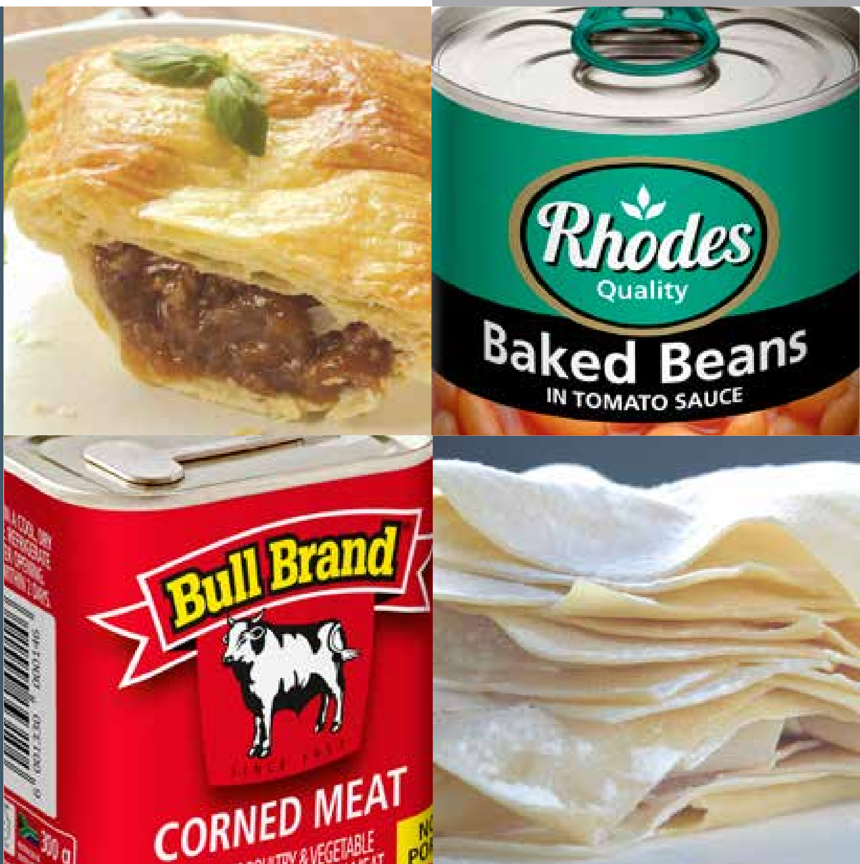
RHODES
FOOD GROUP



ANNUAL FINANCIAL STATEMENTS 2015

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APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The directors are responsible for the preparation, integrity and objectivity of the financial statements and other information contained in these 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 pages 2 and 4 to 52 were approved by the Board of Directors on 19 November 2015 and are signed on its behalf by:

YG Muthien
Chairperson

BAS Henderson
Chief Executive Officer

SECRETARIAL CERTIFICATION

In accordance with section 88(2)(e) of the Companies Act, No 71 of 2008, for the year ended 27 September 2015, 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 8 to 52, which comprise the statement of financial position as at 27 September 2015, and the statement of 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 27 September 2015, 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 27 September 2015, 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.

Deloitte & Touche

Deloitte & Touche
Registered Auditors

Per MA van Wyk
Partner
19 November 2015

Audit – Stellenbosch: 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

DIRECTORS' REPORT

The directors have the pleasure in presenting their report for the year ended 27 September 2015.

NATURE OF BUSINESS

The main business of Rhodes Food Group Holdings Limited and its subsidiaries ("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. 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 27 September 2015 are set out in the financial statements. No other facts or circumstances, except those disclosed below and in the financial statements, require disclosure.

During August 2014 the entity was converted from a private company to a public company, which lead to a name change from Rhodes Food Group Holdings Proprietary Limited to Rhodes Food Group Holdings Limited.

The company commenced the public listing 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 companies and businesses during the year ended 27 September 2015:

- 100% of the shares in Pacmar Proprietary Limited, which holds 100% of the shares in Pacmar Properties Proprietary Limited, on 1 April 2015;
- the business assets of Saint Pie Proprietary Limited on 1 June 2015; and
- the business assets of Boland Pulp Proprietary Limited and Boland Pulp Property Holdings Proprietary Limited on 3 August 2015.

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.

SHARE CAPITAL

50 000 000 ordinary shares were issued on 2 October during a private placement prior to listing on the JSE Limited (2014: the company subdivided the 1 000 000 authorised ordinary shares into 1 800 000 000 ordinary shares and 95 000 issued ordinary shares into 171 000 000 ordinary shares. On the same day the company subdivided the authorised "A" and "B" redeemable convertible preference shares from 1 000 000 preference shares to 1 800 000 000 and 5 000 "A" and "B" redeemable convertible preference shares in issue into 9 000 000 "A" and "B" preference shares. Subsequently the authorised "A" and "B" redeemable convertible preference shares were decreased to 9 000 000 "A" and "B" preference shares).

SPECIAL RESOLUTIONS PASSED

- Non-executive directors' remuneration has been approved as disclosed in the integrated report for the year ended 28 September 2014.
- It was resolved that 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 the date of adoption of this special resolution, offer direct or indirect financial assistance to any related director, prescribed officer or inter-related company or corporation of the company.

SUBSIDIARIES

Refer to note 29 of the consolidated annual financial statements for a list of subsidiaries.

DIVIDENDS

No dividends were declared or paid during the current year (2014: Rnil).

DIRECTORS

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

YG Muthien	Independent non-executive director *(Chairperson)*
BAS Henderson	*Chief Executive Director*
CC Schoombie	*Chief Financial Officer*
GJH Willis	Non-executive director
MR Bower	Independent non-executive director
TP Leeuw	Independent non-executive director
CL Smart	Non-executive director
LA Makenete	Independent non-executive director

DIRECTORS' SHAREHOLDINGS

Refer to note 18 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 a "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 27 September (2014: 28 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 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:

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)

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 17 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 2016 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 Audit and Risk 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 R1.38 million (2014: R444 000) for non-audit services, equating to 78% (2014: 34%) of their total audit fees of R1.76 million (2014: R1.32 million). The audit committee approved the non-audit fees on the basis that the majority of services related to non-recurring engagements which were commissioned before the listing of the Group on the JSE.

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 was formalised during the year and has been outsourced to PriceWaterhouseCoopers to 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 twice each year, with 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 2015 financial year and that its report to shareholders has been approved by the board.

Mark Bower
Chairman

Audit and Risk Committee
19 November 2015

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

for the year ended 27 September 2015

	Notes	2015 R'000	2014 R'000
ASSETS			
Non-current assets		**1 167 896**	744 609
Property, plant and equipment	5	**785 462**	529 152
Intangible assets	6	**79 908**	51 051
Goodwill	7	**271 775**	126 325
Biological assets	8	**30 751**	28 015
Loans receivable	9	**–**	9 275
Other financial instruments	10.1	**–**	791
Current assets		**1 310 067**	936 332
Inventory	11	**694 604**	542 632
Accounts receivable	12	**604 078**	390 029
Loans receivable	9	**2 758**	1 941
Bank balances and cash on hand	27.3	**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	13	**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	13	**–**	156 005
Preference shareholders for dividend accrual	13	**–**	67 228
Long-term loans	14	**621 773**	465 434
Deferred taxation liability	15	**60 993**	43 603
Employee benefit liability	16.3	**9 767**	9 131
Current liabilities		**767 273**	665 652
Accounts payable and accruals	16.1	**430 352**	333 113
Employee benefits accrual	16.2	**114 927**	99 275
Current portion of long-term loans	14	**109 775**	72 799
Taxation payable	27.2	**29 820**	29 684
Bank overdraft	27.3	**72 448**	128 605
Foreign exchange contract liability	10.2	**9 951**	2 176
Total equity and liabilities		**2 477 963**	1 680 941

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 27 September 2015

	Notes	2015 R'000	2014 R'000
REVENUE	3.4	**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	17	**289 373**	236 120
Interest paid	19	**(47 256)**	(103 446)
Interest received		**34**	597
Profit before taxation		**242 151**	133 271
Taxation	20	**(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)	21.1	**77.4**	47.5
Diluted headline earnings per share (cents)	21.2	**74.4**	45.2
Shares in issue ('000)	21.3	**220 063**	171 000
Dilutive shares in issue ('000)	21.3	**229 063**	180 000

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	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**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 27 September 2015

	Notes	2015 R'000	2015 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	27.1	**220 299**	176 447
Net interest paid		**(104 557)**	(38 853)
Taxation paid	27.2	**(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	5	**528**	859
Acquisition of subsidiaries and businesses less net cash acquired	27.6	**(407 796)**	–
Loans receivable raised		**(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	27.3	**(63 821)**	(126 875)

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	2014
	R'000	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	
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. Intercompany 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 3. 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.

Geographical information

The Group's non-current assets by location of operations (excluding financial instruments and goodwill) 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	2014
Non-current assets	**R'000**	R'000
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 CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

for the year ended 27 September 2015

1. GENERAL INFORMATION

Rhodes Food Group Holdings Limited is a company domiciled in the Republic of South Africa. These annual consolidated financial statements ("financial statements") as at and for the financial year ended 27 September 2015 comprise the company and its subsidiaries. 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 financial years ended September 2015 and 2014.

2. APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS

In the current year, the Group has applied a number of new and revised IFRSs issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after 1 January 2014.

2.1 **Amendments to IFRS 10, 'Consolidated financial statements', IFRS 12 and IAS 27 for investment entities (effective date 1 January 2014)**

The amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics.

2.2 **Amendments to IAS 32 – 'Financial Instruments: Presentation' on financial instruments asset and liability offsetting (effective date 1 January 2014)**

The IASB has issued amendments to the application guidance in IAS 32, 'Financial instruments: Presentation', that clarify some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position. However, the clarified offsetting requirements for amounts presented in the statement of financial position continue to be different from US GAAP.

2.3 **IASB issues narrow-scope amendments to IAS 36, 'Impairment of assets' on recoverable amount disclosures (effective date 1 January 2014)**

These amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal.

2.4 **Amendment to IAS 39, 'Financial instruments: Recognition and measurement', on novation of derivatives and hedge accounting (effective date 1 January 2014)**

The IASB has amended IAS 39 to provide relief from discontinuing hedge accounting when novation of a hedging instrument to a CCP meets specified criteria. Similar relief will be included in IFRS 9, 'Financial Instruments'.

2.5 **Amendment to IAS 19 'Employee benefits', regarding defined benefit plan (effective date 1 July 2014)**

These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

2.6 **IAS 32 (amendment) – Financial instruments: Presentation**

The amendments require entities to disclose gross amounts subject to rights of set-off, amounts set off in accordance with the accounting standards followed, and the related net credit exposure. This information will help investors understand the extent to which an entity has applied set-off in its statement of financial position and the effects of rights of set-off on the entity's rights and obligations.

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.

2. APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS (continued)

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

2.7 **Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures' on sale or contribution of assets (effective date 1 January 2016)**

The IASB has issued this amendment to eliminate the inconsistency between IFRS 10 and IAS 28. If the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business', then the full gain or loss will be recognised by the investor. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

2.8 **Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures' on applying the consolidation exemption (effective date 1 January 2016)**

The amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.

2.9 **Amendment to IFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation (effective date 1 January 2016)**

This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.

2.10 **Amendments to IAS 1, 'Presentation of financial statements' disclosure initiative (effective date 1 January 2016)**

In December 2014 the IASB issued amendments to clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

2.11 **Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets', on depreciation and amortisation (effective date 1 January 2016)**

In this amendment the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

2.12 **Amendments to IAS 16, 'Property, plant and equipment' and IAS 41, 'Agriculture' on bearer plants (effective date 1 January 2016)**

In this amendment to IAS 16 the IASB has scoped in bearer plants, but not the produce on bearer plants and explained that a bearer plant not yet in the location and condition necessary to bear produce is treated as a self-constructed asset. In this amendment to IAS 41, the IASB has adjusted the definition of bearer plants to include examples of non-bearer plants and remove current examples of bearer plants from IAS 41.

2.13 **Amendments to IAS 27, 'Separate financial statements' on equity accounting (effective date 1 January 2016)**

In this amendment the IASB has restored the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

2.14 **IFRS 15 – Revenue from contracts with customers (effective date 1 January 2018)**

The FASB and IASB issued their long awaited converged standard on revenue recognition on 29 May 2014. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occur when control of goods and services transfer to a customer.

2.15 **IFRS 9 – Financial Instruments (2009 and 2010) (effective date 1 January 2018)**

This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value.

2.16 **Amendment to IFRS 9 – 'Financial instruments', on general hedge accounting (effective date 1 January 2018)**

The IASB has amended IFRS 9 to align hedge accounting more closely with an entity's risk management. The revised standard also establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39.

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 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 into 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 equity therein. 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. ACCOUNTING POLICIES (continued)

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, preference share dividends on preference shares classified as liabilities, 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 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.

3.7.1 Current taxation

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.

3.7 Taxation (continued)

3.7.2 Deferred taxation

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.

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 property, 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 and growing crops 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. ACCOUNTING POLICIES (continued)

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 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 results. Where the effect of 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 provide retirement benefits to employees through a defined contribution pension fund and a defined contribution provident fund. Contributions to these retirement funds are charged against income as incurred.

Employee benefits

The retirement pay obligation is calculated 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.

3.17 Financial instruments (continued)

3.17.1 Financial assets (continued)

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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 in 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 past the average credit term of 45 days, 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 derecognises 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 reissued 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.

3. ACCOUNTING POLICIES (continued)

3.17 Financial instruments (continued)

3.17.2 Financial liabilities and equity instruments (continued)

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.

Derecognition of financial liabilities
The Group derecognises 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.

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.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

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 rate of interest 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 assets

Trademarks and other intangibles that are acquired through acquisition are capitalised on the statement of financial position. These brands 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 brands 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 trademark 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 year 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

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 27 September 2015

5. PROPERTY, PLANT AND EQUIPMENT (continued)

2014	Opening balance R'000	Depreciation R'000	Disposals R'000	Transfers R'000	Closing balance R'000
COST					
Land	43 902	–	–	–	43 902
Buildings and leasehold improvements	215 355	–	–	8 895	224 250
Plant and machinery	236 597	–	(430)	34 209	270 376
Motor vehicles	6 919	–	–	1 446	8 365
Office equipment	10 770	–	–	11 314	22 084
Furniture and fittings	1 460	–	–	409	1 869
Capital work-in-progress	16 173	87 763	–	(56 273)	47 663
	531 176	87 763	(430)	–	618 509

	Opening balance R'000	Depreciation R'000	Disposals R'000	Transfers R'000	Closing balance R'000
ACCUMULATED DEPRECIATION					
Buildings and leasehold improvements	10 824	11 728	–	–	22 552
Plant and machinery	27 241	29 857	(409)	–	56 689
Motor vehicles	885	1 123	–	–	2 008
Office equipment	3 156	4 385	–	–	7 541
Furniture and fittings	281	286	–	–	567
	42 387	47 379	(409)	–	89 357
Net book value	488 789				529 152

The Group leases certain of its manufacturing equipment under finance leases. For additional disclosure regarding the terms of the leases, refer to note 14.1.

Securities registered:

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 for 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

5. PROPERTY, PLANT AND EQUIPMENT (continued)

A first covering mortgage bond for R44 million, registered in favour of Nedbank Limited, over:
- Erf 12912 in Wellington

A general notarial 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 for 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 for 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:

	2015 R'000	2014 R'000
Nedbank Limited	**624 372**	469 209
First National Bank Limited	**3 102**	4 334
Nedbank (Swaziland) Limited	**3 743**	4 174
Standard Bank (Swaziland) Limited	**–**	–

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

6. INTANGIBLE ASSETS

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

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

6. INTANGIBLE ASSETS (continued)

2014	Opening balance R'000	Additions R'000	Closing balance R'000
Indefinite useful live intangible assets			
Trademarks	50 951	–	50 951
Export quota	100	–	100
Net book value	51 051	–	51 051

Management assess the 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:

	2015 %	2014 %
Growth in revenue	**6.00**	6.00
Fair rate of return	**12.46**	12.30
Additional margin on branded products	**0.50 – 3.00**	0.50 – 3.00

7. GOODWILL

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**

2014	Opening balance R'000	Additions R'000	Disposal R'000	Closing balance R'000
Cost	126 325	–	–	126 325

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

	2015 R'000	2014 R'000
Regional segment	**233 164**	96 918
International segment	**38 611**	29 407
	271 775	126 325

The CGUs 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 Saint Pie Proprietary Limited and Boland Pulp Proprietary Limited and its subsidiary.

The recoverable amount 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.

	2015 %	2014 %
Growth in revenue	**6.00**	6.00
Fair rate of return/discount rate	**12.46**	12.30

Based on the above assessment no impairment is required to be recognised in the current year (2014: Rnil).

8. BIOLOGICAL ASSETS

	2015 R'000	2014 R'000
Livestock	**8 521**	8 602
Growing crops	**22 230**	19 413
	30 751	28 015
Reconciliation of changes in carrying value of biological assets		
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 arising from change in fair value attributable to physical and price changes	**10 793**	8 232
Carrying value at the end of the year	**30 751**	28 015

A general notarial bond is registered over biological assets of 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 company produces dairy products.

Financial risk management strategies

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

Regulatory and environmental risks

The company is subject to laws and regulations in countries in which it operates. The company 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 cattle, vaccinating and dipping of cattle.

Measurement of fair value

The fair value 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 value 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 company owns and manages 602 (2014: 595) hectares of pineapples. The company manages a further 916 (2014: 916) hectares of pineapples on leasehold land. The company 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.

Financial risk management strategies

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

Regulatory and environmental risks

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

8. BIOLOGICAL ASSETS (continued)

Climate and other risks

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

Measurement of fair value

The fair value 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 (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.

The estimated fair value 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:

	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
Change in fair value	**10 793**	8 232
Net change in fair value	**30 751**	28 015

9. LOANS RECEIVABLE

	2015 R'000	2014 R'000
Non-current assets		
Management loans	**–**	9 275
Current assets		
Management loans (accrued interest)	**–**	545
Constitution Road Wine Growers Proprietary Limited	**2 758**	1 396
	2 758	1 941

The management loans were unsecured and bore interest at a variable rate, which was 6.5% during the financial year-end (2014: 6.5%). The Group advanced loans to members of management which assisted them to acquire shares in Rhodes Food Group Holdings Limited. The capital was repaid subsequent to the listing of Rhodes Food Group Holdings Limited's issued share capital on the JSE Limited during the current financial year.

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 financial year of the abovementioned entity.

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

10.1 Other financial instruments

	2015 R'000	2014 R'000
Interest rate swap – not designated in hedge accounting relationship.		
Financial asset		
Non-current	–	791
Current (included in accounts receivable)	–	1 173

Interest rate swap agreements for a period ranging between 12 and 30 months have been concluded to convert floating rates (linked to prime and JIBAR) to fixed rates. The current notional value of the swaps, and the rates applicable, are as follows:

2014	Notional value R'000	Fixed rate %	Variable rate %
Swap A	73 538	7.45	Prime – 1.75
Swap B	9 143	8.07	Prime – 1.00
Swap C	32 118	7.98	Prime – 1.00
Swap D	30 038	9.01	JIBAR + 3.50
Swap E	127 500	12.50	JIBAR + 6.75

10.2 Foreign exchange contracts

The Group enters into forward exchange contracts (FECs) 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.

2015 FECs in respect of anticipated receipts from customers	**Foreign amount '000**	**Rand value R'000**	**Contract fair value R'000**	**Contract (loss)/gain R'000**
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)**
2014				
FECs in respect of anticipated receipts from customers				
AUD	1 410	14 283	13 981	302
CAD	594	5 969	6 045	(76)
USD	4 455	50 478	51 960	(1 482)
GBP	2 245	41 334	41 508	(174)
EUR	3 110	37 243	37 989	(746)
		149 307	151 483	(2 176)

10.3 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

11. INVENTORY

	2015 R'000	2014 R'000
Finished goods	**518 007**	420 138
Work-in-progress	**8 630**	7 643
Raw materials	**171 064**	114 851
	697 701	542 632
Provision for obsolete stock	**(3 097)**	–
	694 604	542 632

The value of the inventory disclosed at net realisable value is R23 848 099 (2014: R28 471 013) for the Group. Refer to note 5 for details of emcumbarances. Refer to the cost of goods sold per the statement of profit or loss and other comprehensive income where the expenses relating to inventories are recognised.

12. ACCOUNTS RECEIVABLE

	2015 R'000	2014 R'000
Trade receivables	**592 779**	365 027
Less: Allowance for doubtful debt	**(108)**	–
Net trade receivables	**592 671**	365 027
Sundry receivables	**636**	4 821
Prepayments	**8 790**	7 509
Deposits	**1 498**	1 238
Other receivables	**483**	3 498
VAT receivable	**–**	6 763
Other financial assets (refer to note 10.1)	**–**	1 173
	604 078	390 029

Refer to note 5 for details of emcumbarances.

Trade receivables

The average credit period on sale of goods is 58 days (2014: 55 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:

	2015 R'000	2014 R'000
Customer A	**62 451**	53 267
Customer B	**80 929**	62 826
Customer C	**58 687**	42 530
Customer D	**64 849**	–
	266 916	158 623

Each of the above customers, represent more than 10% of the total balance of Group trade receivables.

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 R107 560 (2014: Rnil) 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.

12. ACCOUNTS RECEIVABLE (continued)

	2015 R'000	2014 R'000
Movement in allowance for doubtful debts		
Balance at the beginning of the year	–	(18)
Doubtful debt (provided)/reversed	(108)	18
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 are past due at the reporting date, and against which an allowance has not been raised as there has not been a significant change in credit quality and the amounts are still considered recoverable.		
Ageing of past due but not impaired		
60 to 90 days	26 001	10 380
90 to 120 days	1 531	1 738
More than 120 days	1 310	2 047
	28 842	14 165

13. SHARE CAPITAL

	2015 R'000	2014 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 (2014: 171 000 000) ordinary shares	713 641	142 500
937 500 treasury shares held by subsidiary	(937)	–
9 000 000 unlisted "A" redeemable convertible preference shares	7 500	7 500
9 000 000 unlisted "B" redeemable convertible preference shares	1	1
	720 205	150 001
10 000 unlisted "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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 27 September 2015

13. SHARE CAPITAL (continued)

	Number of holders	Percentage of holders	Number of shares	Percentage of shares
Public and non-public shareholding				
Ordinary shares				
Shareholders spread				
Public shareholders	2 414	99.59	105 839 777	47.88
Non-public shareholders	10	0.41	115 160 223	52.12
Directors of company	6	0.25	19 309 381	8.74
Strategic holdings				
Capitalworks Private Equity GP Proprietary Limited[1, 2]	1	0.04	56 257 176	25.46
South African Investment GP Trust[3]	2	0.08	32 168 666	14.56
Rhodes Food Group Management Trust	1	0.04	7 425 000	3.36
	2 424	100.00	221 000 000	100.00

	2015 Number of shares	2015 % of total shares	2014 Number of shares	2014 % 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	77 299 200	45.20
South African Investment GP Trust[4]	23 776 726	10.76	32 670 000	19.11
Bruce Henderson Trust	16 200 000	7.33	21 600 000	12.63
South African Investment GP Trust[5]	8 391 940	3.80	11 530 800	6.74
Rhodes Food Group Management Trust	7 425 000	3.36	9 900 000	5.79
Other	–	–	18 000 000	10.53
Public shareholders				
Government Employees Pension Fund	38 015 586	17.20	–	–
Old Mutual	11 225 770	5.08	–	–
Other	59 707 802	27.01	–	–
	221 000 000	100.00	171 000 000	100.00

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

[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.*

13. SHARE CAPITAL (continued)

	2015 Number of holders	2015 Percentage of holders	2015 Number of shares	2015 Percentage of 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**

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 redeem at a value of R1.00 per share. To the extent the targets are not achieved the "B" redeemable convertible preference shares will redeem at a value of R1.00 per share and an equivalent number of "A" redeemable convertible preference shares will convert to ordinary shares.

The "A" class cumulative redeemable preference shares in issue relate to Rhodes Food Group Proprietary Limited. The preference shares had a coupon rate of 18% per annum. The preference shares did not have a fixed redemption date and Rhodes Food Group Proprietary Limited did not have any obligation, and no holder had any right to require the company, to redeem or repurchase any "A" Preference Share prior to three years and one day after the date of issue. Rhodes Food Group Proprietary Limited will be obliged to redeem all "A" preference shares which remain in issue if the company is placed into liquidation, business rescue or under judicial management. The redemption amount was equal to the capital value, R156 005 319, of the shares. The "A" class cumulative redeemable preference shares were classified as liabilities, with their dividends being recognised as finance charges in the statement of profit or loss and other comprehensive income. The holding company commenced the public trading of its issued share capital on the Johannesburg Stock Exchange operated by the JSE Limited on 2 October 2014 which subsequently lead to the preference shares and the related dividends being paid out to the respective shareholders.

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

Management Share Trust

In order to achieve an alignment of interests, some senior management members of Rhodes Food Group Proprietary Limited participate in the economic benefit of the Group through units held by them in the Rhodes Food Group Management Trust.

Other shareholders

In order to achieve an alignment of interests, key management of Rhodes Food Group Proprietary Limited participate in the economic benefit of the Group either through beneficial interest in family trusts or through direct shareholding in their personal capacity.

Rhodes Food Group Proprietary Limited provided financial assistance through loan advances to the above managers. All managers to whom loans were advanced pledged and ceded their rights and interests in units in the Management Trust to Rhodes Food Group Proprietary Limited or shares in the company as security to loans. These loans were repaid in full in the year.

Details of the loans advanced to management are set out in note 9.

14. LONG-TERM LOANS

14.1 Long-term loans

Counterparty	2015 R'000	2014 R'000	Used for	Rate	Instalments	Frequency	Period	Final payment	Security
Nedbank Limited	–	174 131	Leverage buyout	3-month JIBAR plus 6.9%	None	Repayable in full in 2018	6 years	2018	Detailed in note 5
Nedbank Limited	–	97 435	Leverage buyout	Prime minus 1.75%	2015: Rnil (2014: R1 342 886)	Monthly	10 years	2022	Detailed in note 5
Nedbank Limited	–	11 946	Leverage buyout	Prime minus 1%	2015: Rnil (2014: R366 769)	Monthly	5 years	2017	Detailed in note 5
Nedbank Limited	–	41 421	Leverage buyout	Prime minus 1%	2015: Rnil (2014: R1 808 903)	Monthly	4 years	2016	Detailed in note 5
Nedbank Limited	–	40 971	Leverage buyout	3-month JIBAR plus 3.5%	Variable	Bi-annual	5 years	2017	Detailed in note 5
Nedbank Limited	–	10 183	Acquisition of assets	Prime minus 1%	2015: Rnil (2014: R263 864)	Monthly	5 years	2018	Detailed in note 5
Nedbank Limited	–	22 022	Acquisition of assets	Prime minus 1%	2015: Rnil (2014: R291 423)	Monthly	10 years	2023	Detailed in note 5
Nedbank Limited	–	8 161	Acquisition of assets	Prime minus 1%	2015: Rnil (2014: R203 787)	Monthly	5 years	2018	Detailed in note 5
Nedbank Limited	–	32 124	Acquisition of assets	Prime minus 1%	2015: Rnil (2014: R685 332)	Monthly	5 years	2019	Detailed in note 5
Nedbank Limited	–	13 994	Acquisition of assets	Prime minus 1%	2015: Rnil (2014: R184 026)	Monthly	9 years	2023	Detailed in note 5
Nedbank Limited	–	18 000	Acquisition of assets	Prime minus 1%	2015: Rnil (2014: R366 244)	Monthly	5 years	2019	Detailed in note 5
Nedbank Limited	**80 143**	–	Acquisition of assets	Prime minus 1.75%	3 029 819	Quarterly	10 years	2024	Detailed in note 5
Nedbank Limited	**138 620**	–	Acquisition of assets	Prime minus 1.25%	9 655 161	Quarterly	5 years	2019	Detailed in note 5
Nedbank Limited	**47 359**	–	Acquisition of assets	Prime minus 1.75%	593 560	Monthly	10 years	2024	Detailed in note 5
Nedbank Limited	**28 754**	–	Acquisition of assets	Prime minus 1.75%	360 522	Monthly	10 years	2025	Detailed in note 5
Nedbank Limited	**58 584**	–	Acquisition of subsidiary	Prime minus 1.75%	2 152 815	Quarterly	10 years	2025	Detailed in note 5
Nedbank Limited	**43 536**	–	Acquisition of subsidiary	Prime minus 1.75%	1 582 113	Quarterly	10 years	2025	Detailed in note 5
Nedbank Limited	**40 973**	–	Acquisition of subsidiary	Prime minus 1.25%	2 638 916	Quarterly	5 years	2020	Detailed in note 5
Nedbank Limited	**48 242**	–	Acquisition of assets	Prime minus 1.25%	3 029 285	Quarterly	5 years	2020	Detailed in note 5

14.1 Long-term loans (continued)

Counterparty	2015 R'000	2014 R'000	Used for	Rate	Instalments	Frequency	Period	Final payment	Security
Nedbank Limited	**25 943**	–	Acquisition of business	Prime minus 1.25%	1 634 418	Quarterly	5 years	2020	Detailed in note 5
Nedbank Limited	**49 734**	–	Acquisition of assets	Prime minus 1.25%	3 052 625	Quarterly	5 years	2020	Detailed in note 5
Nedbank Limited	**13 005**	–	Acquisition of business	Prime minus 1.75%	469 890	Quarterly	10 years	2025	Detailed in note 5
Nedbank Limited	**48 058**	–	Acquisition of business	Prime minus 1.25%	2 949 062	Quarterly	5 years	2020	Detailed in note 5
Nedbank Limited	**60 073**	–	Acquisition of business	Prime minus 1.25%	3 686 327	Quarterly	5 years	2020	Detailed in note 5
FirstRand Bank Limited (Wesbank)	**229**	314	Acquisition of assets	Prime plus 1.6%	2015: R9 526 (2014: R9 500)	Monthly	5 years	2017	Detailed in note 5
FirstRand Bank Limited (Wesbank)	**330**	434	Acquisition of assets	Prime plus 1.6%	2015: R12 166 (2014: R12 127)	Monthly	5 years	2018	Detailed in note 5
FirstRand Bank Limited (Wesbank)	**113**	147	Acquisition of assets	Prime	2015: R3 790 (2014: R3 777)	Monthly	5 years	2018	Detailed in note 5
FirstRand Bank Limited (Wesbank)	**634**	803	Acquisition of assets	Prime	2015: R19 675 (2014: R19 600)	Monthly	5 years	2018	Detailed in note 5
FirstRand Bank Limited (Wesbank)	**1 473**	2 348	Acquisition of assets	Prime	2015: R87 469 (2014: R87 296)	Monthly	3 years	2017	Detailed in note 5
FirstRand Bank Limited (Wesbank)	**485**	603	Acquisition of assets	Prime	2015: R14 077 (2014: R14 020)	Monthly	5 years	2019	Detailed in note 5
FirstRand Bank Limited (Wesbank)	**422**	646	Acquisition of assets	Prime	2015: R22 744 (2014: R22 694)	Monthly	3 years	2017	Detailed in note 5
FirstRand Bank Limited (Wesbank)	**742**	1 097	Acquisition of assets	Prime	2015: R36 619 (2014: R36 532)	Monthly	3 years	2017	Detailed in note 5
Capitalworks Rhodes Food Investment Partnership	**–**	21 376	Leverage buyout	18%	Variable	Repayable on demand (2014: not within next 12 months)	Not specified	Not specified	Unsecured
South African Investment Partnership	**–**	3 183	Leverage buyout	18%	Variable	Repayable on demand (2014: not within next 12 months)	Not specified	Not specified	Unsecured
South African Investment Partnership II	**–**	9 020	Leverage buyout	18%	Variable	Repayable on demand (2014: not within next 12 months)	Not specified	Not specified	Unsecured
Nedbank (Swaziland) Limited	**8 251**	11 250	Acquisition of assets	Swaziland prime minus 0.75%	Variable	Bi-annual	5 years	2017	Detailed in note 5

14. LONG-TERM LOANS (continued)

14.1 Long-term loans (continued)

Counterparty	2015 R'000	2014 R'000	Used for	Rate	Instalments	Frequency	Period	Final payment	Security
Nedbank (Swaziland) Limited	**2 708**	3 245	Acquisition of assets	Swaziland prime minus 0.75%	2015: R65 573 (2014: R64 915)	Monthly	6 years	2019	Detailed in note 5
Nedbank (Swaziland) Limited	**1 014**	1 619	Acquisition of assets	Swaziland prime minus 2%	2015: R62 889 (2014: R62 637)	Monthly	10 years	2017	Detailed in note 5
Nedbank (Swaziland) Limited	**903**	1 612	Acquisition of assets	Swaziland prime minus 0.5%	2015: R68 237 (2014: R68 005)	Monthly	5 years	2017	Detailed in note 5
Nedbank (Swaziland) Limited	**648**	910	Acquisition of assets	Swaziland prime minus 0.5%	2015: R27 450 (2014: R27 293)	Monthly	4 years	2017	Detailed in note 5
Nedbank (Swaziland) Limited	**408**	534	Acquisition of assets	Swaziland prime minus 0.25%	2015: R13 946 (2014: R13 847)	Monthly	4 years	2018	Detailed in note 5
Nedbank (Swaziland) Limited	**4 345**	5 000	Acquisition of assets	Swaziland prime minus 0.75%	2015: R90 721 (2014: R88 021)	Monthly	6 years	2020	Detailed in note 5
Nedbank (Swaziland) Limited	**450**	–	Acquisition of assets	Swaziland prime minus 0.5%	13 035	Monthly	4 years	2018	Detailed in note 5
Nedbank (Swaziland) Limited	**8 488**	–	Acquisition of assets	Swaziland prime minus 0.5%	181 139	Monthly	5 years	2020	Detailed in note 5
Nedbank (Swaziland) Limited	**14 642**	–	Acquisition of assets	Swaziland prime minus 1.5%	179 753	Monthly	10 years	2025	Detailed in note 5
Standard Bank (Swaziland) Limited	**1 823**	3 109	Acquisition of assets	Swaziland prime	2015: R107 217 (2014: R107 217)	Monthly	5 years	2017	Detailed in note 5
Standard Bank (Swaziland) Limited	**416**	595	Acquisition of assets	Swaziland prime plus 1%	2015: R19 267 (2014: R19 161)	Monthly	5 years	2017	Detailed in note 5
Total	**731 548**	538 233							
Less: current portion	**(109 775)**	(72 799)							
Long-term loans	**621 773**	465 434							

The Group used part of the proceeds from the issue of shares prior to the listing on the JSE Limited to repay a portion of its long-term debt.

14. LONG-TERM LOANS (continued)

14.2 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 14.1. 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
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**
2014			
Less than one year	4 136	891	3 245
Between one and five years	7 833	1 031	6 802
	11 969	1 922	10 047

15. DEFERRED TAXATION

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

2015	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	**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**
– Prepayments	**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**

15. DEFERRED TAXATION (continued)

2014	Opening balance 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	50 525	918	51 443
Excess tax allowances over amortisation of intangible assets	14 266	–	14 266
Estimated tax losses	(12 926)	3 367	(9 559)
Deferred capital gains tax on adoption of IFRS deemed cost of land and buildings	203	2 058	2 261
Provisions not allowable for tax purposes	(18 102)	(10 472)	(28 574)
Difference between tax and accounting treatment of			
– Biological assets	8 253	(720)	7 533
– Prepayments	1 110	(85)	1 025
– Inventory	5 024	448	5 472
– Foreign exchange contracts	(893)	629	(264)
	47 460	(3 857)	43 603

16. ACCOUNTS PAYABLE AND ACCRUALS

16.1. Accounts payable and accruals

	2015 R'000	2014 R'000
Trade payables	**324 027**	215 869
VAT payable	**2 422**	–
Accruals	**103 903**	117 244
	430 352	333 113

The average credit period on purchases is 44 days (2014: 42 days) 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.

16.2. Employee benefits accrual

The employee benefits accrual comprises the following amounts:

	2015 R'000	2014 R'000
Incentives	**98 474**	86 762
Leave pay	**16 453**	12 513
	114 927	99 275

16. ACCOUNTS PAYABLE AND ACCRUALS (continued)

16.2. Employee benefits accrual (continued)

	Opening balance R'000	Acquisition of subsidiaries R'000	Raised R'000	Utilised R'000	Closing balance R'000
2015					
Employee benefits accrual	**99 275**	**3 907**	**61 060**	**(49 315)**	**114 927**
2014					
Employee benefits accrual	72 721	–	54 871	(28 317)	99 275

Executive directors and senior managers participate in an annual cash-based short-term incentive scheme. The scheme rewards the achievement of 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.

16.3. Employee benefit liability

Total employee benefit liability per statement of financial position:

	2015 R'000	2014 R'000
Swaziland Fruit Canners Proprietary Limited	**7 266**	6 346
Rhodes Food Group Proprietary Limited	**2 501**	2 785
	9 767	9 131

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.

An actuarial valuation was performed by Alexander Forbes Financial Services Proprietary Limited in September 2014.

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

	2015 R'000	2014 R'000
Liability recorded in the statement of financial position as part of "employee benefit liability"	**7 266**	6 346
Movement in liability		
Balance at the beginning of year	**6 346**	3 055
Raised during the year	**1 055**	927
Payments made during the year	**(135)**	(790)
Actuarial loss on defined benefit obligation	**–**	3 154
Balance at the end of year	**7 266**	6 346
The amounts recognised in profit or loss are as follows:		
Current service costs	**510**	502
Interest cost	**545**	425
	1 055	927
The amounts recognised in other comprehensive income are as follows:		
Actuarial losses	**–**	(3 154)

16. ACCOUNTS PAYABLE AND ACCRUALS (continued)

16.3. Employee benefit liability (continued)

The principal actuarial assumptions used are as follows:

	2015 %	2014 %
Discount rate	**8.50**	8.50
Inflation rate	**6.20**	6.20
Salary increase rate	**7.20**	7.20

A sensitivity analysis on the principle actuarial assumptions is as follows:	2015	% change
A 1% decrease in the discount rate will impact the present value of the liabilities as follows:		
Total liability	**7 961 000**	9.60
A 1% decrease in the inflation rate will impact the present value of the liabilities as follows:		
Total liability	**6 659 000**	8.40

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 2015.

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

	2015 R'000	2014 R'000
Liability recorded in the statement of financial position as part of "employee benefit liability"	**2 501**	2 785
Movement in liability		
Balance at the beginning of year	**2 785**	3 396
Raised during the year	**202**	314
Payments made during the year	**(409)**	(554)
Actuarial gain	**(77)**	(371)
Balance at the end of year	**2 501**	2 785
The amounts recognised in profit or loss are as follows:		
Interest cost	**202**	314
The amounts recognised in other comprehensive income are as follows:		
Actuarial gain	**77**	371
The principal actuarial assumptions used are as follows:	**%**	%
Discount rate	**8.25**	7.80
Mortality rate	**PA (90) with two-year adjustment**	PA (90) with two-year adjustment

A sensitivity analysis on the principle actuarial assumptions is as follows:	2015	% change
A 1% decrease in the discount rate will impact the present value of the liabilities as follows:		
Total liability	**2 633 000**	5.30
Service and interest cost	**177 000**	(7.10)
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:		
Total liability	**2 673 000**	6.90
Service and interest cost	**205 000**	7.50

17. PROFIT BEFORE INTEREST AND TAXATION

	2015 R'000	2014 R'000
Profit before interest and taxation is arrived at after taking the following items into account:		
Income		
Profit on disposal of property, plant and equipment	–	838
Unrealised gain on interest rate swap	–	1 964
Expenses		
Auditors' remuneration	**4 150**	2 484
Audit fee		
– current year: Group auditor	**1 761**	1 318
– current year: component auditors	**972**	643
Other services		
– current year: Group auditor	**1 382**	444
– current year: component auditors	**35**	79
Depreciation	**57 112**	47 379
– Buildings and leasehold improvements	**12 907**	11 728
– Plant and machinery	**35 968**	29 857
– Motor vehicles	**1 577**	1 123
– Office equipment	**6 371**	4 385
– Furniture and fittings	**289**	286
Amortisation	**1 016**	–
Directors' emoluments		
– Executive	**12 845**	12 741
– Non-executive	**1 660**	547
Management fee paid to Capitalworks[1]	**600**	488
Loss on disposal of property, plant and equipment	**985**	–
Operating lease charges – paid	**28 207**	18 479
Total staff costs	**479 073**	396 329
– included in cost of goods sold	**192 725**	166 628
– included in operating expenses	**286 348**	229 701
Realised loss on interest rate swap	**765**	2 440
Unrealised foreign exchange loss	**10 095**	2 176

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

18. REMUNERATION PAID TO DIRECTORS AND PRESCRIBED OFFICERS

	BAS Henderson *Chief Executive Officer*		CC Schoombie *Chief Financial Officer*	
Executive directors	**2015 R'000**	2014 R'000	**2015 R'000**	2014 R'000
Fees for services as director				
Basic salary	**2 692**	2 372	**1 881**	1 544
Incentive payments	**1 360**	4 747	**5 454**	2 735
Travel allowance	**331**	331	**161**	161
Contributions under medical scheme	**110**	101	**–**	–
Contributions under pension scheme	**412**	363	**288**	236
Contributions under disability and funeral scheme	**66**	94	**90**	57
	4 971	8 008	**7 874**	4 733

		Bruce Henderson Trust (Trust to BAS Henderson)		Jacian Trust (Trust to CC Schoombie)	
		2015	2014	**2015**	2014
Number of ordinary shares held		**16 200 000**	21 600 000	**3 001 050**	4 001 400
Value of ordinary shares held	(R'000)	**351 540**	18 000	**65 123**	3 355
Number of "B" redeemable convertible preference shares		**–**	–	**1 999 800**	1 999 800

Some of 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 current financial year. As at 27 September 2015 Rnil (28 September 2014: R80 016) of interest had accrued on these loans.

The remuneration of BAS Henderson and CC Schoombie is paid by Rhodes Food Group Proprietary Limited on behalf of 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	**2015 R'000**	2014 R'000
Fees for services as director		
YG Muthien	**400**	100
MR Bower	**420**	105
TP Leeuw	**420**	105
LA Makenete	**420**	237
	1 660	547
Independent non-executive directors		
Number of direct ordinary shares held		
YG Muthien	**29 166**	–
LA Makenete	**8 333**	–
MR Bower	**41 666**	–
TP Leeuw	**29 166**	–
	108 331	–

18. REMUNERATION PAID TO DIRECTORS AND PRESCRIBED OFFICERS (continued)

Non-executive directors		CL Smart 2015	CL Smart 2014	GJH Willis 2015	GJH Willis 2014
Number of indirect ordinary shares held		**1 831 233**	2 516 174	**251 002**	344 886
Value of indirect ordinary shares held	(R'000)	**39 738**	2 097	**5 447**	287
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 27 September 2015 up until the date of approval of these annual financial statements.

19. INTEREST PAID

	2015 R'000	2014 R'000
Bank overdraft	**9 650**	14 778
Long-term loans	**37 350**	45 086
Other short-term loans	**256**	6 871
Preference share interest accrual	**–**	36 711
	47 256	103 446

20. TAXATION

	2015 R'000	2014 R'000
Taxation: South Africa		
Current taxation		
– current year	**61 959**	52 797
– prior year underprovision	**917**	455
Deferred taxation		
– current year	**6 214**	(5 770)
Taxation: Swaziland		
Current taxation		
– current year	**1 581**	438
Deferred taxation		
– current year	**1 702**	2 884
	72 373	50 804
Deferred taxation recognised through other comprehensive income remeasurement of defined benefit liability	**(22)**	(971)

Tax rate reconciliation	%	%
Standard rate	**28.00**	28.00
Non-deductible expenses	**3.53**	5.79
Prior year underprovision	**0.38**	2.36
Other reconciling items	**(1.96)**	1.97
Deferred tax previously not recognised	**(1.42)**	–
Assessed loss credit utilised against taxable income	**1.34**	–
Effective tax rate	**29.87**	38.12

21. HEADLINE EARNINGS PER SHARE

21.1 Headline earnings per share

		2015 R'000	2014 R'000
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

21.2 Diluted headline earnings per share

		2015 R'000	2014 R'000
Headline earnings		**170 437**	81 295
Diluted headline earnings per share	(cents)	**74.4**	45.2

21.3 Weighted average number of shares in issue

	2015	2014
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

21.4 2013 Financial year earnings and headline earnings per share

	29 September 2013 cents
Earnings per share	21.8
Headline earnings per share	20.9
Diluted earnings per share	20.7
Diluted headline earnings per share	19.8

The above were calculated on the basis that the subdivided shares of 171 million (180 million dilutive shares) were also applied in the 2013 period.

22. COMMITMENTS FOR CAPITAL EXPENDITURE

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

	2015 R'000	2014 R'000
Approved but not yet contracted	**12 820**	21 039
Contracted for	**45 729**	28 248

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

23. CONTINGENT LIABILITIES

The Group has entered into guarantees, the outcome of which has not been determined. These guarantees relate to the following:

	2015 R'000	2014 R'000
Import and operations activities	**4 733**	7 434

Suretyships:

R75 000 000 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 000 000 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 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.

24. OPERATING LEASE COMMITMENTS

2015	**Plant and machinery R'000**	**Office equipment R'000**	**Motor vehicle R'000**	**Land R'000**
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**
2014				
Due within one year	13 375	589	650	1 730
Due within two to five years	3 533	534	1 296	2 439
Due after five years	–	–	–	–
	16 908	1 123	1 946	4 169

25. 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 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 benefit provident fund. The SIBAYA Provident Fund is administered by Alexander Forbes.

The total value of the contributions paid by the Group to the pension fund during the year was R15 136 004 (2014: R12 397 530).

The total value of contributions paid by the Group to the provident funds during the year was R8 048 953 (2014: R6 472 185).

The Group has 483 (2014: 365) employees who contribute to the pension fund, and 1 279 (2014: 832) employees who contribute to the provident funds.

26. FINANCIAL INSTRUMENTS

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

26.1 Capital risk management

The capital structure of the Group consists of debt and equity, comprising ordinary share capital, preference shares in the prior period, 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.

26.2 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.

26.3 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.

26.4 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 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 10. Purchase transactions that create foreign currency cash flows are not hedged. Details of uncovered foreign currency denominated amounts are included in note 30.

26.5 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. Allowances 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.

26.6 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 earnings for the year would decrease or increase by R8 060 426 (2014: R8 785 210). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

26. FINANCIAL INSTRUMENTS (continued)

26.7 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:

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**
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**
2014					
Assets					
Accounts receivable	Interest-free	374 584	–	–	374 584
Interest rate swap	Variable	1 173	791	–	1 964
Loan receivable	Interest-free	1 396	–	–	1 396
Bank balances and cash on hand	Variable	1 730	–	–	1 730
Management loans	Variable	545	9 275	–	9 820
		379 428	10 066	–	389 494
Liabilities					
Accounts payable	Interest-free	333 113	–	–	333 113
Capitalworks Rhodes Food Investment Partnership	18%	–	25 517	–	25 517
South African Investment Partnership	18%	–	3 806	–	3 806
South African Investment Partnership II	18%	–	10 785	–	10 785
Loans from financial institutions	Variable	88 846	478 424	73 273	640 543
Finance lease liability	Variable	4 136	7 833	–	11 969
Bank overdraft	Variable	128 605	–	–	128 605
Foreign exchange contract liability	Interest-free	2 176	–	–	2 176
Preference shares	18%	–	105 412	–	105 412
Preference shareholders for dividend	18%	–	67 228	–	67 228
		556 876	699 005	73 273	1 329 154

26.8 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.

26.9 Biological asset financial risk management

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 27 September 2015

27. STATEMENT OF CASH FLOWS

27.1 Cash generated from operations

	2015 R'000	2014 R'000
Reconciliation of profit before taxation to cash generated from operations		
Profit before taxation	**242 151**	133 271
Adjusted for:		
Depreciation	**57 112**	47 379
Amortisation	**1 016**	–
Net interest paid	**47 222**	102 849
Loss/(profit) on disposal of property, plant and equipment	**985**	(838)
Net movement in biological assets[1]	**(2 736)**	31
Employee benefit liability	**713**	(103)
Operating cash flows before working capital changes	**346 463**	282 589
Working capital changes	**(126 164)**	(106 142)
Increase in inventory	**(39 546)**	(84 969)
Increase in accounts receivable	**(154 041)**	(88 532)
Increase in accounts payable and provisions	**59 648**	70 216
Movement in foreign exchange contract liability	**7 775**	(2 857)
Cash generated from operations	**220 299**	176 447

27.2 Taxation paid

	2015 R'000	2014 R'000
Amount outstanding at the beginning of the year	**29 684**	25 803
Current taxation charged per the statement of profit or loss	**64 457**	53 690
Amount outstanding at the end of the year	**(29 820)**	(29 684)
	64 321	49 809

27.3 Cash and cash equivalents

Cash and cash equivalents comprise the following amounts recorded in the statement of financial position:

	2015 R'000	2014 R'000
Bank balances and cash on hand	**8 627**	1 730
Bank overdraft	**(72 448)**	(128 605)
Bank balances and cash on hand at the end of the year	**(63 821)**	(126 875)

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

27. STATEMENT OF CASH FLOWS (continued)

27.4 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)**

27.5 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 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 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)**

27. STATEMENT OF CASH FLOWS

27.5 Acquisition of businesses (continued)

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 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)

27.6 Net cash outflow on acquisition of subsidiary and businesses

	2015 R'000
Consideration paid in cash	364 407
Net cash and bank overdrafts acquired	43 389
	407 796

28. RELATED PARTY TRANSACTIONS

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

2015

- 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% (2014: 93.7%) 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 the company.
- South African Investment Partnership II is a related party as it is a shareholder of the company.
- 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 Pacmar Proprietary Limited owns 100% of the shares in the entity.

28. RELATED PARTY TRANSACTIONS (continued)

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

	2015 R'000	2014 R'000
Income		
Peaty Mills PLC		
Sales	**255 725**	211 427
Expenses		
Capitalworks Rhodes Food Investment Partnership		
Interest	**–**	3 525
Management fee	**600**	488
South African Investment Partnership		
Interest	**–**	521
South African Investment Partnership II		
Interest	**–**	1 476
At the reporting date the following amounts were receivable from related parties		
Included in trade receivables		
Peaty Mills PLC	**58 687**	42 530
At the reporting date the following amounts were due to related parties		
Included in long-term loans:		
Capitalworks Rhodes Food Investment Partnership	**–**	21 376
South African Investment Partnership	**–**	3 183
South African Investment Partnership II	**–**	9 020
The amounts will be settled in cash. No amounts have been provided for during the year in respect of bad or doubtful debts owing by related parties.		
Compensation of key management personnel		
Total benefits	**39 407**	28 240

29. SUBSIDIARIES

Direct subsidiaries		2015	2014
Old Rhodes Food Group Holdings Proprietary Limited			
Incorporated in South Africa (dormant company)			
Issued share capital		**1**	1
Percentage holding	%	**100**	100
The Group's interest in shares	R'000	**–**	–
Indebtedness	R'000	**–**	–
Subsidiary's profit for the year	R'000	**–**	–
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
The Group's interest in shares	R'000	**132 000**	132 000
Indebtedness	R'000	**570 171**	18 218
Subsidiary's profit for the year	R'000	**187 059**	70 056
Indirect subsidiaries			
Tradecor SA Proprietary Limited			
Incorporated in South Africa (dormant company)			
Issued share capital		**100**	100
Percentage holding	%	**100**	100
The Group's interest in shares	R'000	**–**	–
Indebtedness	R'000	**–**	–
Subsidiary's profit for the year	R'000	**–**	–

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for the year ended 27 September 2015

29. SUBSIDIARIES (continued)

		2015	2014
Swaziland Fruit Canners Proprietary Limited			
Incorporated in the Kingdom of Swaziland (manufactures and markets processed fruit)			
Issued share capital		**12 677 377**	9 628 597
Percentage holding	%	**95.3**	93.7
The Group's interest in shares	R'000	**80 226**	55 226
Indebtedness	R'000	**–**	–
Subsidiary's profit for the year	R'000	**4 211**	8 858
Rhodes Foods Swaziland Proprietary Limited			
Incorporated in the Kingdom of Swaziland (manufactures and markets processed fruit)			
Issued share capital		**1 000**	1 000
Percentage holding	%	**100**	100
The Group's interest in shares	R'000	**25 000**	25 000
Indebtedness	R'000	**–**	–
Subsidiary's profit for the year	R'000	**14 255**	4 852
Pacmar Proprietary Limited			
Incorporated in South Africa (manufactures and markets fruit juices)			
Issued share capital		**71 488 836**	–
Percentage holding	%	**100**	–
The Group's interest in shares	R'000	**165 000**	–
Indebtedness	R'000	**–**	–
Subsidiary's profit for the year	R'000	**21 271**	–
Pacmar Properties Proprietary Limited			
Incorporated in South Africa (rental of investment property)			
Issued share capital		**24 079 093**	–
Percentage holding	%	**100**	–
The Group's interest in shares	R'000	**24 079 093**	–
Indebtedness	R'000	**–**	–
Subsidiary's profit for the year	R'000	**9 534**	–
Old Rhodes Food Group Proprietary Limited			
Incorporated in South Africa (dormant company)			
Issued share capital		**100**	100
Percentage holding	%	**100**	100
The Group's interest in shares	R'000	**–**	–
Indebtedness	R'000	**–**	–
Subsidiary's profit for the year	R'000	**–**	–

30. 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 **2015**	**Foreign currency amount '000**	**Exchange rate**	**Rand amount R'000**
USD	**1 272**	**13.92**	**17 710**
GBP	**47**	**21.14**	**987**
EUR	**8**	**15.59**	**132**
AUD	**182**	**9.78**	**1 778**
NZD	**24**	**8.89**	**215**
			20 822
2014			
USD	2 847	11.22	31 955
GBP	86	18.23	1 572
EUR	118	14.24	1 683
AUD	69	9.84	679
CAD	24	10.06	238
			36 127

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

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
2014			
USD	8 117	11.22	91 103
GBP	1 424	18.23	25 961
EUR	1 974	14.24	28 097
AUD	1 495	9.84	14 711
CAD	576	9.77	5 801
			165 673

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

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
2014			
USD	2 173	11.22	24 395
GBP	75	18.23	1 374
EUR	440	14.24	6 268
AUD	(7)	9.84	(73)
CAD	62	9.77	620
			32 584

30. 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 earnings before taxation where the Rand strengthens 10% against the relevant currencies.

	2015 R'000	2014 R'000
USD	**7 717**	3 475
GBP	**3 443**	2 301
EUR	**2 229**	2 015
AUD	**1 748**	1 411
CAD	**865**	494
NZD	**(22)**	–
	16 157	9 696

31. 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 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 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.

32. 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 a "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 27 September (2014: 28 September).