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Audited Annual Consolidated Financial Statements

For the year ended 29 September 2019

CONTENTS

APPROVAL OF ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation, integrity and objectivity of the annual consolidated financial statements and other information contained in these annual consolidated 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 annual consolidated financial statements set out on pages 8 to 53 were prepared under the supervision of CC Schoombie, CA(SA), Chief Financial Officer and were approved by the board of directors on 15 November 2019 and are signed on their behalf by:

Dr 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 29 September 2019, 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.

BM Lakey
Company secretary

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF RHODES FOOD GROUP HOLDINGS LIMITED

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Rhodes Food Group Holdings Limited and its subsidiaries (the Group) set out on pages 8 to 53, which comprise the consolidated statement of financial position as at 29 September 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 29 September 2019, 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in the audit
Impairment assessment of goodwill and intangible assets with indefinite useful lives Goodwill and intangible assets with an indefinite useful life currently amount to R567 million and are required to be assessed for impairment on an annual basis in accordance with IAS 36: Impairment of Assets ("IAS 36"). In performing this assessment the directors determine the value-in-use of cash generating units ("CGUs") to which identified goodwill and intangible assets with an indefinite useful life have been allocated using key sensitive assumptions which contain significant judgements. The assumptions with the most significant impact on the cash flow forecasts were: • Budgeted operating profit of the CGUs for the 2020 financial year. • Margin improvement. • Real sales growth rates. • Discount rate. These assumptions are highly subjective as they are based on the directors' experience and expectations rather than observable market data. Accordingly the impairment assessment of goodwill and intangible assets with an indefinite useful life is considered a key audit matter.	In evaluating the value-in-use calculations of the CGUs, with a particular focus on the budgeted operating profit for the 2020 financial year, margin improvement, real sales growth rates and the discount rate, the following procedures were performed: • Assessed the budgeted operating profit for the 2020 financial year, margin improvement and real sales growth assumptions used in the various value-in-use calculations against historical data, relevant market data, budgeted performance and the directors' strategic plans; taking into account our knowledge of the business and various CGUs. • Involving our internal specialists to assist with the assessment of the discount rate applied. Their procedures included benchmarking relevant inputs to determine the discount rate against relevant market data. • Recomputation of the value in use of each cash generating unit. • Performing sensitivity analyses on the key significant assumptions to evaluate the extent of impact on the value in use and the appropriateness of the directors' disclosures. • Assessing the disclosure in the consolidated financial statements against the requirements of IAS 36. The directors' assumptions used are considered appropriate and fairly presented and disclosed in the financial statements, as included in notes 4, 6 and 7, in accordance with the applicable disclosure requirements.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Audited Annual Consolidated Financial Statements for the year ended 29 September 2019" and in the document titled "Audited Annual Separate Financial Statements for the year ended 29 September 2019", which includes the Directors' Report, the Report of the Audit, Risk and Information Technology Committee and the Secretarial Certification as required by the Companies Act of South Africa, which

we obtained prior to the date of this report, and the Integrated Report, which is expected to be made available to us after that date. The other information does not include the consolidated financial statements or separate financial statements and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit, Risk and Information Technology Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit, Risk and Information Technology Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit, Risk and Information Technology Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Rhodes Food Group Holdings Limited for 20 years.

Deloitte & Touche

Deloitte & Touche
Registered Auditor

Per Paul Schneider

Partner

19 November 2019

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

DIRECTORS' REPORT

The directors have the pleasure in presenting their report for the year ended 29 September 2019.

NATURE OF BUSINESS

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

GENERAL REVIEW

The results of the activities for the year under review and financial position of the Group at 29 September 2019 are set out in the financial statements. No other facts or circumstances, except those disclosed below and in the financial statements, require further disclosure in our opinion.

On 28 February 2019, the Group acquired a customer list from RCL Foods Consumer Proprietary Limited for R30 million. The consideration paid was allocated to intangible assets. As a result of the acquisition, the Group produces protein snack foods for Woolworths. The production has been integrated into the Group's ready meals operation in Groot Drakenstein.

GOING CONCERN

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on the going concern basis.

EVENTS SUBSEQUENT TO REPORTING DATE

The board of directors declared a gross cash dividend of 27.9 cents (2018: 20.3 cents) per share on 15 November 2019 in respect of the year ended 29 September 2019.

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

SHARE CAPITAL

During the year, 9 million ordinary shares were issued on conversion of the "A" redeemable convertible preference shares and the "B" redeemable convertible preference shares (2018: no shares issued).

SPECIAL RESOLUTIONS PASSED

- Non-executive directors' fees were approved as disclosed in the Integrated Report for the year ended 30 September 2018.
- 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, and the JSE Limited Listings Requirements.
- The company may at any time, and from time to time during the period of two years commencing on 21 February 2019, offer direct or indirect financial assistance to any related director, prescribed officer or inter-related company or corporation of the company subject to the requirements of the Companies Act, No 71 of 2008.

SUBSIDIARIES

Refer to note 33 of the financial statements for a list of subsidiaries.

DIVIDENDS

On 14 January 2019, a dividend of 20.3 cents (2018: 31.1 cents) per share was paid amounting to a total dividend of R53.3 million (2018: R81.7 million).

DIRECTORS

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

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

DIRECTORS' SHAREHOLDINGS

Refer to note 22 of the financial statements for the detail regarding the directors' shareholdings.

FINANCIAL YEAR-END

The Group's financial year ends in September which reflects 52 weeks (2018: 52 weeks) of trading, and as a result the reporting date may differ year on year. References to "financial year" are to the 52 weeks ended on or about 30 September. As a result the financial statements were prepared for the year ended 29 September 2019 (2018: 30 September).

SECRETARY

BM Lakey

Business address	**Postal address**
Pniel Road	PO Box X3040
Groot Drakenstein	Paarl
7680	7620

AUDITORS

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

PREPARER OF ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

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

REPORT OF THE AUDIT, RISK AND INFORMATION TECHNOLOGY COMMITTEE

INTRODUCTION

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

The committee has a statutory role in terms of the Companies Act No 71 of 2008 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 No 71 of 2008, activities recommended by King IV 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 separate and consolidated financial statements of the Group.
- Review the content of the interim results and report of the Group.
- Review the information technology strategy and ensure that associated risks are being suitably managed.
- Review SENS announcements dealing with the financial results of the Group.

COMPOSITION OF THE COMMITTEE

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

The committee comprised the following members during the year and to the date of this report:

Name	Position
MR Bower (chairperson)	BCom, BCompt (Hons), CA(SA)
TP Leeuw	BCom, BCompt (Hons), MAP
LA Makenete	BSc, MSc (Agricultural Management)

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

Non-executive directors, executive directors, external auditors and internal auditors 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.

MEETING ATTENDANCE

The committee met four times during the year. The chairperson provided feedback to the board on the activities of the committee after each meeting of the committee. The board approved matters that were recommended for their approval by the committee.

Committee meetings and attendance for the year:

Committee member	09 Nov 2018	30 Nov 2018	10 May 2019	05 Sep 2019
MR Bower (chairperson)	Present	Present	Present	Present
TP Leeuw	Present	Present	Present	Present
LA Makenete	Present	Present	Present	Present

The external auditors attended the meetings on 9 November 2018, 10 May 2019 and 5 September 2019.

The internal auditors attended the meetings on 10 May 2019 and 5 September 2019.

The company secretary is the secretary of the committee meetings.

The chairperson has regular individual meetings with the internal and external auditors.

The committee has closed sessions with the internal and external auditors and executive management.

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 21 in the 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 reviewed the representation made by the external auditors and satisfied itself that the external auditor is independent of the Group, as set out in section 94(8) of the Companies Act, and suitable for reappointing by considering, *inter-alia*, the information stated in paragraph 22.15(h) of the JSE Limited Listings Requirements. The committee has satisfied itself that the audit firm and designated auditor are not included on the JSE list of disqualified auditors and their advisors.

The committee decided to recommend audit firm rotation at the end of the 2020 financial year which will coincide with the mandatory rotation of the designated external audit partner, Mr PJ Schneider.

The committee has nominated, for election at the next annual general meeting, Deloitte & Touche, as the external audit firm and Mr PJ Schneider as the designated external audit partner, responsible for performing the functions of external auditor, for the 2020 financial year.

KEY AUDIT MATTER

Impairment assessment of goodwill and intangible assets with indefinite useful lives

The committee has considered the level of impairment testing performed by management and agreed with the conclusions reached by both management and the external auditor that no impairment of goodwill is required.

NON-AUDIT SERVICES

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

During the year under review Deloitte & Touche received R1.17 million (2018: R0.76 million) for non-audit services, equating to 43.5% (2018: 31.6%) of their total audit fees of R2.68 million (2018: R2.39 million). The majority of these services related to non-recurring engagements for applications to the Department of Trade and Industry for incentive programmes and tax advice.

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.

INTERNAL AUDIT

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

The internal audit function is mandated by the board and its responsibilities are determined by the committee. The internal audit service provider is appointed and removed by the committee, and reports on administrative matters to the chief financial officer. The internal audit service provider has direct and unrestricted access to the chairperson of the committee.

The committee has satisfied itself as to the effectiveness of the internal audit function and the internal audit service provider.

STATEMENT OF COMBINED ASSURANCE

A combined assurance model is applied to provide a coordinated approach to all assurance activities.

The combined assurance model aims to optimise the assurance coverage obtained from management, internal assurance providers and external assurance providers on the key risk areas affecting the Group.

Activities are coordinated to maximise the level of assurance achieved by each of the assurance providers. This enables an effective control environment and ensures the integrity of information used for internal decision making and supports the integrity of external reports.

The combined assurance model is integrated within the risk management process, including reporting to and oversight from the committee.

The committee has reviewed the combined assurance results for the Group to satisfy itself that appropriate assurance activities are in place in relation to the controls operating over the key risks identified.

Further development of the combined assurance policy and framework continues to be an area of focus.

EVALUATION OF THE CHIEF FINANCIAL OFFICER

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

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

ACTIVITIES OF THE COMMITTEE

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

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

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

- Recommended to the board and shareholders the appointment of the external auditors.
- Approved the terms of engagement and remuneration of the external auditor, and monitored their independence, objectivity and effectiveness.
- Determined the nature and extent of any non-audit services provided by the external auditor and other auditing firms.
- Reviewed the Group's internal financial control and financial risk management systems.
- Evaluated the appropriateness of the expertise and experience of the chief financial officer.
- Evaluated the expertise, resources and experience of the Group's finance function.
- Reviewed and recommended to the board for approval the interim and separate and consolidated annual financial statements.
- Reviewed and recommended to the board for approval the Integrated Report and the relevant SENS announcements.
- Reviewed and monitored the Group's internal audit function.
- Evaluated the Group's risk monitor and residual risks.
- Evaluated significant matters relating to the interim and separate and consolidated annual financial statements, including key audit matters.
- Reviewed the Group's compliance with the JSE's report on the pro-active monitoring of financial statements in 2018 for compliance with IFRS where appropriate and practical.
- Reviewed the information technology strategy and monitored the activities of the information technology department via the information technology steering committee.

APPROVAL OF THE COMMITTEE REPORT

The committee confirms that it has functioned in accordance with its terms of reference for the 2019 financial year and that its report to shareholders has been approved by the board.

Mark Bower
Chairperson

Audit, Risk and Information Technology Committee
15 November 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 29 September 2019

	Notes	Audited 2019 R'000	Audited 2018 R'000
ASSETS			
Non-current assets		**2 519 880**	2 444 595
Property, plant and equipment	5	**1 831 270**	1 776 614
Intangible assets	6	**217 155**	197 691
Goodwill	7	**444 857**	444 857
Investment in associate	8	**5 572**	5 335
Deferred taxation asset	17	**138**	41
Biological assets	9	**13 033**	12 047
Loans receivable	10	**7 855**	8 010
Current assets		**2 193 757**	2 138 950
Inventory	12	**1 203 670**	1 227 748
Accounts receivable	13	**947 745**	810 216
Biological assets	9	**24 447**	13 622
Loans receivable	10	**5 472**	4 210
Taxation receivable	31.2	**5 362**	48 175
Foreign exchange contract asset	11.1	**–**	633
Bank balances and cash on hand	31.3	**7 061**	34 346
Total assets		**4 713 637**	4 583 545
EQUITY AND LIABILITIES			
Capital and reserves		**2 477 583**	2 317 840
Share capital	14	**1 562 509**	1 565 509
Equity-settled employee benefits reserve	15	**13 747**	17 723
Accumulated profit		**892 969**	725 459
Equity attributable to owners of the company		**2 469 225**	2 308 691
Non-controlling interest		**8 358**	9 149
Non-current liabilities		**1 016 541**	1 198 836
Long-term loans	16	**753 454**	974 933
Deferred taxation liability	17	**246 059**	207 653
Employee benefit liability	18.3	**17 028**	16 250
Current liabilities		**1 219 513**	1 066 869
Accounts payable and accruals	18.1	**726 379**	700 620
Employee benefits accrual	18.2	**68 321**	54 647
Current portion of long-term loans	16	**234 046**	250 918
Taxation payable	31.2	**1 273**	2 562
Foreign exchange contract liability	11.1	**5 790**	–
Bank overdraft	31.3	**183 704**	58 122
Total equity and liabilities		**4 713 637**	4 583 545

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 29 September 2019

	Notes	Audited 2019 R'000	Audited Restated 2018 R'000
Revenue	19 and 20	**5 413 625**	4 989 909
Direct manufacturing costs		**(3 609 804)**	(3 377 775)
Manufacturing operating costs		**(582 304)**	(530 016)
Selling and distribution costs		**(387 270)**	(358 691)
Other operating costs		**(484 888)**	(445 030)
Other income		**42 841**	35 621
Profit before interest and taxation	21	**392 200**	314 018
Interest paid	23	**(117 978)**	(115 123)
Interest received		**875**	2 189
Profit before taxation		**275 097**	201 084
Taxation	24	**(59 632)**	(46 756)
Profit for the year		**215 465**	154 328
Profit attributable to:			
Owners of the company		**216 256**	154 430
Non-controlling interest		**(791)**	(102)
		215 465	154 328
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss		**10**	72
Remeasurement of employee benefit liability		**14**	100
Deferred taxation effect		**(4)**	(28)
Total comprehensive income for the year		**215 475**	154 400
Total comprehensive income attributable to:			
Owners of the company		**216 266**	154 502
Non-controlling interest		**(791)**	(102)
		215 475	154 400
Earnings per share (cents)		**82.7**	61.1
Diluted earnings per share (cents)		**82.5**	59.0

The Group elected to present expenses by nature in order to provide more reliable and relevant information. The disclosure of costs by nature provides more detailed information about, and will enhance the users' ability to understand the composition of, the Group's manufacturing and other related costs. Costs were previously presented by function and accordingly the comparative costs have been reclassified to reflect costs by nature.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 29 September 2019

	Notes	Share capital R'000	Equity-settled employee benefits reserve R'000	Accumulated profit R'000	Non-controlling interest R'000	Total R'000
Balance at 1 October 2017		1 565 509	8 779	652 326	9 251	2 235 865
Total comprehensive income for the year		–	–	154 502	(102)	154 400
Equity-settled employee benefits expense recognised	15	–	8 944	–	–	8 944
Treasury shares dividend received		–	–	350	–	350
Dividend paid		–	–	(81 719)	–	(81 719)
Balance at 30 September 2018		1 565 509	17 723	725 459	9 149	2 317 840
Total comprehensive income for the year		–	–	216 266	(791)	215 475
Equity-settled employee benefits expense recognised	15	–	283	–	–	283
Equity-settled employee benefits settlement			(4 259)	4 356	–	97
Treasury shares dividend received		–		229		229
Redemption of preference shares		(3 000)	–	–	–	(3 000)
Dividend paid	35	–	–	(53 341)	–	(53 341)
Balance at 29 September 2019		**1 562 509**	**13 747**	**892 969**	**8 358**	**2 477 583**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 29 September 2019

	Notes	Audited 2019 R'000	Audited Restated 2018 R'000
Cash flows from operating activities			
Cash generated from operations	31.1	**495 148**	487 517
Interest paid		**(117 877)**	(116 630)
Interest received		**875**	2 189
Taxation refunded/(paid)	31.2	**20 195**	(8 072)
Net cash inflow from operating activities		**398 341**	365 004
Cash flows from investing activities			
Purchase of property, plant and equipment		**(231 484)**	(479 557)
Proceeds on disposal of property, plant and equipment		**8 046**	16 202
Acquisition of intangible assets		**(30 000)**	–
Loans receivable advanced		**(2 006)**	(3 273)
Loans receivable repaid		**899**	763
Treasury shares dividend received		**229**	350
Net cash outflow from investing activities		**(254 316)**	(465 515)
Cash flows from financing activities			
Redemption of preference shares		**(3 000)**	–
Equity-settled employee benefits settlement		**(2 200)**	–
Loans raised		**–**	525 000
Loans repaid		**(238 351)**	(215 567)
Dividends paid	31.4	**(53 341)**	(81 719)
Government grant received		**–**	2 870
Net cash (outflow)/inflow from financing activities		**(296 892)**	230 584
Net (decrease)/increase in cash and cash equivalents		**(152 867)**	130 073
Cash and cash equivalents at beginning of the year		**(23 776)**	(153 849)
Cash and cash equivalents at end of the year	31.3	**(176 643)**	(23 776)

CONSOLIDATED SEGMENTAL REPORT

for the year ended 29 September 2019

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 chief operating decision-maker 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.

	Audited 2019 R'000	Audited Restated 2018 R'000
	Segment revenue	
Regional		
Fresh products sales	**1 759 770**	1 639 918
Long life products sales	**2 579 418**	2 362 073
	4 339 188	4 001 991
International		
Long life products sales	**1 074 437**	987 918
Total	**5 413 625**	4 989 909
	Segment profit	
Regional	**358 705**	321 249
International	**36 512**	(5 242)
Total	**395 217**	316 007
Impairment loss	**(3 017)**	(1 727)
Acquisition costs	**–**	(262)
Interest received	**875**	2 189
Interest paid	**(117 978)**	(115 123)
Profit before taxation	**275 097**	201 084
	Segment depreciation	
Regional	**129 452**	106 015
International	**34 405**	31 279
	163 857	137 294
	Segment amortisation	
Regional	**10 284**	8 989
International	**252**	602
	10 536	9 591
	Share of profit/(loss) of associate	
Regional	**237**	(565)
International	**–**	–
	237	(565)

Segment revenue reported above represents revenue generated from external customers. Intercompany sales amounted to R523.287 million (2018: R429.312 million), which have been eliminated upon consolidation.

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 impairment losses, acquisition costs, interest received and interest paid. This is the measure reported to the chief operating decision-maker for the purpose of resource allocation and assessment of segment performance.

GEOGRAPHICAL INFORMATION

The Group's non-current assets by location of operations (excluding goodwill and deferred taxation asset) and revenue are detailed below. The executive management does not evaluate the Group's assets or liabilities on a segmental basis for decision-making purposes.

	Audited 2019 R'000	Audited Restated 2018 R'000
	Non-current assets	
South Africa	**1 919 026**	1 860 455
Eswatini	**155 859**	139 242
	2 074 885	1 999 697
	Revenue	
South Africa	**5 269 217**	4 852 694
Eswatini	**144 408**	137 215
	5 413 625	4 989 909

INFORMATION REGARDING MAJOR CUSTOMERS

Two customers (2018: two customers) individually contributed 10% or more of the Group's revenues arising from both regional and international sources.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 29 September 2019

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 29 September 2019 comprise the company and its subsidiaries. The main business of the Group is the manufacturing and marketing of convenience meal solutions. These include fresh and frozen ready meals, pastry-based products, dairy products, juice and juice products, fruit purees and concentrates and long life meals including jams, fruits, salads, vegetables, meat and dry packed foods. There were no major changes in the nature of the business of the Group.

2. APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS

In the current year, the Group has applied the following new and revised International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ('IASB') that are mandatorily effective for an accounting period that begins on or after 1 January 2018 that are relevant to the Group.

2.1 IFRS 9 – FINANCIAL INSTRUMENTS

Management has classified and measured the financial assets and liabilities recognised in accordance with the requirements of IFRS 9. The initial application of IFRS 9 has had the following impact on the classification and measurement of financial instruments:

Instrument	Classification under IAS 39	Classification under IFRS 9
Loans receivable	Loans and receivables	Amortised cost
Accounts receivable	Loans and receivables	Amortised cost
Foreign exchange contract asset	Fair value through profit or loss	Fair value through profit or loss
Bank balances and cash on hand	Loans and receivables	Amortised cost
Loans payable	Amortised cost	Amortised cost
Accounts payable and accruals	Amortised cost	Amortised cost
Foreign exchange contract liability	Fair value through profit or loss	Fair value through profit or loss
Bank overdraft	Amortised cost	Amortised cost

Financial assets which were previously classified as loans and receivables have been classified as at amortised cost under IFRS 9 since it is the Group's business model to hold these assets for collection of principal and interest payments only.

Foreign exchange contracts entered into by the Group are classified as at fair value through profit and loss since these are derivative financial instruments and hedge accounting is not applied.

The 'expected credit loss' model has been applied for the first time in the current financial year to recognise impairment on financial assets.

The adoption of this standard did not have a material impact on the results and as such there is no change to comparative information resulting from the adoption of this standard.

2.2 IFRS 15 – REVENUE FROM CONTRACTS WITH CUSTOMERS

Contracts with customers do not contain multiple performance obligations. Revenue recognition policies are not complex and relate to the delivery of goods to customers as a single performance obligation.

Revenue for Regional sales is recognised upon physical delivery of goods to the customer and revenue for International sales is recognised upon the shipment of the goods. The revenue recognition principles of the Group is consistent with requirements of IFRS 15 and accordingly there was no impact on the timing of revenue recognition based on adoption of the standard.

The Group has evaluated the variable consideration in determining the transaction price, which is the price at which revenue should be recognised. The impact of the adoption of IFRS 15 resulted in a reclassification of variable consideration relating to distribution and warehouse allowances from expenses to revenue.

The Group applied the adoption of IFRS 15 retrospectively which resulted in the restatement of the prior year in the statement of profit or loss and other comprehensive income. Refer to note 20 for further details.

2.3 IFRIC 22 – FOREIGN CURRENCY TRANSACTIONS AND ADVANCE CONSIDERATION

Foreign currency denominated consideration that is received in advance is recognised at the exchange rate on the date of receiving the advance consideration. The Group does not receive significant advance consideration from customers therefore there has been no material impact upon adoption of this interpretation.

The Group did not early adopt the following standards relevant to the Group, which have been issued but are not yet effective. Management's assessment of the impact of these standards is summarised below:

2.4 IFRIC 23 – UNCERTAINTY OVER INCOME TAX TREATMENTS

The interpretation addresses the determination of taxable profit (or tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. The Group's Income Tax treatments are in line with the requirements of IFRIC 23 therefore there will be no material impact on the Group upon adoption of the interpretation.

2.5 AMENDMENTS TO IAS 19 – PLAN AMENDMENT, CURTAILMENT OR SETTLEMENT

If a plan amendment, curtailment or settlement occurs, the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. The effects on the asset ceiling has also been clarified. The exposure of the Group to the Statutory Termination Benefits is not material and therefore effects of applying the amendments described to any future plan amendment, curtailment or settlement will not have a material impact on the Group.

2.6 AMENDMENTS TO IAS 1 AND IAS 8 – DEFINITION OF MATERIAL

The amendments clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards. Application of the amendments did not impact these financial statements.

2.7 IFRS 16 – LEASES

All leases entered into as lessee must be accounted for using a single accounting model. Assets and liabilities will be recognised for all leases unless the lease term is 12 months or less or the underlying asset has a value of less than R100 000.

The mandatory implementation required by the standard is for years beginning on or after 1 January 2019. This change in accounting policy will be implemented for the first time for the financial year ending 27 September 2020.

Management elected not to early adopt IFRS 16 and will adopt the standard for the first time in the 2020 financial year. An analysis was performed to determine the impact that early adoption of IFRS 16 would have had on the 2019 results. The effect of early adoption would have been as follows:

	2019 R'000
Profit or loss	
Decrease in other operating costs	10 563
Increase in interest paid	(12 004)
Decrease in taxation	403
Decrease in profit for the year	(1 038)
Financial position	
Decrease in accumulated profit (Opening balance)	(16 186)
Increase in right of use assets	95 908
Increase in lease liability	(119 829)
Increase in deferred tax asset	6 698
Decrease in accumulated profit (Closing balance)	(17 223)

3. ACCOUNTING POLICIES

3.1 STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with IFRS, 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 and biological assets 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 29 September 2019

3. ACCOUNTING POLICIES CONTINUED

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 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). The company controls an entity when the company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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.

All subsidiaries in the Group have a September year end.

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

Non-controlling interest in the net assets of consolidated subsidiaries is identified separately from the Group's interest in equity thereof. Non-controlling interest consists of the amount of those interests at the date of the original business combination and the non-controlling interest's share of changes in equity since the date of the combination. Non-controlling interests are not material to the Group.

3.4 REVENUE

The Group earns revenue from the sale of perishable, fruit and grocery products to customers across South Africa, sub-Saharan Africa and in major global markets.

Revenue is measured at the agreed selling prices with customers, net of value-added tax, sugary beverages levy and internal revenue. Revenue is reduced for estimated customer claims, rebates, discounts and other similar allowances.

Rebates, discounts and other similar allowances, which are not recognised at the same time as the related sales, are calculated on a monthly basis for all sales which took place during that month. Calculations are based on trading terms contained in signed agreements with customers, along with the value of sales which took place during the month. These allowances so calculated are recognised in revenue and trade receivables at the end of the month. Consideration payable to a customer is accounted for as a reduction of the transaction price unless the payment is in exchange for a distinct good or service that the customer transfers to the Group.

Customer claims are estimated using historical claims percentages and the value of sales which took place during the period. Instead of recognising revenue, provisions for refunds and claims liabilities are recognised.

*3.4.1 **Sale of goods***

Revenue is recognised at a point in time when the performance obligation is satisfied by transferring the goods to the customer. The performance obligation for Regional sales is satisfied upon physical delivery of goods to the customer. For International sales, the performance obligation is satisfied upon the shipment of the goods but consideration is given to the terms of the export transaction.

There are no significant financing components expected as payment terms granted to customers do not exceed 90 days and accordingly the practical expedient in IFRS 15 has been applied.

Revenue recognised from contracts with customers has been disaggregated into categories based on product classification and geographical region.

3.5 INTEREST PAID

Interest paid includes interest on loans and bank accounts, which is expensed as incurred.

3.6 FOREIGN CURRENCIES

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

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

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

In order to economically hedge its exposure to foreign exchange risks, the Group enters into forward exchange contracts. The Group does not apply hedge accounting.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) and the income and expense items (including comparatives) are not required to be translated as the exchange rate from the functional currency of the Eswatini operations to the Rand is 1:1.

3.7 TAXATION

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

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

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

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

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

Deferred taxation is calculated at the tax rates that are expected to apply for 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 29 September 2019

3. ACCOUNTING POLICIES CONTINUED

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 to 50 years
Plant and machinery	Range from 2 to 40 years
Motor vehicles	Range from 4 to 15 years
Office equipment	Range from 3 to 10 years
Furniture and fittings	Range from 3 to 10 years
Bearer plants	Range from 3 to 5 years

Land is not depreciated.

The gain or loss on the disposal, retirement or impairment of an item of property, plant and equipment is recognised in the statement of profit or loss and other comprehensive income.

3.9 BIOLOGICAL ASSETS

Biological assets comprise livestock (herd of cows) and pineapple crops which are measured at fair value less estimated selling 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 pineapple crops is determined based on current market prices less delivery costs and costs of harvesting.

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 definite 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 and is recognised in operating costs in the statement of profit or loss and other comprehensive income. 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.

Trademarks which have not been assigned indefinite useful lives are amortised over 10 years. All customer lists have been established to have estimated useful lives of 10 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.

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 at the end of each reporting period.

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 in September, 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 operating costs in the statement of profit or loss and other comprehensive income in the year in which they arise.

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

3.13 INVENTORY

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

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

3.14 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, net of bank overdrafts, all of which are available for use by the Group unless otherwise stated.

3.15 RETIREMENT FUNDING

3.15.1 ***Defined contribution plans***

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

3.15.2 ***Defined benefit plans***

The retirement pay obligation is valuated by independent actuaries when there is evidence of a significant change in assumptions. Valuations are performed 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”).

3.16 FINANCIAL INSTRUMENTS

Initial recognition

Financial instruments are recognised initially when the Group becomes a party to the contractual provisions of the instruments.

Equity instruments

The Group recognises equity only where there is a contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

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.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis.

3.16.1 ***Loans receivable, accounts receivable and bank balances and cash on hand***

These financial assets are classified as subsequently measured at amortised cost since the assets are held only for collection of principal and interest payments in terms of the Group's business model. These financial instruments are initially measured at their fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequent movements are accounted for as follows:

- Interest income is included in interest received in the statement of profit or loss using the effective interest rate method.
- Impairment losses and gains or losses on derecognition are recognised in operating costs in profit or loss.

3.16.2 ***Loans payable, accounts payable and accruals and bank overdraft***

These are financial liabilities that are not held for trading and have not been designated as at fair value through profit or loss. The financial liabilities have therefore been classified as measured at amortised cost. Initial measurement is at fair value net of directly attributable transaction costs. Subsequent movements are accounted for as follows:

- Interest expense is included in interest paid in the statement of profit or loss using the effective interest rate method.
- Gains or losses on derecognition are recognised in operating costs in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 29 September 2019

3. ACCOUNTING POLICIES CONTINUED

3.16.3 ***Foreign exchange contract asset or liability***

A foreign exchange contract is a derivative that is not a financial guarantee contract. The Group does not use the instrument as a designated hedging instrument. These instruments therefore meet the definition of held for trading and therefore measured at fair value through profit or loss. The instruments are initially measured at fair value and any gains or losses on subsequent changes in fair value are recognised in the statement of profit or loss.

Effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a financial asset and allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including transaction costs and other premiums or discounts) through the expected life of the financial asset to the net carrying amount of the financial asset or financial liability.

Impairment of financial assets

A forward-looking allowance for expected credit losses is recognised for all financial assets not at fair value through profit or loss. Expected credit losses are based on the difference between contractual cash flows and the cash flows the Group expects to receive, discounted at the original effective interest rate. The expected cash flows include cash flows from the sale of collateral held or other credit enhancements. 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.

For financial assets other than trade receivables, the Group assesses at reporting date whether there has been a significant increase in credit risk since initial recognition. A lifetime expected credit loss is recognised if there has been a significant increase in credit risk, otherwise a 12-month expected credit loss is recognised. A significant increase in credit risk is presumed if the loan recipient is more than 30 days past due with its contractual payments.

The Group reviews its trade receivables at year-end for evidence of default, such as financial difficulty of the issuer or default in receiving payments when due. A specific credit loss allowance is recognised for impairments identified. For trade receivables not considered impaired, a simplified approach is applied to calculate expected credit losses. Lifetime expected credit losses are estimated using a provision matrix and historical credit loss experience.

Write-off policy

The Group writes off debtors as bad debt only when there is objective evidence that a debtor will not be able to pay its debt as a result of severe financial difficulties.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or when it is transferred and the transfer qualifies for derecognition. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of investments classified as at fair value through other comprehensive income.

Derecognition of financial liabilities

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

3.17 LEASES

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

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

3.18 GOVERNMENT GRANTS

On application to the Department of Trade and Industry, the Group receives grants from the government to promote capital investment.

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

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

3.19 SHARE-BASED PAYMENT TRANSACTIONS

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

3.20 INVESTMENT IN ASSOCIATE

An associate is an entity over which the company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

The investment in associate is accounted for using the equity method of accounting. Goodwill relating to an associate is included in the carrying amount of the investment and is not tested separately for impairment.

The Statement of profit or loss and other comprehensive income reflects the company's share of the associate's profit (recognised in 'other income') or loss (recognised in 'operating costs'). Where an associate recognises an entry directly in other comprehensive income, the Group in turn recognises its share in other comprehensive income.

After application of the equity method, the investment is assessed for indicators of impairment. If applicable, the impairment is calculated as the difference between the carrying value and the higher of its value in use or fair value less cost of disposal. Impairment losses are recognised in profit or loss in the Statement of profit and loss and other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 29 September 2019

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.

4.1 SIGNIFICANT JUDGEMENTS INCLUDE:

4.1.1 Impairment of goodwill and intangible assets with indefinite useful lives

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. Refer to note 7 for further detail on assumptions used.

4.2 OTHER JUDGEMENTS:

4.2.1 Valuation of biological assets

Pineapple crops

Pineapple crops are measured at their fair value less estimated costs to sell and cost of harvesting. The fair value of pineapple crops is determined based on current market prices. Changes in fair value are recognised in profit or loss.

The inputs consist of estimated tonnes delivered nine months subsequent to year-end based on the period from flowering of the bearer plant to the harvesting of the fruit. Costs to sell include all costs that would be necessary to sell the fruit, including all costs necessary to get the fruit to its saleable state and to get it to the market.

4.3 SOURCES OF ESTIMATION UNCERTAINTY INCLUDE:

4.3.1 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.

4.3.2 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.

4.3.3 Useful life of intangible assets

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

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

5. PROPERTY, PLANT AND EQUIPMENT

2019	Opening balance R'000	Additions R'000	Disposals R'000	Transfers R'000	Closing balance R'000
COST					
Land	74 490	–	–	–	74 490
Buildings and leasehold improvements	619 249	–	(8 205)	126 670	737 714
Plant and machinery	1 196 378	–	(13 251)	197 388	1 380 515
Motor vehicles	21 221		(1 853)	8 014	27 382
Office equipment	63 761	–	(2 137)	6 206	67 830
Furniture and fittings	3 328	–	(243)	318	3 403
Bearer plants	39 771	–	(13 642)	19 776	45 905
Capital work-in-progress	167 295	231 484	–	(358 372)	40 407
	2 185 493	231 484	(39 331)	–	2 377 646

	Opening balance R'000	Depreciation R'000	Disposals R'000	Impairment R'000	Closing balance R'000
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
Buildings and leasehold improvements	**96 761**	**27 950**	**(1 296)**	**3 017**	**126 432**
Plant and machinery	**255 694**	**108 416**	**(10 683)**	**–**	**353 427**
Motor vehicles	**1 628**	**3 361**	**(1 425)**	**–**	**3 564**
Office equipment	**38 908**	**12 496**	**(2 097)**	**–**	**49 307**
Furniture and fittings	**1 349**	**436**	**(233)**	**–**	**1 552**
Bearer plants	**14 539**	**11 198**	**(13 643)**	**–**	**12 094**
	408 879	**163 857**	**(29 377)**	**3 017**	**546 376**
Net book value	**1 776 614**				**1 831 270**

2018	Opening balance R'000	Loss of control of subsidiary R'000	Additions R'000	Government grant received R'000	Disposals R'000	Impairment R'000	Transfers R'000	Closing balance R'000
COST								
Land	73 339	–	–	–	–	–	1 151	74 490
Buildings and leasehold improvements	482 997	–	–	–	(10 035)	(1 861)	148 148	619 249
Plant and machinery	809 504	(1 609)	–	(2 870)	(28 793)	–	420 146	1 196 378
Motor vehicles	23 512	(243)	–	–	(9 132)	–	7 084	21 221
Office equipment	59 605	(107)	–	–	(172)	–	4 435	63 761
Furniture and fittings	3 184	–	–	–	(37)	–	181	3 328
Bearer plants	25 624	–	–	–	(4 500)	–	18 647	39 771
Capital work-in-progress	287 530	–	479 557	–	–	–	(599 792)	167 295
	1 765 295	(1 959)	479 557	(2 870)	(52 669)	(1 861)	–	2 185 493

	Opening balance R'000	Loss of control of subsidiary R'000	Depreciation R'000	Disposals R'000	Impairment R'000	Closing balance R'000
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
Buildings and leasehold improvements	73 203	–	23 681	(108)	(15)	96 761
Plant and machinery	190 283	(1 152)	88 265	(21 583)	(119)	255 694
Motor vehicles	5 112	(180)	2 079	(5 383)	–	1 628
Office equipment	26 021	–	12 959	(72)	–	38 908
Furniture and fittings	788	(66)	665	(38)	–	1 349
Bearer plants	9 395	–	9 645	(4 501)	–	14 539
	304 802	(1 398)	137 294	(31 685)	(134)	408 879
Net book value	1 460 493					1 776 614

The Group leases certain of its plant and equipment under finance leases. For additional disclosure regarding the terms of the leases, refer to note 16.

5. PROPERTY, PLANT AND EQUIPMENT CONTINUED

Property, plant and equipment are encumbered as follows:

Rhodes Food Group Proprietary Limited
A first covering mortgage bond for R81.4 million, registered in favour of Nedbank Limited, over:
- Erf 2, Aeroton, 149 Samuels Road, Johannesburg, Gauteng.

A first covering mortgage bond for R294.2 million, registered in favour of Nedbank Limited, over:
- Portion 1 of Farm 1631, Paarl, Western Cape
- Portion 4 of Farm 1631, Paarl, Western Cape
- Portion 1 of Farm 1632, Paarl, Western Cape
- Portion 37 of Farm Straatkerk 190, Tulbagh, Western Cape
- Portion 40 of Farm Straatkerk 190, Tulbagh, Western Cape
- Remaining extent of Farm Bellevue 191, Tulbagh, Western Cape
- Portion 1 of Farm Bellevue 191, Tulbagh, Western Cape
- Remaining extent of portion 1 of Farm Groote Vallei 223, Tulbagh, Western Cape
- Remaining extent of portion 5 of Farm Groote Vallei 223, Tulbagh, Western Cape
- Portion 1 of the Farm 378, Tulbagh, Western Cape
- Remaining extent of the Farm 378, Tulbagh, Western Cape.

A first covering mortgage bond for R70 million, registered in favour of Nedbank Limited, over:
- Portion 226 of the Farm Luipaardsvlei No. 246, Krugersdorp, Gauteng.

A first covering mortgage bond of R20 million, registered in favour of Nedbank Limited, over:
- Erf 2218, Erf 656 and Erf 1379 in Makhado, a township in the Dzanani district, Limpopo.

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

RFG Eswatini Proprietary Limited
In favour of Nedbank (Swaziland) Limited:
- First, second and third mortgage bonds for R15 million, R11 million and R25 million respectively over certain of the company's land
- A first mortgage bond of R1.5 million over portion 4 of farm 670 and portion 2 of farm 45
- A deed of hypothecation for R35 million over stocks, accounts receivable, plant and equipment and moveable assets
- A negative deed of pledge over moveable and immovable assets.

In favour of Standard Bank (Swaziland) Limited:
- A first mortgage bond of R16 million over portion A of farm number 286 under the deed of transfer number 108 of 1970.

Pacmar Properties Proprietary Limited
A first covering mortgage bond for R44 million, registered in favour of Nedbank Limited, over:
- Erf 15503, Wellington.

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

	2019 R'000	2018 R'000
Nedbank Limited	**1 483 734**	1 487 607
First National Bank Limited	**–**	214
Nedbank (Swaziland) Limited (plant and equipment held under finance lease)	**604**	1 783
Other third parties	**33 400**	35 000

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

2019 COST	Opening balance R'000	Additions R'000	Closing balance R'000
Indefinite useful life intangible assets			
Trademarks	**122 147**	**–**	**122 147**
Export quota	**100**	**–**	**100**
Definite useful life intangible assets			
Trademarks	**10 604**	**–**	**10 604**
Customer lists	**85 307**	**30 000**	**115 307**
	218 158	**30 000**	**248 158**

2019 ACCUMULATED AMORTISATION	Opening balance R'000	Amortisation R'000	Closing balance R'000
Trademarks	**2 814**	**4 638**	**7 452**
Customer lists	**17 653**	**5 898**	**23 551**
	20 467	**10 536**	**31 003**
Net book value	**197 691**		**217 155**

2018 COST	Opening balance R'000	Amortisation R'000	Closing balance R'000
Indefinite useful life intangible assets			
Trademarks	122 147	–	122 147
Export quota	100	–	100
Definite useful life intangible assets			
Trademarks	10 604	–	10 604
Customer lists	85 307	–	85 307
	218 158	–	218 158

2018 ACCUMULATED AMORTISATION	Opening balance R'000	Amortisation R'000	Closing balance R'000
Trademarks	1 754	1 060	2 814
Customer lists	9 122	8 531	17 653
	10 876	9 591	20 467
Net book value	207 282		197 691

The cash-generating units (CGUs) to which indefinite useful life intangible assets have been allocated are as follows:

	2019 R'000	2018 R'000
Dry Foods	**30 446**	30 446
Pies and Pastries	**40 750**	40 750
Fruit Products	**31 051**	31 051
Meat Products	**20 000**	20 000
	122 247	122 247

Refer to note 7 for the assessment of impairment and key assumptions used to test whether impairment of the intangible assets with indefinite useful lives is required. No impairment was recognised in the current year (2018: Rnil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 29 September 2019

7. GOODWILL

2019	Opening balance R'000	Additions R'000	Closing balance R'000
Cost	**444 857**	**–**	**444 857**

2018	Opening balance R'000	Loss control of subsidiary R'000	Closing balance R'000
Cost	457 183	(12 326)	444 857

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

	2019 R'000	2018 R'000
Dry Foods	**96 494**	96 494
Pies and Pastries	**97 257**	97 257
Fruit Products	**23 335**	23 335
Ready Meals	**87 181**	87 181
Dairy Products	**10 265**	10 265
Juice Products and Pulps	**130 325**	130 325
	444 857	444 857

Impairment assessment of goodwill and intangible assets with indefinite useful lives
The recoverable amount of the CGUs is determined from value-in-use calculations. Cash flows are projected over a five-year period and a perpetual growth rate is applied for periods thereafter. The key assumptions for the value-in-use calculations are those regarding the discount rates and growth rates.

The value in use of the CGU is compared to the carrying amount of the CGU, including goodwill allocated. Where the carrying amount of the CGU exceeds the value in use an impairment loss is recognised in the statement of profit or loss and other comprehensive income.

No impairment was recognised in the current year (2018: Rnil).

Key assumptions used in the current year value-in-use calculations

Pre-tax discount rate	13.63%

The discount rate is based on a weighted average pre-tax cost of capital.

	Year 1 – 5
Average real growth rates years 1 – 5	
Dry foods	7.0%
Pies and pastries	4.2%
Fruit products	0.7%
Ready meals	3.3%
Dairy products	1.4%
Juice products and pulps	5.1%

Growth rates used are based on management's experience and expectations. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market, and are derived from the most recent financial budgets and forecasts that have been prepared by management. The cash flows in year one are based on the approved 2020 budget.

Terminal growth rates subsequent to year 5	5.9% to 7.3%

Terminal growth rates are in line with long-term consumer inflation and forecast real GDP growth rates applicable to the countries in which the CGUs operate and do not exceed the long-term average growth rate for the areas in which the CGUs operate. The inflation and GDP rates used are based on market data available from external sources.

Sensitivity analysis
The Group has determined that the value-in-use calculations are most sensitive to the growth rates applied in years one to five.

Constant year on year nominal growth of 5.7% would result in the recoverable amount of the Juice Products and Pulps CGU to be equal to its carrying amount. The nominal growth rate used includes inflation, real growth and margin improvement.

8. INVESTMENT IN ASSOCIATE

	2019 R'000	2018 R'000
Ma Baker Xpress Proprietary Limited	**5 572**	5 335
Reconciliation of changes in carrying value of the investment in associate		
Carrying value at the beginning of the year	**5 335**	–
Cost of equity accounted associate	**–**	5 900
Share of profit/(loss) of associate for the year	**237**	(565)
Carrying value at the end of the year	**5 572**	5 335

The Group holds a 49.17% shareholding in Ma Baker Xpress Proprietary Limited and the associate is not material to the Group.

9. BIOLOGICAL ASSETS

	2019 R'000	2018 R'000
Livestock	**13 033**	12 047
Pineapple crops	**24 447**	13 622
Total biological assets	**37 480**	25 669
Less: Current portion	**(24 447)**	(13 622)
Total long-term biological assets	**13 033**	12 047
Reconciliation of changes in carrying value of biological assets		
Carrying value at the beginning of the year	**25 669**	21 217
Value of crops harvested	**(13 174)**	(8 164)
Gains included in profit or loss		
– price changes	**2 116**	3 462
– physical changes	**22 869**	9 154
Carrying value at the end of the year	**37 480**	25 669

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

9.1 LIVESTOCK

Method of valuation
The value of the livestock is calculated based on the classification, quantum of the herd and the herd prices. The herd prices are obtained from an independent industry expert.

Nature of activities
The Group produces dairy products. The Group owns and manages a herd of 1 076 (2018: 1 058) milk producing cows. During the year the herd produced 5 897 004 (2018: 6 209 800) litres of milk.

Financial risk management strategies
The Group is exposed to the following risks relating to its agricultural activities:

Regulatory and environmental risks
The Group is subject to the laws and regulations applicable to agricultural activities in South Africa. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws.

Climate and other risks
Other risks include theft and diseases. Controls in place are property security, identification marks on all livestock, vaccinating and dipping of livestock and sustainable management practices.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 29 September 2019

9. BIOLOGICAL ASSETS CONTINUED

9.2 PINEAPPLE CROPS

Method of valuation
Pineapple crops are measured at fair value less estimated costs to sell and harvesting costs.

Nature of activities
The Group owns and manages 602 (2018: 602) hectares of pineapple crops. The Group manages a further 1 628 (2018: 1 641) hectares of pineapple crops on leasehold land. The Group is engaged in the planting, management and harvesting of pineapples, which are supplied to the Group's cannery operation which converts fruit to canned products and juice concentrates. A minor quantity of fruit is sold as fresh produce. Fields are managed on a sustainable basis, which comprise a 42-month crop rotation cycle. The Group harvested 30 697 (2018: 25 294) tons of pineapple during the year.

Financial risk management strategies
The Group is exposed to the following risks relating to its agricultural activities:

Regulatory and environmental risks
The Group is subject to the applicable laws and regulations in Eswatini. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws.

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

Measurement of fair value
The fair value of the pineapple crops 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 and cost of harvesting. The unobservable inputs consist of estimated 21 555 tonnes delivered nine months subsequent to year-end (2018: 12 696) based on the period from flowering of the bearer plant to the harvesting of the fruit and estimated price of R1 539 per ton delivered (2018: R1 646) of pineapples harvested.

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

- Pineapple volumes increased/(decreased);
- Pineapple prices increased/(decreased); or
- Costs of harvesting (increased)/decreased.

10. LOANS RECEIVABLE

	2019 R'000	2018 R'000
Non-current assets		
Mphetseni Co-operative Society	**233**	270
Alladin Foods Proprietary Limited	**2 178**	2 778
MBX Pies Proprietary Limited	**6 147**	6 146
Constitution Road Wine Growers Proprietary Limited	**4 769**	3 026
	13 327	12 220
Less: Current portion	**(5 472)**	(4 210)
Long-term loans	**7 855**	8 010

The loan to Mphetseni Co-operative Society is unsecured and repayable by the monthly lease instalments due to the society. Interest is charged at an average rate of 6% per annum.

The loan to Alladin Foods Proprietary Limited is unsecured, bears no interest and is repayable in equal monthly instalments.

The loan to MBX Pies Proprietary Limited is unsecured, bears no interest and is repayable from dividends distributed by Ma Baker Xpress Proprietary Limited commencing in October 2020.

The loan to Constitution Road Wine Growers Proprietary Limited is unsecured, bears no interest and is repayable from future fruit harvest purchases from the relevant orchards and rent paid for a warehouse to the abovementioned entity.

The Group has considered the terms in the loan agreements and the repayment history of each loan and concluded that no default events are probable in the next 12 months. The Group has therefore not raised a 12-month expected credit loss allowance on any of the loans receivable.

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

11.1 FOREIGN EXCHANGE CONTRACTS

The Group enters into forward exchange contracts ("FEC") to buy and sell specified amounts of foreign currency in the future at a predetermined exchange rate. The contracts are entered into to manage the Group's exposure to fluctuations in foreign currency exchange rates on specific transactions. The contracts are matched by anticipated future cash flows in foreign currencies. The Group does not use forward exchange contracts for speculative purposes.

At the reporting date, the Group had entered into the following forward exchange contracts.

2019	Foreign amount '000	Rand value R'000	Contract fair value R'000	Contract gain/ (loss) R'000
FEC in respect of anticipated receipts from customers				
AUD	**2 735**	**29 132**	**28 497**	**635**
CAD	**2 166**	**24 488**	**25 085**	**(597)**
USD	**16 515**	**248 239**	**254 030**	**(5 791)**
GBP	**725**	**13 701**	**13 847**	**(146)**
EUR	**1 752**	**29 607**	**29 498**	**109**
		345 167	**350 957**	**(5 790)**
2018				
FEC in respect of anticipated receipts from customers				
AUD	4 320	44 726	44 830	(104)
CAD	2 006	21 866	22 249	(383)
USD	11 265	162 379	161 667	712
GBP	2 830	53 830	53 312	518
EUR	895	14 940	15 050	(110)
		297 741	297 108	633

11.2 VALUATION OF FINANCIAL INSTRUMENT AT FAIR VALUE HELD THROUGH PROFIT OR LOSS

Financial instruments at fair value through profit or loss	Level	Valuation technique
Foreign exchange contracts	Level 2	Mark to market rates by issuer of instrument

12. INVENTORY

	2019 R'000	2018 R'000
Finished goods	**833 634**	810 513
Work-in-progress	**8 234**	9 522
Raw materials	**364 136**	409 188
	1 203 670	1 229 223
Provision for obsolete stock	**(2 334)**	(1 475)
	1 203 670	1 227 748

The value of the inventory disclosed at net realisable value is R103.075 million (2018: R69.405 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 29 September 2019

13. ACCOUNTS RECEIVABLE

	2019 R'000	2018 R'000
Trade receivables	**916 850**	779 433
Less: Lifetime expected credit loss allowance	**(4 145)**	(1 833)
Net trade receivables	**912 705**	777 600
Sundry receivables	**2 414**	8 694
Prepayments	**21 253**	7 026
Deposits	**6 686**	4 942
Other receivables	**–**	2 996
VAT receivable	**4 687**	8 958
	947 745	810 216

Refer to note 5 for details of encumbrances.

Trade receivables

The average credit period on sale of goods is 57 days (2018: 57 days) for the Group. No interest is charged on trade receivables with amounts outstanding longer than the credit period.

The value of liabilities for refunds and claims which is included in the trade receivables balance at year-end amounts to R13.506 million (2018: R10.592 million). The Group does not expect to recognise any of the liabilities for refunds and claims as revenue in the future.

Of the trade receivables balance at year end R242.828 million (2018: R105.307 million) is outstanding from two (2018: one) customers who represent more than 10% of the total balance of the Group's trade receivables.

	2019 R'000	2018 R'000
Customer A	**101 291**	–
Customer B	**141 537**	105 307
	242 828	105 307

Lifetime expected credit loss allowance

	2019	2018
Credit-impaired allowance	**2 193**	1 833
Simplified approach allowance	**1 952**	–
Total lifetime expected credit loss allowance	**4 145**	1 833

The Group reviewed its trade receivables at year-end and raised a specific credit loss allowance against individual debtors that are considered credit-impaired. In the assessment for credit-impairment, the Group considers a range of indicators such as:

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

The simplified approach to estimate lifetime expected credit loss allowance has been applied to the remaining trade receivables as follows:

2019	Current	1 – 30 days	31 – 60 days	61 – 90 days	91 – 120 days	>120 days
Corporate trade receivables						
Expected loss rate*	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Gross carrying amount (R'000)	**333 209**	**207 788**	**27 250**	**1 101**	**1 232**	**4 719**
Non-corporate trade receivables						
Expected loss rate*	**0.08%**	**0.11%**	**0.44%**	**1.31%**	**8.49%**	**22.0%**
Gross carrying amount (R'000)	**268 256**	**116 780**	**20 171**	**16 144**	**6 160**	**3 568**

2018

Applying the simplified approach in the prior year did not result in an allowance based on the credit loss history of the Group.

* *The expected loss rates are based on the historical credit losses as a percentage of sales. Management has reviewed externally available macro-economic forecast data in order to assess the potential impact on expected future loss rates. Management has opted to take a prudent approach and refrain from favourably adjusting expected loss rates when economic recovery is anticipated. Management evaluated each corporate trade receivable individually and applied the simplified approach to the corporate trade receivables. The estimated credit loss allowance was so insignificant that no allowance was recognised on corporate trade receivables.*

Non-corporate trade receivables consist of a wide array of individually immaterial debtors with similar credit risk.

Before extending credit to any new customers, the Group assesses the potential customer's creditworthiness based on information obtained from credit bureaus and sets appropriate credit limits.

	2019 R'000	2018 R'000
Movement in lifetime expected credit loss allowance		
Balance at the beginning of the year	**1 833**	2 874
Allowance raised during the year	**2 312**	801
Allowance reversed during the year	**–**	(1 842)
Balance at the end of the year	**4 145**	1 833

14. SHARE CAPITAL

	2019 R'000	2018 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		
262 762 018 ordinary shares	**1 563 446**	1 558 945
1 125 000 treasury shares held by subsidiary	**(937)**	(937)
9 000 000 "A" redeemable convertible preference shares	**–**	7 500
9 000 000 "B" redeemable convertible preference shares	**–**	1
	1 562 509	1 565 509
Reconciliation of ordinary and treasury shares in issue:		
Ordinary and treasury shares at the beginning of year	**1 558 008**	1 558 008
Conversion of redeemable convertible preference shares on 14 December 2018	**4 501**	–
Ordinary and treasury shares at the end of year	**1 562 509**	1 558 008

	Number of holders	Percentage of holders	Number of shares	Percentage of shares
Public and non-public shareholding				
Ordinary shares				
Shareholders spread				
Public shareholders	3 174	99.6	144 420 170	55.0
Non-public shareholders	11	0.4	118 341 848	45.0
Directors of company	6	0.2	20 215 746	7.7
Strategic holdings				
Capitalworks Private Equity GP Proprietary Limited[1, 2]	2	0.1	62 867 916	23.9
South African Investment GP Trust[3]	2	0.1	34 133 186	13.0
Treasury shares	1	–	1 125 000	0.4
	3 185	100.0	262 762 018	100.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 29 September 2019

14. SHARE CAPITAL CONTINUED

	2019 Number of shares	2019 Percentage of total shares	2018 Number of shares	2018 Percentage 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]	**62 867 916**	**23.9**	56 257 176	22.2
South African Investment GP Trust[4]	**25 228 246**	**9.6**	23 776 726	9.4
Bruce Henderson Trust	**16 215 128**	**6.2**	16 200 000	6.4
South African Investment GP Trust[5]	**8 904 940**	**3.4**	8 391 940	3.3
Public shareholders				
Old Mutual	**25 326 621**	**9.6**	21 803 649	8.6
PSG Konsult	**23 002 628**	**8.8**	15 527 509	6.1
Coronation Fund Managers	**18 612 502**	**7.1**	7 429 604	2.9
Government Employees Pension Fund	**17 953 116**	**6.8**	31 182 562	12.3
Other	**64 650 921**	**24.6**	73 192 852	28.8
	262 762 018	**100.0**	253 762 018	100.0

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

1 *Includes indirect holdings by non-executive directors Chad Smart and Garth Willis of 2 011 808 and 275 753 shares respectively.*

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

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.*

	Number of shareholdings	Percentage	Number of shares	Percentage
Shareholder spread				
1 – 1 000 shares	**1 903**	**59.7**	**537 909**	**0.2**
1 001 – 10 000 shares	**930**	**29.2**	**3 256 045**	**1.2**
10 001 – 100 000 shares	**219**	**6.9**	**6 969 812**	**2.7**
100 001 – 1 000 000 shares	**97**	**3.0**	**30 129 543**	**11.5**
1 000 001 shares and over	**36**	**1.0**	**221 868 709**	**84.4**
	3 185	**100.0**	**262 762 018**	**100.0**
Distribution of shareholders				
Banks/brokers	**35**	**1.1**	**13 487 752**	**5.1**
Close corporations	**24**	**0.8**	**69 637**	**–**
Endowment funds	**16**	**0.5**	**459 490**	**0.2**
Individuals	**2 650**	**83.2**	**9 829 890**	**3.7**
Insurance companies	**33**	**1.0**	**11 241 356**	**4.3**
Investment companies	**4**	**0.1**	**3 918 373**	**1.5**
Medical schemes	**6**	**0.2**	**723 671**	**0.3**
Mutual funds	**103**	**3.2**	**64 066 828**	**24.4**
Other corporations	**11**	**0.3**	**45 405**	**–**
Private companies	**53**	**1.7**	**1 074 859**	**0.4**
Private equity	**4**	**0.1**	**97 001 102**	**36.9**
Public companies	**1**	**–**	**18 500**	**–**
Retirement funds	**77**	**2.4**	**28 604 841**	**10.9**
Treasury stock	**1**	**–**	**1 125 000**	**0.4**
Trusts	**167**	**5.2**	**31 095 314**	**11.8**
Total	**3 185**	**100.0**	**262 762 018**	**100.0**

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

	2019 Number of shares	2019 percentage of total shares	2018 Number of shares	2018 percentage of total shares
Non-public shareholding				
“A” redeemable convertible preference shares				
Major shareholders				
Capitalworks Rhodes Food Investment Partnership	–	–	5 725 800	63.6
South African Investment Partnership	–	–	855 000	9.5
South African Investment Partnership II	–	–	2 419 200	26.9
	–	–	9 000 000	100.0
Non-public shareholding				
“B” redeemable convertible preference shares				
Major shareholders				
Costaras Family Trust	–	–	1 999 800	22.2
Jacian Trust	–	–	1 999 800	22.2
Lahanja Trust	–	–	1 999 800	22.2
RK Phillips Trust	–	–	1 800 000	20.0
Job Mpele	–	–	1 200 600	13.4
	–	–	9 000 000	100.0

On 14 December 2018, 5 400 000 “A” redeemable convertible preference shares and 3 600 000 “B” redeemable convertible preference shares were converted to ordinary shares. The remaining preference shares were redeemed for an amount of R3 million on the same date.

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

15. EQUITY-SETTLED EMPLOYEE BENEFITS RESERVE

	2019 R’000	2018 R’000
Equity-settled employee benefits granted	**13 747**	17 723

The Rhodes Food Group 2015 Share Plan (“the Plan”) is a long term (share based) incentive scheme for executives and managers of the company and its subsidiaries. The employee benefits are accounted for as equity settled. The Plan rules give the directors the discretion to determine whether to settle in cash or equity. The directors have decided to settle any accrued benefits in terms of the plan by purchasing shares in the open market and transferring those to the relevant executives and managers.

The offers consist of a weighted combination of the following types of equity-settled benefits:

Share Appreciation Rights
Options are granted annually and vest over three to five years. Options can be exercised until its 7th anniversary and options that have not been exercised will be forfeited upon expiry or termination of employment, other than on death, retrenchment or retirement. Vesting is dependent on the Group achieving a compound annual growth in diluted headline earnings per share equal to or greater than CPI plus GDP growth plus a premium over the vesting period.

- The Binomial Tree model has been used to value the Share Appreciation Rights.

Conditional awards of (full value) Performance Shares
Performance shares are granted annually and vest over three to five years. Vesting depends on the performance relative to prescribed targets. The offers must be exercised on vesting. Performance is measured in terms of a weighted combination of the target return on invested capital and comparative total shareholder return (“TSR”).

- The Monte Carlo Model has been used to value the Performance Shares. The model runs a large number of simulations which track the share price, TSR price movements, as well as the vesting percentage from the valuation date to expiry dates. The average of the simulated expected values of the awards is discounted by the risk-free rate to obtain the fair value.

Grants of (full value) restricted shares
Restricted shares are granted annually and vest over three to five years. Allocations are made to selected managers who qualify for a bonus based on operational performance. The value of the restricted shares is to match a portion of the annual cash incentive bonus calculated for the selected managers.

- The Restricted Shares have been valued using the share price at grant date, less the present value of estimated dividends paid prior to the time of exercise.

15. EQUITY-SETTLED EMPLOYEE BENEFITS RESERVE CONTINUED

The fair value of offers granted in December 2108 was determined on the date of grant using the following assumptions:

	Performance Shares	Restricted Shares	Share Appreciation Rights
Dividend yield	1.79%	1.79%	2.26%
Expected volatility*	39.31%	n/a	35.48%
Risk-free interest rate	7.47%	7.47%	8.01%
Expected life of share offers	3 years	3 years	5 years
Forfeiture rate	4.00%	4.00%	4.00%

** The expected volatility was determined using the equally weighted volatility method and a historical volatility commensurate with the term of the option.*

The spot price used is the closing share price of the Company as at the valuation date. The strike price for the Share Appreciation Rights is contractually determined prior to the issue of the award.

	Number of share options 2019	**VWAP Rand 2019**	Number of share options 2018	VWAP Rand 2018
Reconciliation of the movement in share appreciation rights during the financial year:				
Outstanding at the beginning of the year	**1 007 521**	**22.08**	570 799	24.68
Granted during the year	**506 221**	**15.08**	439 621	18.69
Forfeited during the year	**(302 583)**	**(21.99)**	–	–
Exercised during the year	**–**	**–**	(2 899)	(18.72)
Outstanding at the end of the year	**1 211 159**	**19.51**	1 007 521	22.08
Reconciliation of the movement in performance share awards during the financial year:				
Outstanding at the beginning of the year	**656 987**	**22.06**	375 111	24.58
Granted during the year	**317 673**	**15.08**	281 876	18.69
Forfeited during the year	**(275 988)**	**(22.20)**	–	–
Exercised during the year	**(52 159)**	**(23.93)**	–	–
Outstanding at the end of the year	**646 513**	**18.85**	656 987	22.06
Reconciliation of the movement in restricted shares during the financial year:				
Outstanding at the beginning of the year	**390 180**	**22.73**	240 716	25.24
Granted during the year	**183 920**	**15.08**	153 015	18.69
Forfeited during the year	**(23 097)**	**(22.03)**	–	–
Exercised during the year	**(88 382)**	**(24.29)**	(3 551)	(18.72)
Outstanding at the end of the year	**462 621**	**19.64**	390 180	22.73

VWAP refers to the 10 day volume weighted average share price of the company used to determine the strike price for the share options.

The Group purchased shares amounting to R2.2m (2018: Rnil) during the year to settle offers that were exercised.

The exercise prices for the share appreciation rights outstanding at the end of the year is as follows:

	Grant date	Vesting date	Strike price	2019 Number of share options	2018 Number of share options
Exercisable until end December 2022	7-Dec-15	7-Dec-18	24.12	–	93 097
Exercisable until end December 2022	7-Dec-15	7-Dec-19	24.12	**75 894**	93 810
Exercisable until end December 2022	7-Dec-15	7-Dec-20	24.12	**75 903**	93 810
Exercisable until end December 2023	1-Dec-16	1-Dec-19	26.58	**77 729**	95 490
Exercisable until end December 2023	1-Dec-16	1-Dec-20	26.58	**77 738**	95 490
Exercisable until end December 2023	1-Dec-16	1-Dec-21	26.58	**77 748**	96 204
Exercisable until end December 2024	1-Dec-17	1-Dec-20	18.69	**120 995**	146 540
Exercisable until end December 2024	1-Dec-17	1-Dec-21	18.69	**121 011**	146 540
Exercisable until end December 2024	1-Dec-17	1-Dec-22	18.69	**121 020**	146 540
Exercisable until end December 2025	3-Dec-18	3-Dec-21	15.08	**154 376**	–
Exercisable until end December 2025	3-Dec-18	3-Dec-22	15.08	**154 373**	–
Exercisable until end December 2025	3-Dec-18	3-Dec-23	15.08	**154 372**	–
				1 211 159	1 007 521

The fair value of the share appreciation rights granted during the year was R7.06 (2018: R4.16) per right.

The fair value of the performance share awards granted during the year was R21.45 (2018: R15.45) per award.

The fair value of the restricted share grants granted during the year was R15.65 (2018: R18.36) per grant.

16. LONG-TERM LOANS

16.1 SECURED LONG-TERM LOANS AT AMORTISED COST

	2019 R'000	2018 R'000
Mortgage and term loans	**979 972**	1 211 817
Liabilities capitalised under finance leases	**7 528**	14 034
Total long-term loans at amortised cost	**987 500**	1 225 851
Less: Current portion	**(234 046)**	(250 918)
Long-term loans	**753 454**	974 933

Refer to note 5 for details of encumbrances.

16.2 INTEREST RATE ANALYSIS

Variable linked long-term loans	**Range**
Mortgage and term loans	SA prime interest rate less 1.75% to SA prime interest rate less 1.25% and Eswatini prime interest rate less 1.50% to Eswatini prime interest rate.
Liabilities capitalised under finance leases	Eswatini prime interest rate less 0.50% to Eswatini prime interest rate plus 1.00%.

16. LONG-TERM LOANS CONTINUED

16.3 FINANCE LEASES

The Group's finance leases comprise of obligations under instalment for sale agreements for certain of its manufacturing equipment. 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
2019			
Within one year	**7 608**	**(80)**	**7 528**
Between one and five years	**–**	**–**	**–**
	7 608	**(80)**	**7 528**
2018			
Within one year	8 245	(465)	7 780
Between one and five years	6 320	(66)	6 254
	14 565	(531)	14 034

17. DEFERRED TAXATION

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

2019	Opening balance R'000	Charge (credit) to profit or loss for the year R'000	Closing balance R'000
Tax effect for the deferred taxation asset:			
Excess tax allowance over-depreciation charges for property, plant and equipment	**(4)**	**162**	**158**
Excess tax allowances over amortisation of intangible assets	**–**	**(5)**	**(5)**
Estimated tax losses	**(64)**	**(145)**	**(209)**
Employee benefits accrual	**–**	**(110)**	**(110)**
Difference between tax and accounting treatment of:			
– Prepayments	**27**	**1**	**28**
	(41)	**(97)**	**(138)**
Tax effect for the deferred taxation liability:			
Excess tax allowance over depreciation charges for property, plant and equipment	**180 703**	**34 479**	**215 182**
Excess tax allowances over amortisation of intangible assets	**57 154**	**(1 282)**	**55 872**
Estimated tax losses	**(21 217)**	**5 791**	**(15 426)**
Deferred capital gains tax on adoption of IFRS deemed cost of land and buildings	**2 313**	**(134)**	**2 179**
Employee benefits accrual	**(24 422)**	**(4 046)**	**(28 468)**
Income received in advance	**(88)**	**(54)**	**(142)**
Difference between tax and accounting treatment of:			
– Biological assets	**7 110**	**3 253**	**10 363**
– Prepayments	**1 736**	**773**	**2 509**
– Inventory	**4 330**	**(145)**	**4 185**
– Foreign exchange contracts	**34**	**(229)**	**(195)**
	207 653	**38 406**	**246 059**

In recognising the deferred taxation asset, the directors have assessed that sufficient future taxable profits are probable, based on budgeted performance, against which the estimated tax losses can be utilised.

2018	Opening balance R'000	Loss of control of subsidiaries R'000	Charge (credit) to income for the year R'000	Closing balance R'000
Tax effect for the deferred taxation asset:				
Excess tax allowance over depreciation charges for property, plant and equipment	8 065	–	(8 069)	(4)
Excess tax allowances over amortisation of intangible assets	(1 686)	–	1 686	–
Estimated tax losses	(10 744)	–	10 680	(64)
Employee benefits accrual	(4 929)	58	4 871	–
Difference between tax and accounting treatment of:				
– Prepayments	–	–	27	27
	(9 294)	58	9 195	(41)
Tax effect for the deferred taxation liability:				
Excess tax allowance over depreciation charges for property, plant and equipment	114 842	–	65 861	180 703
Excess tax allowances over amortisation of intangible assets	61 435	–	(4 281)	57 154
Estimated tax losses	(324)	–	(20 893)	(21 217)
Deferred capital gains tax on adoption of IFRS deemed cost of land and buildings	2 716	–	(403)	2 313
Employee benefits accrual	(26 049)	–	1 627	(24 422)
Income received in advance	(248)	–	160	(88)
Difference between tax and accounting treatment of:				
– Biological assets	5 877	–	1 233	7 110
– Prepayments	1 879	–	(143)	1 736
– Inventory	2 253	–	2 077	4 330
– Foreign exchange contracts	(670)	–	704	34
	161 711	–	45 942	207 653

18. ACCOUNTS PAYABLE AND ACCRUALS

18.1 ACCOUNTS PAYABLE AND ACCRUALS

	2019 R'000	2018 R'000
Trade payables	**484 826**	529 700
VAT payable	**26 213**	8 353
Accruals	**215 340**	162 567
	726 379	700 620

The average credit period on purchases is 45 days (2018: 43 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.

18.2 EMPLOYEE BENEFITS ACCRUAL

The employee benefits accrual comprises the following amounts:

	2019 R'000	2018 R'000
Incentives	**40 889**	27 850
Leave pay	**27 432**	26 797
	68 321	54 647

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 assets as well as non-financial targets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 29 September 2019

18. ACCOUNTS PAYABLE AND ACCRUALS CONTINUED

18.3 EMPLOYEE BENEFIT LIABILITY

	2019 R'000	2018 R'000
Total employee benefit liability per statement of financial position:		
RFG Eswatini Propriety Limited	**15 509**	14 562
Rhodes Food Group Proprietary Limited	**1 519**	1 688
	17 028	16 250

RFG Eswatini 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 of the liability was performed by Alexander Forbes Financial Services Proprietary Limited in September 2016.

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

	2019 R'000	2018 R'000
Liability recorded in the statement of financial position as part of "employee benefit liability"	**15 509**	14 562
Movement in liability		
Balance at the beginning of year	**14 562**	13 813
Raised during the year	**2 626**	2 506
Payments made during the year	**(1 679)**	(1 757)
Actuarial loss on defined benefit obligation	**–**	–
Balance at the end of year	**15 509**	14 562
The amounts recognised in profit or loss are as follows:		
Current service costs	**1 110**	1 051
Interest cost	**1 516**	1 455
	2 626	2 506
The amounts recognised in other comprehensive income are as follows:		
Actuarial gains	**14**	100
The principal actuarial assumptions used are as follows:		
	%	%
Discount rate	**10.05**	10.50
Inflation rate	**5.63**	5.40
Salary increase rate	**6.89**	7.40

Sensitivity analysis on the principal actuarial assumptions as per the 2016 actuarial valuation is as follows:

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

	2019	% Change
Total liability	**16 214**	4.54

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

	2019	% Change
Total liability	**(14 813)**	(4.49)

Rhodes Food Group Proprietary Limited

The Group is obliged to make contributions to the medical aid fund of Bull Brand retirees who retired before 1 August 2013.

An actuarial valuation was performed by Cadiant Partners Consultants & Actuaries in September 2019 and 2018 respectively.

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

	2019 R'000	2018 R'000
Liability recorded in the statement of financial position as part of "employee benefit liability"	**1 519**	1 688
Movement in liability		
Balance at the beginning of year	**1 688**	1 952
Raised during the year	**140**	161
Payments made during the year	**(295)**	(325)
Actuarial gain	**(14)**	(100)
Balance at the end of year	**1 519**	1 688
The amounts recognised in profit or loss are as follows:		
Interest cost	**140**	161
The amounts recognised in other comprehensive income are as follows:		
Actuarial gain	**14**	100
The principal actuarial assumptions used are as follows:		
	%	%
Discount rate	**8.50**	9.25
Mortality rate	PA (90) with two year adjustment	

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

	2019	% Change
Total liability	**1 591**	4.70%
Service and interest cost	**124**	5.20%

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:

	2019	% Change
Total liability	**1 636**	7.70%
Service and interest cost	**128**	8.40%

19. REVENUE

The disaggregated revenue from contracts with customers is as follows:

	2019 R'000	2018 R'000
Perishable products	**1 679 552**	1 569 781
Fruit products	**1 599 578**	1 534 286
Grocery products	**2 134 495**	1 885 842
	5 413 625	4 989 909

The revenue categories consist of net sales of the following:

- Perishable products: Ready meals, pies, bakery and dairy products.
- Fruit products: Canned fruit and jam, fruit purees and fruit concentrates.
- Grocery products: Canned vegetables, canned meat, bottled salads and pickles, fruit juice, dry packaged foods and infant meals.

Refer to note 13 for the value of liabilities for refunds and claims included in trade and other receivables.

20. RECLASSIFICATION OF EXPENSES RESULTING FROM ADOPTION OF IFRS 15

The adoption IFRS 15 resulted in a reclassification of variable consideration relating to distribution and warehouse allowances from expenses to revenue with no impact on operating profit or profit for the year. The effect of the restatement on the prior year is as follows:

	2018 R'000
Decrease in revenue	(119 433)
Decrease in selling and distribution cost	119 433

21. PROFIT BEFORE INTEREST AND TAXATION

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

	2019 R'000	2018 R'000
Income		
Insurance claim received	**49**	2 191
Unrealised foreign exchange gains	**–**	14 682
Expenses		
Auditors' remuneration	**4 805**	3 973
Audit fee		
– current year: Group auditor	**2 683**	2 387
– current year: component auditors	**876**	780
Other services		
– current year: Group auditor	**1 167**	755
– current year: component auditors	**79**	51
Depreciation	**163 857**	137 294
Amortisation of intangible assets	**10 536**	9 591
Impairment loss on property, plant and equipment	**3 017**	1 727
Management fee paid to Capitalworks[1]	**759**	725
Loss on disposal of property, plant and equipment	**1 908**	4 782
Operating lease charges – paid	**53 132**	60 943
Staff costs	**903 075**	812 707
Unrealised foreign exchange losses	**5 790**	–

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

22. REMUNERATION PAID TO DIRECTORS AND PRESCRIBED OFFICERS

	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Executive directors	**BAS Henderson**		**CC Schoombie**	
	Chief Executive Officer		*Chief Financial Officer*	
Fees for services as director				
Basic salary	**3 983**	3 819	**2 712**	2 568
Incentive payments	**1 509**	4 191	**925**	2 646
Travel allowance	**331**	331	**161**	161
Contributions under medical scheme	**223**	164	**–**	–
Contributions under pension scheme	**606**	584	**412**	393
Contributions under disability and funeral scheme	**31**	139	**21**	96
	6 683	9 228	**4 231**	5 864
Beneficial shareholding	**Bruce Henderson Trust**		**Jacian Trust**	
Number of ordinary shares held	**16 215 128**	16 200 000	**3 809 006**	3 001 050
Value of ordinary shares held (R'000)	**246 956**	262 440	**58 011**	48 617
Number of 'B' redeemable convertible preference shares	**–**	–	**–**	1 999 800

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

Rhodes Food Group Limited 2015 Share Plan

Reconciliation of outstanding rights and shares as at 29 September 2019:

Executive directors	Date of rights and shares	Balance at 30 September 2018	Granted 2019	Exercised 2019	Forfeited 2019	Balance at 29 September 2019
BAS Henderson						
Share appreciation rights	7-Dec-15	57 313	–	–	19 105	**38 212**
Share appreciation rights	1-Dec-16	54 751	–	–	–	**54 751**
Share appreciation rights	1-Dec-17	79 174	–	–	–	**79 174**
Share appreciation rights	3-Dec-18	–	98 663	–	–	**98 663**
		191 242	98 663	–	19 105	**270 800**
Performance shares	7-Dec-15	55 468	–	15 128	40 340	**–**
Performance shares	1-Dec-16	52 985	–	–	–	**52 985**
Performance shares	1-Dec-17	76 620	–	–	–	**76 620**
Performance shares	3-Dec-18	–	95 480	–	–	**95 480**
		185 073	95 480	15 128	40 340	**225 085**
CC Schoombie						
Share appreciation rights	7-Dec-15	30 652	–	–	10 217	**20 435**
Share appreciation rights	1-Dec-16	29 280	–	–	–	**29 280**
Share appreciation rights	1-Dec-17	42 341	–	–	–	**42 341**
Share appreciation rights	3-Dec-18	–	50 734	–	–	**50 734**
		102 273	50 734	–	10 217	**142 790**
Performance shares	7-Dec-15	29 473	–	8 038	21 435	**–**
Performance shares	1-Dec-16	28 154	–	–	–	**28 154**
Performance shares	1-Dec-17	40 713	–	–	–	**40 713**
Performance shares	3-Dec-18	–	50 734	–	–	**50 734**
		98 340	50 734	8 038	21 435	**119 601**

There are no other prescribed officers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 29 September 2019

22. REMUNERATION PAID TO DIRECTORS AND PRESCRIBED OFFICERS CONTINUED

	2019 R'000	2018 R'000
Independent non-executive directors		
Fees for services as director		
Dr YG Muthien	**712**	681
MR Bower	**632**	528
TP Leeuw	**530**	507
LA Makenete	**533**	510
BN Njobe	**378**	347
	2 785	2 573
Independent non-executive directors		
Number of direct ordinary shares held		
Dr YG Muthien	**38 866**	36 916
MR Bower	**86 666**	86 666
TP Leeuw	**61 000**	–
LA Makenete	**5 080**	5 080
	191 612	128 662
Non-executive directors		
Fees for services as director		
CL Smart	**317**	303
GJH Willis	**442**	422
	759	725

Remuneration paid for services rendered as directors by CL Smart and GJH Willis is paid as a management fee to Capitalworks.

	2019	2018	2019	2018
Non-executive directors	**CL Smart**		**GJH Willis**	
Beneficial shareholding				
Number of indirect ordinary shares held	**2 011 808**	1 831 233	**275 753**	251 002
Value of indirect ordinary shares held (R'000)	**30 640**	29 666	**4 200**	4 066
Number of indirect "A" redeemable convertible preference shares	**–**	186 401	**–**	25 549
Value of indirect "A" redeemable convertible preference shares (R'000)	**–**	155	**–**	21

There were no changes in the shareholdings of the directors as at 29 September 2019 until the date of the approval of these financial statements.

23. INTEREST PAID

	2019 R'000	2018 R'000
Bank overdraft	**21 642**	33 089
Long-term loans	**95 602**	81 280
Other short-term loans	**734**	754
	117 978	115 123

24. TAXATION

24.1 TAXATION EXPENSE

	2019 R'000	2018 R'000
Current taxation		
– current year	**20 188**	1 227
– prior year overprovision	**–**	(10 693)
Securities transfer tax	**–**	15
Deferred taxation		
– current year	**48 494**	56 806
prior year overprovision	**(4 202)**	–
Taxation: Eswatini		
Current taxation		
– current year	**1 141**	1 099
Deferred taxation		
– current year	**(6 191)**	(1 365)
– prior year under/(over) provision	**202**	(333)
	59 632	46 756
Deferred taxation recognised through other comprehensive income – remeasurement of defined benefit liability	**4**	28

24.2 TAX RATE RECONCILIATION

	2019 %	2018 %
Standard rate	**28.00**	28.00
Non-deductible expenses	**0.33**	0.65
Legal and professional fees	**0.30**	0.61
Acquisition costs	**–**	0.04
Penalties and interest	**0.03**	–
Prior year over provision	**(1.45)**	(3.97)
Other reconciling items	**(5.20)**	(1.43)
Learnership allowance	**(0.70)**	(0.46)
Tax rate differences	**(0.72)**	(0.92)
Section 12I allowances	**(3.62)**	(4.23)
Exempt temporary difference	**0.01**	1.28
Other non-recurring reconciling items	**(0.17)**	2.90
Effective tax rate	**21.68**	23.25

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 29 September 2019

25. HEADLINE EARNINGS PER SHARE

25.1 HEADLINE EARNINGS PER SHARE

	2019 R'000	2018 R'000
Reconciliation between profit attributable to owners of the parent and headline earnings:		
Profit attributable to owners of the parent	**216 256**	154 430
Adjustments to profit attributable to owners of the parent	**3 546**	4 686
Loss on disposal of property, plant and equipment	**1 908**	4 782
Impairment of property, plant and equipment	**3 017**	1 727
Loss of control of subsidiary	**–**	1 216
Taxation effect	**(1 379)**	(1 823)
Headline earnings	**219 802**	159 116
Headline earnings per share (cents)	**84.0**	63.0

25.2 DILUTED HEADLINE EARNINGS PER SHARE

	2019 R'000	2018 R'000
Headline earnings	**219 802**	159 116
Diluted headline earnings per share (cents)	**83.8**	60.8

25.3 WEIGHTED AVERAGE NUMBER OF SHARES IN ISSUE

	2019 R'000	2018 R'000
Weighted average number of shares in issue	**262 762 018**	253 762 018
Treasury shares	**(1 125 000)**	(1 125 000)
Weighted average number of shares in issue	**261 637 018**	252 637 018
Effect of redeemable convertible preference shares	**–**	9 000 000
Effect of share options	**581 724**	201 094
Weighted average number of dilutive shares in issue	**262 218 742**	261 838 112

26. COMMITMENTS FOR CAPITAL EXPENDITURE

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

	2019 R'000	2018 R'000
Approved but not yet contracted	**14 762**	16 679
Contracted for	**13 016**	29 502

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

27. CONTINGENT LIABILITIES

R75 million suretyship for RFG Eswatini 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 RFG Eswatini Proprietary Limited and Rhodes Foods Eswatini Proprietary Limited in favour of Nedbank Limited.

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

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

28. OPERATING LEASE COMMITMENTS

2019	Plant and machinery R'000	Office equipment R'000	Motor vehicle R'000	Land and buildings R'000
Due within one year	**12 113**	**244**	**1 203**	**19 030**
Due within two to five years	**16 583**	**508**	**1 469**	**69 965**
Due after five years	**–**	**–**	**–**	**44 383**
	28 696	**752**	**2 672**	**133 378**
2018				
Due within one year	13 900	210	1 480	21 045
Due within two to five years	29 758	608	3 332	59 310
Due after five years	–	–	–	34 406
	43 658	818	4 812	114 761

The most significant leases are over land and buildings and are for a period between five to ten years with an option to renew thereafter. The rental charges are determined on renewal of the initial lease contract period.

29. 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.

RFG Eswatini Proprietary Limited provides retirement benefits to its permanent employees through a defined benefit provident fund. The Sibaya Provident Fund is administered by Swaziland Employee Benefit Consultants Proprietary Limited.

The total value of the contributions paid by the Group to the pension fund during the year was R35.335 million (2018: R33.622 million).

The total value of contributions paid by the Group to the provident funds during the year was R14.892 million (2018: R11.473 million).

The Group has 1 010 (2018: 938) employees who contribute to the pension fund, and 2 630 (2018: 2 096) employees who contribute to the provident funds.

30. FINANCIAL INSTRUMENTS

Financial instruments consist of loans, accounts receivable, foreign exchange contract assets and liabilities, bank balances and accounts payable and accruals resulting from normal business activities.

30.1 CAPITAL RISK MANAGEMENT

The capital structure of the Group consists of debt and equity, comprising ordinary share capital, accumulated profits 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.

The gearing ratio at the end of the year was as follows:

	2019 R'000	2018 R'000
Cash and cash equivalents	**176 643**	(34 346)
Long-term loans	**987 500**	1 225 851
Net debt	**1 164 143**	1 191 505
Total equity	**2 477 583**	2 317 840
Net debt to equity	**47.0%**	51.4%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 29 September 2019

30. FINANCIAL INSTRUMENTS CONTINUED

30.2 FINANCIAL RISK MANAGEMENT OBJECTIVE

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

30.3 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 deal are US Dollars, Great British Pounds, Euros, Canadian Dollars and Australian Dollars. The settlement of these transactions take place within a normal business cycle. The risk of fluctuations in foreign currencies is economically hedged by a natural hedge and by way of entering into forward exchange contracts ("FECs") for sales transactions denominated in foreign currencies. The market value of the FECs at the reporting date is disclosed in note 11. Purchase transactions that create foreign currency cash flows are not hedged. Details of uncovered foreign currency denominated amounts are included in note 34.

30.4 CREDIT RISK MANAGEMENT

Potential concentrations of credit risk consist principally of trade receivables and loans receivable. 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. New customers are subjected to a credit application process where the creditworthiness of the customer is evaluated and appropriate credit limits are set to limit credit risk. All changes to credit limits are reviewed and authorised by management. Allowances for expected credit losses 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. Refer to note 13 for further detail on credit risk relating to trade receivables.

Short-term cash investments are placed with banks with a high credit rating. Loans receivable 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.

30.5 LIQUIDITY AND INTEREST RISK MANAGEMENT

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

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

If interest rates had been 100 basis points higher or lower and all other variables were held constant, the Group's profit for the year would decrease or increase by R11.639 million (2018: R12.762 million). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

30.6 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:

2019	Interest rate %	Year 1 R'000	Year 1 to 5 R'000	Over 5 years R'000	Total R'000
Assets					
Accounts receivable	Interest-free	**921 805**	**–**	**–**	**921 805**
Loan receivable	Variable	**5 472**	**5 288**	**2 567**	**13 327**
Bank balances and cash on hand	Variable	**7 061**	**–**	**–**	**7 061**
Foreign exchange contract asset		**–**	**–**	**–**	**–**
		934 338	**5 288**	**2 567**	**942 193**
Liabilities					
Accounts payable	Interest-free	**700 166**	**–**	**–**	**700 166**
Mortgage and term loans	Variable	**361 679**	**876 546**	**20 481**	**1 258 706**
Finance lease liability	Variable	**7 532**	**–**	**–**	**7 532**
Bank overdraft	Variable	**183 704**	**–**	**–**	**183 704**
		1 253 081	**876 546**	**20 481**	**2 150 108**
2018					
Assets					
Accounts receivable	Interest-free	794 232	–	–	794 232
Loan receivable	Interest-free	1 032	4 906	6 481	12 419
Bank balances and cash on hand	Variable	34 346	–	–	34 346
Foreign exchange contract asset		633	–	–	633
		830 243	4 906	6 481	841 630
Liabilities					
Accounts payable	Interest-free	692 267	–	–	692 267
Mortgage and term loans	Variable	328 612	1 059 818	62 941	1 451 371
Finance lease liability	Variable	8 245	6 320	–	14 565
Bank overdraft	Variable	58 122	–	–	58 122
		1 087 246	1 066 138	62 941	2 216 325

Repayments of financial liabilities will be made using a combination of operating cash flows and available working capital facilities as disclosed in note 31.3.

30.7 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

30.8 BIOLOGICAL ASSET FINANCIAL RISK MANAGEMENT

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

30.9 ANALYSIS PER CATEGORY OF FINANCIAL INSTRUMENTS

The financial instruments included in the liquidity and interest risk tables are categorised as 'subsequently measured at amortised cost', except for foreign exchange contract assets and liabilities which are categorised as 'at FVTPL'.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 29 September 2019

31. STATEMENT OF CASH FLOWS

31.1 CASH GENERATED FROM OPERATIONS

	2019 R'000	2018 R'000
Reconciliation of profit before taxation to cash generated from operations		
Profit before taxation	**275 097**	201 084
Adjusted for:		
Depreciation	**163 857**	137 294
Amortisation	**10 536**	9 591
Net interest paid	**117 103**	112 934
Loss on disposal of property, plant and equipment	**1 908**	4 782
Impairment of property, plant and equipment	**3 017**	1 727
Loss of control of subsidiary	**–**	1 216
(Profit)/Loss in associate	**(237)**	565
Share-based payment expense recognised[1]	**283**	8 944
Net movement in biological assets[2]	**(11 811)**	(4 452)
Operating cash flows before working capital changes	**559 753**	473 685
Working capital changes	**(64 605)**	13 832
Decrease/(Increase) in inventory	**24 078**	(84 101)
Increase in accounts receivable	**(137 529)**	(43 512)
Increase in accounts payable and accruals[1]	**25 659**	148 865
Increase in employee benefit liability and accruals	**16 764**	–
Movement in foreign exchange contract liability	**6 423**	(7 420)
Cash generated from operations	**495 148**	487 517

[1] *The share-based payment expense has been disclosed separately from the movement in working capital in the current year. The prior year has been restated to disclose the expense separately to ensure comparability.*

[2] *Refer to note 9 for a breakdown of the net movement in biological assets.*

31.2 TAXATION (REFUNDED)/PAID

	2019 R'000	2018 R'000
Amount outstanding at the beginning of the year	**(45 613)**	(29 461)
Loss of control of subsidiary	**–**	258
Interest and penalties accrued	**–**	29
Current taxation charged per the statement of profit or loss	**21 329**	(8 367)
Net amount outstanding at the end of the year	**4 089**	45 613
	(20 195)	8 072

31.3 CASH AND CASH EQUIVALENTS

	2019 R'000	2018 R'000
Cash and cash equivalents comprise the following amounts recorded in the statement of financial position:		
Bank balances and cash on hand	**7 061**	34 346
Bank overdraft	**(183 704)**	(58 122)
Bank balances and cash on hand at the end of the year	**(176 643)**	(23 776)

The Group's unutilised working capital facilities amount to R748.357 million (2018: R761.224 million). The SA prime interest rate less 1.50% is applicable to R750 million of the facility and Eswatini prime interest rate to the remainder.

The bank where the majority of the Group's banking is done has a credit rating of Baa3.

31.4 RECLASSIFICATION OF CASH FLOWS RESULTING FROM PRIOR YEAR ERROR

Dividends paid in the prior year have been reclassified in the statement of cash flows from cash flows from investing activities to cash flows from financing activities to align with the requirements of IAS 7: Statement of Cash Flows. The reclassification had no impact on the net increase in cash and cash equivalents with respect to the prior year.

32. RELATED PARTY TRANSACTIONS

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

2019

Ma Baker Xpress Proprietary Limited is a related party as the Group holds 49.17% of its issued share capital.

Peaty Mills Plc is a related party as C Peaty, a director of a subsidiary, is also a director of Peaty Mills Plc.

Capitalworks Rhodes Food Investment Partnership is a related party as it is a shareholder of Rhodes Food Group Holdings Limited.

South African Investment Partnership is a related party as it is a shareholder of Rhodes Food Group Holdings Limited.

South African Investment Partnership II is a related party as it is a shareholder of Rhodes Food Group Holdings Limited.

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

	2019 R'000	2018 R'000
Shareholder		
Expenses		
Capitalworks Rhodes Food Investment Partnership		
Management fee	**759**	725
Associate		
Income		
Ma Baker Xpress Proprietary Limited		
Rental income	**193**	272
Sale of finished goods	**14 152**	14 188
At the reporting date the following amounts were receivable from the associate		
Included in trade receivables		
Ma Baker Xpress Proprietary Limited	**5 943**	3 906
Other related party		
Income		
Peaty Mills PLC		
Sale of finished goods	**222 002**	233 109
At the reporting date the following amounts were receivable from the related party		
Included in trade receivables		
Peaty Mills PLC	**48 166**	56 098
The receivables will be settled in cash. No provision was made for an estimated credit loss for any amounts owing by related parties during the year.		
Compensation of key management personnel		
Short-term employee benefits	**29 286**	41 186
Share-based payment expense	**1 909**	2 916
	31 195	44 102

Key management comprises the executive directors of the subsidiaries of the Group.

33. SUBSIDIARIES

Details of material subsidiaries are listed below.

33.1 DIRECT SUBSIDIARIES

33.1.1 ***Rhodes Food Group Proprietary Limited***

	2019	2018
Incorporated in South Africa (manufactures and markets convenience foods)		
Issued share capital	**100 000**	100 000
Percentage holding	**100%**	100%

	R'000	R'000
The Group's interest in shares	**132 000**	132 000
Indebtedness	**1 110 957**	1 168 747
Subsidiary's profit for the year	**246 872**	51 775

33.2 SIGNIFICANT INDIRECT SUBSIDIARIES

33.2.1 ***RFG Eswatini Proprietary Limited***

	2019	2018
Incorporated in Eswatini (manufactures and markets processed foods)		
Issued share capital	**12 677 377**	12 677 377
Percentage holding	**95.3%**	95.3%

	R'000	R'000
The Group's interest in shares	**80 226**	80 226
Indebtedness	**–**	–
Subsidiary's loss for the year	**(16 824)**	(2 179)

33.2.2 ***Rhodes Foods Eswatini Proprietary Limited***

	2019	2018
Incorporated in Eswatini (manufactures and markets jam)		
Issued share capital	**1 000**	1 000
Percentage holding	**100%**	100%

	R'000	R'000
The Group's interest in shares	**25 000**	25 000
Indebtedness	**–**	–
Subsidiary's profit for the year	**10 120**	9 760

33.2.3 ***Pakco Proprietary Limited***

	2019	2018
Incorporated in South Africa (manufactures and markets dry and pickled foods)		
Issued share capital	**1 634 508**	130 235 344
Percentage holding	**100%**	100%

	R'000	R'000
The Group's interest in shares	**1 635**	197 000
Indebtedness	**–**	–
Subsidiary's profit for the year	**18 345**	27 723

On 27 May 2019 the operations of Pakco Proprietary Limited, was restructured and incorporated into Rhodes Food Group Proprietary Limited.

34. 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	Foreign currency amount '000	Exchange rate	Rand amount R'000
2019			
USD	**2 149**	**15.12**	**32 493**
GBP	**11**	**18.59**	**202**
EUR	**69**	**16.55**	**1 146**
AUD	**60**	**10.22**	**617**
			34 458
2018			
USD	3 674	14.13	51 912
GBP	35	18.43	645
EUR	276	16.42	4 525
AUD	–	10.23	3
			57 085

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

Foreign currency	Foreign currency amount '000	Exchange rate	Rand amount R'000
2019			
USD	**11 388**	**15.12**	**172 228**
GBP	**1 939**	**18.59**	**36 044**
EUR	**843**	**16.55**	**13 952**
AUD	**1 415**	**10.22**	**14 459**
CAD	**483**	**11.42**	**5 514**
			242 197
2018			
USD	8 756	14.13	123 719
GBP	1 336	18.43	24 629
EUR	1 128	16.42	18 528
AUD	2 283	10.23	23 354
CAD	815	10.93	8 910
			199 140

34. FOREIGN CURRENCY EXPOSURE CONTINUED

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

Foreign currency	Foreign currency amount '000	Exchange rate	Rand amount R'000
2019			
USD	**1 646**	**15.12**	**24 897**
GBP	**66**	**18.59**	**1 225**
EUR	**(291)**	**16.55**	**(4 823)**
AUD	**40**	**10.22**	**411**
CAD	**177**	**11.42**	**2 019**
			23 729
2018			
USD	(1 789)	14.13	(25 275)
GBP	(71)	18.43	(1 317)
EUR	39	16.42	632
AUD	(24)	10.23	(247)
			(26 207)

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

	2019 R'000	2018 R'000
USD	**11 483**	9 708
GBP	**3 462**	2 530
EUR	**1 763**	1 337
AUD	**1 343**	2 360
CAD	**350**	891
	18 401	16 826

35. DIVIDENDS

On 14 January 2019, a dividend of 20.3 cents (2018: 31.1 cents) per share was paid amounting to a total dividend of R53.341 million (2018: R81.719 million).

36. GOING CONCERN

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on the going concern basis.

37. EVENTS SUBSEQUENT TO REPORTING DATE

The board of directors declared a gross cash dividend of 27.9 cents (2018: 20.3 cents) per share on 15 November 2019 in respect of the year ended 29 September 2019.

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

38. FINANCIAL YEAR-END

The Group's financial year ends in September which reflects 52 weeks (2018: 52 weeks) of trading, and as a result the reporting date may differ year on year. References to "financial year" are to the 52 weeks ended on or about 30 September. As a result the financial statements were prepared for the year ended 29 September 2019 (2018: 30 September).

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