



**PRELIMINARY SUMMARISED  
CONSOLIDATED ANNUAL  
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 1 OCTOBER

**2017**

# KEY FEATURES

GROUP TURNOVER

UP **10.8%**

TO R4.6 BILLION

REGIONAL TURNOVER

UP **21.4%**

INTERNATIONAL TURNOVER

DOWN **18.1%**

HEADLINE EARNINGS

**19.1% LOWER**

AT R237 MILLION

DILUTED HEPS\*

**27% DOWN**

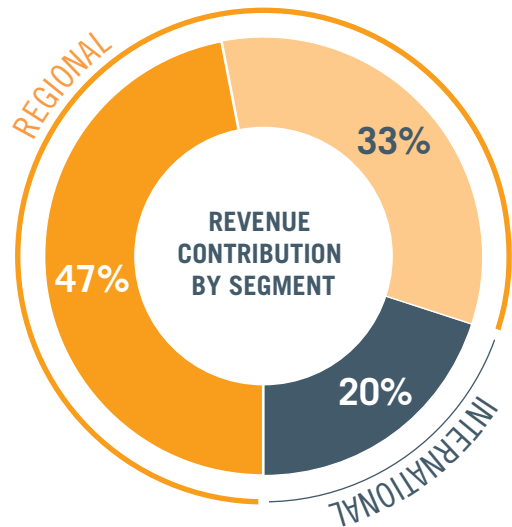
AT 93.4 CENTS

DIVIDEND

OF **31.1 cps**

**Pakco and Ma Baker acquisitions  
successfully integrated**

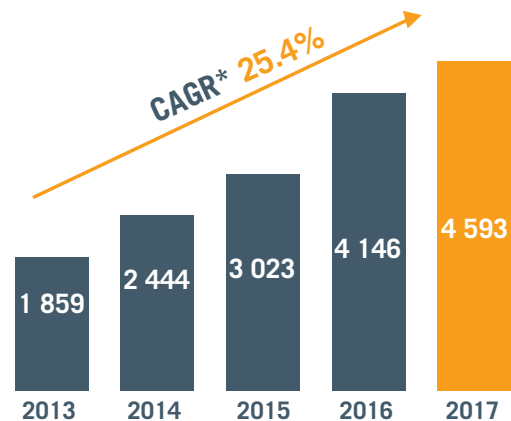
\* Impacted by increase in weighted average number of shares



■ Long Life Foods
 ■ Fresh Foods
 ■ International

## GROUP TURNOVER

(R'million)



\*Compound annual growth rate



# COMMENTARY

## PROFILE

Rhodes Food Group is a leading producer of fresh, frozen and long life convenience meal solutions for customers and consumers across South Africa, sub-Saharan Africa and major global markets. The growing portfolio of market leading brands, which includes Rhodes, Bull Brand, Magpie, Squish, Bisto, Hinds and Pakco, is complemented by private label product ranges packed for major South African and international retailers.

## TRADING AND FINANCIAL PERFORMANCE

Group turnover increased by 10.8% to R4.6 billion with strong growth in the regional segment (South Africa and sub-Saharan Africa) and lower international revenue. The regional segment accounted for 80% (2016: 73%) of group revenue.

Regional turnover increased by 21.4%, with organic growth of 12.7%. The group's two largest acquisitions to date, namely Pakco and Ma Baker, have been consolidated for six months in the year and contributed combined turnover of R230 million.

- Fresh Foods sales increased by 30.1% (16.0% organic growth) with continued excellent growth in the pie category across all sales channels and good growth in ready meals.
- Long Life Foods increased turnover by 15.9% (10.6% organic growth) with volume growth and market share gains in key product categories. Sales in sub-Saharan Africa (excluding South Africa) increased by 46.8%, driven by robust customer demand for canned meat and fruit juice.

International turnover declined by 18.1% owing to the combined impact of the strengthening Rand in comparison to the prior year, significantly reduced global demand for industrial pulp and puree products, foreign pricing pressure and increasing costs on canned fruit as a result of the drought in the Western Cape.

The group's gross profit margin was lower at 27.0% (2016: 29.3%) due mainly to the currency impact and slower sales in the International division, although the margin in the regional segment strengthened for the year.

Operating costs, excluding the impact of the two acquisitions, grew by 10.5%. Expense growth reflects the higher depreciation charge from the increased level of capital expenditure in the past two years. Total operating costs increased by 17.8%.

The group operating margin declined from 12.0% to 8.9%. The regional operating margin improved in the second half of the year relative to the first half but was lower for the full year at 9.6% (2016: 10.3%) owing to the tough consumer environment, particularly in the lower income consumer market, and dilution from the recent acquisitions. The strengthening currency, lower pricing, reduced volumes and increased product costs contributed to the international margin declining to 6.3% (2016: 17.1%), with the canned fruit margin being maintained close to the group margin and industrial products reporting a loss for the year.

The gains in the regional segment were offset by the reduction in international profitability which resulted in group profit after tax declining by 20% to R234.8 million. Headline earnings were 19.1% lower at R237.0 million. Diluted headline earnings per share (HEPS) decreased by 27.0% to 93.4 cents, in line with the trading statement issued on 30 October 2017. The weighted average number of dilutive shares in issue has increased by 24.7 million or 10.8% over the prior year, mainly due to the issue of shares for the capital raise undertaken in November 2016 (refer below) and the acquisition of Pakco effective March 2017.

A cash dividend of 31.1 cents per share has been declared, based on the group's dividend cover policy of three times diluted HEPS.

Net working capital, excluding the take-on balances of Ma Baker and Pakco, increased by R214.0 million owing primarily to the 14.8% increase in inventory arising from higher regional sales activity, increased prices and the slower than expected export sales.

The group generated strong cash flows of R347.1 million which were R44.9 million higher than the previous year. The group raised net equity capital of R648 million through the issue of 25 million shares in an accelerated book build in November 2016. The proceeds of the book build have been applied to funding capital expenditure as well as the acquisition of Ma Baker. The group's net debt to equity ratio improved to 48.0% (2016: 81.9%). The net overdraft at year-end reduced to R153.8 million (2016: R189.6 million).

Capital investment was increased to R487 million (2016: R238 million). Projects undertaken during the year included the completion of the meat production plant upgrade, increasing production capacity at the fruit juice, fruit products, vegetable and pie facilities, the completion of the flexible packaging and baby foods factory at Groot Drakenstein, and production capacity expansion and efficiency improvement projects at Pakco and Ma Baker.

## OUTLOOK

The focus in the regional segment in the year ahead will be to drive organic growth, maximise benefits from the recent acquisitions, grow brand shares and capitalise on the current sales momentum in sub-Saharan Africa.

While the regional margin will remain under pressure in the short term due to the current constrained consumer environment, it is expected to show sustained improvement in the medium term as the margins of the recently acquired businesses improve.

# COMMENTARY continued

Following the completion of the Pakco and Ma Baker integration programmes, the focus in the year ahead will be on brand architecture, product upgrades and improved distribution. Both businesses are expected to be earnings accretive in the 2018 financial year.

While the outlook for the international canned fruit market is positive, the continued drought in the Western Cape is expected to adversely impact input costs owing to poorer quality fruit, which will give rise to lower yields and higher labour costs.

The market for industrial fruit products (fruit pulps and juice concentrates) remains weak, but fruit raw material prices are expected to decline. Currently approximately 20% of industrial products are used internally and the balance is exported or sold regionally. Management plans to increase the internal usage of these products to around 50% in the short term and up to 70% in the medium term, primarily in the fruit juice operation. This will result in reduced international revenue but increased regional revenue and margin.

Capital investment of R350 million is planned for the new year with the major projects including the consolidation of certain production facilities acquired through recent acquisitions, capacity expansion at the pie and bakery facilities, and the installation of a clear juice concentrate plant at the Groot Drakenstein production hub to further vertically integrate the fruit juice operation.

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 gross dividend of 31.1 cents per share in respect of the year ended 1 October 2017 for holders of ordinary shares.

The dividend has been declared out of income reserves. A dividend withholding tax of 20% will be applicable to all shareholders who are not exempt, resulting in a net dividend to these shareholders of 24.88 cents.

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

Last day to trade to receive a dividend	Tuesday, 9 January 2018
Shares commence trading "ex" the dividend	Wednesday, 10 January 2018
Record date	Friday, 12 January 2018
Dividend payment to shareholders	Monday, 15 January 2018

The number of ordinary shares in issue at the date of declaration is 253 762 018.

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

Share certificates may not be dematerialised or rematerialised between Wednesday 10, January 2018 and Friday, 12 January 2018, both days included.

**Bruce Henderson**  
*Chief Executive Officer*

**Tiaan Schoombie**  
*Chief Financial Officer*

Groot Drakenstein  
21 November 2017

# SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 1 October 2017

	Notes	Audited 2017 R'000	Restated* Audited 2016 R'000	Restated* Audited 2015 R'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
		<b>2 145 186</b>	1 364 722	1 153 769
Property, plant and equipment	2	1 460 493	986 826	793 565
Intangible assets		207 282	81 587	79 908
Goodwill		457 183	287 607	271 775
Deferred taxation asset		9 294	–	–
Biological assets		10 664	8 702	8 521
Loan receivable		270	–	–
<b>Current assets</b>				
		<b>1 964 903</b>	1 744 857	1 324 194
Inventory	3	1 144 080	947 488	694 604
Accounts receivable		767 679	749 378	604 078
Biological assets		10 553	16 037	14 127
Loans receivable		6 170	3 000	2 758
Foreign exchange contract asset		–	21 925	–
Taxation receivable		32 193	–	–
Bank balances and cash on hand		4 228	7 029	8 627
<b>Total assets</b>				
		<b>4 110 089</b>	3 109 579	2 477 963
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and reserves</b>				
		<b>2 235 865</b>	1 256 898	1 018 157
Share capital	4	1 565 509	720 205	720 205
Equity-settled employee benefits		8 779	2 773	–
Accumulated profit		652 326	524 948	291 582
Equity attributable to owners of the company		<b>2 226 614</b>	1 247 926	1 011 787
Non-controlling interest		9 251	8 972	6 370
<b>Non-current liabilities</b>				
		<b>877 883</b>	786 544	692 533
Long-term loans		700 407	687 231	621 773
Deferred taxation liability		161 711	85 085	60 993
Employee benefit liability		15 765	14 228	9 767
<b>Current liabilities</b>				
		<b>996 341</b>	1 066 137	767 273
Accounts payable and accruals		534 590	531 596	430 352
Employee benefits accrual		75 324	126 008	114 927
Current portion of long-term loans		218 831	152 963	109 775
Taxation payable		2 732	58 918	29 820
Bank overdraft		158 077	196 652	72 448
Foreign exchange contract liability		6 787	–	9 951
<b>Total equity and liabilities</b>				
		<b>4 110 089</b>	3 109 579	2 477 963

\*Refer to note 8.

# SUMMARISED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 1 October 2017

	Audited 2017 R'000	Restated* Audited 2016 R'000
<b>Revenue</b>	4 593 317	4 145 902
Cost of goods sold	(3 355 146)	(2 932 530)
<b>Gross profit</b>	1 238 171	1 213 372
Other income	54 480	37 221
Operating costs	(885 844)	(752 265)
<b>Profit before interest and taxation</b>	406 807	498 328
Interest paid	(84 836)	(89 066)
Interest received	386	13
<b>Profit before taxation</b>	322 357	409 275
Taxation	(87 566)	(115 924)
<b>Profit for the year</b>	234 791	293 351
<b>Profit attributable to:</b>		
Owners of the company	234 512	290 749
Non-controlling interest	279	2 602
	234 791	293 351
<b>Other comprehensive income</b>		
<b>Items that will not be reclassified subsequently to profit or loss</b>	1	(622)
Remeasurement of employee benefit liability	2	(857)
Deferred taxation effect	(1)	235
<b>Total comprehensive income for the year</b>	234 792	292 729
<b>Total comprehensive income attributable to:</b>		
Owners of the company	234 513	290 127
Non-controlling interest	279	2 602
	234 792	292 729
Earnings per share (cents)	95.9	132.1
Diluted earnings per share (cents)	92.4	127.0

\*Refer to note 8.



# SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 1 October 2017

	Note	Share capital R'000	Equity-settled employee benefits R'000	Accumulated profit R'000	Non-controlling interest R'000	Total R'000
<b>Balance at 27 September 2015</b>		720 205	–	291 582	6 370	1 018 157
Total comprehensive income for the year (restated)*		–	–	290 127	2 602	292 729
Recognition of share-based payments		–	2 773	–	–	2 773
Treasury shares dividend received		–	–	279	–	279
Dividend paid		–	–	(57 040)	–	(57 040)
<b>Balance at 25 September 2016 (restated)*</b>		720 205	2 773	524 948	8 972	1 256 898
Issue of ordinary share capital	4	845 304	–	–	–	845 304
Total comprehensive income for the year		–	–	234 513	279	234 792
Recognition of share-based payments		–	6 006	–	–	6 006
Treasury shares dividend received		–	–	475	–	475
Dividend paid		–	–	(107 610)	–	(107 610)
<b>Balance at 1 October</b>		<b>1 565 509</b>	<b>8 779</b>	<b>652 326</b>	<b>9 251</b>	<b>2 235 865</b>

\*Refer to note 8.

# SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 1 October 2017

	Note	Audited 2017 R'000	Restated* Audited 2016 R'000
<b>Cash flows from operating activities</b>			
Cash receipts from customers		5 263 596	4 849 840
Cash paid to suppliers and employees		(4 916 482)	(4 547 577)
Cash generated from operations		347 114	302 263
Net interest paid		(86 150)	(88 613)
Taxation paid		(139 023)	(63 899)
<b>Net cash inflow from operating activities</b>		<b>121 941</b>	<b>149 751</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(486 946)	(238 051)
Proceeds on disposal of property, plant and equipment		1 478	6 703
Acquisition of subsidiary and businesses less net cash acquired	7	(207 297)	(123 110)
Loans receivable advanced		(3 732)	(300)
Loans receivable repaid		1 471	58
Dividends paid		(107 610)	(57 040)
Treasury shares dividend received		475	279
<b>Net cash outflow from investing activities</b>		<b>(802 161)</b>	<b>(411 461)</b>
<b>Cash flows from financing activities</b>			
Issue of ordinary share capital		648 304	–
Loans raised		621 000	219 570
Loans repaid		(556 742)	(110 924)
Government grant received		3 432	27 262
<b>Net cash inflow from financing activities</b>		<b>715 994</b>	<b>135 908</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>35 774</b>	<b>(125 802)</b>
Cash and cash equivalents at beginning of the year		(189 623)	(63 821)
<b>Cash and cash equivalents at end of the year</b>		<b>(153 849)</b>	<b>(189 623)</b>

\*Refer to note 8.



# SUMMARISED CONSOLIDATED SEGMENTAL REPORT

for the year ended 1 October 2017

## 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	
	Audited 2017 R'000	Restated* Audited 2016 R'000
<b>Regional</b>		
Fresh products sales	1 529 291	1 175 282
Long life products sales	2 151 307	1 856 695
	<b>3 680 598</b>	3 031 977
<b>International</b>		
Long life products sales	912 719	1 113 925
<b>Total</b>	<b>4 593 317</b>	4 145 902
	Segment profit	
Regional	358 254	311 440
International	57 553	190 090
<b>Total</b>	<b>415 807</b>	501 530
Impairment loss	(3 321)	–
Acquisition costs	(5 679)	(3 202)
Interest received	386	13
Interest paid	(84 836)	(89 066)
<b>Profit before taxation</b>	<b>322 357</b>	409 275

Segment revenue reported above represents revenue generated from external customers. Intercompany sales amounted to R541.821 million (2016: R561.168 million).

Included in the regional and international operating profit is depreciation of R92.435 million (2016: R64.137 million) and R18.113 million (2016: R22.729 million) respectively and amortisation of R5.791 million (2016: R2.688 million) and R0.748 million (2016: R0.633 million) respectively.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 1. Segment profit represents the profit before tax earned by each segment without allocation of impairment losses, acquisition costs, interest received and interest paid. This is the measure reported to the chief operating decision-maker for the purpose of resource allocation and assessment of segment performance.

# SUMMARISED CONSOLIDATED SEGMENTAL REPORT continued

for the year ended 1 October 2017

## GEOGRAPHICAL INFORMATION

The Group's non-current assets by location of operations (excluding goodwill and deferred taxation asset) and revenue 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.

	Non-current assets	
	Audited 2017 R'000	Restated* Audited 2016 R'000
Republic of South Africa	1 558 125	973 684
Kingdom of Swaziland	129 878	103 431
	<b>1 688 003</b>	1 077 115

	Revenue	
	Audited 2017 R'000	Audited 2016 R'000
Republic of South Africa	4 472 594	3 935 282
Kingdom of Swaziland	120 723	210 620
	<b>4 593 317</b>	4 145 902

## INFORMATION REGARDING MAJOR CUSTOMERS

Two customers (2016: two) individually contributed 10% or more of the Group's revenues arising from both regional and international sources.

\*Refer to note 8.

# NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 1 October 2017

## 1. BASIS OF PREPARATION

Rhodes Food Group Holdings Limited is a company domiciled in the Republic of South Africa. These audited summarised consolidated financial statements ("preliminary financial statements") as at and for the financial year ended 1 October 2017 comprise the company and its subsidiaries (together referred to as the "Group"). The main business of the Group is the manufacturing and marketing of convenience meal solutions. These include fresh and frozen ready meals, pastry-based products, canned jams, canned fruits, canned and bottled salads and vegetables, canned meat, fruit purees and concentrates, juice and juice products, dairy products and dry packed foods. There were no major changes in the nature of the business for the Group during the periods ended September 2017 and 2016.

The preliminary financial statements are an extract from the audited consolidated financial statements for the year ended 1 October 2017, and have been prepared in accordance with the framework concepts, the measurement and recognition requirements of International Financial 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 preliminary financial statements contain, as a minimum, the information required by IAS 34: Interim Financial Reporting.

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 annual financial statements for the year ended 25 September 2016, except for the mandatory amendments to IAS 41: Agriculture. Therefore the prior years financial results have been restated for the effect of this amendment.

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 following transactions accounted for the movement in the property, plant and equipment balance:

	Opening balance R'000	Acquisition of subsidiaries R'000	Additions R'000	Government grant received R'000	Disposals R'000	Impairment R'000	Closing balance R'000
<b>COST</b>							
2017	1 197 797	105 644	486 946	(3 432)	(17 788)	(3 872)	1 765 295
2016 – Restated	938 330	79 253	238 051	(27 262)	(29 446)	(1 129)	1 197 797
			Opening balance R'000	Depreciation R'000	Disposals R'000	Impairment R'000	Closing balance R'000
<b>ACCUMULATED DEPRECIATION</b>							
2017			210 971	110 548	(16 166)	(551)	304 802
2016 – Restated			144 765	86 866	(19 785)	(875)	210 971
			Opening balance R'000				Closing balance R'000
<b>NET ASSET VALUE</b>							
2017			986 826				1 460 493
2016 – Restated			793 565				986 826

The disposal and impairment of property, plant and equipment resulted in a loss of R0.144 million (2016: R2.958 million) and R3.321 million (2016: R0.254 million) respectively which were recognised as part of 'operating costs' in the consolidated statement of profit or loss and other comprehensive income.

During the year, the Group contracted R264.664 million (2016: R170.626 million) 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.

# NOTES TO THE FINANCIAL STATEMENTS

## continued

for the year ended 1 October 2017

### 3. INVENTORY

The value of the inventory disclosed at net realisable value is R74.879 million (2016: R20.145 million).

### 4. SHARE CAPITAL

On 29 November 2016 the company raised net capital of R648.304 million through the private placement of 25 million ordinary shares. A further 7.762 million shares were issued on 22 March 2017 in order to settle the full purchase price of R197.000 million for the acquisition of Pakco Proprietary Limited.

### 5. HEADLINE EARNINGS PER SHARE

	2017 R'000	Restated 2016 R'000
<b>5.1 HEADLINE EARNINGS PER SHARE</b>		
Reconciliation between profit attributable to owners of the parent and headline earnings:		
Profit attributable to owners of the parent	234 512	290 749
Adjustments to profit attributable to owners of the parent	2 495	2 313
Loss on disposal of property, plant and equipment	144	2 958
Impairment of property, plant and equipment	3 321	254
Taxation effect	(970)	(899)
Headline earnings	237 007	293 062
Headline earnings per share (cents)	96.9	133.3
<b>5.2 DILUTED HEADLINE EARNINGS PER SHARE</b>		
Headline earnings	237 007	293 062
Diluted headline earnings per share (cents)	93.4	128.0
<b>5.3 WEIGHTED AVERAGE NUMBER OF SHARES IN ISSUE</b>		
Weighted average number of shares in issue	221 000 000	221 000 000
Ordinary shares issued	24 657 869	–
Treasury shares	(1 125 000)	(1 125 000)
Weighted average number of shares in issue	244 532 869	219 875 000
Effect of convertible preference shares	9 000 000	9 000 000
Effect of share offers	189 081	92 414
Weighted average number of dilutive shares in issue	253 721 950	228 967 414

### 6. CONTINGENT LIABILITIES

The Group has entered into guarantees in favour of South African Revenue Services, for import and export activities as well as various municipalities for operational activities. The guarantees from import and operational activities outstanding at year-end amounted to R6.560 million (2016: R5.872 million). There were no other changes in the contingent liabilities during the current financial year.

### 7. ACQUISITION OF SUBSIDIARIES

#### Pakco Proprietary Limited

On 22 March 2017 the Group acquired 100% of the issued share capital and all voting rights of Pakco (Pty) Ltd ("Pakco") through the issue of 7.762 million shares calculated on a weighted average share price. The Group obtained control based on the voting rights acquired. Pakco manufactures and markets dry packed, bottled and canned foods under its own brands and private label. 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 operations, product categories and trademarks, thereby strengthening the Group's product basket to customers.

Included in the profit before tax for the year is a profit of R17.255 million attributable to the Pakco operations. In order to provide a better measure of performance for future comparison, the profit adjusted for related party transactions is R6.423 million.<sup>#</sup> Revenue for the year includes R97.069 million in respect of the acquisition. At the reporting date 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 as we are unable to quantify the impact of the synergies that would have resulted from the beginning of the period.

## 7. ACQUISITION OF SUBSIDIARIES continued

	2017 R'000
<b>Assets and liabilities acquired</b>	
Property, plant and equipment	28 502
Intangible assets	70 266
Inventory	38 169
Accounts receivable*	33 852
Bank overdraft	(18 277)
Deferred taxation liability	(4 533)
Accounts payable and accruals	(42 449)
Employee benefit accrual	(5 024)
Fair value of assets acquired	100 506
Purchase price – settled through issue of ordinary shares	197 000
Goodwill	96 494

# The pro forma financial information has been prepared for illustrative purposes only to provide information on the impact of the related party transactions on the profit for the period of the Pakco operations to the consolidated profit for the year. 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.

There are no events subsequent to the reporting date which require adjustment to the pro forma information. The directors are responsible for compiling the pro forma financial information in accordance with the JSE Limited Listings Requirements and in compliance with the SAICA Guide on Pro Forma Financial Information.

The underlying information used in the preparation of the pro forma financial information has been prepared using the accounting policies in place for the year ended 1 October 2017.

The pro forma 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.

\* The accounts receivable acquired (which principally comprised trade receivables) with a fair value of R33.852 million included gross contractual amounts of R36.057 million. The best estimate at acquisition date of the contractual cash flows not expected to be collected is R2.205 million.

### Ma Baker Group of companies

On 31 March 2017 the Group acquired 100% of the issued share capital and all voting rights of Ma Baker Xpress (Pty) Ltd, Ma Baker Foods (Pty) Ltd, Ma Baker Properties (Pinetown) (Pty) Ltd, Ma Baker Properties (Pietermaritzburg) (Pty) Ltd and Ma Baker Pies (Pty) Ltd (collectively the "Ma Baker Group of Companies"). The Group obtained control based on the voting rights acquired. The Ma Baker Group of Companies operates manufacturing plants in Pinetown and Pietermaritzburg where it manufactures, markets and distribute pie and pastry-based products under the Ma Baker brand. 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 pies and pastries operations and thereby strengthening the Group's position in those categories, particularly in the convenience channel.

Included in the profit before tax for the year is a profit of R8.954 million attributable to the Ma Baker operations. Revenue for the year includes R132.670 million in respect of the acquisition. At the reporting date 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 as we are unable to quantify the impact of the synergies that would have resulted from the beginning of the period.

	2017 R'000
<b>Assets and liabilities acquired</b>	
Property, plant and equipment	77 142
Intangible assets	61 968
Inventory	18 588
Accounts receivable*	19 647
Loans receivable	1 179
Bank balances and cash on hand	3 615
Deferred taxation liability	(23 744)
Accounts payable and accruals	(19 396)
Employee benefit accrual	(2 528)
Current portion of long-term loans	(14 786)
Taxation payable	(2 132)
Fair value of assets acquired	119 553
Purchase price – settled in cash	192 635
Goodwill	73 082

\* The accounts receivable acquired (which principally comprised trade receivables) with a fair value of R19.647 million included gross contractual amounts of R22.485 million. The best estimate at acquisition date of the contractual cash flows not expected to be collected is R2.838 million.

# NOTES TO THE FINANCIAL STATEMENTS

## continued

for the year ended 1 October 2017

### 8. CHANGE IN ACCOUNTING POLICY

The Group has applied the mandatory amendments to IAS 41: Agriculture (effective for annual periods beginning on or after 1 January 2016) in the current financial year. Previously bearer plants were recognised as biological assets where they were measured at fair value. Due to the amendments per IAS 41: Agriculture bearer plants were retrospectively reclassified to Property, Plant and Equipment under IAS 16 Property, plant and equipment under the cost model.

	Previously reported R'000	Change in accounting policy R'000	Restated R'000
<b>Year ended 27 September 2015</b>			
<b>Statement of financial position</b>			
Non-current assets	816 213	(14 127)	802 086
Property, plant and equipment	785 462	8 103	793 565
Biological assets	30 751	(22 230)	8 521
Current assets	–	14 127	14 127
Biological assets	–	14 127	14 127
<b>Year ended 25 September 2016</b>			
<b>Statement of financial position</b>			
Non-current assets	1 006 715	(11 187)	995 528
Property, plant and equipment	974 642	12 184	986 826
Biological assets	32 073	(23 371)	8 702
Current assets	–	16 037	16 037
Biological assets	–	16 037	16 037
Capital and reserves	530 404	3 516	533 920
Accumulated profit attributable to owners of the company	521 597	3 351	524 948
Non-controlling interest	8 807	165	8 972
Non-current liabilities	83 751	1 334	85 085
Deferred taxation liability	83 751	1 334	85 085
<b>Statement of profit or loss and other comprehensive income</b>			
Other income	36 451	770	37 221
Operating cost	(756 345)	4 080	(752 265)
Profit before taxation	404 425	4 850	409 275
Taxation	(114 590)	(1 334)	(115 924)
Profit for the year	289 835	3 516	293 351
Profit after taxation attributable to owners of the company	287 398	3 351	290 749
Profit after taxation attributable to non-controlling interest	2 437	165	2 602
Earnings per share (cents)	130.6	1.5	132.1
Diluted earnings per share (cents)	125.5	1.5	127.0
Headline earnings per share (cents)	131.8	1.5	133.3
Diluted headline earnings per share (cents)	126.5	1.5	128.0
<b>Statement of cash flows</b>			
Net cash inflow from operating activities	140 253	9 498	149 751
Cash flows from investing activities	(228 553)	(9 498)	(238 051)
Purchase of property, plant and equipment	(228 553)	(9 498)	(238 051)

## 9. RELATED PARTY TRANSACTIONS

The Group generated sales from Peaty Mills Plc for R182.483 million (2016: R269.020 million). Included in trade receivables are amounts due from Peaty Mills Plc for R43.143 million (2016: R53.638 million). There were no other significant related party transactions during the year under review.

## 10. DIVIDENDS

On 16 January 2017, a dividend of 42.2 cents (2016: 24.7 cents) per share was paid amounting to a total dividend of R107.6 million (2016: R57.0 million).

## 11. EVENTS SUBSEQUENT TO REPORTING DATE

The Group entered into a sale of shares agreement to dispose of 50.83% of the shares in Ma Baker Xpress Proprietary Limited for a consideration of R6.1 million. The board of directors is of the opinion that the buyer of the shares is more experienced in the retail business market, seeing as this does not form part of the Group's core business.

The board of directors has declared a gross cash dividend of 31.1 cents (2016: 42.2 cents) per share on 17 November 2017 in respect of the year ended 1 October 2017.

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.

## 12. 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. The 2017 financial year, however, includes a 53rd week of trading. References to "financial year" are to the 53/52 weeks ended on or about 30 September. As a result the financial statements were prepared for the year ended 1 October 2017 (2016: 25 September).

## 13. APPROVAL OF PRELIMINARY SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

The preliminary summarised consolidated annual financial statements were approved by the board of directors on 17 November 2017.

## 14. 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 auditor's report does not necessarily report on all of the information contained in these financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the issuer's registered office.

### **INDEPENDENT AUDITORS' REPORT ON THE SUMMARISED FINANCIAL STATEMENTS**

#### **To the shareholders of Rhodes Food Group Holdings Limited**

##### **Opinion**

The summarised consolidated financial statements of Rhodes Food Group Holdings Limited, which comprise the summarised consolidated statement of financial position as at 1 October 2017, the summarised consolidated statements of profit or loss and other 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 1 October 2017.

In our opinion, the accompanying summarised consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements of Rhodes Food Group Holdings Limited, 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.

##### **Summarised consolidated financial statements**

The summarised consolidated financial statements do not contain all the disclosures required by 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 and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial



# NOTES TO THE FINANCIAL STATEMENTS

## continued

for the year ended 1 October 2017

### 14. AUDIT OPINION *continued*

statements of Rhodes Food Group Holdings Limited and the auditor's report thereon.

#### **The audited consolidated financial statements and our report thereon**

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 21 November 2017. That report also includes the communication of key audit matters as reported in the auditor's report of the audited financial statements.

#### **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 whether the summarised consolidated financial statements are consistent, in all material respects, with the consolidated audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.



#### **Deloitte & Touche**

*Registered Auditor*

Per: PJ Schneider  
Partner

1st Floor The Square, Cape Quarter, 27 Somerset Road, Green Point, 8005, Western Cape, Docex 5 Claremont

21 November 2017

National Executive: \*LL Bam Chief Executive Officer \*TMM Jordan Deputy Chief Executive Officer \*MJ Jarvis Chief Operating Officer \* AF Mackie Audit & Assurance \*N Sing Risk Advisory \*NB Kader Tax TP Pillay Consulting S Gwala BPS \*K Black Clients and Industries \*JK Mazzocco Talent and Transformation MG Dicks Risk Independence & Legal \*TJ Brown Chairman of the Board

Regional leader: MN Alberts

*\*Partner and Registered Auditors*

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

**B-BBEE rating: Level 1 contribution in terms of the DTI Generic Scorecard as per the amended Codes of Good Practice**

Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited

# CORPORATE INFORMATION

## RHODES FOOD GROUP HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)

Registration number: 2012/074392/06

JSE share code: RFG

ISIN: ZAE000191979

### Registered address

Pniel Road, Groot Drakenstein, 7680  
Private Bag X3040, Paarl, 7620

### Directors

Dr YG Muthien \* (Chairperson)  
MR Bower \*  
BAS Henderson (Chief Executive Officer)  
TP Leeuw \*  
LA Makenete \*  
B Njobe \* (appointed to the board of directors on 28 September 2017)  
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

### Sponsor

Rand Merchant Bank, a division of FirstRand Bank Limited

### Auditors

Deloitte & Touche

[www.rfg.com](http://www.rfg.com)