

RCL FOODS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number: 1966/004972/06)
ISIN: ZAE000179438
Share code: RCL
("RCL FOODS")

APPORTIONMENT OF TAX COST FOR SOUTH AFRICAN INCOME TAX PURPOSES IN RELATION TO THE UNBUNDLING OF RAINBOW

1. INTRODUCTION AND BACKGROUND

- 1.1. RCL FOODS' shareholders ("**Shareholders**") are referred to the announcements released by RCL FOODS on the Stock Exchange News Service of the JSE on 4 June 2024 and 10 June 2024, regarding the listing on the Main Board of the JSE ("**Listing**") of all of the issued ordinary no par value shares ("**Rainbow Shares**") of Rainbow Chicken Limited ("**Rainbow**") and the subsequent unbundling thereof by way of a *pro rata* distribution *in specie* to Shareholders ("**Unbundling**").
- 1.2. All capitalised terms used but not defined in this announcement shall bear the meanings ascribed to them in the pre-listing statement ("**Pre-listing Statement**") of Rainbow published on 10 June 2024.
- 1.3. The purpose of this announcement is to notify Shareholders of the closing prices at which the Rainbow Shares traded on the last day to trade to participate in the Unbundling plus one Business Day ("**LDT+1**"), being Wednesday, 26 June 2024 ("**Closing Share Price on LDT+1**"), as well as the apportionment ratio calculated with reference thereto ("**Apportionment Ratio**") that Shareholders need to apply for South African tax purposes to allocate the expenditure of their existing RCL Foods Shares to: i) the RCL Foods Shares following the Unbundling; and ii) each of the Rainbow Shares being distributed to Shareholders ("**Rainbow Distribution Shares**").
- 1.4. The summary of the tax consequences of the Unbundling as set out below represents general comments and does not constitute a complete analysis of the tax consequences for Shareholders pursuant to the Unbundling. It is not intended to be, nor should it be interpreted to be, legal or tax advice. Neither RCL FOODS, Rainbow, nor its advisors, directors or employees can be held responsible for the tax consequences of the Unbundling. Shareholders are advised to consult their own professional tax advisors in this regard. The tax consequences of the Unbundling may also be different for non-resident Shareholders based on their country of residence. This includes the calculation of the costs of the RCL Foods Shares and the Rainbow Distribution Shares for tax purposes going forward. The Pre-listing Statement contains further information about the tax consequences of the Unbundling.

2. APPORTIONMENT TAX PRINCIPLES

- 2.1. The Unbundling constitutes an unbundling transaction for South African tax purposes as defined in section 46 of the Income Tax Act.
- 2.2. The Unbundling distribution is a dividend as defined in the Income Tax Act and is not a return of capital as contemplated in the said act.
- 2.3. Even though the methodology to determine the cost for tax purposes of the shares is the same, the tax consequences differ depending on whether the RCL Foods Shares are held on capital account or as trading stock.
- 2.4. RCL Foods Shares held as trading stock:
 - 2.4.1. Should the RCL Foods Shares be held as trading stock, then the Rainbow Distribution Shares will be deemed to be held as trading stock going forward.
 - 2.4.2. Following the Unbundling, the combined expenditure of the RCL Foods Shares and the Rainbow Distribution Shares will be equal to the expenditure of the RCL Foods Shares prior to the Unbundling in terms of section 11(a), section 22(1) or section 22(2) of the Income Tax Act.

- 2.5. RCL Foods Shares held on capital account:
- 2.5.1. Should the RCL Foods Shares be held on capital account, then the Rainbow Distribution Shares will be deemed to be held on capital account going forward.
- 2.5.2. Following the Unbundling, the combined base cost of the RCL Foods Shares and the Rainbow Distribution Shares will be equal to the expenditure of the RCL Foods Shares in terms of paragraph 20 of the Eighth Schedule to the Income Tax Act.
- 2.6. Section 46(3)(a) of the Income Tax Act provides that the amount of the expenditure to be allocated to each of the Rainbow Distribution Shares and the RCL Foods Shares must be determined in accordance with the ratio that the closing market value of all the Rainbow Distribution Shares, as at LDT+1, bears to the sum of the closing market values of the RCL Foods Shares and the Rainbow Distribution Shares on that day (LDT +1). The amount so allocated to the Rainbow Distribution Shares should be applied to reduce the expenditure in respect of the RCL Foods Shares.
- 2.7. Accordingly, irrespective of whether the RCL Foods Shares and the Rainbow Distribution Shares are held as trading stock or on capital account, and in accordance with the interpretation of the South African Revenue Service set out in its Binding General Ruling 29 (Issue 2), the portion of the expenditure (should the shares be held as trading stock) or the base cost (should the shares be held on capital account) should be determined by applying the ratio that the closing market value of the Rainbow Distribution Shares bears to the sum of the closing market values of the RCL Foods Shares and that of the Rainbow Distribution Shares on the LDT+1, being Wednesday, 26 June 2024 (i.e. the first trading day ex entitlement to participate in the Unbundling).

3. APPORTIONMENT RATIO FOR TAX PURPOSES

- 3.1. The Apportionment Ratio is calculated as follows:

Company	Closing Share Price on LDT + 1 (R)	Apportionment Ratio ⁽¹⁾
RCL FOODS	11.01	75.10232%
Rainbow	3.65	24.89768%
	14.66	100.00000%

Note:

1. Calculated as the Closing Share Price on LDT + 1 of a Rainbow Share (or an RCL Foods Share, as the case may be), divided by the sum of the respective Closing Share Prices on LDT + 1 of an RCL Foods Share and a Rainbow Distribution Share.
- 3.2. Shareholders are thus advised that the expenditure or base cost of an RCL Foods Share must be apportioned in the ratio of 75.10232% to each RCL Foods Share retained, and 24.89768% to each Rainbow Distribution Share received.

4. IMPLEMENTATION OF THE UNBUNDLING

- 4.1. Pursuant to the terms of the Unbundling, Shareholders will receive the Rainbow Distribution Shares in Dematerialised form only.
- 4.2. Accordingly, all Certificated Shareholders wishing to receive their Rainbow Distribution Shares must appoint a CSDP under the terms of the Financial Markets Act, directly or through a Broker, to receive the Rainbow Distribution Shares on their behalf.
- 4.3. Should a Certificated Shareholder not appoint a CSDP under the terms of the Financial Markets Act, directly or through a Broker, to receive the Rainbow Distribution Shares on its behalf, the Transfer Secretaries will issue such Shareholder with a statement of allocation reflecting its Rainbow Distribution Shares. Such Shareholder

can thereafter instruct the Transfer Secretaries to transfer its Rainbow Distribution Shares, represented by the statement of allocation, to its appointed CSDP or can instruct the Transfer Secretaries to issue such Shareholder, at its own risk, with a share certificate(s) at any time following the Unbundling.

- 4.4. If a Shareholder is in any doubt as to what action to take in respect of the Unbundling, such Shareholder should consult its Broker, CSDP, banker, attorney or other professional advisor.

Westville
27 June 2024

Financial Adviser and Transaction Sponsor
Rand Merchant Bank (A division of FirstRand Bank Limited)

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