. We are supportive of the Chicken Master Plan, whilst also focused on continuing to position ourselves competitively in order to benefit optimally from these initiatives as they unfold.

SUGAR MASTER PLAN

The sugar industry is in severe distress due to long-term structural supply-demand imbalances, which has placed unprecedented pressure on the local sugar industry. The industry is participating in developing a Sugar Master Plan under the guidance of the Department of Trade and Industry (DTI), government agencies, downstream users, retailers and labour to urgently stabilise the industry, as well as finding appropriate long-term solutions to return it to profitability. RCL FOODS is an active participant in this process.

ACQUISITION OF ICL

RCL FOODS, via its subsidiary Vector Logistics Proprietary Limited (Vector), has concluded an agreement with Imperial Logistics South Africa Group Proprietary Limited to acquire certain assets and employees related to its cold chain business in South Africa, effective from 1 December 2019. This will enable Vector to consolidate the two separate temperature-controlled distribution networks into a single optimised network. Vector has also entered into new agreements with a number of previous ICL customers. The financial impact of this transaction is set out in more detail in the financial review section below.

EXECUTIVE SUMMARY CONTINUED

INVESTMENT INTO PLANT-BASED ALTERNATIVES BUSINESS

In January 2020 RCL FOODS secured a minority shareholding (4%-10%) in Foods United Incorporated, a start-up Swiss entity with a vision to create a vertically integrated plant-based food and beverage value chain of scale and with global reach. It's founding investor and controlling shareholder is Blue Horizon Corporation AG, a leading and active investor in the plant-based food industry. This investment represents an opportunity for RCL FOODS to progress its strategic imperative of growing its operations through strong brands, by including the targeted category of plant-based alternatives. Increasing demand for healthy, sustainable and responsibly-sourced alternative protein, coupled with RCL FOODS' farm-to-fork capability, positions us well to leverage this opportunity further into the future. For more information on the category and controlling shareholder of Foods United Incorporated, please refer to www.bluehorizon.com.

DRIVING SUSTAINABLE BUSINESS

RCL FOODS has invested more in recent years in energy and water self-sufficiency projects. The focus on sugar co-generation, waste-to-value plants, as well as solar power generation improves our resilience as a business, protects the environment and strengthens our competitive advantage. Our second waste-to-value plant in Rustenburg is being commissioned and is due to come on stream in the last quarter of the financial year. The plant will supply 65% of the energy for the Rustenburg chicken and feed site, 100% of the feed site's steam requirement and 40% of its water requirement as well as allowing for continued limited operations in "island mode" during load shedding. Drip irrigation projects in our Sugar business unit and the use of alternative water sources in Vector are also designed to reduce water requirements.

We continue to drive the transformation agenda in the Chicken and Sugar value chains through the support of small-scale farmers, financial assistance, ongoing education and our continued partnership with the sugarcane growing community-based joint ventures. Our DO MORE FOUNDATION addresses further societal needs within the communities in which we operate, with the aim of making a sustainable difference for young children, easing hunger and supporting youth through the projects we undertake.

RCL FOODS FINANCIAL REVIEW

INCOME STATEMENT

RCL FOODS' revenue for the current period increased 7.1% to R14,2 billion (December 2018: R13,3 billion). The increase was largely due to higher export volumes and prices in Sugar, higher individually quick-frozen (IQF) volumes in Chicken and higher Vector revenue resulting from the take-on of Siqalo Foods in March 2019 and the new customers that joined their network in December 2019.

EBITDA improved by R83,5 million (7.7%) to R1 165,7 million (December 2018: R1 082,2 million) due mainly to improved profitability in Sugar. The EBITDA by business unit is reflected in the table below:

Rm	**December 2019**	**Margin %**	December 2018	Margin %	% change	Margin change (ppts)
EBITDA	**1 165,7**	**8.2**	1 082,2	8.2	7.7	-
Groceries	**327,6**	**12.4**	337,1	13.4	(2.8)	(1.0)
Baking	**183,3**	**7.2**	189,8	7.4	(3.4)	(0.2)
Chicken	**134,3**	**2.9**	333,7	7.4	(59.8)	(4.5)
Sugar	**306,5**	**8.1**	121,3	3.6	152.7	4.5
Vector	**171,0**	**13.4**	88.5	8.2	93.2	5.2
Group	**43,0**		11,8			

The current and prior period EBITDA results were materially impacted by the following once-off items and accounting adjustments:

- Negative adjustments on the Group's commodity raw material procurement positions, which reduced EBITDA by R84,4 million (December 2018: R46,8 million positive adjustment). The R84,4 million current year adjustment relates mainly to unrealised losses on long maize positions due to lower SAFEX maize market prices and the strengthening of the Rand at the end of December 2019, relative to our positions. These adjustments relate to the Baking, Chicken and Groceries segments;
- A gain on bargain purchase of R110,0 million in Vector relating to the acquisition of ICL in the current period;
- The implementation of IFRS 16 in the current period, which resulted in a total R106,8 million increase in EBITDA across the Group; and
- A R105,0 million profit on sale of dormant farms in the Chicken segment in the prior year resulting from the February 2017 Chicken restructure.

Refer to the "Reconciliation between unadjusted and underlying results" section provided on page 17 of this announcement for further details.

The underlying EBITDA excluding the above items is reflected in the table below:

Rm	**December 2019**	**Margin %**	December 2018	Margin %	% change	Margin change (ppts)
Underlying EBITDA	**1 033,3**	**7.3**	930,4	7.0	11.1	0.3
Groceries	**320,5**	**12.2**	303,0	12.1	5.8	0.1
Baking	**180,8**	**7.1**	183,6	7.1	(1.5)	-
Chicken	**198,1**	**4.2**	222,2	5.0	(10.8)	(0.8)
Sugar	**294,0**	**7.8**	121,3	3.6	142.4	4.2
Vector	**17,3**	**1.4**	88,5	8.2	(80.5)	(6.8)
Group	**22,6**		11,8			

The Group's underlying EBITDA improved R102,9 million (11.1%), driven mainly by the gains in Sugar (up R172,7 million) and offset partially by declines in Vector (down R71,2 million). This result was compromised by R25,0 million associated with load shedding experienced in December 2019.

DEPRECIATION, AMORTISATION AND IMPAIRMENT

Depreciation, amortisation and impairment increased R55,1 million with the increase stemming from the additional depreciation arising on right-of-use assets capitalised following the IFRS 16 implementation.

TAXATION

The Group's effective tax rate for the period (excluding joint ventures and associates) was 34.4% (December 2018: 29.1%). The current year rate was materially impacted by deferred tax assets not recognised on losses made in our 50% owned community-based sugar cane-grower companies.

NET FINANCE COSTS

Net finance costs for the period increased by R57,6 million (41.4%) largely due to the implementation of IFRS 16 which resulted in an additional R49,5 million in finance costs recognised for the period. Net finance costs paid for the period of R146,6 million is R50,1 million lower than net finance costs expensed in the income statement mainly due to the non-cash leases interest charge.

ACCOUNTING FOR THE ACQUISITION OF ICL

The acquisition of ICL is considered a business combination in terms of IFRS 3 Business Combinations. The acquisition consists of the assets, employees (and related liabilities), the leases related to the Linbro and Bloemfontein sites and a freehold Polokwane site for a total consideration payable of R1 on 1 December 2019. The Group has recognised the following relating to the at acquisition accounting in the December 2019 results:

Fair value of identifiable assets and liabilities at 1 December 2019	**Rm**
Right-of-use assets	**464,8**
Other receivables	**123,7**
Lease liabilities	**(464,8)**
Other payables	**(13,7)**
Total net identifiable assets	**110,0**
Consideration transferred	**-**
Gain on bargain purchase	**110,0**

The acquisition accounting is still considered provisional. The Group has reviewed the material contracts acquired as part of the acquisition and did not identify any contracts that require any additional provisions to be raised in respect of the acquisition accounting. No value has been assigned to the fixed assets acquired at the three sites in the provisional acquisition accounting, as illustrated in the table above. The Group is still in the process of obtaining fair values for these assets and assessing the role of these assets in the combined logistics network. This process will be finalised before June 2020, and is expected to increase the gain on bargain purchase in the second half of the financial year. The net other receivables and other payables balances were settled in December 2019.

The take-on of ICL from 1 December 2019 has resulted in Vector running dual networks at a significant on-cost. The gain on bargain purchase arose from the negotiated deal with Imperial Logistics South Africa Group Proprietary Limited to compensate Vector for the operating losses it will incur whilst it transitions to a single optimised network.

STATEMENT OF FINANCIAL POSITION

Property, plant and equipment increased R121,3 million from June 2019, driven by capital expenditure of R430,3 million, offset by depreciation of R304,2 million.

Capital expenditure including intangibles for the six months to December 2019 was R437,1 million (December 2018: R534,0 million). Major spend items included:

- Construction of the Rustenburg waste-to-value plant which forms part of the Group's overall sustainability strategy (R100,6 million);
- Expansion of the Pies production lines (R34,7 million); and
- Investments in the Milling operations to support future growth (R18,9 million).

Total spend is down on the prior period with the Group's prioritised focus on managing cash flow.

An amount of R408,1 million (December 2018: R551,0 million) has been contracted and committed, but not spent, whilst a further R479,6 million (December 2018: R278,9 million) has been approved but not contracted. Major items included in these amounts relate to:

- Spend required to optimise the Vector network post the acquisition of ICL (R265,5 million);
- Completion of the Rustenburg waste-to-value plant and integration with the Rustenburg operations (R78,4 million); and
- Further investments in the Milling operations (R55,5 million).

Investment in associates increased by R104,1 million from June 2019 driven mainly by profits capitalised from the Royal Eswatini Sugar Corporation (RES) of R120,8 million partially offset by dividends received from RES of R18,5 million.

Net working capital increased by R836,5 million (26.0%) from December 2018. The increase was mainly a result of a R1 151,5 million increase in trade and other receivables, partially offset by a R348,0 million increase in trade and other payables. Inventory was largely in line with the prior year, whilst biological assets increased R47,0 million due to higher costs of day-old chicks and feed costs driving a higher valuation of live birds in Chicken.

The timing of the period-end cut-off had a significant impact on month-end receipts and payments. The current period ended on Sunday, 29 December 2019, whilst the prior period ended on Sunday, 30 December 2018 which resulted in inflated trade and other receivables and trade and other payables balances. On a net basis, the increase of R803,5 million in trade receivables and payables was largely due to factors which arose in the second half of the 2019 financial year as highlighted in the June 2019 SENS announcement:

- The take-on of Siqalo Foods into the Vector principal network, which resulted in a net R399,0 million increase in receivables and payables. All Vector distribution contracts operate on the principle of working capital neutrality and post interim results the Siqalo Foods payment terms have been aligned to achieve this;
- A lower annual receipt of funding at the end of sugar industry season in March 2019 which reduced trade and other payables (R181,0 million lower balance at December 2019);
- The prior year including the R62,0 million retrenchment provision related to the exit from the Speciality prepared lines which was settled in the second half of the 2019 financial year; and
- R70,0 million in proceeds receivable related to the Speciality prepared lines disposal included in the December 2019 current trade and other receivables balance.

CASH FLOW

Cash on hand (net of overdrafts) increased by R257,5 million from June 2019 driven by the profit delivery for the six months to December 2019 and lower capital expenditure.

Cash generated by operations of R842,8 million increased by R145,4 million (20.8%). Adjusting for lease payments now reflected under financing activities of R106,8 million, following the implementation of IFRS 16, the increase from cash generated from operations is R38,6 million, driven by the underlying improvement in EBITDA.

Cash outflows from investing activities for December 2019 of R327,3 million decreased by R199,7 million, and consist mainly of capital expenditure.

Cash outflows from financing activities for December 2019 of R65,9 million decreased R392,8 million from the prior period. The prior period included the R502,0 million payment arising from the restructuring of the debt package.

REVIEW OF OPERATIONS

GROCERIES

	December 2019	December 2018	% change
Revenue (Rm)	**2 637,6**	2 513,4	4.9
EBITDA (Rm)	**327,6**	337,1	(2.8)
EBITDA margin (%)	**12.4**	13.4	(1.0) ppts
Underlying EBITDA (Rm)	**320,5**	303,0	5.8
Underlying EBITDA margin (%)	**12.2**	12.1	0.1 ppts

Revenue of R2 637,6 million was up 4.9% on the prior period driven by higher pet food volumes (up 15.1%). Underlying EBITDA increased by 5.8% to R320,5 million at a margin of 12.2% (December 2018: R303,0 million at a margin of 12.1%).

Ongoing consumer pressure, as well as aggressive competitor activity in the face of lower demand have challenged volumes in the period. Margins were held through limited price recovery, with further margin expansion unlikely without an economic recovery. RCL FOODS is responding to the volume challenge by driving innovation and has launched range extensions in Beverages, Rusks and Baking, whilst the Rainbow brand was also used to extend our capability into the spice category during the period.

The Pet Food innovations have been a particular highlight in the period. Canine Cuisine is growing share in the premium dog food sector and Feline Cuisine's market share is at an all-time high. The Premium Recipe Ultra Dog extension and Catmor 2 in 1 Plus launches have had positive consumer responses. Ultra Cat's performance has exceeded our expectations, reaching out to the value tier in the vet segment. Optimizor's launch through a new Co-op distribution channel using the Feed sales team has proven particularly effective. There is a considerable opportunity to expand RCL FOODS' share in this market, which will continue to be a focus area in 2020.

The failed local peanut crop has necessitated imports at significantly increased prices, and negatively impacted the performance of the Yum Yum brand in the current period. The increased costs have not been recovered in price, as some brands have elected to switch from importing peanuts to importing peanut butter, which is not subject to import duties. An improved peanut crop is anticipated next season.

The intensifying price and promotional competition among food retailers has placed mayonnaise volumes under pressure, with product promotion at below cost and pressure being applied on food producers to assist in supporting retailers' margins. Nola has lost some market share to competitors and is implementing a focused plan to reinstate its market-leading position.

Despite growing pressure on volumes, well-controlled costs coupled with better pricing drove a good Pies result for the period. Baked pies were relaunched post the fire that destroyed the Bakery in September 2018 and forecourt volumes have remained stable. The expansion of the Pies manufacturing capacity is progressing well, with commissioning expected in April 2020.

At Beverages, water supply outages and increased competition through new brands adversely impacted sales volumes. The business launched new packaging extensions in Yogo boost and Mnandi during the period.

RCL FOODS' total food basket outperformed the Ask'd industry basket for the six months to December 2019, having grown volumes by 2.3% relative to an industry basket which grew by 0.3%.

BAKING

	December 2019	December 2018	% change
Revenue (Rm)	**2 545,9**	2 581,8	(1.4)
EBITDA (Rm)	**183,3**	189,8	(3.4)
EBITDA margin (%)	**7.2**	7.4	(0.2) ppts
Underlying EBITDA (Rm)	**180,8**	183,6	(1.5)
Underlying EBITDA margin (%)	**7.1**	7.1	-

Revenue of R2 545,9 million was down 1.4% on the prior period mainly due to the disposal of the Speciality prepared lines in the second half of the prior financial year. Underlying EBITDA decreased by 1.5% to R180,8 million at a margin of 7.1% (December 2018: R183,6 million at a margin of 7.1%), with the decline largely due to volume and margin pressure in most categories.

REVIEW OF OPERATIONS CONTINUED

Milling's profitability for the six months was negatively impacted by lower maize and pre-mix flour volumes, an unfavourable sales mix, coupled with higher production costs and higher input commodity prices. The excess flour capacity in the market continued to place pressure on margins.

The Bread, Buns and Rolls category experienced good volume growth in the first quarter of the financial year, with bread growth slowing more recently. Fierce price competition prevailed across the industry, placing pressure on margins due to the inability to fully recover input cost increases. There has been a notable rise in volumes from instore bakeries in retail and independents.

Speciality had a pleasing six months to December, benefitting from efficiencies as well as volume growth in the ambient cake and bakery lines. The category relies heavily on innovation and constant refreshing. The disposal of the prepared lines in the previous financial year has enabled a focus exclusively on the baked range, which assisted in driving the improved result. Pressure on consumers remains and delivering realistic price points for consumers is an ongoing challenge.

CHICKEN

	December 2019	December 2018	% change
Revenue (Rm)	**4 700,2**	4 486,7	4.8
EBITDA (Rm)	**134,3**	333,7	(59.8)
EBITDA margin (%)	**2.9**	7.4	(4.5) ppts
Underlying EBITDA (Rm)	**198,1**	222,2	(10.8)
Underlying EBITDA margin (%)	**4.2**	5.0	(0.8) ppts

Revenue of R4 700,2 million was up 4.8% on the prior period driven by higher IQF volumes (total volumes in the Chicken category was up 8.7%). Underlying EBITDA reduced by 10.8% to R198,1 million at a margin of 4.2% (December 2018: R222,2 million at a margin of 5.0%). This was largely driven by price pressure in the Chicken category's retail/wholesale channel, resulting from industry oversupply, which was exacerbated by increased feed costs and agricultural challenges related to issues experienced with Cobb's breed performance, high bird mortalities and low hatchability.

The reduction in volumes in recent years has negatively impacted on cost absorption and efficiencies in the Chicken category. We are responding by repositioning the business across a range of initiatives. These included investing in dedicated teams and revitalising the Rainbow brand in the retail channel. There is also substantial focus on cost competitiveness and addressing ongoing challenges in the agricultural space, especially within the Cobb breeding operations. Corrective action has been taken with COBB UK to improve the COBB genetic lines with the benefits now starting to flow through the supply chain. The reintroduction of viennas and polony has prompted a strong recovery in market share in this category and the new Simply Chicken ranges have been well received.

In EPOL, 70% of volumes are utilised internally and it is imperative that we have alignment to effectively drive the Chicken strategy by delivering the lowest cost bird to the processing facilities. The restructure has combined the grain-based animal feeds operations with Chicken which will assist in achieving this alignment. In terms of the remaining 30% of volumes, we will continue to push our efforts on profitably selling available capacity and feed in the external market. EPOL's external business performed well for the six months to December 2019, with a focus on margin driving their profitability. We have retained the benefits of a combined Feed sales team despite the re-integration of EPOL into Chicken.

SUGAR

	December 2019	December 2018	% change
Revenue (Rm)	**3 778,1**	3 366,1	12.2
EBITDA (Rm)	**306,5**	121,3	152.7
EBITDA margin (%)	**8.1**	3.6	4.5 ppts
Underlying EBITDA (Rm)	**294,0**	121,3	142.4
Underlying EBITDA margin (%)	**7.8**	3.6	4.2 ppts

Sugar's revenue of R3 778,1 million was up by 12.2% on the prior period driven by higher sugar sales volumes and prices. Underlying EBITDA increased by 142.4% to R294,0 million at a margin of 7.8% (December 2018: R121,3 million at a margin of 3.6%).

REVIEW OF OPERATIONS CONTINUED

Sugar has improved off a low base, benefiting from higher raw export sales volumes and prices, a local market price increase of 6.5% in November 2019 and 19.5% in September 2018 (effective for full six months in current period), as well as improved cost control. The sugar crop, whilst lower than the near record crop of the prior year, continued to be above average. Sugar production volumes decreased by 7.0% to 399 364 tons (December 2018: 429 467 tons). Local sugar demand remains muted due to financial pressure on consumers and declines in consumption brought about by the implementation of the Health Promotion Levy (sugar tax). The latter is estimated to have reduced domestic consumption of sugar by more than 300 000 tons per annum. Combined with the high levels of imports in the prior year, it has accelerated the general decline in the local sugar industry, necessitating a notable shift in the sales mix towards the raw export market with lower margins as a result.

Our goal has been to manage what is within our control, with particular focus on reducing production costs and improving efficiencies, both of which gained traction in the period. A decision has also been made to mothball the refinery operations at the Pongola mill. RCL FOODS is working with other role players to review the industry structure and operating model to further reduce costs.

RCL FOODS supports the development of the Sugar Master Plan, diversifying into ethanol fuel and other cane-derived products, as well as other suitable crops. This would structurally reduce the amount of sugar produced and decrease the industry's loss-making export exposure, ultimately leading to a more sustainable industry. Right-sizing the industry will however take time.

Despite muted volume growth, Molatek benefited from higher margins due to a more favourable sales mix.

VECTOR

Rm	**December 2019**	December 2018	% change
Revenue (Rm)	**1 273,9**	1 076,5	18.3
EBITDA (Rm)	**171,0**	88,5	93.2
EBITDA margin (%)	**13.4**	8.2	5.2 ppts
Underlying EBITDA (Rm)	**17,3**	88,5	(80.5)
Underlying EBITDA margin (%)	**1.4**	8.2	(6.8) ppts

Revenue growth has been pleasing, mainly driven by the Siqalo Foods volumes, which are not in the prior year base. This was countered by higher operational costs incurred to support the increased volumes whilst maintaining service levels. Underlying EBITDA declined by 80.5% to R17,3 million (December 2018: R88,5 million) stemming from the duplicate network costs incurred from operating the ICL network whilst transitioning and implementing a synergised network and the associated volume-driven cost increases in manpower, transport, fuel and maintenance costs.

Domestic economic challenges have had a severe impact on the logistics industry, with above inflationary cost increases and an inability to fully recover these costs from customers and consumers, driving several industry players to exit the market. Whilst we have in recent years lost principals and customers, we have succeeded in mitigating the loss in revenue with the take-on of the Siqalo Foods business, among others. The customary teething problems experienced during the take-on and go-live of new projects have been addressed and the Siqalo Foods volumes have been successfully integrated into our network.

The ICL transaction aligns with the long-term customer-centric strategy of Vector and positions it to become the largest frozen logistics player in South Africa. It enables the consolidation of both networks into one synergised temperature-controlled distribution grid and has already attracted several additional customers. The process of consolidating and optimising the networks will require capital expenditure of approximately R250 million offset by any potential disposal of existing assets. The acquisition is expected to be earnings accretive once the dual networks have been transitioned to a single optimised network.

SHARE OF PROFITS/(LOSSES) OF JOINT VENTURES AND ASSOCIATES

RCL FOODS share of profits from joint ventures for the current period was down by R6,7 million to R22,0 million (December 2018: R28,7 million). The decline was largely driven by lower margins in Mananga Sugar Packers (MSP) resulting from additional promotional activities in order to maintain and drive volume in a competitive environment.

RCL FOODS share of profits from associates for the current period was down by R3,4 million to R122,4 million (December 2018: R125,8 million), largely due to a R4,8 million decline in the Royal Eswatini Sugar Corporation (RES) (formerly known as Royal Swaziland Sugar Corporation, RSSC). RES's decrease was largely attributable to severe storm damage which impacted the cane crop, resulting in lower cane quality and sales volumes over the period.

PROSPECTS

We expect the prevailing weak economic conditions to continue over the short- to medium-term. Load shedding, especially regular and unplanned outages, will have a material financial impact on our operations.

We believe that the structural challenges in the poultry and sugar industries are long-term in nature and will require a willingness to address and take decisive action from government and all industry participants. We welcome the Master Plan proposals for poultry and sugar and are committed to meaningfully contribute to solutions to ensure the future viability of both industries.

Internally, our actions are centred on deriving maximum benefit from what is within our control. The establishment of the Food division and restructure of the business units within, has allowed for a broader allocation of experienced management resources across our businesses. We will continue our focus on driving cash flow through cost and capital expenditure management and working capital initiatives. We have created infrastructure within Shared Services and Vector that is firmly in place and able to deliver on any future acquisitions and other opportunities.

Groceries will maintain its strong focus on innovation, investment in its brands and efficiencies to drive profitability. Improving international and local market pricing should provide support for domestic sugar and raw exports sales. Muted local demand will however continue to require exports of the balance of the industry's production at global sugar prices. Chicken will focus on addressing the current agricultural challenges being faced and reducing operational costs, whilst the oversupply in the retail market persists. The Baking environment is expected to remain highly competitive, with the challenge to restore margins whilst maintaining volumes.

The key focus for the next six months in Vector will be bedding down the acquisition of ICL and to optimise the networks.

We remain well-positioned to capitalise on any improvements in the domestic economy and consider any strategic opportunities that may present themselves with our strong integrated platforms, customer and shared services capabilities and low gearing profile. The possibility of a credit ratings downgrade for South Africa to sub-investment grade does however present an impairment risk over the rest of our financial year.

CASH DIVIDEND DECLARATION

Notice is hereby given that the directors have declared an interim gross cash dividend (number 90) of 15.0 cents (12.0 cents net of dividend withholding tax) for the six months ended December 2019.

The dividend has been declared from income reserves.

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

The issued share capital at the declaration date is 940 901 560 ordinary shares. The company's income tax reference number is 9950019712.

The salient dates for the dividend will be as follows:

Publication of declaration data	Monday, 2 March 2020
Last day of trade to receive a dividend	Tuesday, 21 April 2020
Shares commence trading "ex" dividend	Wednesday, 22 April 2020
Record date	Friday, 24 April 2020
Payment date	Tuesday, 28 April 2020

Share certificates may not be dematerialised or rematerialised between Wednesday, 22 April 2020 and Friday, 24 April 2020, both days inclusive.

RESTATEMENT

As a result of the change in the Group's operating segments, mentioned above, the Group has updated the disclosures of the previously disclosed segments to align with the information reviewed by the Group's chief operating decision-maker for the purpose of allocating resources. The prior year segmental reporting has been restated to reflect the new segments.

BASIS OF PREPARATION

The summarised consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the information required by IAS 34 Interim Financial Reporting, IFRIC interpretations, SAICA financial reporting guides and circulars and in compliance with the Companies Act of South Africa and the Listings Requirements of the JSE Limited, under the supervision of the Chief Financial Officer, Robert Field CA(SA). The accounting policies comply with IFRS and are consistent with those applied in the previous year and corresponding interim period, except for the adoption of new and amended accounting standards, which did not have an impact on the Group's results, apart from the adoption of IFRS 16. The impact of IFRS 16 on the Group's results is set out in the Change in accounting policies section from page 14. RCL FOODS has reported on the retail calendar of trading weeks which treats each financial year as an exact 52-week period, incorporating trade from Monday to Sunday each week. This treatment effectively results in the loss of a day (or two in a leap year) per calendar year. These days are brought to account approximately every six years by including a 53rd week. The results are for the period ended 29 December 2019, a 182-day period, which is consistent with the prior period.

CHANGE IN ACCOUNTING POLICIES

This note explains the impact of the adoption of IFRS 16 on the Group's financial statements and discloses the new accounting policies that have been applied from 1 July 2019.

The Group has adopted IFRS 16 retrospectively from 1 July 2019 but has not restated comparatives for the 2019 financial year, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

a) Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases (IAS 17). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 8.6%.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

	R'000
Operating lease commitments disclosed at 30 June 2019	**834 305**
Discounted using lessee's incremental borrowing rate at date of initial application	**(162 266)**
Add: finance lease liabilities recognised as at 30 June 2019	**201 782**
(Less): short-term leases recognised on a straight-line basis as an expense	**(19 441)**
(Less): low-value leases recognised on a straight-line basis	**(24 032)**
Add: Lease extensions (highly likely to be exercised)	**338 384**
(Less): Leases included in operating lease commitments, not yet capitalised, due to lease commencing post 1 July 2019	**(1 538)**
Add: arrangements containing a lease*	**125 788**
Lease liability recognised as at 1 July 2019	**1 292 982**
Of which are:	
Current lease liabilities	**142 821**
Non-current liabilities	**1 150 161**

* *Arrangements containing a lease relate to certain assets included under service contracts, for which RCL FOODS has the right-of-use of the asset. These assets were assessed as leases in terms of IFRIC 4 Determining whether an arrangement contains a lease (IFRIC 4), however it was impracticable to separate the lease component from the other elements of the service contract. On implementation of IFRS 16, negotiations were held with the relevant suppliers to ensure that their systems would be updated to be able to supply the necessary information in order to comply with the provisions of IFRS 16 and record the right-of-use of asset.*

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 June 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets (including previously recognised leased assets) relate to the following types of assets:

R'000	29 December 2019	1 July 2019
Land and Buildings	**1 412 315**	1 010 146
Plant and Equipment	**65 530**	69 089
Vehicles	**122 982**	137 112
Total right-of-use assets	**1 600 827**	1 216 347

The change in accounting policy affected the following items in the balance sheet on 1 July 2019:

- property, plant and equipment – increased by R1 062,5 million
- trade and other payables – decreased by R28,7 million
- interest bearing liabilities – increased by R1 091,2 million

CHANGE IN ACCOUNTING POLICIES CONTINUED

i) Net impact on segment disclosures and earnings per share

EBITDA, EBIT, segment assets and segment liabilities for December 2019 all increased as a result of the change in accounting policy. The following segments were affected by the change in policy:

R'000	EBITDA	EBIT	Segment assets	Segment liabilities
Groceries	2 087,0	142,9	31 330,0	32 264,1
Baking	7 782,5	638,4	98 102,1	100 785,2
Chicken	20 296,8	2 148,9	120 946,0	122 757,8
Sugar	12 468,9	1 881,2	74 216,2	79 153,9
Vector	43 677,5	8 937,7	904 427,3	914 747,1
Group	20 443,9	3 264,1	234 732,5	269 625,8
Total	106 756,6	17 013,2	1 463 754,1	1 519 333,9

Earnings per share decreased by 2.7 cents per share for the six months to December 2019 as a result of the adoption of IFRS 16.

ii) Practical expedients applied

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

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and IFRIC 4.

b) The Group's leasing activities and how these are accounted for

The Group leases various offices, warehouses, farming land, equipment, delivery vehicles and cars. Rental contracts are typically made for fixed periods of 3 to 12 years but may have extension options as described in (ii) 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.

Until the end of the 2019 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 July 2019, 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 payment 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.

CHANGE IN ACCOUNTING POLICIES CONTINUED

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

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

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.

i) Variable lease payments

Estimation uncertainty arising from variable lease payments

Variable lease payments 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 RCL FOODS
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.

ii) 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. Approximately 6.5% of the total lease payments made in the six months to December 2019 were optional.

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 continued to occupy the property based on its business strategy and terms of similar leases in determining a lease term for these properties.

Potential future cash outflows of R296,6 million have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

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. During the current period, there were no revisions to lease terms resulting from changes in our view on extension or termination options in lease contracts.

RECONCILIATION BETWEEN UNADJUSTED AND UNDERLYING RESULTS

The underlying results, which is considered pro forma financial information, have been presented for illustrative purposes only, to provide users with a "like-for-like" comparison on operating results for the period under review. The underlying adjustments have been extracted from the Group's accounting records and is the responsibility of its board of directors. The underlying view of results is a non-IFRS measure and therefore may not fairly present the Group's financial position, changes in equity, results of operations or cash flows for the periods presented.

December 2019 (Rm)	**Unadjusted**	Gain on bargain purchase	IFRS 9 Fair Value Adjustments	IFRS 16	**Underlying**
EBITDA	**1 165,7**	**(110,0)**	**84,4**	**(106,8)**	**1 033,3**
Groceries	327,6		(5,0)	(2,1)	**320,5**
Baking	183,3		5,3	(7,8)	**180,8**
Chicken	134,3		84,1	(20,3)	**198,1**
Sugar	306,5			(12,5)	**294,0**
Vector	171,0	(110,0)		(43,7)	**17,3**
Group	43,0			(20,4)	**22,6**
EPS (cents)	**62.6**	(9.1)	7.0	2.7	**63.2**
Headline earnings	**463,6**		60,7	23,4	**547,7**
HEPS (cents)	**53.3**		7.0	2.7	**63.0**

December 2018 (Rm)	**Unadjusted**	Farm Sale Profits	IFRS 9 Fair Value Adjustments	**Underlying**
EBITDA	**1 082,2**	**(105,0)**	**(46,8)**	**930,4**
Groceries	337,1		(34,1)	**303,0**
Baking	189,8		(6,2)	**183,6**
Chicken	333,7	(105,0)	(6,5)	**222,2**
Sugar	121,3			**121,3**
Vector	88,5			**88,5**
Group	11,8			**11,8**
EPS (cents)	66.7	(10.5)	(3.9)	**52.3**
Headline earnings	475,1		(33,7)	**441,4**
HEPS (cents)	54.8		(3.9)	**50.9**

- Gain on bargain purchase relates to the gain arising from the initial accounting for the Vector acquisition of ICL and is considered a "once-off" profit.
- IFRS 9 fair value adjustments relate to the fair value gains and losses on commodity contracts entered into as part of the Group's raw material procurement strategy.
- The Group adopted IFRS 16 from 1 July 2019. The "simplified" transition approach was adopted without comparatives being restated due to the practicality of having systems and processes implemented at 1 July 2018 to cater for auditable comparative information. The adjustment above represents the actual impact of IFRS 16 on EBITDA for the six months to December 2019, representing the lease rental payments which are no longer recorded through the income statement but rather as debits to the lease liability.
- The farm sales profit represents profits from the disposal of non-current assets and are considered "once-off".

For and on behalf of the Board

JJ Durand
Non-executive Chairman

M Dally
Chief Executive Officer (CEO)

Durban
2 March 2020

CORPORATE INFORMATION

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

**Executive directors **Alternate director*

Company secretary: JMJ Maher

Registration number: 1966/004972/06

JSE share code: RCL

ISIN: ZAE000179438

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

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

Auditors: PricewaterhouseCoopers Inc.

Sponsor: Rand Merchant Bank (a division of FirstRand Bank Limited)

Bankers: Absa Bank Limited, FirstRand Bank Limited, Investec Bank Limited, Nedbank Limited and Standard Bank Limited

Website: www.rclfoods.com

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	29 December 2019 R'000	30 December 2018 R'000	30 June 2019 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	**5 533 994**	5 996 622	5 412 709
Right-of-use asset	**1 600 827**	128 734	153 814
Intangible assets	**2 073 296**	2 125 557	2 102 156
Investment in joint ventures	**288 505**	269 936	288 241
Investment in associates	**717 002**	680 031	612 918
Deferred income tax asset	**73 621**	51 173	71 400
Loans receivable	**87 161**	43 494	91 561
Trade and other receivables	**92 820**	57 104	127 025
Goodwill	**2 537 076**	2 554 398	2 537 076
	13 004 302	11 907 049	11 396 900
Current assets			
Inventories	**3 464 430**	3 478 428	3 108 568
Biological assets	**744 369**	697 331	866 493
Trade and other receivables	**5 985 602**	4 834 093	4 602 122
Derivative financial instruments	**16 841**	4 727	4 644
Tax receivable	**1 372**	509	46 213
Loan receivable	**5 000**	33 880	2 500
Cash and cash equivalents	**394 044**	1 194 375	376 843
	10 611 658	10 243 343	9 007 383
Assets of disposal group classified as held-for-sale	**945**	156 876	2 585
Total assets	**23 616 905**	22 307 268	20 406 868
EQUITY			
Capital and reserves	**11 310 188**	11 589 447	10 834 026
LIABILITIES			
Non-current liabilities			
Interest-bearing liabilities	**2 466 286**	2 394 617	2 458 843
Lease liabilities	**1 587 990**	155 188	180 520
Deferred income tax liabilities	**1 231 103**	1 312 868	1 211 607
Retirement benefit obligations	**132 455**	140 607	126 590
Trade and other payables	**2 924**	5 382	6 326
	5 420 758	4 008 662	3 983 886
Current liabilities			
Trade and other payables	**6 145 870**	5 797 863	4 893 301
Deferred income	**5 200**	5 526	3 970
Interest-bearing liabilities	**201 958**	205 554	160 372
Lease liabilities	**125 910**	15 094	21 262
Derivative financial instruments	**25 339**	13 790	22 830
Current income tax liabilities	**134 786**	114 417	
Bank overdraft	**246 896**	556 915	487 221
	6 885 959	6 709 159	5 588 956
Total liabilities	**12 306 717**	10 717 821	9 572 842
Total equity and liabilities	**23 616 905**	22 307 268	20 406 868

CONSOLIDATED INCOME STATEMENT

	Six months December 2019 R'000	Six months December 2018 R'000	Year ended June 2019 R'000
Revenue from contracts with customers	**14 210 244**	13 265 392	25 887 506
Operating profit before depreciation, amortisation and impairment* (EBITDA)	**1 165 690**	1 082 159	1 525 659
Depreciation, amortisation and impairment*	**(445 209)**	(390 108)	(793 074)
Impairment of Sugar cash-generating unit			(761 912)
Operating profit/(loss)	**720 481**	692 051	(29 327)
Finance costs	**(211 175)**	(164 920)	(325 201)
Finance income	**14 502**	25 832	48 585
Share of profits of joint ventures	**22 029**	28 727	43 318
Share of profits of associates	**122 393**	125 810	84 523
Profit/(loss) before tax	**668 230**	707 500	(178 102)
Income tax expense	**(194 223)**	(175 418)	(5 860)
Profit/(loss) for the period	**474 007**	532 082	(183 962)
Attributable to:			
Equity holders of the company	**544 955**	578 980	(110 541)
Non-controlling interests	**(70 948)**	(46 898)	(73 421)
HEADLINE EARNINGS			
Profit/(loss) for the period attributable to equity holders of the company	**544 955**	578 980	(110 541)
Profit on disposal of property, plant and equipment and assets held-for-sale	**(3 571)**	(93 628)	(93 957)
Gain on bargain purchase	**(79 200)**		
Insurance proceeds	**(1 548)**	(10 264)	(19 833)
Impairments	**2 943**		553 820
Headline earnings	**463 579**	475 088	329 489
	Cents	Cents	Cents
Earnings per share attributable to equity holders of the company			
Basic earnings per share	**62.6**	66.7	(12.7)
Basic earnings per share - diluted	**61.4**	65.6	(12.5)
Headline earnings per share	**53.3**	54.8	37.9
Headline earnings per share - diluted	**52.2**	53.8	37.3

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months December 2019 R'000	Six months December 2018 R'000	Year ended June 2019 R'000
Profit/(loss) for the period	**474 007**	532 082	(183 962)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement of retirement medical obligations - net of tax			12 275
Share of associates other comprehensive income			2 244
Items that may subsequently be reclassified to profit or loss			
Currency translation differences	**221**	2 948	5 637
Other comprehensive income for the period - net of tax	**221**	2 948	20 156
Total comprehensive income for the period	**474 228**	535 030	(163 806)
Total comprehensive income for the period attributable to:			
Equity holders of the company	**545 176**	581 928	(90 385)
Non-controlling interests	**(70 948)**	(46 898)	(73 421)
	474 228	535 030	(163 806)

CONSOLIDATED CASH FLOW INFORMATION

	December 2019 R'000	December 2018 R'000	June 2019 R'000
Operating profit/(loss)	**720 481**	692 051	(29 327)
Non-cash items	**230 832**	134 950	1 207 100
Operating profit before working capital requirements	**951 313**	827 001	1 177 773
Working capital requirements:			
Movement in inventories	**(355 864)**	(546 208)	(167 544)
Movement in biological assets	**318 835**	324 236	293 754
Movement in trade and other receivables	**(1 349 275)**	(588 125)	(277 256)
Movement in trade and other payables	**1 277 834**	680 546	(229 983)
Cash generated by operations	**842 843**	697 450	796 743
Net finance cost	**(146 579)**	(141 768)	(257 344)
Tax refunded/(paid)	**2 686**	(985)	(133 155)
Cash available from operating activities	**698 950**	554 697	406 244
Dividends received	**40 296**	23 164	50 208
Dividends paid	**(88 514)**	(218 091)	(348 610)
Cash outflows from investing activities			
Replacement property, plant and equipment	**(156 408)**	(200 280)	(464 660)
Expansion property, plant and equipment	**(273 856)**	(332 614)	(666 206)
Intangible asset additions	**(6 840)**	(1 148)	(20 504)
Acquisition of businesses	**110 000**	(60 917)	(60 947)
Acquisition of associate		(40 638)	(40 638)
Advances of interest-bearing loans	**(8 477)**	(12 383)	(15 646)
Advances of non-interest-bearing loans			(20 054)
Proceeds on disposal of non-current assets held-for-sale	**6 312**	110 300	183 923
Proceeds on disposal of property, plant and equipment and intangible assets	**2 005**	10 709	21 307
Net cash outflow from investing activities	**(327 264)**	(526 971)	(1 083 425)
Cash outflows from financing activities			
Repayment of interest-bearing liabiities	**(162 378)**	(480 527)	(554 726)
Advances of interest-bearing liabilities	**96 436**	2 324	127 067
Additional capital contribution by non-controlling interest		19 500	29 500
Net cash outflow from financing activities	**(65 942)**	(458 703)	(398 159)
Net movement in cash and cash equivalents	**257 526**	(625 904)	(1 373 742)
Cash and cash equivalents at the beginning of the period	**(110 378)**	1 263 364	1 263 364
Cash and cash equivalents at the end of the period	**147 148**	637 460	(110 378)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Stated capital R'000	Share-based payments R'000	Other reserves R'000	Common control reserve R'000	Retained earnings R'000	Controlling interest total R'000	Non-controlling interest R'000	Total R'000
Balance at 2 July 2018	10 087 241	632 920	(5 806)	(1 919 832)	2 330 163	11 124 686	48 570	11 173 256
Profit/(loss) for the period					578 980	578 980	(46 898)	532 082
Other comprehensive income for the period			2 948			2 948		2 948
Additional capital contribution by non-controlling interest							19 500	19 500
BEE share-based payments charge		8 800				8 800		8 800
Employee share option scheme:								
Value of employee services		70 103				70 103		70 103
Equity component of tax on share-based payments		849				849		849
Exercise of employee share options	47 031	(47 031)						
Ordinary dividend paid					(216 841)	(216 841)	(1 250)	(218 091)
Balance at 30 December 2018	10 134 272	665 641	(2 858)	(1 919 832)	2 692 302	11 569 525	19 922	11 589 447
Profit/(loss) for the period					(689 521)	(689 521)	(26 523)	(716 044)
Other comprehensive income for the period			2 689		14 519	17 208		17 208
Additional capital contribution by non-controlling interest							10 000	10 000
BEE share-based payments charge		8 800				8 800		8 800
Employee share option scheme:								
Value of employee services		68 986				68 986		68 986
Equity component of tax on share-based payments		(13 852)				(13 852)		(13 852)
Exercise of employee share options	302	(302)						
Ordinary dividend paid					(130 519)	(130 519)		(130 519)
Balance at 1 July 2019	**10 134 574**	**729 273**	**(169)**	**(1 919 832)**	**1 886 781**	**10 830 627**	**3 399**	**10 834 026**
Profit/(loss) for the period					**544 955**	**544 955**	**(70 948)**	**474 007**
Other comprehensive income for the period			**221**			**221**		**221**
BEE share-based payments charge		**8 800**				**8 800**		**8 800**
Employee share option scheme:								
Value of employee services		**81 646**				**81 646**		**81 646**
Equity component of tax on share-based payments		**2**				**2**		**2**
Ordinary dividend paid					**(87 014)**	**(87 014)**	**(1 500)**	**(88 514)**
Balance at 29 December 2019	**10 134 574**	**819 721**	**52**	**(1 919 832)**	**2 344 722**	**11 379 237**	**(69 049)**	**11 310 188**

SUPPLEMENTARY INFORMATION

		December 2019 R'000	December 2018 R'000	June 2019 R'000
Capital expenditure contracted and committed		**408 052**	551 023	502 490
Capital expenditure approved but not contracted		**479 613**	278 919	251 402
STATISTICS				
Statutory ordinary shares in issue (includes BEE shares)	(000's)	**940 902**	940 881	940 902
Ordinary shares in issue for accounting purposes	(000's)	**870 143**	870 122	870 143
Weighted average ordinary shares in issue	(000's)	**870 143**	867 668	868 897
Diluted weighted average ordinary shares in issue	(000's)	**887 661**	882 390	883 210
Net asset value per share	(cents)	**1 299.8**	1 331.9	1 245.1
Ordinary dividends per share:				
Interim dividend declared	(cents)	**15.0**	15.0	15.0
Final dividend declared	(cents)			10.0
Total dividends	(cents)	**15.0**	15.0	25.0

SEGMENTAL ANALYSIS

	December 2019 R'000	December 2018 R'000	June 2019 R'000
Revenue from contracts with customers	**14 210 244**	13 265 392	25 887 506
Groceries	**2 637 592**	2 513 361	4 831 990
Baking	**2 545 862**	2 581 849	5 060 840
Chicken	**4 700 162**	4 486 672	8 632 454
Sugar	**3 778 094**	3 366 084	6 612 691
Vector	**1 273 932**	1 076 532	2 182 820
Group*	**73 011**		101 623
Sales between segments:			
Groceries sales to Baking	**(249)**	(258)	(302)
Groceries sales to Chicken	**(55 113)**	(71 654)	(128 516)
Groceries sales to Sugar	**(1 590)**		
Baking sales to Groceries	**(64 727)**	(53 967)	(119 432)
Baking sales to Chicken	**(63 106)**	(52 077)	(111 632)
Chicken sales to Groceries	**(5 302)**		(1 698)
Chicken sales to Baking		(10 336)	(14 985)
Sugar sales to Groceries	**(42 554)**	(37 734)	(73 309)
Sugar sales to Baking	**(31 219)**	(28 945)	(57 607)
Vector sales to Groceries	**(136 759)**	(116 359)	(230 509)
Vector sales to Baking	**(9 741)**	(6 372)	(12 680)
Vector sales to Chicken	**(370 917)**	(370 669)	(759 566)
Vector sales to Sugar	**(17 132)**	(10 735)	(24 676)
Operating profit before depreciation, amortisation and impairment^ (EBITDA)	**1 165 690**	1 082 159	1 525 659
Groceries	**327 610**	337 124	528 627
Baking	**183 251**	189 749	411 821
Chicken	**134 305**	333 646	397 116
Sugar	**306 516**	121 322	34 224
Vector	**170 962**	88 504	118 504
Group#	**43 046**	11 814	35 367
Depreciation, amortisation and impairment^	**(445 209)**	(390 108)	(793 074)
Impairment of Sugar cash-generating unit			(761 912)
Operating profit/(loss)	**720 481**	692 051	(29 327)
Groceries	**265 162**	282 443	412 701
Baking	**99 037**	117 097	268 875
Chicken	**17 051**	236 255	190 928
Sugar	**237 200**	9 190	(948 074)
Vector	**91 064**	48 992	39 586
Group#	**10 967**	(1 926)	6 657

* *Group revenue relates to management fees for shared services.*

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

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

SEGMENTAL ANALYSIS CONTINUED

	December 2019 R'000	December 2018 R'000	June 2019 R'000
Finance costs	**(211 175)**	(164 920)	(325 201)
Finance income	**14 502**	25 832	48 585
Share of profits of joint ventures	**22 029**	28 727	43 318
Sugar	**13 982**	22 107	29 678
Vector	**8 047**	6 620	13 640
Share of profits/(loss) of associates	**122 393**	125 810	84 523
Sugar	**120 762**	125 564	86 119
Ugandan Operation	**(288)**	246	(1 753)
Vector	**1 919**		157
Profit/(loss) before tax	**668 230**	707 500	(178 102)

	29 December 2019 R'000	30 December 2018 R'000	30 June 2019 R'000
Assets			
Groceries	**5 135 926**	4 721 043	4 452 065
Baking	**4 424 646**	4 288 833	4 130 024
Chicken	**4 497 625**	4 427 430	3 756 983
Sugar	**4 776 292**	5 485 694	4 558 069
Vector	**6 226 741**	4 195 639	4 044 417
Unallocated Group assets*	**879 895**	1 268 456	546 782
Ugandan operation	**53 960**	56 747	54 027
Set-off of inter-segment balances	**(2 378 180)**	(2 136 574)	(1 135 499)
Total per statement of financial position	**23 616 905**	22 307 268	20 406 868
Liabilities			
Groceries	**1 344 324**	1 228 179	1 174 178
Baking	**1 047 523**	987 414	852 623
Chicken	**1 924 521**	1 848 262	1 547 543
Sugar	**1 417 048**	1 723 222	1 244 394
Vector	**5 797 537**	3 980 325	2 834 216
Unallocated Group liabilities*	**3 153 944**	3 086 993	3 055 387
Set-off of inter-segment balances	**(2 378 180)**	(2 136 574)	(1 135 499)
Total per statement of financial position	**12 306 717**	10 717 821	9 572 842

* *Includes assets and liabilities of the Group treasury company, RCL Group Services Proprietary Limited, Matzonox Proprietary Limited and consolidation entries.*

REVENUE

	December 2019 R'000	December 2018 R'000	June 2019 R'000
Disaggregation of revenue from contracts[1] with customers			
Revenue	**14 210 244**	13 265 392	25 887 506
Groceries	**2 637 592**	2 513 361	4 831 990
Revenue excluding sundry sales	**2 352 753**	2 232 898	4 304 166
Sundry sales[2]	**284 839**	280 463	527 824
Baking	**2 545 862**	2 581 849	5 060 840
Chicken	**4 700 162**	4 486 672	8 632 454
Revenue excluding sundry sales	**4 553 637**	4 305 332	8 305 368
Sundry sales[2]	**146 525**	181 340	327 086
Sugar	**3 778 094**	3 366 084	6 612 691
Vector	**1 273 932**	1 076 532	2 182 820
Group[3]	**73 011**		101 623
Sales between segments	**(798 409)**	(759 106)	(1 534 912)
Timing of revenue recognition[4]	**14 210 244**	13 265 392	25 887 506
Point in time	**13 384 106**	12 673 391	24 599 717
Over time	**826 138**	592 001	1 287 789

1 *An agreement between two or more parties that creates enforceable rights and obligations. Can be written, oral or implied by customary business practices.*

2 *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.*

3 *Group revenue relates to management fees earned for shared services performed for Siqalo Foods*

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.*