

RHODES
FOOD GROUP



**PRELIMINARY
SUMMARISED ANNUAL RESULTS**

FOR THE YEAR ENDED 27 SEPTEMBER

2015

HIGHLIGHTS



Turnover up
23.7%
to R3.0 billion



Profit after tax up
105.9% to
R169.8 million



Normalised HEPS up
136.9%
to 87.4 cents
per share



Maiden dividend
24.8 cents
per share



COMMENTARY

PROFILE

Rhodes Food Group Holdings Limited and its subsidiaries (“the Group”) is a leading producer of convenience meal solutions in fresh, frozen and long life product formats, catering for needs across all consumer income groups. The Group’s growing portfolio of strong brands includes Rhodes, Bull Brand, Magpie, Saint Pie and Puré Squish. These brands are complemented by private label product ranges prepared for selected local and international retailers. Rhodes Food Group Holdings Limited listed on the JSE Limited in October 2014.

FINANCIAL PERFORMANCE

Turnover for the 12 months ended 27 September 2015 (“the period”) increased by 23.7% to R3.0 billion (2014: R2.4 billion), with strong organic growth in the regional segment which accounted for 70% (2014: 65%) of total Group turnover.

The international division posted a stronger second half performance, in line with management’s guidance, after the first six months were negatively impacted by a shift in timing of export orders and shipments which normalised over the course of the year. Turnover also benefited from the 7.3% depreciation in the value of the Rand against the Group’s basket of trading currencies.

The Group’s gross profit margin improved by 110 basis points to 27.9% through improved efficiencies in the regional long life segment. The gross profit increased by 28.9% to R842.9 million. The Group continues to target a gross margin above 30% in the medium term.

Operating costs, excluding listing expenses of R21.8 million, increased by 29.1% as the Group significantly increased its investment in marketing and advertising to support its brands and commercial operations. The businesses acquired during the year increased the cost base by approximately R56 million or 12.9%.

The operating margin was consistent with the prior year at 9.6% and operating profit increased by 22.6% to R289.4 million. On a normalised basis, excluding listing expenses, the operating margin was 10.3% and the operating profit R311.2 million.

Profit after tax more than doubled and increased by R87.3 million to R169.8 million, with headline earnings for the year 109.6% higher at R170.4 million. The effective tax rate at 29.9% (2014: 38.2%) is higher than the SA corporate tax rate due to the non-deductibility of certain listing costs and transaction costs associated with recent acquisitions. The tax rate is expected to reduce to be in line with the corporate tax rate of 28% in the 2016 financial year.

Normalised headline earnings per share (HEPS) increased by 136.9% to 87.4 cents, assuming the number of shares in issue post listing applied in both 2014 and 2015 and adjusting for R21.8 million listing costs in the period. These results are in line with the Group’s trading statement released on 13 November 2015.

Net working capital increased by R261.0 million, including working capital of R120.9 million from the three businesses acquired by the Group. Trade receivables were R154.0 million higher than the prior year owing to stronger sales growth in the fourth quarter.

The Group generated strong cash flows of R220.3 million, an increase of R43.9 million over the prior year. The cash was used to partially fund acquisitions and capital expenditure.

R431.0 million of the listing proceeds were used to settle long-term debt and the related preference share interest accrual. New loans of R450 million were raised to partially fund the acquisitions concluded and capital expenditure in 2015.

The directors have declared a maiden dividend of 24.8 cents per share based on a dividend cover ratio of three times diluted headline earnings per share.

Capital expenditure was increased significantly to R175.9 million (2014: R87.8 million) as the Group invested in capacity expansion and enhancing production efficiency. Maintenance capital expenditure accounted for 33% of the expenditure. Capital expenditure was invested mainly in upgrading warehouse and dispatch capacity at the fruit production facilities in Tulbagh and Swaziland, upgrading the meat production plant, expanding the pie production capacity and installing and upgrading generators at several production facilities to minimise the impact of electricity load shedding.

TRADING PERFORMANCE

Regional segment

The regional segment includes business generated in South Africa, which accounts for the majority of the segment, and 14 other countries in sub-Saharan Africa. Sales in this segment are diversified across the entire product range.

Turnover increased by 32.5% to R2.1 billion with market share gains in key product categories and significant growth in the relatively new channels of wholesale and sub-Saharan African markets.

Fresh Foods sales increased by 19.5% to R929 million with strong organic growth in the pie category and in its supply of products to Woolworths.

Long Life Foods grew turnover by 44.8% to R1.2 billion through increased demand for Bull Brand products, canned fruit and vegetables, and the early contributions from the acquisitions of Pacmar Proprietary Limited ("Pacmar") (included for six months) and the business assets of Boland Pulp Proprietary Limited ("Boland Pulp") (two months).

Sales in sub-Saharan Africa (excluding SA) increased by 55.2% with strong growth in canned meat.

Operating profit increased by 52.2% to R212.0 million. The turnaround programme at Bull Brand, together with enhanced production efficiencies at all plants, contributed to the operating margin for the segment improving from 8.7% in the prior year to 10.0%.

The Rhodes brand is the market leader in canned pineapple, tomato paste and jam in glass jars, with number two positions in canned fruit, canned jams, canned vegetables and canned tomatoes. Bull Brand remains the market leader in corned meat.

International segment

The international segment exports canned fruit, fruit juice purees and concentrates. The main export markets are Europe, the Far East, USA, Canada, Australasia, Russia and the Middle East.

International turnover recovered in the second half and ultimately grew by 7.1% for the year, also benefiting from the weakening of the Rand. Price inflation in Rand terms averaged 8.0%. The effect of the depreciation of the Rand was neutralised by the Group's hedging policy but the business is well positioned to benefit from the weaker currency in the 2016 financial year.

Operating profit increased by 9.8% to R105.4 million with the operating margin increasing by 30 basis points to 11.6%.

ACQUISITIONS

The Group aims to complement its organic growth strategy by acquiring food producers in aligned product categories or those that can facilitate entry into new product categories.

Fruit juice manufacturer and distributor, Pacmar, was acquired with effect from 1 April 2015 and has been successfully integrated. Shortly before year end the Group launched its Rhodes-branded fruit juice range to a highly favourable response from major retail and wholesale chains. The acquisition of Pacmar has been the catalyst for this entry into the fruit juice market.

The business assets of Saint Pie (Pty) Ltd ("Saint Pie"), acquired from 1 June 2015, have been integrated into the Group's operations, with production centralised at the Johannesburg pie facility and the Saint Pie manufacturing facility in Lydenburg being closed.

The acquisition of the business assets of Boland Pulp, a producer of fruit and vegetable concentrates and purees, was effective from 3 August 2015. The operations have been successfully integrated by year end.

The acquisition of the business assets of Deemster (Pty) Ltd ("Deemster"), a vegetable canning and salad bottling business, was effective from 1 October 2015.

After the end of the reporting period the Group announced two further acquisitions. The first was the Food Service business assets of General Mills South Africa (Pty) Ltd (“General Mills”) which produces dry and frozen bakery products. The frozen bakery category complements the Group’s growing pie and pastries business and good synergies are expected to arise from the acquisition.

The business assets of Alibaba Food Holdings (Pty) Ltd (“Alibaba”) were acquired for R42 million. Alibaba manufactures halaal Eastern products which are sold to all major South African food retailers, forecourt bakery outlets and independent traders. Alibaba will strengthen the Group’s position in the bakery and snacking category.

OUTLOOK

The Group will continue to drive organic growth through gaining market share in both the Fresh Foods and Long Life segments, realising the benefits of the ongoing turnaround in Bull Brand and increasing sales in sub-Saharan Africa.

The acquisitions concluded during 2015 will all be earnings accretive from 2016. The two major acquisitions, Pacmar and Boland Pulp, have both performed well since being integrated and are expected to perform strongly in the 2016 financial year. The acquisition of General Mills is expected to be effective from 30 November 2015 and Alibaba from 1 February 2016.

The business generates strong operating cash flows and has capacity to raise debt to fund capital expenditure and the acquisitions announced to date. The board may consider additional sources of funding for future investments, including material acquisitions.

Capital expenditure of R252 million is planned for 2016 for the ongoing investment in capacity expansion and the upgrading of production facilities.

Any reference to future performance included in this announcement has not been reviewed or reported on by the auditors.

Declaration of ordinary dividend

The board of directors has declared a maiden gross cash dividend of 24.8 cents per share in respect of the year ended 27 September 2015 for holders of ordinary shares.

The dividend has been declared out of income reserves. A dividend withholding tax of 15% will be applicable to all shareholders who are not exempt, resulting in a net dividend to these shareholders of 21.08 cents.

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

Last day to trade to receive a dividend	Friday, 15 January 2016
Shares commence trading “ex” the dividend	Monday, 18 January 2016
Record date	Friday, 22 January 2016
Dividend payment to shareholders	Monday, 25 January 2016

The number of ordinary shares in issue at the date of declaration is 221 000 000.

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

Share certificates may not be dematerialised or rematerialised between Monday, 18 January 2016 and Friday, 22 January 2016, both days included.

Bruce Henderson
Chief Executive Officer

Tiaan Schoombie
Chief Financial Officer

Groot Drakenstein
23 November 2015

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 27 September 2015

	Notes	2015 R'000	2014 R'000
ASSETS			
Non-current assets			
		1 167 896	744 609
Property, plant and equipment	2	785 462	529 152
Intangible assets		79 908	51 051
Goodwill		271 775	126 325
Biological assets	4	30 751	28 015
Loans receivable		–	9 275
Other financial instruments	5.1	–	791
Current assets			
		1 310 067	936 332
Inventory	3	694 604	542 632
Accounts receivable		604 078	390 029
Loans receivable		2 758	1 941
Bank balances and cash on hand		8 627	1 730
Total assets		2 477 963	1 680 941
EQUITY AND LIABILITIES			
Capital and reserves			
		1 018 157	273 888
Share capital	6	720 205	150 001
Accumulated profit		291 582	117 567
Equity attributable to owners of the company		1 011 787	267 568
Non-controlling interest		6 370	6 320
Non-current liabilities			
		692 533	741 401
Preference shares	6	–	156 005
Preference shareholders for dividend accrual	6	–	67 228
Long-term loans		621 773	465 434
Deferred taxation liability		60 993	43 603
Employee benefit liability		9 767	9 131
Current liabilities			
		767 273	665 652
Accounts payable and accruals		430 352	333 113
Employee benefits accrual		114 927	99 275
Current portion of long-term loans		109 775	72 799
Taxation payable		29 820	29 684
Bank overdraft		72 448	128 605
Foreign exchange contract liability	5.2	9 951	2 176
Total equity and liabilities		2 477 963	1 680 941

SUMMARISED CONSOLIDATED STATEMENT OF PROFIT OR LOSS OR OTHER COMPREHENSIVE INCOME

for the year ended 27 September 2015

	Notes	2015 R'000	2014 R'000
Revenue		3 022 604	2 444 225
Cost of goods sold		(2 179 655)	(1 790 090)
Gross profit		842 949	654 135
Other income		28 665	15 977
Operating costs		(582 241)	(433 992)
Profit before interest and taxation		289 373	236 120
Interest paid		(47 256)	(103 446)
Interest received		34	597
Profit before taxation		242 151	133 271
Taxation		(72 373)	(50 804)
Profit for the year		169 778	82 467
Profit attributable to:			
Owners of the company		169 728	81 898
Non-controlling interest		50	569
		169 778	82 467
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss		99	(1 812)
Remeasurement of employee benefit liability		77	(2 783)
Deferred taxation effect		22	971
Total comprehensive income for the year		169 877	80 655
Total comprehensive income attributable to:			
Owners of the company		169 827	80 230
Non-controlling interest		50	425
		169 877	80 655
Earnings per share	(cents)	77.1	47.9
Diluted earnings per share	(cents)	74.1	45.5
Headline earnings per share	(cents) 7.1	77.4	47.5
Diluted headline earnings per share	(cents) 7.2	74.4	45.2

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 27 September 2015

	Notes	Share capital R'000	Accumulated profit R'000	Non- controlling interest R'000	Total R'000
Balance at 29 September 2013		150 001	37 337	5 895	193 233
Total comprehensive income for the year		–	80 230	425	80 655
Balance at 28 September 2014		150 001	117 567	6 320	273 888
Issue of ordinary share capital	6	569 891	–	–	569 891
Treasury shares sold	6	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

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 27 September 2015

	2015 R'000	2014 R'000
Cash flows from operating activities		
Cash receipts from customers	3 661 423	2 864 897
Cash paid to suppliers and employees	(3 441 124)	(2 688 450)
Cash generated from operations	220 299	176 447
Net interest paid	(104 557)	(38 853)
Taxation paid	(64 321)	(49 809)
Net cash inflow from operating activities	51 421	87 785
Cash flows from investing activities		
Purchase of property, plant and equipment	(175 882)	(87 763)
Proceeds on disposal of property, plant and equipment	528	859
Acquisition of subsidiaries and businesses less net cash acquired	(407 796)	–
Loans receivable advanced	(1 510)	(150)
Loans receivable repaid	13 063	554
Net cash outflow from investing activities	(571 597)	(86 500)
Cash flows from financing activities		
Issue of ordinary share capital	575 641	–
Preference shares repaid	(156 005)	–
Loans raised	740 867	77 318
Loans repaid	(577 273)	(98 431)
Net cash inflow/(outflow) from financing activities	583 230	(21 113)
Net increase/(decrease) in cash and cash equivalents	63 054	(19 828)
Cash and cash equivalents at beginning of the year	(126 875)	(107 047)
Cash and cash equivalents at end of the year	(63 821)	(126 875)

SUMMARISED CONSOLIDATED SEGMENTAL REPORT

for the year ended 27 September 2015

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	
	2015 R'000	2014 R'000
Regional		
Fresh products sales	928 780	777 213
Long life products sales	1 185 065	818 438
	2 113 845	1 595 651
International		
Long life products sales	908 759	848 574
Total	3 022 604	2 444 225
	Segment profit	
	2015 R'000	2014 R'000
Regional	212 020	139 316
International	105 372	96 004
Total	317 392	235 320
Listing fees	(21 796)	–
Acquisition costs	(6 223)	–
Other income	–	800
Interest received	34	597
Interest paid	(47 256)	(103 446)
Profit before taxation	242 151	133 271

Segment revenue reported above represents revenue generated from external customers. Inter-company sales amounted to R362 272 405 (2014: R321 469 319).

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 1. Segment profit represents the profit before tax earned by each segment without allocation of listing fees, acquisition costs, other income, investment income and finance costs. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

SUMMARISED CONSOLIDATED SEGMENTAL REPORT CONTINUED

for the year ended 27 September 2015

Geographical information

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

	2015 R'000	2014 R'000
Non-current assets		
Republic of South Africa	787 174	542 470
Kingdom of Swaziland	108 947	75 023
	896 121	617 493

Information regarding major customers

Two customers (2014: two) individually contributed 10% or more of the Group's revenues arising from both regional and international sources.

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 27 September 2015

1. BASIS OF PREPARATION

Rhodes Food Group Holdings Limited is a company domiciled in the Republic of South Africa. These summarised consolidated financial statements ("financial statements") as at and for the financial year ended 27 September 2015 comprise the company and its subsidiaries (together referred to as the "Group"). The main business of the Group is the manufacturing and marketing of convenience foods. These include fresh and frozen ready meals, pastry based products, canned jams, canned fruits, canned vegetables, 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 during the periods ended September 2015 and 2014.

The preliminary financial statements are an extract from the audited consolidated financial statements for the year ended 27 September 2015, and have been prepared in accordance with the framework concepts, the measurement and recognition requirements of International Reporting Standards ("IFRS") and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Pronouncement as issued by the Financial Reporting Standards Council, and the requirements of the Companies Act of South Africa and the JSE Limited Listings Requirements.

The accounting policies and methods of computation applied in the presentation of the preliminary financial statements are consistent with those applied in the audited consolidated financial statements for the year ended 28 September 2014.

The preliminary financial statements contain, as a minimum, the information required by IAS 34: Interim Financial Reporting, and the accounting policies adopted and methods of computation are in accordance with IFRS.

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

2. PROPERTY, PLANT AND EQUIPMENT

During the year ended the Group acquired assets with a cost of R175 882 717 (2014: R87 763 245).

Assets with a fair value of R139 053 904 were acquired through the acquisition of Pacmar Proprietary Limited and its subsidiary and the acquisition of the business assets of Saint Pie Proprietary Limited, Boland Pulp Proprietary Limited and Boland Pulp Property Holdings Proprietary Limited.

Assets with a carrying amount of R1 514 909 (2014: R21 500) were disposed of during the period. This disposal resulted in a loss of R984 716 (2014: gain of R838 183), which was recognised as part of 'operating costs' (2014: 'other income') in the consolidated statement of profit or loss and other comprehensive income.

During the year, the Group contracted R45 728 751 (2014: R28 247 694) for future capital commitments.

There has been no major change in the nature of property, plant and equipment, the policy regarding the use thereof, or the encumbrances over the property, plant and equipment, except for the additional encumbrances noted below:

Swaziland Fruit Cannery Proprietary Limited

A third mortgage bond for R25 million, registered in favour of Nedbank (Swaziland) Limited, over certain of the company's land.

Pacmar Proprietary Limited

A general notarial bond for R90 million, registered in favour of Nedbank Limited, over all moveable assets, 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.

3. INVENTORY

The value of the inventory disclosed at net realisable value is R23 848 099 (2014: R28 471 013).

4. BIOLOGICAL ASSETS

	2015 R'000	2014 R'000
Livestock	8 521	8 602
Growing crops	22 230	19 413
	30 751	28 015

Measurement of fair value of livestock

The fair values of the livestock have 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.

Livestock:

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

More/(less) livestock were classified as breeders

Livestock prices increased/(decreased)

Weight and quantity premiums increased/(decreased)

Growing crops

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

Pineapple volumes increased/(decreased)

Pineapple prices increased/(decreased)

Costs of growing or harvesting (increased)/decreased

Measurement of fair value of growing crops

The fair values of the pineapple plantations have 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 (2015: average of 57 083 tonnes delivered for a four year period, 2014: average of 54 975 tonnes delivered for a four year period) and estimated pricing (2015: R1 277 per ton delivered, 2014: R1 222 per ton delivered) of pineapples harvested.

	2015 R'000	2014 R'000
Carrying value at the beginning of the year	28 015	28 046
Value of crops harvested	(17 190)	(16 764)
Additions	9 133	8 501
Gain included in profit or loss	10 793	8 232
Net change in fair value	10 793	8 232
Carrying value at the end of the year	30 751	28 015

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 27 September 2015

	2015 R'000	2014 R'000
5. FINANCIAL INSTRUMENTS AT FAIR VALUE HELD THROUGH PROFIT OR LOSS		
5.1 Other financial instruments		
Interest rate swap – not designated in hedge accounting relationship.		
Financial asset		
Non-current	–	791
Current (included in accounts receivable)	–	1 173
5.2 Foreign exchange contracts		
Contract loss	9 951	2 176
5.3 Valuation of financial instruments at fair value held through profit or loss		
Financial instruments at fair value through profit or loss	Level	Valuation technique
Interest rate swap	Level 2	Mark to market valuation by issuer of instrument
Foreign exchange contracts	Level 2	Mark to market valuation by issuer of instrument

	2015 R'000	2014 R'000
6. SHARE CAPITAL		
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 (2014: 171 000 000) ordinary shares	713 641	142 500
937 500 treasury shares held by subsidiary	(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	150 001
10 000 “A” cumulative redeemable preference shares	–	156 005
Preference shareholders for dividend accrual	–	67 228
	–	223 233
Reconciliation of ordinary and treasury shares in issue:		
Ordinary shares at the beginning of year	142 500	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	142 500

	2015	2014
	R'000	R'000
7. HEADLINE EARNINGS PER SHARE		
7.1 Headline earnings per share		
Reconciliation between profit attributable to owners of the parent and headline earnings:		
Profit attributable to owners of the parent	169 728	81 898
Adjustments to profit attributable to owners of the parent	709	(603)
Loss/(profit) on disposal of property, plant and equipment	985	(838)
Taxation effect	(276)	235
Headline earnings	170 437	81 295
Headline earnings per share (cents)	77.4	47.5
Normalised headline earnings per share ^{1 3} (cents)	87.4	47.5
Normalised headline earnings per share ^{1 2 3} (cents)	87.4	36.9
7.2 Diluted headline earnings per share		
Diluted headline earnings per share (cents)	74.4	45.2
Normalised diluted headline earnings per share ^{1 3} (cents)	83.9	45.2
Normalised diluted headline earnings per share ^{1 2 3} (cents)	83.9	35.5
7.3 Weighted average number of shares in issue		
Weighted average number of shares in issue	171 000 000	171 000 000
Ordinary shares issued	50 000 000	–
Treasury shares	(937 500)	–
Effect of convertible preference shares	9 000 000	9 000 000
Weighted average number of dilutive shares in issue	229 062 500	180 000 000
Weighted average number of shares in issue assuming the number of shares in issue post listing applied in 2015 and 2014 ^{2 3}	220 062 500	220 062 500
Weighted average number of dilutive shares in issue assuming the number of shares in issue post listing applied in 2015 and 2014 ^{2 3}	229 062 500	229 062 500

¹ Normalised headline earnings and normalised diluted headline earnings have been adjusted for once-off listing fees incurred of R21 795 875 (not deductible for taxation purposes), relating to the listing of the company's issued share capital on the JSE Limited.

² On 2 October 2014 the company commenced the listing of its issued share capital on the JSE Limited which included the listing of 50 000 000 ordinary shares issued. Normalised headline earnings and normalised diluted headline earnings per share for the period and prior period have been adjusted with the assumption that these additional shares were issued in both 2015 and 2014.

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 27 September 2015

7. HEADLINE EARNINGS PER SHARE CONTINUED

7.3 Weighted average number of shares in issue continued

³ *The pro forma financial information has been prepared for illustrative purposes only to provide information on how the normalised headline earnings and normalised diluted headline earnings adjustment might have impacted on the financial results of the Group. Because of its nature, the pro forma financial information may not be a fair reflection of the Group's results of operation, financial position, changes in equity or cash flows.*

The underlying information used in the preparation of the pro forma financial information has been prepared using the accounting policies that comply with International Financial Reporting Standards. These are consistent with the audited consolidated financial statements for the year ended 27 September 2015.

There are no post-balance sheet events which require adjustment to the pro forma information.

The directors are responsible for compiling the pro forma financial information on the basis of the application criteria specified in the JSE Listings Requirements.

The pro forma financial information should be read in conjunction with the unqualified Deloitte & Touche independent reporting accountants' report thereon, which is available for inspection at the company's registered offices (Pniel Road, Groot Drakenstein, 7680), at no charge, during normal business hours.

8. CONTINGENT LIABILITIES

The Group has entered into guarantees, the outcome of which has not been determined. The guarantees from import and operational activities for the period are R4 733 262 (2014: R7 434 287). Additional contingent liabilities incurred during 2015 is as follows:

- Suretyship of R90 000 000 for Rhodes Food Group Proprietary Limited banking facilities with Nedbank Limited, issued by Pacmar Proprietary Limited.
- Suretyship of R44 000 000 for Rhodes Food Group Proprietary Limited banking facilities with Nedbank Limited, issued by Pacmar Properties Proprietary Limited.

9. ACQUISITION OF SUBSIDIARY

On 1 April 2015 the Group acquired 100% of the shares in Pacmar Proprietary Limited, which holds 100% of the shares in 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 the 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 as 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 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 provisions	(51 565)
Bank overdraft	(43 672)
Fair value of assets and liabilities acquired	70 530
Purchase price	(165 000)
Goodwill	(94 470)

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 27 September 2015

10. ACQUISITION OF BUSINESSES

10.1 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 customer and geographic diversification. The board of the Group 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 as 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)

10.2 Boland Pulp Proprietary Limited and Boland Pulp Property Holdings Proprietary Limited

On 3 August 2015 the Group acquired the business assets of Boland Pulp Proprietary Limited and Boland Pulp Property Holdings Proprietary Limited. The board of the Group 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 as 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)

11. RELATED PARTY TRANSACTIONS

During the year the Group entered into related party transactions, the substance of which is similar to those explained in the audited consolidated annual financial statements.

12. EVENTS SUBSEQUENT TO REPORTING DATE

The Group acquired the business assets of Deemster Proprietary Limited on 1 October 2015 for a purchase price of R10 million plus trading stock of R15 million.

The Group entered into the following sale and purchase agreements to acquire:

- the Foodservice Operations business assets of General Mills South Africa Proprietary Limited with effect from 30 November 2015. The purchase consideration has not been disclosed due to confidentiality clauses within the sale and purchase agreement.
- the business assets of Alibaba Foods Holdings Proprietary Limited subject to conditions precedent for R42 million effective from 1 February 2016.

The board is of the opinion that these 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 acquired not yet being finalised.

The board of directors has declared a maiden gross cash dividend of 24.8 cents per share in respect of the year ended 27 September 2015 for holders of ordinary shares.

The directors are 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 affect the financial position of the Group or the results of its operations.

13. APPROVAL OF PRELIMINARY SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

The preliminary summarised consolidated financial statements were approved by the Board of directors on 19 November 2015.

14. DIVIDENDS

The company did not declare any dividends during the years ended 27 September 2015 and 28 September 2014 respectively.

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 27 September 2015

15. AUDIT OPINION

These audited preliminary summarised consolidated financial statements have been derived from the consolidated financial statements and are consistent, in all material respects, with the consolidated financial statements.

The auditors, Deloitte & Touche, have issued unmodified audit opinions on the consolidated financial statements and on these preliminary summarised consolidated financial statements for the year ended 27 September 2015. The audit opinion on the consolidated financial statements, together with the consolidated financial statements, is available for inspection on the Group's website (www.rhodesfoodgroup.com). These reports together with the auditor's ISAE 3420 report are also available at the Group's registered office (Pniel Road, Groot Drakenstein, 7680), at no charge, during normal business hours.

INDEPENDENT AUDITORS' REPORT ON THE SUMMARISED FINANCIAL STATEMENTS

To the shareholders of Rhodes Food Group Holdings Limited

The summarised consolidated financial statements of Rhodes Food Group Holdings Limited, contained in the accompanying preliminary report, which comprise the summarised consolidated statement of financial position as at 27 September 2015, the summarised consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Rhodes Food Group Holdings Limited for the year ended 27 September 2015. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated 19 November 2015. Our auditor's report on the audited consolidated financial statements contained an Other Matter paragraph "Other reports required by the Companies Act" (refer below).

The summarised consolidated financial statements do not contain all the disclosures required by the International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summarised consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of Rhodes Food Group Holdings Limited.

Directors' responsibility for the Summarised Consolidated Financial Statements

The directors are responsible for the preparation of the summarised consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, set out in note 1 to the summarised consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summarised financial statements, and for such internal control as the directors determine is necessary to enable the preparation of the summarised consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibility

Our responsibility is to express an opinion on the summarised consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, Engagements to Report on Summarised Financial Statements.

15. AUDIT OPINION CONTINUED

Opinion

In our opinion, the summarised consolidated financial statements derived from the audited consolidated financial statements of Rhodes Food Group Holdings Limited for the year ended 27 September 2015 are consistent, in all material respects, with those consolidated financial statements, in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, set out in note 1 to the summarised consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summarised financial statements.

Other reports required by the Companies Act

The "other reports required by the Companies Act" paragraph in our audit report dated 19 November 2015 states that as part of our audit of the consolidated financial statements for the year ended 27 September 2015, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated financial statements. These reports are the responsibility of the respective preparers. The paragraph also states that, based on reading these reports, we have not identified material inconsistencies between these reports and the audited annual consolidated financial statements. The paragraph furthermore states that we have not audited these reports and accordingly do not express an opinion on these reports. The paragraph does not have an effect on the summarised consolidated financial statements or our opinion thereon.



Deloitte & Touche

Registered Auditors

Per MA van Wyk

Partner

19 November 2015

Audit – Cape Town: Unit 11 Ground Floor, La Gratitude, 97 Dorp Street, Stellenbosch 7600

National executive: *LL Bam *Chief Executive* *AE Swiegers *Chief Operating Officer* *GM Pinnock *Audit* *N Sing *Risk Advisory* *NB Kader *Tax* *TP Pillay *Consulting* S Gwala *BPaaS* *K Black *Clients & Industries* *JK Mazzocco *Talent & Transformation* *MJ Jarvis *Finance* *M Jordan *Strategy* *MJ Comber *Reputation & Risk* *TJ Brown *Chairman of the Board*

Regional leader: MN Alberts

A full list of partners and directors is available on request.

**Partner and Registered Auditor*

B-BBEE rating: Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code
Member of Deloitte Touche Tohmatsu Limited

CORPORATE INFORMATION

RHODES FOOD GROUP HOLDINGS LIMITED

(Previously Rhodes Food Group Holdings Proprietary Limited)

(Incorporated in the Republic of South Africa)

Registration number: 2012/074392/06

JSE share code: RFG

ISIN: ZAE000191979

Registered address

Pniel Road, Groot Drakenstein, 7680

Private Bag X3040, Paarl, 7620

Directors

Dr YG Muthien* (*Chairperson*)

BAS Henderson (*Chief Executive Officer*)

MR Bower*

TP Leeuw*

LA Makenete*

CC Schoombie (*Chief Financial Officer*)

CL Smart**

GJH Willis**

* *Independent non-executive*

***Non-executive*

Company secretary

Statucor Proprietary Limited

Transfer secretaries

Computershare Investor Services Proprietary Limited

70 Marshall Street, Johannesburg 2001

PO Box 61051, Marshalltown 2107

Sponsor

Rand Merchant Bank, a division of FirstRand Bank Limited

Auditors and reporting accountants

Deloitte & Touche

