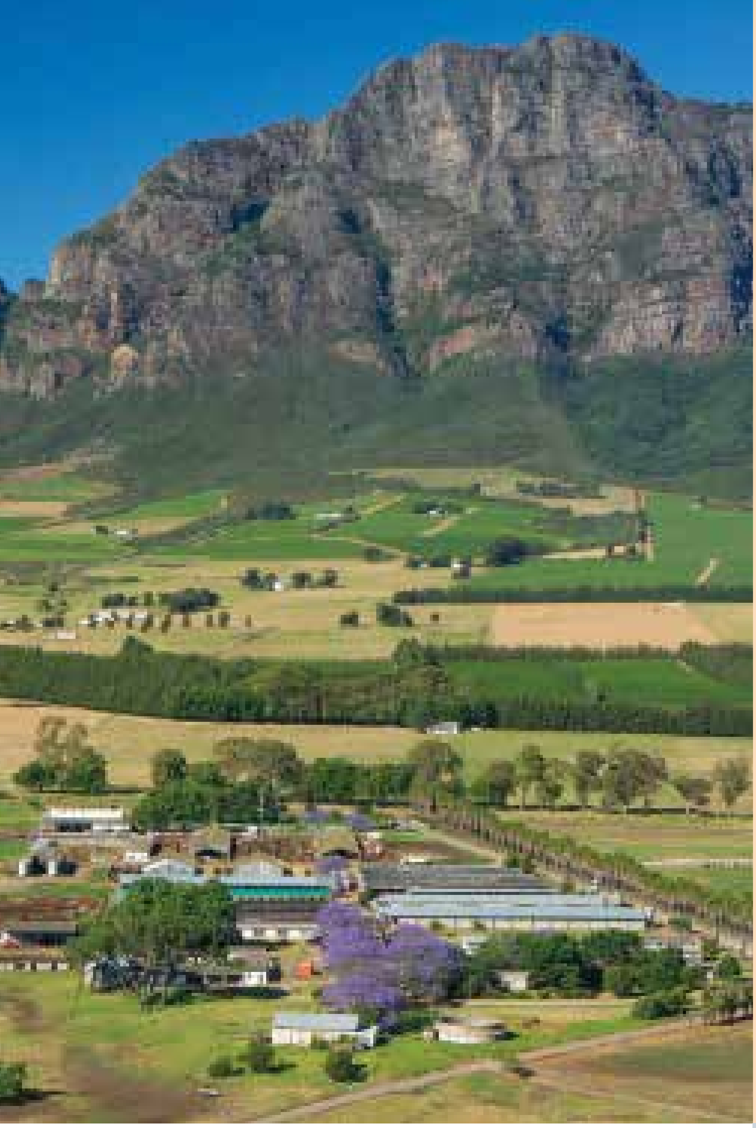
RHODES
FOOD GROUP

ANNUAL FINANCIAL STATEMENTS
2016



Approval of annual financial statements

The directors are responsible for the preparation, integrity and objectivity of the consolidated annual financial statements and other information contained in these consolidated annual financial statements. In order to discharge this responsibility, the Group maintains internal accounting and administrative control systems, designed to provide reasonable assurance that assets are safeguarded and that transactions are executed and recorded, in accordance with the Group policies and procedures.

The consolidated annual financial statements set out on this page and 2 to 52 were approved by the board of directors on 17 November 2016 and are signed on its behalf by:

Dr YG Muthien
Chairperson

BAS Henderson
Chief executive officer

Contents

Secretarial certification

In accordance with section 88(2)(e) of the Companies Act, No 71 of 2008, for the year ended 25 September 2016, it is hereby certified that the company and its subsidiaries have lodged with the Companies and Intellectual Property Commission all such returns that are required and that such returns are true, correct and up to date.

A Rich
On behalf of Statucor Proprietary Limited
(Company Secretary)

Independent auditor's report

To the shareholders of Rhodes Food Group Holdings Limited

We have audited the consolidated financial statements of Rhodes Food Group Holdings Limited set out on pages 6 to 52, which comprise the statement of financial position as at 25 September 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Rhodes Food Group Holdings Limited as at 25 September 2016, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated financial statements for the year ended 25 September 2016, we have read the directors' report, the report of the audit and risk committee and the secretarial certification for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements.

These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor or joint auditor of Rhodes Food Group Holdings Limited for 17 years.

Deloitte & Touche

Deloitte & Touche
Registered Auditors

Per **M A van Wyk**
Partner
21 November 2016

Directors' report

The directors have the pleasure in presenting their report for the year ended 25 September 2016.

NATURE OF BUSINESS

The main business of Rhodes Food Group Holdings Limited and its subsidiaries ("the Group") is the manufacturing and marketing of convenience meal solutions. These include fresh and frozen ready meals, pastry-based products, canned jams, canned fruits, canned and bottled salads and vegetables, canned meat, fruit purees and concentrates, juice and juice products and dairy products. The Group's operations are located in South Africa and Swaziland.

GENERAL REVIEW

The results of the activities for the year under review and financial position of the Group at 25 September 2016 are set out in the financial statements. No other facts or circumstances, except those disclosed below and in the financial statements, require disclosure.

The company commenced the public trading of its issued share capital on the JSE Limited on 2 October 2014, which included the listing of 50 000 000 ordinary shares issued during a private placement prior to the listing. R600 000 000 was raised during the private placement prior to the listing.

The Group acquired the following businesses during the year ended 25 September 2016:

- the sale assets of Deemster Proprietary Limited on 1 October 2015;
- the Foodservice Operations business asset of General Mills Proprietary Limited on 30 November 2015; and
- the business assets and liabilities of Alibaba Foods Holdings Proprietary Limited on 1 February 2016.

EVENTS SUBSEQUENT TO REPORTING DATE

The Group entered into the following sale and purchase agreements:

- to purchase the share equity and claims of Pakco Proprietary Limited, subject to conditions precedent, for R200 million effective from 1 January 2017;
- to purchase the share equity and loan claims of Ma Baker Express Proprietary Limited, Ma Baker Foods Proprietary Limited, Ma Baker Properties (Pinetown) Proprietary Limited, Ma Baker Properties (Pietermaritzburg) Proprietary Limited and Ma Baker Pies Proprietary Limited (collectively the "Ma Baker Companies"), subject to conditions precedent, for R212 million effective from five business days after the date of fulfilment or waiver of the conditions precedent.

The board of directors is of the opinion that the acquisitions present attractive investment opportunities which are aligned with the Group's strategy to grow through value accretive acquisitions.

The acquisition date accounting has not been established on the date of the approval of the financial statements for the above mentioned acquisitions, due to the valuation of the assets to yet having been finalised.

The board of directors has declared a gross cash dividend of 42.2 cents per share (2015: 24.8 cents) in respect of the year ended 25 September 2016.

The board of directors is not aware of any other matter or circumstance of a material nature arising since the end of the financial year, otherwise not dealt with in the financial statements, which significantly affects the financial position of the Group or the results of its operations.

SHARE CAPITAL

During the year no ordinary or preference shares were issued (2015: 50 000 000 ordinary shares were issued on 2 October 2014 during a private placement prior to listing on the JSE Limited).

SPECIAL RESOLUTIONS PASSED

- Non-executive directors fees have been approved as disclosed in the Integrated Report for the year ended 25 September 2016.
- The Company, or any of its subsidiaries, by way of a general authority, may acquire ordinary shares in the company, subject to the provisions of the Companies Act No 71 of 2008, as amended, and the Listings Requirements of the JSE Limited.
- The company may at any time, and from time to time during the period of two years commencing on 11 February 2016, offer direct or indirect financial assistance to any related director, prescribed officer or inter-related company or corporation of the company subject to the requirements of the Companies Act.

SUBSIDIARIES

Refer to note 30 of the consolidated annual financial statements for a list of subsidiaries.

DIVIDENDS

On 25 January 2016, a dividend of 24.8 cents per share (total dividend R57 040 000) was paid. The company did not pay any dividends during the year ended 27 September 2015.

DIRECTORS

The directors in office during the year under review and at the date of this report are as follows:

Name	Position
Dr YG Muthien	*Independent non-executive director (Chairperson)*
MR Bower	*Independent non-executive director*
BAS Henderson	*Executive director (Chief executive officer)*
TP Leeuw	*Independent non-executive director*
LA Makenete	*Independent non-executive director*
CC Schoombie	*Executive director (Chief financial officer)*
CL Smart	*Non-executive director*
GJH Willis	*Non-executive director*

DIRECTORS' SHAREHOLDINGS

Refer to note 19 of the annual financial statements for the detail regarding the directors' shareholdings.

FINANCIAL YEAR-END

The Group's financial year ends in September which reflects 52 weeks of trading and as a result the reporting date may differ year-on-year. References to "financial year" are to the 52 weeks ended on or about 30 September. As a result the financial statements were prepared for the year ended 25 September (2015: 27 September).

SECRETARY

The secretary of the company is Statucor Proprietary Limited (represented by A Rich), whose business and postal addresses are:

Business address:	Postal address:
The Boulevard Office Park	PO Box 3883
2nd Floor, Block D	Cape Town
Searle Street	8000
Woodstock	
7925	

AUDITORS

Deloitte & Touche were the auditors for the year under review.

PREPARER OF ANNUAL FINANCIAL STATEMENTS

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

Report of the audit and risk committee

INTRODUCTION

This report of the Rhodes Food Group Holdings audit and risk committee (the committee) is presented to shareholders in compliance with the Companies Act and the King Code of Governance Principles (King III).

The committee has a statutory role in terms of the Companies Act and also has an independent role with accountability to both the board and to shareholders. The committee operates within a formal charter and complies with all relevant legislation, regulation and governance codes.

ROLE OF THE COMMITTEE

The committee's responsibilities include the statutory duties prescribed by the Companies Act, activities recommended by King III as well as additional responsibilities assigned by the board.

The responsibilities of the committee are as follows:

- Ensure that management has created and maintained an effective financial and operating control environment in the Group.
- Ensure that business, financial and other risks have been identified and are being suitably managed.
- Monitor standards of governance, reporting and compliance.
- Oversee integrated reporting and ensure the integrity of the Integrated Report.
- Review the annual financial statements.
- Review the content of the interim results and report.

COMPOSITION OF THE COMMITTEE

The committee comprises three suitably qualified independent non-executive directors. The chairman of the board may not serve on the committee.

The committee comprised the following members for the reporting period and to the date of this report:

Name	**Qualification**
Mark Bower *(chairman)*	B Com, B Compt (Hons), CA(SA)
Thabo Leeuw	B Com, B Compt (Hons), MAP
Andrew Makenete	B Sc, M Sc (Agricultural Management)

Biographical details of the committee members appear in the Integrated Report. Fees paid to the committee members for 2016 and the proposed fees for 2017 are disclosed in the remuneration report in the Integrated Report.

The committee is elected by shareholders at the annual general meeting each year while the board appoints the chairman of the committee.

Non-executive directors, the executive directors and the external audit partner attend meetings at the invitation of the committee. The committee may also meet separately with the external auditor and the internal auditor without executive management being present.

EXTERNAL AUDIT

The committee has assessed the independence, expertise and objectivity of the external auditor, Deloitte & Touche, as well as approving the fees paid to the external auditor (refer to note 18 in the annual financial statements).

The committee has received confirmation from the external auditor that the partners and staff responsible for the audit comply with all legal and professional requirements with regard to rotation and independence, including the stipulation that they should not own shares in Rhodes Food Group Holdings Limited.

The committee has nominated, for election at the annual general meeting, Deloitte & Touche, as the external audit firm and Mr MA van Wyk as the designated auditor, responsible for performing the functions of auditor, for the 2017 year.

The committee has satisfied itself that the audit firm and designated auditor are accredited as such on the JSE list of auditors and their advisors.

NON-AUDIT SERVICES

The Group has a formal policy on non-audit services which can be provided by the external auditor. All non-audit services are approved in advance by the committee. The policy requires Deloitte & Touche to satisfy the committee that the delivery of non-audit services does not compromise their independence in undertaking normal audit assignments.

During the year under review Deloitte & Touche received R1.47 million (2015: R1.38 million) for non-audit services, equating to 84% (2015: 78%) of their total audit fees of R1.76 million (2015: R1.76 million). The majority of these services related to non-recurring engagements for applications to the Department of Trade and Industry for incentive programmes.

INTERNAL CONTROL

Systems of internal control are designed to manage the risk of failure to achieve business objectives and to provide reasonable, but not absolute, assurance against misstatement or loss.

No material matter has come to the attention of the board that has caused the directors to believe that the company's system of internal controls and risk management is not effective and that the internal financial controls do not form a sound basis for the preparation of reliable financial statements.

The internal audit function is outsourced to PricewaterhouseCoopers who assist management in controlling risk, monitoring compliance, improving efficiency and the effectiveness of internal control systems and governance processes.

EVALUATION OF THE CHIEF FINANCIAL OFFICER

The committee satisfied itself as to the appropriateness of the expertise and experience of the Group's chief financial officer, Tiaan Schoombie. This is based on the qualifications, levels of experience, continuing professional development and the board's assessment of the financial knowledge of the chief financial officer.

The committee also satisfied itself as to the expertise, resources and experience of the Group's finance function.

ACTIVITIES OF THE COMMITTEE

The committee is required to meet at least three times each year, with two meetings coinciding with the key dates of the financial reporting and audit cycle. Minutes of the meetings of the committee are circulated to all directors and supplemented by an update from the committee chairperson at each board meeting.

The chairperson of the committee is required to attend all statutory shareholder meetings to respond to questions on the committee's activities.

The committee performed the following activities during the year under review:

- Recommended to the board and shareholders the appointment of the external auditors.
- Approved the terms of engagement and remuneration of the external auditor, and monitored their independence, objectivity and effectiveness.
- Determined the nature and extent of any non-audit services provided by the external auditor and other auditing firms.
- Reviewed the Group's internal financial control and financial risk management systems.
- Evaluated the appropriateness of the expertise and experience of the chief financial officer.
- Evaluated the expertise, resources and experience of the Group's finance function.
- Reviewed and recommended to the board for approval the annual financial statements.
- Reviewed and recommended to the board for approval the Integrated Report.
- Reviewed and monitored the Group's internal audit function.
- Evaluated the Group's risk monitor and residual risks.

APPROVAL OF THE COMMITTEE REPORT

The committee confirms that it has functioned in accordance with its terms of reference for the 2016 financial year and that its report to shareholders has been approved by the board.

Mark Bower
Chairman
Audit and Risk Committee
17 November 2016

Consolidated **STATEMENT OF FINANCIAL POSITION**

for the year ended 25 September 2016

	Notes	**2016 R'000**	2015 R'000
ASSETS			
Non-current assets		**1 375 909**	1 167 896
Property, plant and equipment	5	**974 642**	785 462
Intangible assets	6	**81 587**	79 908
Goodwill	7	**287 607**	271 775
Biological assets	8	**32 073**	30 751
Current assets		**1 728 820**	1 310 067
Inventory	11	**947 488**	694 604
Accounts receivable	12	**749 378**	604 078
Loan receivable	9	**3 000**	2 758
Foreign exchange contract asset	10.1	**21 925**	–
Bank balances and cash on hand	28.3	**7 029**	8 627
Total assets		**3 104 729**	2 477 963
EQUITY AND LIABILITIES			
Capital and reserves		**1 253 382**	1 018 157
Share capital	13	**720 205**	720 205
Equity-settled employee benefits	14	**2 773**	–
Accumulated profit		**521 597**	291 582
Equity attributable to owners of the company		**1 244 575**	1 011 787
Non-controlling interest		**8 807**	6 370
Non-current liabilities		**785 210**	692 533
Long-term loans	15	**687 231**	621 773
Deferred taxation liability	16	**83 751**	60 993
Employee benefit liability	17.3	**14 228**	9 767
Current liabilities		**1 066 137**	767 273
Accounts payable and accruals	17.1	**531 596**	430 352
Employee benefits accrual	17.2	**126 008**	114 927
Current portion of long-term loans	15	**152 963**	109 775
Taxation payable	28.2	**58 918**	29 820
Bank overdraft	28.3	**196 652**	72 448
Foreign exchange contract liability	10.1	**–**	9 951
Total equity and liabilities		**3 104 729**	2 477 963

Consolidated **STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

for the year ended 25 September 2016

	Notes	2016 R'000	2015 R'000
Revenue	3.4	**4 145 902**	3 022 604
Cost of goods sold		**(2 932 530)**	(2 179 655)
Gross profit		**1 213 372**	842 949
Other income		**36 451**	28 665
Operating costs		**(756 345)**	(582 241)
Profit before interest and taxation	18	**493 478**	289 373
Interest paid	20	**(89 066)**	(47 256)
Interest received		**13**	34
Profit before taxation		**404 425**	242 151
Taxation	21	**(114 590)**	(72 373)
Profit for the year		**289 835**	169 778
Profit attributable to:			
Owners of the company		**287 398**	169 728
Non-controlling interest		**2 437**	50
		289 835	169 778
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss		**(622)**	99
Remeasurement of employee benefit liability		**(857)**	77
Deferred taxation effect		**235**	22
Total comprehensive income for the year		**289 213**	169 877
Total comprehensive income attributable to:			
Owners of the company		**286 776**	169 827
Non-controlling interest		**2 437**	50
		289 213	169 877
Earnings per share (cents)		**130.6**	77.1
Diluted earnings per share (cents)		**125.5**	74.1
Headline earnings per share (cents)	22.1	**131.8**	77.4
Diluted headline earnings per share (cents)	22.2	**126.5**	74.4
Weighted average number of shares in issue ('000)	22.3	**219 875**	220 063
Weighted average number of dilutive shares in issue ('000)	22.3	**228 967**	229 063

Consolidated **STATEMENT OF CHANGES IN EQUITY**

for the year ended 25 September 2016

	Notes	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 28 September 2014		150 001	–	117 567	6 320	273 888
Issue of ordinary share capital	13	569 891	–	–	–	569 891
Treasury shares sold	13	313	–	4 188	–	4 501
Total comprehensive income for the year		–	–	169 827	50	169 877
Balance at 27 September 2015		**720 205**	**–**	**291 582**	**6 370**	**1 018 157**
Total comprehensive income for the year		**–**	**–**	**286 776**	**2 437**	**289 213**
Recognition of share-based payments		**–**	**2 773**	**–**	**–**	**2 773**
Treasury shares dividends received		**–**	**–**	**279**	**–**	**279**
Dividend paid		**–**	**–**	**(57 040)**	**–**	**(57 040)**
Balance at 25 September 2016		**720 205**	**2 773**	**521 597**	**8 807**	**1 253 382**

Consolidated **STATEMENT OF CASH FLOWS**

for the year ended 25 September 2016

	Notes	**2016 R'000**	2015 R'000
Cash flows from operating activities			
Cash receipts from customers		**4 849 840**	3 673 521
Cash paid to suppliers and employees		**(4 557 075)**	(3 453 222)
Cash generated from operations	28.1	**292 765**	220 299
Net interest paid		**(88 613)**	(104 557)
Taxation paid	28.2	**(63 899)**	(64 321)
Net cash inflow from operating activities		**140 253**	51 421
Cash flows from investing activities			
Purchase of property, plant and equipment		**(228 553)**	(175 882)
Proceeds on disposal of property, plant and equipment		**6 703**	528
Acquisition of subsidiary and businesses less net cash acquired	28.7	**(123 110)**	(407 796)
Loans receivable advanced		**(300)**	(1 510)
Loans receivable repaid		**58**	13 063
Dividends paid		**(57 040)**	–
Treasury shares dividend received		**279**	–
Net cash outflow from investing activities		**(401 963)**	(571 597)
Cash flows from financing activities			
Issue of ordinary share capital		**–**	575 641
Preference shares repaid		**–**	(156 005)
Loans raised		**219 570**	740 867
Loans repaid		**(110 924)**	(577 273)
Government grant received		**27 262**	–
Net cash inflow from financing activities		**135 908**	583 230
Net (decrease) / increase in cash and cash equivalents		**(125 802)**	63 054
Cash and cash equivalents at beginning of the year		**(63 821)**	(126 875)
Cash and cash equivalents at end of the year	28.3	**(189 623)**	(63 821)

Segmental **REPORT**
for the year ended 25 September 2016

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 executive management of the Group have chosen to organise the Group around the difference in geographical areas and operate the business on that basis.

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

- Regional
- International

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment.

	Segment revenue	
	2016 R'000	2015 R'000
Regional		
Fresh products sales	**1 175 282**	928 780
Long life products sales	**1 856 695**	1 185 065
	3 031 977	2 113 845
International		
Long life products sales	**1 113 925**	908 759
Total	**4 145 902**	3 022 604

	Segment profit	
Regional	**309 948**	212 020
International	**186 732**	105 372
Total	**496 680**	317 392
Listing fees	**–**	(21 796)
Acquisition costs	**(3 202)**	(6 223)
Interest received	**13**	34
Interest paid	**(89 066)**	(47 256)
Profit before taxation	**404 425**	242 151

Segment revenue reported above represents revenue generated from external customers. Intercompany sales amounted to R561 168 198 (2015: R362 272 405).

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit before tax earned by each segment without allocation listing fees, 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) are detailed below. The chief operating decision-makers do not evaluate any other of the Group's assets or liabilities on a segmental basis for decision-making purposes.

	Non-current assets	
	2016 R'000	2015 R'000
Republic of South Africa	**973 684**	787 174
Kingdom of Swaziland	**114 618**	108 947
	1 088 302	896 121

Information regarding major customers

Two customers (2015: two) individually contributed 10% or more of the Group's revenues arising from both regional and international sources.

Notes to the **CONSOLIDATED FINANCIAL STATEMENTS**

for the year ended 25 September 2016

1. GENERAL INFORMATION

Rhodes Food Group Holdings Limited is a company domiciled in the Republic of South Africa. These consolidated annual financial statements ("financial statements") as at and for the financial year ended 25 September 2016 comprise the company and its subsidiaries. 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, canned jams, canned fruits, canned and bottled vegetables and salads, canned meat, fruit purees and concentrates, juice and juice products and dairy products. There were no major changes in the nature of the business for the Group in the financial years ended September 2016 and 2015.

2. APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS

In the current year, the Group has applied a number of new and revised International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after 1 January 2015.

2.1 **Amendment to IAS 19 Defined benefit plans:** Employee contributions

2.2 **Annual improvement to IFRSs 2010 – 2012 Cycle and 2011 – 2013 cycle**

The adoption of these new and revised accounting standards did not have a material impact on the results and as such there is no change to comparative information resulting from the adoption of these standards.

The Group has not adopted the following standards that have been issued but are not yet effective and will be adopted by the Group when they become effective:

2.3 **IFRS 9 Financial Instruments**

2.4 **IFRS 14 Regulatory Deferral Accounts**

2.5 **IFRS 15 Revenue from contracts with customers**

2.6 **IFRS 16 Leases**

2.7 **Amendments to IAS I** – Disclosure Initiative

2.8 **Amendments to IAS 16 and IAS 38** – Clarification of Acceptable Methods of Depreciation and Amortisation

2.9 **Amendments to IAS 16 and IAS 41 Agriculture** – Bearer Plants

2.10 **Amendments to IAS 27** – Equity method in separate financial statements

2.11 **Amendments to IFRS 10 and IAS 28 Investment entities** – Applying the consolidation exception

2.12 **Annual improvements to the 2012 – 2014 cycle**

3. ACCOUNTING POLICIES

3.1 Statement of compliance

The financial statements have been prepared in accordance with IFRS, Interpretations issued by the IFRS Interpretations Committee ("IFRIC"), containing the information required by the Companies Act as well as the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

3.2 Basis of preparation

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated

Notes to the **CONSOLIDATED FINANCIAL STATEMENTS** continued

for the year ended 25 September 2016

3. **ACCOUNTING POLICIES** CONTINUED

3.2 **Basis of preparation** continued

using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these annual financial statements is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety. These are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3.3 **Basis of consolidation**

The financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries). Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interest in the net assets of consolidated subsidiaries is identified separately from the Group's interest in equity thereof. Non-controlling interest consists of the amount of those interests at the date of the original business combination and the non-controlling interest's share of changes in equity since the date of the combination. Losses applicable to the non-controlling interest in excess of the non-controlling interest's, interest in the subsidiary's equity are allocated against the interest of the Group except to the extent that the non-controlling interest has a binding obligation and is able to make an additional investment to cover the losses.

3.4 **Revenue**

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue represents the following:

3.4.1 ***Sale of goods***

Revenue from sale of goods is recognised when substantially all the risks and rewards of ownership have been transferred to the buyer and the Group does not retain continuing managerial control of the goods to a degree usually associated with ownership, when the amount of revenue and costs incurred or to be incurred in respect of the sale transactions can be measured reliably, and when it is probable the economic benefits associated with the transaction will flow to the Group.

3.4.2 ***Interest***

Interest revenue is recognised on a time proportion basis that takes into account the effective yield on the investment.

3.4.3 ***Dividends***

Dividend revenue is recognised when the shareholder's right to receive payment is established.

3.5 Interest paid

Interest paid includes interest on loan accounts, bankers' acceptances and bank accounts, which is expensed as incurred.

3.6 Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Rands, which is the functional currency of the Group, and presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items, are included in profit or loss for the year.

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward exchange contracts.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Rands using exchange rates prevailing on the reporting date. Income and expense items (including comparatives) are translated at the average exchange rates for the year, unless exchange rates fluctuated significantly during that year, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's foreign currency translation reserve. Such translation differences are recognised in profit or loss in the year in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3.7 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted by the reporting date.

Deferred taxation is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interest in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be realised.

Deferred taxation is calculated at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled. Deferred taxation is charged or credited in the statement of profit or loss and other comprehensive income, except when it relates to items credited or charged directly to equity, in which case the deferred taxation is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Notes to the **CONSOLIDATED FINANCIAL STATEMENTS** continued

for the year ended 25 September 2016

3. **ACCOUNTING POLICIES** CONTINUED

3.8 Property, plant and equipment

3.8.1 *Capital work in progress*

The cost of property, plant and equipment is recognised as capital work in progress until the plant and equipment have been commissioned. Capital work in progress is not depreciated.

3.8.2 *Other property, plant and equipment*

Other property, plant and equipment are stated at cost less accumulated depreciation. The estimated useful lives, depreciation method and residual values of the assets are reviewed annually with the effect of any changes accounted for on a prospective basis. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets less their residual value as follows:

Buildings, improvements and leasehold improvements	Range from 5 – 50 years
Plant and machinery	Range from 2 – 40 years
Motor vehicles	Range from 4 – 15 years
Office equipment	Range from 3 – 10 years
Furniture and fittings	Range from 3 – 10 years

Land is not depreciated.

The gain or loss on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of profit or loss and other comprehensive income.

3.9 Biological assets

Biological assets comprise livestock (herd of cows) and growing crops (pineapple plantations) which are measured at fair value less estimated point of sale costs.

The fair value of livestock is determined based on market prices of livestock of a similar age, breed and genetic merit.

The fair value of growing crops is determined based on market prices less delivery costs.

3.10 Intangible assets

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives, acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses and at cost less accumulated impairment losses in the case of such assets with indefinite useful lives. Amortisation is charged on a straight-line basis over the assets estimated useful lives. The estimated useful lives and amortisation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

3.11 Goodwill

Goodwill arising on the acquisition of a business represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit *pro rata* on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent year.

3.12 Impairment

At each reporting date, the Group reviews the carrying amount of tangible and intangible assets to determine whether there is an indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Impairment losses are recognised in the statement of profit or loss and other comprehensive income in the year in which they arise.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its fair value in use.

3.13 Inventory

Inventory is stated at the lower of cost or net realisable value. Cost is determined on the following basis:

- Raw materials are valued at cost on a first-in, first-out basis.
- Finished goods and work in progress are valued at average actual cost of production.
- Obsolete and slow moving inventories are identified and written down with regard to their estimated economic and realisable value.

3.14 Provisions

Provisions are recognised in respect of present legal or constructive obligations that can be estimated reliably and for which it is probable that an outflow of economic benefits will result. Where the effect of the discounting is material, provisions are measured at their present value.

A provision for incentives is recognised annually to the extent that contractual targets are met based on current performance and are expected to be met based on expected performance in future years. Payment of incentives is contingent upon certain contractual events, the outcome of which is outside the control of the Group therefore the provision is classified as a current liability.

3.15 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held on call with banks and bankers' acceptances, net of bank overdrafts, all of which are available for use by the Group unless otherwise stated.

3.16 Retirement funding

The Group provides retirement benefits to employees through a defined contribution pension fund and defined contribution provident funds. Contributions to these retirement funds are charged against income as incurred.

Employee benefits

The retirement pay obligation is calculated at least tri-annually by independent actuaries using the projected unit credit method. Under this method, the present value of retirement benefits that have accrued in respect of past service is calculated, allowing for estimated future salary increases, future retrenchments, withdrawals and mortalities. Actuarial gains and losses which arise are recognised through Other Comprehensive Income ("OCI").

3.17 Financial instruments

3.17.1 *Financial assets*

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets consist of loans and receivables.

Notes to the **CONSOLIDATED FINANCIAL STATEMENTS** continued

for the year ended 25 September 2016

3. **ACCOUNTING POLICIES** CONTINUED

3.17 **Financial instruments** continued

3.17.1 ***Financial assets*** *continued*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter year. Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as FVTPL.

Loans and receivables

Trade and other receivables that have fixed or determinable payments that are not quoted on an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For all financial assets evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Certain categories of financial assets, such as trade receivables, that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio beyond the credit term allowed, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Derecognition of financial assets.

The Group derecognise a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3.17.2 ***Financial liabilities and equity instruments***

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Treasury shares

When shares recognised as equity are purchased by group companies in their holding company, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. When treasury shares are sold or re-issued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained income.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

De-recognition of financial liabilities

The Group de-recognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

3.18 Leases

Finance leases are leases that transfer substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

3.19 Government grants

Government grants are recognised when there is reasonable assurance that the company will comply with the conditions attaching to the grant and the grant will be received. Government grants relating to assets are presented in the statement of financial position by deducting the grant arriving at the cost of the relevant asset.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the company recognises as expenses the related costs for which the grants are intended to compensate, therefor the grants are recognised as such the grant is recognised over the useful lives of the related assets.

3.20 Share-based payment transactions

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. The Group revises its estimate of the number of equity instruments expected to vest at the end of each financial year. The impact of the revision of the original estimates is recognised in profit and loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settle employee benefits reserve.

Notes to the **CONSOLIDATED FINANCIAL STATEMENTS** continued

for the year ended 25 September 2016

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, which are described in note 3, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. In management's assessment of impairment, the assumption was made that the Group would continue to make profits for the foreseeable future. No impairment loss has been recognised in the current or prior years.

Valuation of biological assets

Livestock

The value of the livestock is calculated based on an independent valuation obtained from an industry specialist.

Growing crop

Growing crops are measured at their fair value less estimated point-of-sale costs to sell. The fair value of growing crops is determined based on current market prices using a discounted cash-flow model. Changes in fair value are recognised in profit or loss.

Point of sale costs include all costs that would be necessary to sell the assets, including all costs necessary to get the asset to its saleable state and to get it to the market.

Useful lives and residual values of property, plant and equipment

The useful lives and residual values placed on assets were estimated by using management's knowledge and experience of the industry. These are used to calculate the depreciation charge.

Impairment of property, plant and equipment

When any internal or external indicators of impairment are identified, management estimates the recoverable amount of the property, plant and equipment to establish whether any permanent impairment of the asset exists. The recoverable amount is estimated with reference to the lower of fair value less cost to sell and the value in use.

Recoverability of receivables

The recoverability of receivables is assessed by taking into consideration the financial position of the counterparty and past payment history. When assessing the recoverability of receivables, management reviews prior history of losses and any information currently available.

Provision for employee benefits

The prime interest rate is used as the discount rate to discount expected future incentive payments and management's assessment of the probability of future targets being met.

Provision for inventory obsolescence

In determining the provision required for obsolete inventory, management considers the age of the specific inventory item and when it was last used in production or sold. Any specific indicators that inventory is damaged or unsaleable are also taken into account.

Useful life of intangible asset

Trademarks and other intangibles that are acquired through acquisition are capitalised on the statement of financial position. These trademarks and other intangibles are valued on acquisition using a discounted cash-flow methodology and assumptions and estimates regarding future revenue growth; prices; marketing costs; and economic factors. The assumptions reflect management's best estimates, but these estimates involve inherent uncertainties, which may not be controlled by management. The cost of trademarks and other intangibles with a finite life is amortised using a methodology that matches management's estimate of how the benefit of the assets will be extinguished.

Each year the remaining useful lives of the trademarks and other intangibles are re-evaluated. If the estimate of the remaining useful life changes, the remaining carrying value is amortised prospectively over that revised remaining useful life. Indefinite useful lives are allocated to intangible assets if there is no foreseeable limit to the period over which the entity expects to consume the future economic benefits embodied in the intangible asset. In making this assessment management follows the guidance in IAS 38. Indefinite useful life assets are assessed annually for impairment.

The Group has classified its Rhodes and Bull Brand trademarks as having indefinite lives. Trademarks acquired through acquisitions during the current and previous years have been established to have an estimated useful live of ten years. Factors considered include, (i) the history of the trademarks; (ii) current market share; (iii) development strategy; and (iv) expected future benefits to be derived from the assets.

5. PROPERTY, PLANT AND EQUIPMENT

2016	Opening balance R'000	Acquisition of businesses R'000	Additions R'000	Government grant received R'000	Disposals R'000	Impairment R'000	Transfers R'000	Closing balance R'000
COST								
Land	47 772	13 759	–	–	–	–	673	62 204
Buildings and leasehold improvements	343 618	18 592	–	(9 085)	(154)	–	40 005	392 976
Plant and machinery	422 434	45 613	–	(18 177)	(16 973)	(1 129)	159 065	590 833
Motor vehicles	15 012	850	–	–	(6 341)	–	3 743	13 264
Office equipment	29 487	437	–	–	(3 435)	–	15 135	41 624
Furniture and fittings	2 334	2	–	–	(951)	–	1 223	2 608
Capital work in progress	69 570	–	228 553	–	–	–	(219 844)	78 279
	930 227	79 253	228 553	(27 262)	(27 854)	(1 129)	–	1 181 788

	Opening balance R'000	Depreciation R'000	Disposals R'000	Impairment R'000	Transfers R'000	Closing balance R'000
ACCUMULATED DEPRECIATION						
Buildings and leasehold improvements	35 445	17 456	(145)	–	–	52 756
Plant and machinery	92 095	53 514	(14 324)	(875)	–	130 410
Motor vehicles	2 884	2 171	(1 573)	–	–	3 482
Office equipment	13 542	7 878	(1 280)	–	–	20 140
Furniture and fittings	799	430	(871)	–	–	358
	144 765	81 449	(18 193)	(875)	–	207 146
Net book value	785 462					974 642

Notes to the **CONSOLIDATED FINANCIAL STATEMENTS** continued

for the year ended 25 September 2016

5. **PROPERTY, PLANT AND EQUIPMENT** CONTINUED

2015	Opening balance R'000	Acquisition of subsidiaries and businesses R'000	Additions R'000	Disposals R'000	Transfers R'000	Closing balance R'000
COST						
Land	43 902	3 870	–	–	–	47 772
Buildings and leasehold improvements	224 250	49 130	–	(55)	70 293	343 618
Plant and machinery	270 376	77 862	–	(1 319)	75 515	422 434
Motor vehicles	8 365	7 219	–	(1 366)	794	15 012
Office equipment	22 084	832	–	(365)	6 936	29 487
Furniture and fittings	1 869	140	–	(112)	437	2 334
Capital work-in-progress	47 663	–	175 882	–	(153 975)	69 570
	618 509	139 053	175 882	(3 217)	–	930 227

	Opening balance R'000	Depreciation R'000	Disposals R'000	Transfers R'000	Closing balance R'000
ACCUMULATED DEPRECIATION					
Buildings and leasehold improvements	22 552	12 907	(14)	–	35 445
Plant and machinery	56 689	35 968	(562)	–	92 095
Motor vehicles	2 008	1 577	(701)	–	2 884
Office equipment	7 541	6 371	(370)	–	13 542
Furniture and fittings	567	289	(57)	–	799
	89 357	57 112	(1 704)	–	144 765
Net book value	529 152				785 462

The Group leases certain of its manufacturing equipment under finance leases. For additional disclosure regarding the terms of the leases, refer to note 15.

Property, plant and equipment encumbered are as follows:

Rhodes Food Group Proprietary Limited

A first covering mortgage bond for R81.4 million, registered in favour of Nedbank Limited, over:

- Erf 2, Aeroton, 149 Samuels Road, Johannesburg, Gauteng

A first covering mortgage bond for R294.2 million, registered in favour of Nedbank Limited, over:

- Portion 1 of Farm 1631, Paarl, Western Cape
- Portion 4 of Farm 1631, Paarl, Western Cape
- Portion 1 of Farm 1632, Paarl, Western Cape
- Portion 37 of Farm Straatkerk 190, Tulbagh, Western Cape
- Portion 40 of Farm Straatkerk 190, Tulbagh, Western Cape
- Remaining extent of Farm Bellevue 191, Tulbagh, Western Cape
- Portion 1 of Farm Bellevue 191, Tulbagh, Western Cape
- Remaining extent of portion 1 of Farm Groote Vallei 223, Tulbagh, Western Cape

– Remaining extent of portion 5 of Farm Groote Vallei 223, Tulbagh, Western Cape

– Portion 1 of the Farm 378, Tulbagh, Western Cape

– Remaining extent of the Farm 378, Tulbagh, Western Cape

A first covering mortgage bond for R70 million, registered in favour of Nedbank Limited, over:

– Portion 226 of the Farm Luipaardsvlei No. 246, Krugersdorp, Gauteng

A first covering mortgage bond of R20 million, registered in favour of Nedbank Limited, over:

– Erf 2218, Erf 656 and Erf 1379 in Makhado, a township in the Dzanani district, Limpopo

A first covering mortgage bond of R44 million, registered in favour of Nedbank Limited, over:

– Erf 12912 in Wellington

A first covering mortgage bond of R14.3 million, registered in favour of Nedbank Limited, over:

– Erf 2950, Erf 6494 and Erf 10561 in Wellington

A general notarial mortgage bond, for R900 million, registered in favour of Nedbank Limited, over all moveable property, including intellectual property, plant and equipment, biological assets, inventory and receivables.

Swaziland Fruit Canners Proprietary Limited

In favour of Nedbank (Swaziland) Limited:

– A first, second and third mortgage bond for R15 million, R11 million and R25 million respectively over certain of the company's land

– A first mortgage bond of R1.5 million over portion 4 of farm 670 and portion 2 of farm 45

– A deed of hypothecation for R35 million over stocks, accounts receivable, plant and equipment and moveable assets

– A negative deed of pledge over moveable and immovable assets

In favour of Standard Bank (Swaziland) Limited:

– A first mortgage bond of R16 million over portion A of farm number 286 under the deed of transfer number 108 of 1970

Pacmar Proprietary Limited

A general notarial bond for R90 million, registered in favour of Nedbank Limited, over all moveable property, including plant and equipment, inventory and receivables.

Pacmar Properties Proprietary Limited

A first covering mortgage bond for R44 million, registered in favour of Nedbank Limited, over:

– Erf 12912 Wellington

The net book value of all the property, plant and equipment, serving as security, is as follows:

	2016 R'000	2015 R'000
Nedbank Limited	**842 750**	624 372
First National Bank Limited	**1 570**	3 102
Nedbank (Swaziland) Limited	**4 175**	3 743

A register of particulars of the freehold land and buildings is maintained at the company's registered office and is available for inspection.

Notes to the CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 25 September 2016

6. INTANGIBLE ASSETS

2016 **COST**	**Opening balance** **R'000**	**Acquisition of businesses** **R'000**	**Closing balance** **R'000**
Indefinite useful life intangible assets			
Trademarks	**50 951**	**–**	**50 951**
Export quota	**100**	**–**	**100**
Definite useful life intangible assets			
Trademarks	**6 563**	**–**	**6 563**
Customer lists	**23 310**	**5 000**	**28 310**
	80 924	**5 000**	**85 924**

2016 **ACCUMULATED AMORTISATION**	**Opening balance** **R'000**	**Amortisation** **R'000**	**Closing balance** **R'000**
Trademarks	**240**	**656**	**896**
Customer lists	**776**	**2 665**	**3 441**
	1 016	**3 321**	**4 337**
Net book value	**79 908**		**81 587**

2015 **COST**	Opening balance R'000	Additions R'000	Closing balance R'000
Indefinite useful life intangible assets			
Trademarks	**50 951**	**–**	**50 951**
Export quota	**100**	**–**	**100**
Definite useful life intangible assets			
Trademarks	**–**	**6 563**	**6 563**
Customer lists	**–**	**23 310**	**23 310**
	51 051	**29 873**	**80 924**

2015 **ACCUMULATED AMORTISATION**	Opening balance R'000	Amortisation R'000	Closing balance R'000
Trademarks	–	240	240
Customer lists	–	776	776
	–	1 016	1 016
Net book value	51 051		79 908

Management assess the indefinite useful life intangible assets for impairment on an annual basis using cash flow projections based on financial projections. These projections are based on past performance and expected market development. Key assumptions used by management during the current financial year are:

	2016 **%**	2015 %
Growth in revenue	**6.00**	6.00
Fair rate of return	**13.56**	12.46
Additional margin on branded products	**1.00 – 3.00**	0.50 – 3.00

7. GOODWILL

2016	Opening balance R'000	Acquisition of businesses R'000	Disposal R'000	Closing balance R'000
Cost	**271 775**	**15 832**	**–**	**287 607**

2015	Opening balance R'000	Acquisition of subsidiaries and businesses R'000	Disposal R'000	Closing balance R'000
Cost	126 325	145 450	–	271 775

The cash-generating units (CGU's) to which goodwill has been allocated are included in the segments as follows:

	2016 R'000	2015 R'000
Regional segment	**248 996**	233 164
International segment	**38 611**	38 611
	287 607	271 775

The CGU's include the goodwill on acquisition of Rhodes Food Group Proprietary Limited, Bull Brand, Pacmar Proprietary Limited and its subsidiary, and the acquisition of the business assets of Saint Pie Proprietary Limited, Boland Pulp Proprietary Limited and its subsidiary and Alibaba Foods Holdings Proprietary Limited.

The recoverable amounts of the CGUs are determined by calculating the value-in-use. These calculations use pre-taxation cash flow projections based on available management forecasts and a growth rate of 6% for periods beyond the management forecast period. These projections are based on past performance and expected market development. Cash flows are determined for a five-year period. Key assumptions used by management during the current financial year.

	2016 %	2015 %
Growth in revenue	**6.00**	6.00
Fair rate of return/discount rate	**13.56**	12.46

Based on the above assessment no impairment is required to be recognised in the current year (2015: Rnil).

Notes to the CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 25 September 2016

8. BIOLOGICAL ASSETS

	2016 R'000	2015 R'000
Livestock	**8 702**	8 521
Growing crops	**23 371**	22 230
	32 073	30 751
Reconciliation of changes in carrying value of biological assets		
Carrying value at the beginning of the year	**30 751**	28 015
Value of crops harvested	**(18 774)**	(17 190)
Additions	**10 012**	9 133
Gain arising from change in fair value attributable to physical and price changes	**10 084**	10 793
Carrying value at the end of the year	**32 073**	30 751

A general notarial bond is registered over biological assets at Rhodes Food Group Proprietary Limited, as disclosed in Note 5.

Livestock

Method of valuation

The value of the livestock is calculated based on an independent valuation obtained from an industry specialist.

Nature of activities

The Group produces dairy products.

Financial risk management strategies

The Group is exposed to the following risks relating to its agricultural activities:

Regulatory and environmental risks

The Group is subject to laws and regulations in countries in which it operates. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws.

Climate and other risks

Risk includes theft and diseases. Controls in place are property security, identification marks on all livestock, vaccinating and dipping of livestock and sustainable management practices.

Measurement of fair value

The fair values of the livestock has been categorised as level 3 fair values based on the inputs to valuation techniques used. The valuation technique is based on the fair value less estimated point-of-sale costs of which the unobservable inputs consist of premiums on the classification of livestock and premiums for quality depending on the physical attributes of the livestock.

The estimated fair values would increase/(decrease) if:

More/(less) livestock were classified as breeders
Livestock prices increased/(decreased)
Weight and quantity premiums increased/(decreased)

Pineapple plantations

Method of valuation

Growing crops are measured at fair value less estimated point-of-sale costs.

Nature of activities

The Group owns and manages 602 (2015: 602) hectares of pineapples. The Group manages a further 882 (2015: 916) hectares of pineapples on leasehold land. The Group is engaged in the planting, management and harvesting of pineapples, which are supplied to the company's cannery operation which converts fruit to canned products and juice concentrates. A minor quantity of fruit is sold as fresh produce. Fields are managed on a sustainable basis, which comprise a 42-month crop rotation cycle.

Financial risk management strategies

The Group is exposed to the following risks relating to its agricultural activities:

Regulatory and environmental risks

The Group is subject to laws and regulations in countries in which it operates. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws.

Climate and other risks

The Group's pineapple plantations are exposed to the risk of damage from climatic changes, diseases, and other natural forces. The Group follows prudent industry accepted care practices with respect to the use of fertilisers, insecticides and herbicides to control growing diseases and insect infestation. The Group does not insure growing crops.

Measurement of fair value

The fair values of the pineapple plantations has been categorised as level 3 fair values based on the inputs to valuation techniques used. The valuation technique is based on the fair value (which approximates market value) less estimated point-of-sale costs at the point of harvest of which the unobservable inputs consist of estimated volumes (2016: average of 53 987 tonnes delivered for a four-year period, 2015: average of 57 083 tonnes delivered for a four-year period) and estimated pricing (2016: R1 491 per ton delivered, 2015: R1 277 per ton delivered) of pineapples harvested.

The estimated fair values would increase/(decrease) if:
Pineapple volumes increased/(decreased)
Pineapple prices increased/(decreased)
Costs of growing or harvesting (increased)/decreased

The following table shows a reconciliation between the opening balance and closing balance for level 3 valuations:

	2016 R'000	2015 R'000
Carrying value at the beginning of the year	**30 751**	28 015
Value of crops harvested	**(18 774)**	(17 190)
Additions	**10 012**	9 133
Change in fair values	**10 084**	10 793
Fair value	**32 073**	30 751

9. LOAN RECEIVABLE

	2016 R'000	2015 R'000
Current assets		
Constitution Road Wine Growers Proprietary Limited	**3 000**	2 758

The loan to Constitution Road Wine Growers Proprietary Limited is unsecured, bears no interest and is repayable from future fruit harvest revenue from the relevant orchards and rental income received from the leasing of the warehouse erected during the prior financial year of the abovementioned entity.

Notes to the **CONSOLIDATED FINANCIAL STATEMENTS** continued

for the year ended 25 September 2016

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

10.1 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 relating to items not yet shown on the statement of financial position.

2016	**Foreign amount '000**	**Rand value R'000**	**Contract fair value R'000**	**Contract gain/(loss) R'000**
FEC in respect of anticipated receipts from customers				
AUD	**6 780**	**74 820**	**72 057**	**2 763**
CAD	**721**	**8 329**	**7 665**	**664**
USD	**9 765**	**147 508**	**136 105**	**11 403**
GBP	**2 725**	**55 981**	**49 363**	**6 618**
EUR	**390**	**6 632**	**6 155**	**477**
		293 270	**271 345**	**21 925**
2015				
FEC in respect of anticipated receipts from customers				
AUD	1 050	10 048	10 282	(234)
CAD	451	4 531	4 756	(225)
USD	5 070	66 345	71 909	(5 564)
GBP	2 150	43 314	46 103	(2 789)
EUR	815	11 708	12 847	(1 139)
		135 946	145 897	(9 951)

10.2 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

11. INVENTORY

	2016 R'000	2015 R'000
Finished goods	**656 827**	518 007
Work in progress	**24 531**	8 630
Raw materials	**266 130**	171 064
	947 488	697 701
Provision for obsolete stock	**–**	(3 097)
	947 488	694 604

The value of the inventory disclosed at net realisable value is R20 145 065 (2015: R23 848 099) for the Group. Refer to note 5 for detail of encumbrances. Refer to the cost of goods sold per the statements of profit or loss and other comprehensive income where the expenses relating to inventories are recognised.

12. ACCOUNTS RECEIVABLE

	2016 R'000	2015 R'000
Trade receivables	**716 291**	592 779
Less: Allowance for doubtful debt	**–**	(108)
Net trade receivables	**716 291**	592 671
Sundry receivables	**10 115**	636
Prepayments	**19 046**	8 790
Deposits	**1 927**	1 498
Other receivables	**1 999**	483
	749 378	604 078

Refer to note 5 for details of encumbrances.

Trade receivables

The average credit period on sale of goods is 58 days (2015: 58 days) for the Group. No interest is charged on trade receivables with amounts outstanding longer than the credit period.

Of the trade receivables balance at the reporting date, the following amounts are due from the Group's largest customers:

	2016 R'000	2015 R'000
Customer A	**79 094**	62 451
Customer B	**126 878**	80 929
Customer C	**56 072**	64 849
	262 044	208 229

Each, of the above customers, represent more than 10% of the total balance of group trade receivables in either the current or prior year.

Before accepting any new customers, the Group assesses the potential customer's creditworthiness based on information obtained from credit bureaus and sets credit limits accordingly. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Accordingly, the directors believe that an allowance for doubtful debt of Rnil (2015: R107 560) is adequate for the Group. The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected liquidation proceeds.

	2016 R'000	2015 R'000
Movement in allowance for doubtful debts		
Balance at the beginning of the year	**(108)**	–
Doubtful debt allowance reversed	**108**	(108)
Balance at the end of the year	**–**	(108)
Ageing of impaired trade receivables		
60 to 90 days	**–**	–
90 to 120 days	**–**	–
120 days and over	**–**	108
Closing balance	**–**	108

Included in the Group's trade receivables balance are debtors which exceed the allowable credit terms. No allowance has been raised because there was no change in credit quality and the amounts are still considered recoverable.

Notes to the **CONSOLIDATED FINANCIAL STATEMENTS** continued

for the year ended 25 September 2016

12. **ACCOUNTS RECEIVABLE** CONTINUED

	2016 R'000	2015 R'000
Ageing of past due but not impaired		
60 – 90 days	**22 905**	26 001
90 – 120 days	**2 751**	1 531
More than 120 days	**581**	1 310
	26 237	28 842

13. **SHARE CAPITAL**

	2016 R'000	2015 R'000
Authorised		
1 800 000 000 ordinary shares		
9 000 000 "A" redeemable convertible preference shares		
9 000 000 "B" redeemable convertible preference shares		
Issued		
221 000 000 ordinary shares	**713 641**	713 641
937 500 treasury shares held by subsidiary	**(937)**	(937)
9 000 000 "A" redeemable convertible preference shares	**7 500**	7 500
9 000 000 "B" redeemable convertible preference shares	**1**	1
	720 205	720 205
Reconciliation of ordinary and treasury shares in issue:		
Ordinary and treasury shares at the beginning of year	**712 704**	142 500
Shares issued on 1 October 2014	**–**	571 141
Treasury shares held by subsidiary	**–**	(1 250)
Treasury shares held by subsidiary sold	**–**	313
Ordinary and treasury shares at the end of year	**712 704**	712 704

	Number of holders	**Percentage of holders**	**Number of shares**	**Percentage of shares**
Public and non-public shareholding				
Ordinary shares				
Shareholders spread				
Public shareholders	**3 312**	**99.73**	**112 123 943**	**50.73**
Non-public shareholders	**9**	**0.27**	**108 876 057**	**49.27**
Directors of company	**5**	**0.15**	**19 325 215**	**8.74**
Strategic holdings				
Capitalworks Private Equity GP Proprietary Limited[1 2]	**1**	**0.03**	**56 257 176**	**25.46**
South African Investment GP Trust[3]	**2**	**0.06**	**32 168 666**	**14.56**
Treasury shares	**1**	**0.03**	**1 125 000**	**0.51**
	3 321	**100.00**	**221 000 000**	**100.00**

	2016 Number of shares	**2016 % of total shares**	2015 Number of shares	2015 % of total shares
Public and non-public shareholding				
Ordinary shares				
Major shareholders holding 5% or more				
Non-public shareholders				
Capitalworks Private Equity GP Proprietary Limited [1 2]	**56 257 176**	**25.46**	56 257 176	25.46
South African Investment GP Trust [4]	**23 776 726**	**10.76**	23 776 726	10.76
Bruce Henderson Trust	**16 200 000**	**7.33**	16 200 000	7.33
South African Investment GP Trust [5]	**8 391 940**	**3.80**	8 391 940	3.80
Rhodes Food Group Management Trust	**–**	**–**	7 425 000	3.36
Public shareholders				
Government Employees Pension Fund	**36 309 896**	**16.43**	38 015 586	17.20
Old Mutual	**13 990 075**	**6.33**	11 225 770	5.08
Other	**66 074 187**	**29.89**	59 707 802	27.01
	221 000 000	**100.00**	221 000 000	100.00

[1] Includes indirect holdings by non-executive directors Chad Smart and Garth Willis of 1 831 233 and 251 002 shares respectively.

[2] Capitalworks Private Equity GP Proprietary Limited, in its capacity as general partner of Capitalworks Rhodes Food Investment Partnership.

[3] South African Investment GP Trust, in its capacity as general partner of South African Investment Partnership and South African Investment Partnership II.

[4] South African Investment GP Trust, in its capacity as general partner of South African Investment Partnership II.

[5] South African Investment GP Trust, in its capacity as general partner of South African Investment Partnership.

Shareholder spread	No of Shareholdings	%	No of Shares	%
1 -1 000 shares	**1 509**	**45.44**	682.123	0.30
1 001 - 10 000 shares	**1 439**	**43.33**	4 806 859	2.18
10 001 - 100 000 shares	**258**	**7.77**	7 571 169	3.43
100 001 - 1 000 000 shares	**89**	**2.68**	26 950 413	12.19
1 000 001 shares and over	**26**	**0.78**	180 989 436	81.90
	3 321	**100.00**	221 000 000	100.00

Distribution of shareholders	No of Shareholdings	%	No of Shares	%
Banks/brokers	**38**	**1.14**	10 689 839	4.84
Close corporations	**41**	**1.24**	224 028	0.10
Endowment funds	**18**	**0.54**	339 164	0.15
Individuals	**2 688**	**80.94**	13 564 603	6.14
Insurance companies	**29**	**0.87**	10 048 905	4.55
Investment companies	**2**	**0.06**	1 759 588	0.80
Medical schemes	**7**	**0.21**	1 090 170	0.49
Mutual funds	**72**	**2.17**	17 085 416	7.73
Other corporations	**14**	**0.42**	26 797	0.01
Private companies	**79**	**2.38**	1 259 168	0.57
Private equity	**3**	**0.09**	88 425 842	40.01
Public company	**1**	**0.03**	83 000	0.04
Retirement funds	**45**	**1.36**	44 762 087	20.25
Treasury stock	**1**	**0.03**	1 125 000	0.51
Trusts	**283**	**8.52**	30 516 393	13.81
Total	**3 321**	**100.00**	221 000 000	100.00

The shareholders split is derived from third-party information obtained.

	2016 Number of shares	2016 % of total shares	2015 Number of shares	2015 % of total shares
Non-public shareholding				
"A" redeemable convertible preference shares				
Major shareholders				
Capitalworks Rhodes Food Investment Partnership	**5 725 800**	**63.62**	5 725 800	63.62
South African Investment Partnership I	**855 000**	**9.50**	855 000	9.50
South African Investment Partnership II	**2 419 200**	**26.88**	2 419 200	26.88
	9 000 000	**100.00**	9 000 000	100.00
Non-public shareholding				
"B" redeemable convertible preference shares				
Major shareholders				
Costaras Family Trust	**1 999 800**	**22.22**	1 999 800	22.22
Jacian Trust	**1 999 800**	**22.22**	1 999 800	22.22
Lahanja Trust	**1 999 800**	**22.22**	1 999 800	22.22
RK Phillips Trust	**1 800 000**	**20.00**	1 800 000	20.00
Job Mpele	**1 200 600**	**13.34**	1 200 600	13.34
	9 000 000	**100.00**	9 000 000	100.00

Notes to the **CONSOLIDATED FINANCIAL STATEMENTS** continued

for the year ended 25 September 2016

13. **SHARE CAPITAL** CONTINUED

The "A" class redeemable convertible preference shares in issue rank *pari passu* with the ordinary shares in regard to voting rights and distributions. The "B" class redeemable convertible shares do not have any voting rights or rights to distributions.

If certain pre-determined targets are achieved the "B" redeemable convertible preference shares will convert to ordinary shares and an equivalent number of "A" redeemable convertible preference shares will be redeemed at a value of R1.00 per 18 000 shares. To the extent the targets are not achieved the "B" redeemable convertible preference shares will be redeemed at a value of R1.00 per 18 000 shares and an equivalent number of "A" redeemable convertible preference shares will converted to ordinary shares.

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

14. **EQUITY-SETTLED EMPLOYEE BENEFITS**

	2016 R'000	2015 R'000
Equity-settled employee benefits granted	**2 773**	–

The Rhodes Food Group 2015 Share Plan ("the Plan") is a long-term (share-based) incentive scheme for executives and managers of the company and its subsidiaries and was approved by shareholders at the annual general meeting on 11 February 2016.

In December 2015 offers under the Plan were granted to executives and selected managers of the company and its subsidiaries. The offers will vest over a three-year period starting from the 3rd and ending on the 5th anniversaries of the offers. The offers consist of a weighted combination of the following types of equity-settled benefits:

- Allocations of Share Appreciation Rights (equity settled);
- Conditional awards of (full value) Performance Shares; and
- Grants of (full value) Restricted Shares.

Offers of 283 352 Share appreciation rights, 191 471 Performance shares and 88 806 Restricted shares were granted at a fair value of R7.84, R21.32 and R25.48 respectively. The Share appreciation rights exercise price is R24.12. The valuations were derived using the Black Scholes valuation model.

The fair value of offers granted during the year ended 25 September 2016 was estimated on the date of grant using the following assumptions:

Dividend yield (1%)
Expected volatility (25%)
Risk-free interest rate (8.5%)
Expected life of share offers (3 – 5 years)
Weighted average share price R23.70

There has been no movement of options since the commencement of the Plan.

15. **LONG-TERM LOANS**

15.1 Secured long-term loans at amortised cost

	2016 R'000	2015 R'000
Mortgage and term loans	**835 498**	724 294
Liabilities capitalised under finance leases	**4 696**	7 254
Total long-term loans at amortised cost	**840 194**	731 548
Less: current portion	**(152 963)**	(109 775)
Long-term loans	**687 231**	621 773

Refer to note 5 for details of encumbrances.

15.2 Interest rate analysis

Variable linked long-term loans	Range
Mortgage and term loans	SA Prime less 1.75% to SA prime less 1.25% and Swaziland prime less 2.00% to Swaziland prime.
Liabilities capitalised under finance leases	SA Prime to SA prime plus 1.60% and Swaziland prime less 0.50% to Swaziland prime plus 1.00%.

15.3 Finance leases

The Group leases certain of its manufacturing equipment under finance leases. For additional disclosure regarding the terms of the leases, refer to note 15.1. Refer to note 5 for the value of the assets leased under finance leases.

The future lease payments are as follows:

	Future minimum lease payments R'000	Interest R'000	Present value of minimum lease payments R'000
2016			
Less than one year	**3 308**	**304**	**3 004**
Between one and five years	**1 837**	**145**	**1 692**
	5 145	**449**	**4 696**
2015			
Less than one year	4 048	512	3 536
Between one and five years	3 957	239	3 718
	8 005	751	7 254

Notes to the **CONSOLIDATED FINANCIAL STATEMENTS** continued

for the year ended 25 September 2016

16. DEFERRED TAXATION

The major components of the deferred tax balances, together with movements during the year are as follows:

2016	**Opening balance R'000**	**Acquisition of subsidiaries R'000**	**Charge (credit) to profit or loss for the year R'000**	**Closing balance R'000**
Tax effect of:				
Excess tax allowance over depreciation charges for property, plant and equipment	**61 281**	**–**	**15 206**	**76 487**
Excess tax allowances over amortisation of intangible assets	**26 582**	**1 400**	**905**	**28 887**
Estimated tax losses	**(7 432)**	**–**	**6 625**	**(807)**
Deferred capital gains tax on adoption of IFRS deemed cost of land and buildings	**2 261**	**–**	**–**	**2 261**
Provisions not allowable for tax purposes	**(34 296)**	**–**	**(4 872)**	**(39 168)**
Income received in advance	**61**	**–**	**(239)**	**(178)**
Difference between tax and accounting treatment of				
– Biological assets	**8 262**	**–**	**363**	**8 625**
– Pre-payments	**1 361**	**–**	**70**	**1 431**
– Inventory	**4 454**	**–**	**(557)**	**3 897**
– Foreign exchange contracts	**(1 541)**	**–**	**3 857**	**2 316**
	60 993	**1 400**	**21 358**	**83 751**

2015	Opening balance R'000	Acquisition of subsidiaries R'000	Charge (credit) to income for the year R'000	Closing balance R'000
Tax effect of:				
Excess tax allowance over depreciation charges for property, plant and equipment	51 443	7 210	2 628	61 281
Excess tax allowances over amortisation of intangible assets	14 266	8 364	3 952	26 582
Estimated tax losses	(9 559)	(3 649)	5 776	(7 432)
Deferred capital gains tax on adoption of IFRS deemed cost of land and buildings	2 261	–	–	2 261
Provisions not allowable for tax purposes	(28 574)	(2 331)	(3 391)	(34 296)
Income received in advance	–	(99)	160	61
Difference between tax and accounting treatment of				
– Biological assets	7 533	–	729	8 262
– Pre-payments	1 025	1	335	1 361
– Inventory	5 472	–	(1 018)	4 454
– Foreign exchange contracts	(264)	–	(1 277)	(1 541)
	43 603	9 496	7 894	60 993

17. ACCOUNTS PAYABLE AND ACCRUALS

17.1 Accounts payable and accruals

	2016 R'000	2015 R'000
Trade payables	**389 082**	324 027
VAT payable	**5 332**	2 422
Accruals	**137 182**	103 903
	531 596	430 352

The average credit period on purchases is 41 days (2015: 44 days) for the Group. The Group does not pay interest on trade payables within the credit period granted.

The Group has financial risk management policies in place to ensure that all payables are paid within a reasonable time of the credit time frame.

17.2 Employee benefits accrual

The employee benefits accrual comprises the following amounts:

	2016 R'000	2015 R'000
Incentives	**106 170**	98 474
Leave pay	**19 838**	16 453
	126 008	114 927

2016	Opening balance R'000	Acquisition of subsidiaries and businesses R'000	Raised R'000	Utilised R'000	Closing balance R'000
Employee benefits accrual	**114 927**	**2 065**	**81 206**	**(72 190)**	**126 008**
2015					
Employee benefits accrual	99 275	3 907	61 060	(49 315)	114 927

Executive directors and senior managers participate in an annual cash-based short-term incentive scheme. The scheme rewards the achievement targets which are aligned to the Group's financial goals, including profitability, return on net assets as well as non-financial targets. Executive directors participate in a cash-settled long-term share incentive scheme which aims to align executive pay with the creation of long-term shareholder value.

17.3 Employee benefit liability

	2016 R'000	2015 R'000
Total employee benefit liability per statement of financial position:		
Swaziland Fruit Canners Proprietary Limited	**12 097**	7 266
Rhodes Food Group Proprietary Limited	**2 131**	2 501
	14 228	9 767

Swaziland Fruit Canners Proprietary Limited

All employees who terminate service by way of retirement, retrenchment or redundancy, are entitled to an allowance based on the number of years of service and remuneration at the time of termination.

Notes to the **CONSOLIDATED FINANCIAL STATEMENTS** continued

for the year ended 25 September 2016

17. **ACCOUNTS PAYABLE AND ACCRUALS** CONTINUED

17.3 **Employee benefit liability** continued

An actuarial valuation of the liability was performed by Alexander Forbes Financial Services Proprietary Limited in September 2016.

The amount recognised in the statement of financial position is determined as follows:

	2016 R'000	2015 R'000
Liability recorded in the statement of financial position as part of "employee benefit liability"	**12 097**	7 266
Movement in liability		
Balance at the beginning of year	**7 266**	6 346
Raised during the year	**4 651**	1 055
Payments made during the year	**(850)**	(135)
Actuarial loss on defined benefit obligation	**1 030**	–
Balance at the end of year	**12 097**	7 266

The amounts recognised in profit or loss are as follows:

	2016 R'000	2015 R'000
Current service costs	**2 181**	510
Interest cost	**2 470**	545
	4 651	1 055
The amounts recognised in other comprehensive income are as follows:		
Actuarial losses	**1 030**	–

The principal actuarial assumptions used are as follows:

	%	%
Discount rate	**8.80**	8.50
Inflation rate	**6.40**	6.20
Salary increase rate	**7.40**	7.20

Sensitivity analysis on the principal actuarial assumptions is as follows:

A 1% decrease in the discount rate will impact the present value of the liabilities as follows:

	2016	% Change
Total liability	**13 222 000**	9.30

A 1% decrease in the inflation rate will impact the present value of the liabilities as follows:

	2016	% Change
Total liability	**11 114 000**	8.10

Rhodes Food Group Proprietary Limited

Rhodes Food Group Proprietary Limited is obliged to make contributions to the medical aid fund of Bull Brand retirees.

An actuarial valuation was performed by Cadiant Partners Consultants & Actuaries in September 2016 and 2015 respectively.

The amount recognised in the statement of financial position is determined as follows:

	2016 R'000	2015 R'000
Liability recorded in the statement of financial position as part of "employee benefit liability"	**2 131**	2 501
Movement in liability		
Balance at the beginning of year	**2 501**	2 785
Raised during the year	**189**	202
Payments made during the year	**(386)**	(409)
Actuarial gain	**(173)**	(77)
Balance at the end of year	**2 131**	2 501
The amounts recognised in profit or loss are as follows:		
Interest cost	**189**	202
The amounts recognised in other comprehensive income are as follows:		
Actuarial gain	**173**	77

The principal actuarial assumptions used are as follows:

	%	%
Discount rate	**9.00**	8.25
Mortality rate	PA (90) with 2 year adjustment	

A 1% decrease in the discount rate will impact the present value of the liabilities as follows:

	2016	% Change
Total liability	**2 237 000**	5.00
Service and interest cost	**185 000**	5.40

The impact of a change in mortality basis from the current PA (90) with a two-year adjustment to PA (90) with a four-year adjustment is as follows:

	2016	% Change
Total liability	**2 278 000**	6.90
Service and interest cost	**189 000**	7.50

Notes to the **CONSOLIDATED FINANCIAL STATEMENTS** continued

for the year ended 25 September 2016

18. PROFIT BEFORE INTEREST AND TAXATION

Profit before interest and taxation is arrived at after taking the following items into account:

	2016 R'000	2015 R'000
Income		
Unrealised foreign exchange gains	**21 925**	–
Expenses		
Auditors' remuneration	**4 123**	4 150
Audit fee		
– current year: Group auditor	**1 762**	1 761
– current year: component auditors	**860**	972
Other services		
– current year: Group auditor	**1 466**	1 382
– current year: component auditors	**35**	35
Depreciation	**81 449**	57 112
Buildings and leasehold improvements	**17 456**	12 907
Plant and machinery	**53 514**	35 968
Motor vehicles	**2 171**	1 577
Office equipment	**7 878**	6 371
Furniture and fittings	**430**	289
Amortisation of intangible assets	**3 321**	1 016
Impairment loss on property, plant and equipment	**254**	–
Directors' emoluments		
– executive	**22 309**	12 875
– non-executive	**1 962**	1 660
Management fee paid to Capitalworks [1]	**790**	600
Loss on disposal of property, plant and equipment	**2 958**	985
Operating lease charges – paid	**46 471**	28 207
Total staff costs	**637 484**	479 073
– included in cost of goods sold	**252 579**	192 725
– included in operating expenses	**384 905**	286 348
Realised loss on interest rate swap	**–**	765
Unrealised foreign exchange loss	**–**	10 095

Included within sales is the notional interest imputed on terms with customers other than for cash. This is considered part of sales with terms which are deemed normal credit terms and hence not included in the financing income line in the Statement of profit or loss and other comprehensive Income.

Notional interest on customer not on cash terms reflected in sales	**68 467**	5 255

[1] Management fees paid to Capitalworks include the remuneration paid for services rendered as directors by CL Smart and GJH Willis.

19. REMUNERATION PAID TO DIRECTORS AND PRESCRIBED OFFICERS

	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Executive directors	**BAS Henderson** *Chief executive officer*		**CC Schoombie** *Chief financial officer*	
Fees for services as director				
Basic salary	**3 221**	2 692	**2 163**	1 881
Incentive payments	**9 538**	1 360	**5 694**	5 454
Travel allowance	**331**	331	**161**	161
Contributions under medical scheme	**120**	110	**–**	–
Contributions under pension scheme	**493**	412	**331**	288
Contributions under disability and funeral scheme	**159**	66	**98**	90
	13 862	4 971	**8 447**	7 874
Shareholding	**Bruce Henderson Trust**		**Jacian Trust**	
Number of ordinary shares held	**16 200 000**	16 200 000	**3 001 050**	3 001 050
Value of ordinary shares held (R'000)	**448 740**	351 540	**83 129**	65 123
Number of "B" redeemable convertible preference shares	**–**	–	**1 999 800**	1 999 800
Share options	**57 317**	–	**30 652**	–
Value of share options	**1 382 486**	–	**739 326**	–

The directors have beneficial interest in family trusts. During the 2013 financial year these family trusts acquired shares in Rhodes Food Group Holdings Proprietary Limited. A total of 14 223 ordinary shares and 1 111 preference shares, for R21 334 500 and R111 respectively, were acquired indirectly by the directors as described above. CC Schoombie obtained financial assistance of R1 166 666 in total, from Rhodes Food Group Proprietary Limited, for these acquisitions, which was repaid during the prior financial year.

The remuneration of BAS Henderson and CC Schoombie is paid by Rhodes Food Group Proprietary Limited for services rendered to the Group. There are no service contracts with directors of the Group with a notice period of greater than one year and with compensation on termination of greater than one year's salary.

Independent non-executive directors **Fees for services as director**	2016 R'000	2015 R'000
Dr YG Muthien	**600**	400
MR Bower	**466**	420
TP Leeuw	**447**	420
LA Makenete	**449**	420
	1 962	1 660

Independent non-executive directors **Number of direct ordinary shares held**	2016 R'000	2015 R'000
Dr YG Muthien	**29 166**	29 166
LA Makenete	**8 333**	8 333
MR Bower	**86 666**	41 666
TP Leeuw	**–**	29 166
	124 165	108 331

Notes to the **CONSOLIDATED FINANCIAL STATEMENTS** continued

for the year ended 25 September 2016

19. REMUNERATION PAID TO DIRECTORS AND PRESCRIBED OFFICERS CONTINUED

	2016	2015	2016	2015
Non-executive directors	**CL Smart**		**GJH Willis**	
Beneficial shareholding				
Number of indirect ordinary shares held	**1 831 233**	1 831 233	**251 002**	251 002
Value of indirect ordinary shares held (R'000)	**50 725**	39 738	**6 953**	5 447
Number of indirect "A" redeemable convertible preference shares	**186 401**	186 401	**25 549**	25 549
Value of indirect "A" redeemable convertible preference shares (R'000)	**155**	155	**21**	21

There were no change in the shareholdings by the directors as at 25 September 2016 until the date of the approval of these annual financial statements.

20. INTEREST PAID

	2016 R'000	2015 R'000
Bank overdraft	**20 802**	9 650
Long-term loans	**67 981**	37 350
Other short-term loans	**283**	256
	89 066	47 256

21. TAXATION

	2016 R'000	2015 R'000
Taxation: South Africa		
Current taxation		
– current year	**79 715**	61 959
– prior year under provision	**1 366**	917
Deferred taxation		
– current year	**12 532**	6 214
Taxation: Swaziland		
Current taxation		
– current year	**11 916**	1 581
Deferred taxation		
– current year	**9 061**	1 702
	114 590	72 373
Deferred taxation recognised through other comprehensive income – remeasurement of defined benefit liability	**(235)**	(22)

	%	%
Tax rate reconciliation		
Standard rate	**28.00**	28.00
Non-deductible expenses	**0.37**	3.53
Legal and professional fees	**0.12**	0.29
Acquisition costs	**0.22**	0.72
Penalties & Interest	**0.03**	–
Listing fees	**–**	2.52
Prior year under provision	**0.34**	0.38
Other reconciling items	**(0.36)**	(1.96)
Learnership allowance	**(0.02)**	(0.10)
Tax rate differences	**0.14**	–
Other non-recurring reconciling items	**(0.48)**	(1.86)
Deferred tax previously not recognised	**–**	(1.42)
Assessed loss credit utilised against taxable income	**–**	1.34
Effective tax rate	**28.34**	29.87

22. HEADLINE EARNINGS PER SHARE

22.1 Headline earnings per share

Reconciliation between profit attributable to owners of the parent and headline earnings:

	2016 R'000	2015 R'000
Profit attributable to owners of the parent	**287 398**	169 728
Adjustments to profit attributable to owners of the parent	**2 313**	709
Loss on disposal of property, plant and equipment	**2 958**	985
Impairment of property, plant and equipment	**254**	–
Taxation effect	**(899)**	(276)
Headline earnings	**289 711**	170 437
Headline earnings per share (cents)	**131.8**	77.4

22.2 Diluted headline earnings per share

Headline earnings	**289 711**	170 437
Diluted headline earnings per share (cents)	**126.5**	74.4

22.3 Weighted average number of shares in issue

Weighted average number of shares in issue	**221 000 000**	171 000 000
Ordinary shares issued	**–**	50 000 000
Treasury shares	**(1 125 000)**	(937 500)
Weighted average number of shares in issue	**219 875 000**	220 062 500
Effect of convertible preference shares	**9 000 000**	9 000 000
Effect of share offers	**92 414**	–
Weighted average number of dilutive shares in issue	**228 967 414**	229 062 500

Notes to the **CONSOLIDATED FINANCIAL STATEMENTS** continued

for the year ended 25 September 2016

23. COMMITMENTS FOR CAPITAL EXPENDITURE

The following capital expenditure commitments have been made by the Group:

	2016 R'000	2015 R'000
Approved but not yet contracted	**8 681**	12 820
Contracted for	**170 626**	45 729

Capital expenditure will be funded from existing cash resources and relevant external financing.

24. CONTINGENT LIABILITIES

The Group has entered into guarantees with the South African Revenue Services, relating to import and export activities and various municipalities, relating to operational activities. The outcome of these has not been determined. These guarantees relate to the following:

	2016 R'000	2015 R'000
Import and operational activities	**5 872**	4 733

Other:

R75 million suretyship for Rhodes Food Group Proprietary Limited banking facilities with Nedbank Limited, issued by Swaziland Fruit Canners Proprietary Limited.

Unlimited suretyship for Rhodes Food Group Proprietary Limited banking facilities with Nedbank Limited, issued by Swaziland Fruit Canners Proprietary Limited.

R75 million suretyship for Swaziland Fruit Canners Proprietary Limited banking facility with Nedbank (Swaziland) Limited issued by Rhodes Food Group Proprietary Limited.

Cession of all amounts owing to Rhodes Food Group Proprietary Limited by Swaziland Fruit Canners Proprietary Limited and Rhodes Foods Swaziland Proprietary Limited in favour of Nedbank Limited.

Unlimited suretyship including cession of loan funds for Swaziland Fruit Canners Proprietary Limited banking facility with Nedbank (Swaziland) Limited issued by Rhodes Foods Swaziland Proprietary Limited.

Suretyship of R90 million for Rhodes Food Group Proprietary Limited banking facilities with Nedbank Limited, issued by Pacmar Proprietary Limited.

Suretyship of R44 million for Rhodes Food Group Proprietary Limited banking facilities with Nedbank Limited, issued by Pacmar Properties Proprietary Limited.

25. OPERATING LEASE COMMITMENTS

2016	**Plant and machinery R'000**	**Office equipment R'000**	**Motor vehicle R'000**	**Land R'000**
Due within one year	**2 161**	**127**	**818**	**2 367**
Due within two to five years	**853**	**–**	**1 281**	**5 254**
Due after five years	**–**	**–**	**495**	**47**
	3 014	**127**	**2 594**	**7 668**
2015				
Due within one year	4 581	442	933	2 184
Due within two to five years	6 129	231	1 852	4 057
Due after five years	–	–	742	141
	10 710	673	3 527	6 382

26. RETIREMENT BENEFITS

Rhodes Food Group Proprietary Limited provides retirement benefits to its permanent employees through a defined contribution pension fund and defined contribution provident funds. The pension fund is administered by Alexander Forbes. The Sunpie Foods Provident Fund is administered by Liberty Life, the SACCAWU National Provident Fund is administered by Old Mutual and the Rhodes Food Group Proprietary Limited provident fund is administered by NBC Consultants. The retirement benefit plans are governed by the Pension Funds Act 1956 (Act 24 of 1956). All of the funds are defined contribution plans; accordingly there is no requirement to have the funds actuarially valued.

Swaziland Fruit Canners Proprietary Limited provides retirement benefits to its permanent employees through a defined contribution provident fund. The SIBAYA Provident Fund is administered by Swaziland Employee Benefit Consultants Proprietary Limited.

The total value of the contributions paid by the Group to the pension fund during the year was R23 913 483 (2015: R15 136 004).

The total value of contributions paid by the Group to the provident funds during the year was R9 102 602 (2015: R8 048 953).

The Group has 912 (2015: 483) employees who contribute to the pension fund, and 1 469 (2015: 1 279) employees who contribute to the provident funds.

27. FINANCIAL INSTRUMENTS

Financial instruments consist of loans, trade and other receivables, bank balances and trade and other payables resulting from normal business activities.

27.1 Capital risk management

The capital structure of the Group consists of debt and equity, comprising ordinary share capital, accumulated profit and long-term liabilities.

The Group manages its capital to ensure that it will be able to continue as a going concern. The Group's overall strategy has remained unchanged from the previous financial year.

27.2 Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the financial statements.

27.3 Financial risk management objective

The Group seeks to minimise the effects of fair value interest rate risk and price risk through active management processes. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

27.4 Foreign currency risk

The Group has transactional currency exposure arising from the purchase and sale of goods that are denominated in foreign currencies. The currencies in which the Group primarily deals are US Dollars, Great British Pounds, Euros, Canadian Dollars, New-Zealand Dollar and Australian Dollars. The settlement of these transactions takes place within a normal business cycle. The risk of fluctuations in foreign currencies is hedged by way of taking out forward exchange contracts for sales transactions denominated in foreign currencies. The market value of cash flow hedges at the reporting date is disclosed in note 11. Purchase transactions that create foreign currency cash flows are not hedged. Details of uncovered foreign currency denominated amounts are included in note 31.

Notes to the **CONSOLIDATED FINANCIAL STATEMENTS** continued

for the year ended 25 September 2016

27. **FINANCIAL INSTRUMENTS** CONTINUED

27.5 Credit risk management

Potential concentrations of credit risk consist principally of trade receivables, short-term cash investments and loans.

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties. All changes to credit limits are reviewed and authorised by management. Allowance for doubtful debts are raised based on the customer's cash status, long-outstanding debts and customers in liquidation, and are assessed by the directors on an ongoing basis. Short-term cash investments are placed with banks with a high credit rating. Loans are monitored and provision is made, where necessary, for any irrecoverable amounts. At the reporting date the directors deemed there not to be any significant credit risk, not provided for.

27.6 Liquidity and interest risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements.

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the reporting date. For floating rate assets and liabilities, the analysis is prepared assuming the amount of asset or liability outstanding at the reporting date was outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonable possible change in interest rates.

If interest rates had been 100 basis points higher or lower and all other variables were held constant, the Group's profit for the year would decrease or increase by R11 006 873 (2015: R8 060 426). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Liquidity and interest risk tables

The Group's exposure to interest rate risk and the effective rates on the financial instruments at the reporting date are as follows:

2016	Interest rate %	Year 1 R'000	Year 1 – 5 R'000	Over 5 years R'000	Total R'000
Assets					
Accounts receivable	Interest-free	730 332	–	–	730 332
Loan receivable	Interest-free	3 000	–	–	3 000
Bank balances and cash on hand	Variable	7 029	–	–	7 029
Foreign exchange contract asset	Interest-free	21 925	–	–	21 925
		762 286	–	–	762 286
2016					
Liabilities					
Accounts payable	Interest-free	526 264	–	–	526 264
Loans from financial institutions	Variable	218 508	699 852	117 581	1 035 941
Finance lease liability	Variable	3 308	1 837	–	5 145
Bank overdraft	Variable	196 652	–	–	196 652
		944 732	701 689	117 581	1 764 002

2015	Interest rate %	Year 1 R'000	Year 1 – 5 R'000	Over 5 years R'000	Total R'000
Assets					
Accounts receivable	Interest-free	595 288	–	–	595 288
Loan receivable	Interest-free	2 758	–	–	2 758
Bank balances and cash on hand	Variable	8 627	–	–	8 627
		606 673	–	–	606 673
2015					
Liabilities					
Accounts payable	Interest-free	427 930	–	–	427 930
Loans from financial institutions	Variable	160 356	623 810	153 207	937 373
Finance lease liability	Variable	4 048	3 957	–	8 005
Bank overdraft	Variable	72 448	–	–	72 448
Foreign exchange contract liability	Interest-free	9 951	–	–	9 951
		674 733	627 767	153 207	1 455 707

27.7 Fair value of financial instruments

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

27.8 Biological asset financial risk management

The Group does not hedge their exposure to changes in fair value of biological assets.

28. STATEMENT OF CASH FLOWS

28.1 Cash generated from operations

	2016 R'000	2015 R'000
Reconciliation of profit before taxation to cash generated from operations		
Profit before taxation	**404 425**	242 151
Adjusted for:		
Depreciation	**81 449**	57 112
Amortisation	**3 321**	1 016
Net interest paid	**89 053**	47 222
Loss on disposal of property, plant and equipment	**2 958**	985
Impairment of property, plant and equipment	**254**	–
Net movement in biological assets[1]	**(1 322)**	(2 736)
Employee benefit liability	**3 604**	713
Operating cash flows before working capital changes	**583 742**	346 463
Working capital changes	**(290 977)**	(126 164)
Increase in inventory	**(227 744)**	(39 546)
Increase in accounts receivable	**(140 019)**	(154 041)
Increase in accounts payable and accruals	**108 662**	59 648
Movement in foreign exchange contract liability	**(31 876)**	7 775
Cash generated from operations	**292 765**	220 299

[1] *Refer to note 8 for a breakdown of the net movement in biological assets.*

Notes to the **CONSOLIDATED FINANCIAL STATEMENTS** continued

for the year ended 25 September 2016

28. **STATEMENT OF CASH FLOWS** CONTINUED

	2016 R'000	2015 R'000
28.2 Taxation paid		
Amount outstanding at the beginning of the year	**29 820**	29 684
Current taxation charged per the statement of profit or loss	**92 997**	64 457
Amount outstanding at the end of the year	**(58 918)**	(29 820)
	63 899	64 321
28.3 Cash and cash equivalents		
Cash and cash equivalents comprise the following amounts recorded in the statement of financial position:		
Bank balances and cash on hand	**7 029**	8 627
Bank overdraft	**(196 652)**	(72 448)
Bank balances and cash on hand at the end of the year	**(189 623)**	(63 821)

2016

28.4 Acquisition of businesses

Deemster Proprietary Limited

On 1 October 2015 the Group acquired the business assets of Deemster Proprietary Limited. Deemster conducts a canning and bottling business in Bethlehem in the Free State. Its products include canned vegetables and bottled salads and pickles such as beetroot and gherkins and as such offers the opportunity for the Group to enter into these new categories. It primarily co-packs products for third party brands and produces private label products for most South African retail companies. The board is of the opinion that the acquisition presents an attractive investment opportunity which is aligned with the Group's strategy to grow through value accretive acquisitions.

Included in the profit for the period is a profit of R4 609 326 attributable to the Deemster operations. Revenue for the period includes R63 740 516 in respect of this acquisition.

	1 October 2015 R'000
Assets acquired	
Property, plant and equipment	**10 000**
Inventory	**15 020**
Fair value of assets acquired	**25 020**
Employee liabilities	**(419)**
Purchase price – settled in cash	**(24 601)**
Goodwill	**–**

General Mills Proprietary Limited

The Group acquired the Foodservice Operations business assets of General Mills South Africa Proprietary Limited with effect from 30 November 2015. General Mills manufactures dry and frozen bakery products from its operations in Johannesburg. The board is of the opinion that the acquisition presents an attractive investment opportunity which is aligned with the Group's strategy to grow through value accretive acquisitions.

Included in the profit for the period is R4 698 467 attributable to the additional business generated by General Mills. Revenue for the period includes R49 939 163 in respect of this acquisition. The Group is unable to quantify the revenue and profit or loss as if the business was acquired at the beginning of the financial year due to insufficient information available.

	30 November 2015 R'000
Assets acquired	
Property, plant and equipment	**49 253**
Inventory	**8 628**
Fair value of assets and liabilities acquired	**57 881**
Employee liabilities	**(1 372)**
Purchase price – settled in cash	**(56 509)**
Goodwill	**–**

Alibaba Foods Holdings Proprietary Limited

On 1 February 2016 the Group acquired the business assets and liabilities of Alibaba Foods Holdings Proprietary Limited, for a total cash consideration of R42 million. Alibaba, based in Athlone, Cape Town, manufactures a range of halaal Eastern food products. The board is of the opinion that the acquisition presents an attractive investment opportunity which is aligned with the Group's strategy to grow through value accretive acquisitions.

The goodwill recognised anticipates the expected future revenues to be derived from expanding the Group's existing bakery and snacking operations and thereby strengthening the Group's position in those categories, particularly in the convenience channel.

Included in the profit for the period is a profit of R1 633 878 attributable to the Alibaba operations. Revenue for the period includes R30 460 103 in respect of this acquisition. The Group is unable to quantify the revenue and profit or loss as if the business was acquired at the beginning of the financial year due to insufficient information available.

	1 February 2016 R'000
Assets and liability acquired	
Property, plant and equipment	**20 000**
Intangible assets	**5 000**
Inventory	**1 492**
Accounts receivable	**5 281**
Accounts payable and accruals	**(3 931)**
Employee benefit accrual	**(274)**
Deferred taxation liability	**(1 400)**
Fair value of assets and liability acquired	**26 168**
Purchase price – settled in cash	**(42 000)**
Goodwill	**(15 832)**

2015

28.5 Acquisition of subsidiary

On 1 April 2015 the Group acquired 100% of the shares in Pacmar Proprietary Limited, which holds 100% of Pacmar Properties Proprietary Limited, for a total cash consideration of R165 000 000. The board is of the opinion that the acquisition presents an attractive investment opportunity which is aligned with the Group's strategy of expanding its business through lateral extensions into product categories adjacent to its current product ranges. The Group, with its two fruit plants situated in the Western Cape and Swaziland, respectively, produces an extensive range of fruit purees and juice concentrates which it sells to the international beverage industry. The acquisition offers a significant opportunity to add further value to these products. The board is of the view that good synergies will arise from the acquisition and that Rhodes Food Group is well placed to add value to the Pacmar business.

The Group is unable to quantify the amounts of revenue and profit or loss since the acquisition date as well the revenue and profit or loss as if the business was acquired at the beginning of the financial year, because this is impracticable due to business restructure and integration.

Notes to the **CONSOLIDATED FINANCIAL STATEMENTS** continued

for the year ended 25 September 2016

28. STATEMENT OF CASH FLOWS CONTINUED

28.5 Acquisition of subsidiary continued

	1 April 2015 R'000
Assets and liabilities acquired	
Property, plant and equipment	68 826
Intangible assets	15 520
Inventory	46 976
Accounts receivable	57 603
Bank balance and cash on hand	272
Liabilities	(17 953)
Deferred taxation liability	(5 477)
Accounts payable and accruals	(51 565)
Bank overdraft	(43 672)
Fair value of assets and liabilities acquired	70 530
Purchase price	(165 000)
Goodwill	(94 470)

28.6 Acquisition of businesses

Saint Pie Proprietary Limited

On 1 June 2015 the Group acquired the business assets of Saint Pie Proprietary Limited. The board is of the opinion that the acquisition presents an attractive investment opportunity which is aligned with the Group's strategy of expanding its business operations through acquisitions. The Group has a Pies and Pastries facility based in Aeroton, Gauteng, which produces a range of pastry products under its Magpie brand. In addition to its Magpie range, the Group produces pies and pastries under private label for Woolworths and Corner Bakery. The acquisition will enable the Group to extend its pie business operations by adding this additional well established pie brand. The acquisition will also result in a customer and geographic diversification. The board is of the view that good synergies will arise from the acquisition.

The Group is unable to quantify the amounts of revenue and profit or loss since the acquisition date as well the revenue and profit or loss as if the business was acquired at the beginning of the financial year, because this is impracticable due to business restructure and integration.

	1 June 2015 R'000
Assets acquired	
Property, plant and equipment	6 917
Inventory	1 450
Accounts receivable	2 145
Deposits	260
Bank balance and cash on hand	11
Fair value of assets acquired	10 783
Purchase price	(25 907)
Goodwill	(15 124)

Boland Pulp Proprietary Limited and Boland Pulp Property Holdings Proprietary Limited

On 3 August 2015 the Group acquired the business assets and liability of Boland Pulp Proprietary Limited and Boland Pulp Property Holdings Proprietary Limited. The board is of the opinion that the acquisitions present an attractive investment opportunity which is aligned with the Group's strategy of expanding its business by means of vertical integration and lateral extension into product categories complementary to its current product ranges.

The Group is unable to quantify the amounts of revenue and profit or loss since the acquisition date as well the revenue and profit or loss as if the business was acquired at the beginning of the financial year, because this is impracticable due to business restructure and integration.

	3 August 2015 R'000
Assets and liability acquired	
Property, plant and equipment	63 310
Intangible assets	14 353
Inventory	64 000
Deferred taxation liability	(4 019)
Fair value of assets and liability acquired	137 644
Purchase price	(173 500)
Goodwill	(35 856)

28.7 Net cash outflow on acquisition of subsidiary and businesses

	2016 **R'000**	2015 R'000
Consideration paid in cash	**123 110**	364 407
Net cash and bank overdrafts acquired	**–**	43 389
	123 110	407 796

29. RELATED PARTY TRANSACTIONS

The Group in the ordinary course of business, enters into various transactions with related parties.

2016

- Peaty Mills Plc is a related party as N Peaty, a director of a subsidiary, is also a director of Peaty Mills Plc. R Phillips, an executive director of Rhodes Food Group Proprietary Limited is also a director of Peaty Mills Plc.
- Rhodes Food Group Proprietary Limited is a related party as it is a 100% held subsidiary of the company.
- Swaziland Fruit Canners Proprietary Limited is a related party as Rhodes Food Group Proprietary Limited owns 95.3% of the shares in the entity.
- Rhodes Foods Swaziland Proprietary Limited is a related party as Rhodes Food Group Proprietary Limited owns 100% of the shares in the entity.
- Capitalworks Rhodes Food Investment Partnership is a related party as it is a shareholder of the company.
- South African Investment Partnership is a related party as it is a shareholder of Rhodes Food Group Holdings Limited.
- South African Investment Partnership II is a related party as it is a shareholder of Rhodes Food Group Holdings Limited.
- Pacmar Proprietary Limited is a related party as Rhodes Food Group Proprietary Limited owns 100% of the shares in the entity.
- Pacmar Properties Proprietary Limited is a related party as Rhodes Food Group Proprietary Limited (2015: Pacmar Proprietary Limited) owns 100% of the shares in the entity.

Notes to the **CONSOLIDATED FINANCIAL STATEMENTS** continued

for the year ended 25 September 2016

29. **RELATED PARTY TRANSACTIONS** CONTINUED

During the year the Group entered into the following transactions with the related parties:

	2016 **R'000**	2015 R'000
Income		
Peaty Mills Plc		
Sales	**269 020**	255 725
Expenses		
Capitalworks Rhodes Food Investment Partnership		
Management fee	**790**	600
At the reporting date the following amounts were receivable from related parties		
Included in trade receivables		
Peaty Mills Plc	**52 638**	58 687
The amounts will be settled in cash. No amount was provided for bad or doubtful debts owing by related parties during the year.		
Compensation of key management personnel		
Total benefits	**53 951**	39 407

30. **SUBSIDIARIES**

	2016	2015
Direct subsidiaries		
Old Rhodes Food Group Holdings Proprietary Limited		
Incorporated in South Africa (dormant company).		
Issued share capital	**1**	1
Percentage holding	**100%**	100%
	R'000	R'000
The Group's interest in shares	**–**	–
Indebtedness	**–**	–
Subsidiary's profit for the year	**–**	–
Rhodes Food Group Proprietary Limited		
Incorporated in South Africa (manufactures and markets convenience foods).		
Issued share capital	**100 000**	100 000
Percentage holding	**100%**	100%
	R'000	R'000
The Group's interest in shares	**132 000**	132 000
Indebtedness	**506 798**	570 171
Subsidiary's profit for the year	**130 287**	187 059

	2016	2015
Indirect subsidiaries		
Tradecor SA Proprietary Limited		
Incorporated in South Africa (dormant company).		
Issued share capital	**100**	100
Percentage holding	**100%**	100%
	R'000	R'000
The Group's interest in shares	**–**	–
Indebtedness	**–**	–
Subsidiary's profit for the year	**–**	–
	2016	2015
Swaziland Fruit Canners Proprietary Limited		
Incorporated in the Kingdom of Swaziland (manufactures and markets processed fruit).		
Issued share capital	**12 677 377**	12 677 377
Percentage holding	**95.3%**	95.3%
	R'000	R'000
The Group's interest in shares	**80 226**	80 226
Indebtedness	**–**	–
Subsidiary's profit for the year	**52 142**	4 211
Rhodes Foods Swaziland Proprietary Limited		
Incorporated in Kingdom of Swaziland (manufactures and markets processed fruit).		
Issued share capital	**1 000**	1 000
Percentage holding	**100%**	100%
	R'000	R'000
The Group's interest in shares	**25 000**	25 000
Indebtedness	**–**	–
Subsidiary's profit for the year	**7 856**	14 255
Pacmar Proprietary Limited		
Incorporated in South Africa (manufactures and markets fruit juices).		
Issued share capital	**1**	71 488 836
Percentage holding	**100%**	100%
	R'000	R'000
The Group's interest in shares	**–**	165 000
Indebtedness	**–**	–
Subsidiary's profit for the year	**25 502**	21 271
Pacmar Properties Proprietary Limited		
Incorporated in South Africa (rental of investment property).		
Issued share capital	**24 079 093**	24 079 093
Percentage holding	**100%**	100%
	R'000	R'000
The Group's interest in shares	**24 079**	24 079
Indebtedness	**–**	–
Subsidiary's profit for the year	**3 039**	9 534

Notes to the **CONSOLIDATED FINANCIAL STATEMENTS** continued

for the year ended 25 September 2016

30. **SUBSIDIARIES** CONTINUED

	2016	2015
Old Rhodes Food Group Proprietary Limited		
Incorporated in South Africa (dormant company).		
Issued share capital	**100**	100
Percentage holding	**100%**	100%
	R'000	R'000
The Group's interest in shares	**–**	–
Indebtedness	**–**	–
Subsidiary's profit for the year	**–**	–

31. **FOREIGN CURRENCY EXPOSURE**

The following unhedged and uncovered foreign currency denominated liabilities, included in accounts payable, were in existence at the reporting date.

Foreign currency 2016	**Foreign currency amount '000**	**Exchange rate**	**Rand amount R'000**
USD	**1 007**	**13.72**	**13 818**
GBP	**88**	**17.80**	**1 560**
EUR	**286**	**15.41**	**4 404**
AUD	**1 142**	**10.47**	**11 950**
CAD	**1**	**10.42**	**8**
NZD	**24**	**9.95**	**241**
			31 981
2015			
USD	**1 272**	13.92	17 710
GBP	**47**	21.14	987
EUR	**8**	15.59	132
AUD	**182**	9.78	1 778
CAD	**24**	8.89	215
			20 822

The following unhedged and uncovered foreign currency denominated assets, included in accounts receivable, were in existence at the reporting date.

Foreign currency 2016	Foreign currency amount '000	Exchange rate	Rand amount R'000
USD	**7 775**	**13.72**	**106 710**
GBP	**1 233**	**17.80**	**21 952**
EUR	**1 702**	**15.41**	**26 229**
AUD	**4 399**	**10.47**	**46 052**
CAD	**455**	**10.42**	**4 739**
			205 682
2015			
USD	7 420	13.92	103 321
GBP	1 626	21.14	34 362
EUR	1 499	15.59	23 375
AUD	2 001	9.78	19 568
CAD	771	10.44	8 047
			188 673

The following unhedged and uncovered foreign currency denominated bank overdrafts and (cash and cash equivalents) were in existence at the end of the year.

Foreign currency 2016	Foreign currency amount '000	Exchange rate	Rand amount R'000
USD	**1 209**	**13.72**	**16 590**
GBP	**(45)**	**17.80**	**(802)**
EUR	**43**	**15.41**	**667**
AUD	**292**	**10.47**	**3 059**
			19 514
2015			
USD	606	13.92	8 437
GBP	(50)	21.14	(1 058)
EUR	61	15.59	955
AUD	32	9.78	313
CAD	(58)	10.44	(602)
			8 045

Notes to the **CONSOLIDATED FINANCIAL STATEMENTS** continued

for the year ended 25 September 2016

31. **FOREIGN CURRENCY EXPOSURE** CONTINUED

The following table details the Group's sensitivity to a 10% increase and decrease in the Rand against foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the reporting date for a 10% change in foreign currency exchange rates. A negative number below indicates a decrease in profit before taxation where the Rand strengthens 10% against the relevant currencies.

	2016 R'000	2015 R'000
USD	**7 630**	7 717
GBP	**2 119**	3 443
EUR	**2 116**	2 229
AUD	**3 104**	1 748
CAD	**473**	865
NZD	**(24)**	(22)
	15 418	15 980

32. **DIVIDENDS**

On 25 January 2016, a dividend of 24.8 cents per share (total dividend R57 040 000) was paid. The company did not pay any dividends during the year ended 27 September 2015.

33. **EVENTS SUBSEQUENT TO REPORTING DATE**

The Group entered into the following sale and purchase agreements:

- to purchase the share equity and claims of Pakco Proprietary Limited subject to conditions precedent for R200 million effective from 1 January 2017;
- to purchase the share equity and loan claims of Ma Baker Express Proprietary Limited, Ma Baker Foods Proprietary Limited, Ma Baker Properties (Pinetown) Proprietary Limited, Ma Baker Properties (Pietermaritzburg) Proprietary Limited and Ma Baker Pies Proprietary Limited (collectively the "Ma Baker Companies") subject to conditions precedent for R212 million effective from five business days after the date of fulfilment or waiver of the conditions precedent.

The board of directors is of the opinion that the acquisitions present attractive investment opportunities which are aligned with the Group's strategy to grow through value accretive acquisitions.

The acquisition date accounting has not been established on the date of the approval of the financial statements for the abovementioned acquisitions, due to the valuation of the assets having been finalised.

The board of directors has declared a gross cash dividend of 42.2 cents per share (2015: 24.8 cents) in respect of the year ended 25 September 2016.

The board of directors is not aware of any other matter or circumstance of a material nature arising since the end of the financial year, otherwise not dealt with in the financial statements, which significantly affects the financial position of the Group or the results of its operations.

34. **FINANCIAL YEAR-END**

The Group's financial year ends in September which reflects 52 weeks of trading and as a result the reporting date may differ year-on-year. References to "financial year" are to the 52 weeks ended on or about 30 September. As a result the financial statements were prepared for the year ended 25 September (2015: 27 September).