

## ABRIDGED GROUP AUDITED RESULTS FOR THE FIFTEEN MONTHS ENDED 30 JUNE 2011 AND CASH DIVIDEND DECLARATION

### CONSOLIDATED BALANCE SHEET

R'000	30 June 2011	31 March 2010
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	1 600 008	1 464 929
Goodwill	287 444	287 444
	<b>1 887 452</b>	<b>1 752 373</b>
<b>Current assets</b>		
Inventories	664 804	538 413
Biological assets	445 226	422 798
Trade and other receivables	1 259 552	1 154 647
Tax receivable	41 773	8 558
Cash and cash equivalents	469 496	539 067
	<b>2 880 851</b>	<b>2 663 483</b>
<b>Total assets</b>	<b>4 768 303</b>	<b>4 415 856</b>
<b>EQUITY</b>		
Capital and reserves	2 856 333	2 660 182
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Deferred income tax liabilities	372 198	320 322
Post-retirement medical obligation	102 162	94 670
	<b>474 360</b>	<b>414 992</b>
<b>Current liabilities</b>		
Trade and other payables	1 433 243	1 337 810
Derivative financial instruments	3 469	1 004
Current income tax liabilities	898	1 868
	<b>1 437 610</b>	<b>1 340 682</b>
<b>Total liabilities</b>	<b>1 911 970</b>	<b>1 755 674</b>
<b>Total equity and liabilities</b>	<b>4 768 303</b>	<b>4 415 856</b>

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R'000	15 months 30 June 2011	12 months 31 March 2010
<b>Revenue</b>	<b>8 621 389</b>	<b>6 952 789</b>
<b>Operating profit before depreciation</b>	<b>762 617</b>	<b>677 111</b>
Depreciation	(210 340)	(157 425)
<b>Operating profit</b>	<b>552 277</b>	<b>519 686</b>
Finance costs	(1 808)	(900)
Finance income	21 520	14 877
<b>Profit before tax</b>	<b>571 989</b>	<b>533 663</b>
Income tax expense	(188 139)	(178 155)
<b>Profit for the period</b>	<b>383 850</b>	<b>355 508</b>
<b>Total comprehensive income for the period</b>	<b>383 850</b>	<b>355 508</b>
Basic earnings per share (cents)	<b>131,0</b>	121,8
Basic earnings per share – diluted (cents)	<b>130,1</b>	121,0

### BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), including IAS 34 (Interim Financial Reporting) and in compliance with the Companies Act of South Africa and the Listings Requirements of the JSE Limited, under the supervision of the Chief Financial Officer, Robert Field CA (SA). The accounting policies comply with IFRS and are consistent with those applied in the previous year except for the standards noted below that became effective on 1 July 2009: IFRS 3 (Business Combinations) and IAS 27 (Consolidated and Separate Financial Statements (revised)). The adoption of these standards has no effect on the results, nor has it required any restatement of the results.

### FINANCIAL YEAR-END CHANGE

During the year RCL changed its financial year-end to 30 June so as to align with that of its holding company, Remgro Limited. It is acknowledged that this change makes comparative reporting difficult and it also needs to be noted that historically the April to June trading quarter is materially lower than the balance of the year.

### GROUP RESTRUCTURE

With effect from 1 January 2011 the Group was restructured into two operating units, namely Rainbow (chicken) and Vector (logistics), each with its own board and managing director responsible for the day-to-day operations. The purpose of the restructure was to bring additional operational attention to the businesses and to enable the CEO and CFO of RCL to apply further focus on strategic growth opportunities for the Group. The CEO, however, retains overall executive responsibility. The restructure also acknowledges that Vector has significant business scale in its own right, and reinforces Vector's independence from Rainbow, with its other key principals. In future the Rainbow and Vector results will be reported as separate segments.

### OVERVIEW AND MARKET CONDITIONS

Consumer confidence and demand has remained low and poultry industry specific factors have limited any real growth opportunity.

The local chicken market is estimated to have grown by 4,3% to R20,9 billion over the past year, a function of a 6,9% volume growth partly offset by a 2,4% realisation decline. The volume increase has been led by imports. Total chicken imports (excluding turkey and mechanically deboned meat) increased by 43% for the quarter ended June 2011 versus the June 2010 comparative quarter. On a 12-month comparative basis, imports increased by 36% to June 2011, whilst chicken prices remained suppressed by virtue of both the pressure on consumers and the lower feed cost environment in the early part of the year.

International maize and soya prices have increased significantly over the past period, with maize exceeding the record levels reached during September 2008. The full extent of these increases on local raw material prices was partially offset by the stronger rand.

Over the past few years major retailers in South Africa have been pursuing a strategy of centralising the distribution of their ambient goods which is in line with international best practice to reduce supply chain costs through improved route to market efficiencies. It is likely that this strategy will at some point extend to the frozen and chilled categories as well. A similar trend has been evidenced in the foodservice market where customers have consolidated their supply chains by partnering with selected third party logistics service providers with multi-temperature distribution capabilities.

### FINANCIAL PERFORMANCE SUMMARY

RCL's revenue increased by 24,0% to R8,6 billion, mainly attributable to the extended year-end. Headline earnings for the 15 months ended 30 June 2011 increased by 10,6% compared to the 12-month financial year ended 31 March 2010. This moderate earnings growth, representing only marginal improvement on the recently published interim results to March, indicates the continued difficult trading conditions experienced by the Group. The operating profit margin decreased to 6,4% from 7,7% reported for the 12-month period to March 2011 and 7,5% to March 2010. This decline is largely attributable to market factors but was exacerbated by certain company specific issues explained later in this announcement.

Overall pricing has been depressed within the chicken markets, most especially in the last quarter to June 2011 and within the commodity categories where record levels of imports have met low consumer demand.

RCL remains committed to its strategic focus on adding value through brands. The Group's chicken consumer brands and differentiated customer offerings in both Foodservice chicken and Vector's distribution service have all shown pleasing growth over the past period. Management have initiated a number of projects that will contribute towards restoring operating margins to target levels.

### REVIEW OF OPERATIONS

#### Chicken brands

Although the last two quarters of the period under review saw an improved balance in local supply and demand in the South African chicken market, this balance was largely undermined by record import levels for the last quarter ending June 2011. Despite the tough trading environment encountered, Rainbow's mainstream chicken has seen volume growth accompanied by some marginal price improvements.

In the Added Value sector, Rainbow's focus on added value has seen its contribution to total revenue increasing to 48% in 2011. Retail added value lines like Viennas, Polonies and Crumbed Frozen products have all seen strong growth. The growth in Chilled Processed Meats has been facilitated by the acquisition of a second processing facility which is located at Wolwehoek near Sasolburg. The new facility is well positioned to enable Rainbow to better service the inland market.

The new Rainbow Family Polony has established a meaningful market share and the new frozen Rainbow Saucy Steaks and Fingers have also been well accepted by the trade and consumers.

The Foodservice sector has returned modest, but positive growth over the period. It is anticipated that this sector will continue to grow as quick service restaurants open new stores.

#### Supply chain

Although impacted by the severe winter conditions across the country in May and June 2011, the overall agricultural performance for the period under review has been an improvement over the

## SALIENT FEATURES

- ↑ Revenue 24,0%
- ↑ EBITDA 12,6%
- ↑ Operating profit 6,3%
- ↑ Headline earnings 10,6%
- Total dividend 84,0 cents per share

### HEADLINE EARNINGS

R'000	15 months 30 June 2011	12 months 31 March 2010
<b>Total comprehensive income for the period</b>	<b>383 850</b>	<b>355 508</b>
Loss/(profit) on disposal of property, plant and equipment	4 920	(4 053)
<b>Headline earnings</b>	<b>388 770</b>	<b>351 455</b>
Headline earnings per share (cents)	<b>132,7</b>	120,4
Headline earnings per share – diluted (cents)	<b>131,8</b>	119,7

### CONSOLIDATED CASH FLOW INFORMATION

R'000	15 months 30 June 2011	12 months 31 March 2010
<b>Operating profit</b>	<b>552 277</b>	<b>519 686</b>
Non-cash items	238 845	144 634
<b>Operating profit before working capital requirements</b>	<b>791 122</b>	<b>664 320</b>
Working capital requirements	(147 791)	(138 437)
<b>Cash generated by operations</b>	<b>643 331</b>	<b>525 883</b>
Net finance income	19 712	13 977
Tax paid	(170 448)	(95 471)
<b>Cash available from operating activities</b>	<b>492 595</b>	<b>444 389</b>
Dividends paid	(222 540)	(210 173)
Net cash flows from investing activities	(352 253)	(233 528)
Net cash flows from financing activities	12 627	10 295
<b>Net movement in cash and cash equivalents</b>	<b>(69 571)</b>	<b>10 983</b>
Cash and cash equivalents at the beginning of the period	539 067	528 084
<b>Cash and cash equivalents at the end of the period</b>	<b>469 496</b>	<b>539 067</b>

prior year. The Cobb breed continues to yield improved hatchability. Performance measurement continues to focus on delivering the right sized bird at the lowest cost in order to service the demand of customers' weight sensitive products. Further investment has also been made in new broiler houses in KwaZulu-Natal replacing some of the oldest houses in Rainbow.

The processing plants and feed mills managed to contain the high energy cost increases through additional focus on efficiencies. The increased freezing capacity at the Hammarsdale processing plant together with other capital investment projects across the other plants has provided a greater degree of flexibility, enabling a more profitable mix to be produced. The plants also did well to increase added value capacity to meet the changing customer product mix requirements. The feed mills were successful in achieving better utilisation of available capacity.

Plant efficiencies, production mix and throughput at the Rustenburg plant were however adversely impacted in May and June by disruptions to electricity and water supply. The financial consequence of the accompanying downtime and less profitable production mix was R12,2 million.

Rainbow's results were also negatively impacted by a very unfortunate eight-week strike over the year-end period within the agricultural and processing operations. Final settlement was at the same level originally offered and immediately taken up by almost 50% of the workforce. Rainbow's wages are the highest in the industry and the respective 7,2% and 7,8% increase was deemed fair in the context of the current inflationary environment. The direct cost of the strike to Rainbow was R4,2 million.

The safety, health, environmental and quality programme is a priority for Rainbow and all business units including the Westville national office are ISO 22000: 2005 (Food Safety) certified. Rainbow aims to have all business units ISO 14001 (Environmental) and OHSAS 18001 (Health and Safety) certified within the next year.

In the 2010 Carbon Disclosure Leadership Index, Rainbow achieved 84% and joint seventh position in the SA top 100 companies. The reduction in the consumption of energy and water is integral to our sustainability and carbon footprint reduction strategy.

### Vector

Recent initiatives to further optimise Rainbow's outbound supply chain are delivering benefits and efficiencies. These include the lease of a new frozen storage facility at Midrand, Gauteng which has enabled Rainbow's Inland storage requirements to be consolidated and its storage and transport costs to be reduced. In addition to this, the upgrade and expansion of the Roodepoort operation has delivered improved operational efficiencies and customer service. Stock shrinkage remains a challenge in the Inland Region and every effort is being made to contain these to more acceptable levels. The strategy to leverage assets and business competencies continues to gain momentum with the take-on of Fry's Foods, the Compass Group and Eskort's frozen distribution. Service offerings to existing strategic partners have also been extended such as the recent take-on of Chicken Licken's frozen bread roll distribution and opening of a new bulk storage facility for McCain at Midrand.

### IT

The Group has made further progress with the implementation of its IT and Enterprise Resource Planning strategy. Focus continues to be placed on supply chain excellence and customer service initiatives. The leveraging of IT systems remains a key enabler within the business, with specific emphasis on the analysis of customer and product profitability. An advanced management information system has also enabled detailed analysis of farms' performance. Similarly, performance analysis within feed milling has benefited from the implementation of a management and accounting control system allowing detailed tracking of actual costs against quarterly standard costs.

### FINANCIAL REVIEW

	2011	2010	% variance
<b>Revenue (Rm)</b>	<b>6 985,5</b>	<b>5 703,1</b>	22,5
Chicken	<b>918,3</b>	746,7	23,0
Feed	<b>717,6</b>	503,0	42,7
Services	<b>862,1</b>	695,2	24,0

**Total revenue** increased 24,0% to R8,6 billion, largely as a consequence of the additional three months' trading included in the extended 15-month financial year.

Chicken revenue for the year was 22,5% higher than last year. Rainbow's average price realisations decreased by 0,7% whilst the 24,1% volume increase is a consequence of the extended financial year. Services revenue was higher as Vector took on new business.

The table below depicts **headline EBIT** from a statutory perspective and adjusted for unrealised gains or losses on financial instruments used in the feed raw material procurement strategy.

Reporting the financial effects of certain financial instruments used in the feed raw material procurement strategy introduces volatility to the Group's financial results. For the period under review, the pre-taxation impact on the Group's results of these unrealised positions is a positive impact of R59,5 million (2010: R51,6 million).

	2011	2010	% variance
<b>Headline EBIT (Rm)</b>	<b>559,1</b>	<b>514,1</b>	8,8
– Statutory	<b>499,6</b>	462,5	8,0
– Pre IAS 39	<b>6,5</b>	7,4	(0,9)
<b>Headline EBIT margin (%)</b>	<b>5,8</b>	<b>6,7</b>	(0,9)

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R'000	Stated capital	Share-based payments	Retained earnings	Total
<b>Balance at 1 April 2009</b>	<b>1 166 762</b>	<b>97 932</b>	<b>1 221 216</b>	<b>2 485 910</b>
Total comprehensive income for the period			355 508	355 508
Ordinary dividends paid			(210 173)	(210 173)
BEE share-based payments charge		3 383		3 383
Employee share option scheme: Proceeds from shares issued	10 295			10 295
Value of employee services		15 259		15 259
<b>Balance at 1 April 2010</b>	<b>1 177 057</b>	<b>116 574</b>	<b>1 366 551</b>	<b>2 660 182</b>
Total comprehensive income for the period			383 850	383 850
Ordinary dividends paid			(222 540)	(222 540)
BEE share-based payments charge		4 260		4 260
Employee share option scheme: Proceeds from shares issued	12 627			12 627
Value of employee services		17 954		17 954
<b>Balance at 30 June 2011</b>	<b>1 189 684</b>	<b>138 788</b>	<b>1 527 861</b>	<b>2 856 333</b>

### SUPPLEMENTARY INFORMATION

R'000	30 June 2011	31 March 2010
Capital expenditure contracted and committed	<b>79 694</b>	99 216
Capital expenditure approved but not contracted	<b>116 858</b>	81 187
Contingencies	<b>24 424</b>	30 771

### STATISTICS

	(000's)	2011	2010
Ordinary shares in issue		<b>293 926</b>	292 563
Weighted average ordinary shares in issue		<b>293 075</b>	291 918
Diluted weighted average ordinary shares in issue		<b>295 018</b>	293 694
Net asset value per share	(cents)	<b>971,8</b>	909,3
Ordinary dividends per share:			
Interim dividend paid	(cents)	<b>28,0</b>	28,0
Final dividend declared/paid	(cents)	<b>56,0</b>	48,0
Total dividends	(cents)	<b>84,0</b>	76,0

**Headline EBIT** for the 2011 financial year has been adversely impacted by the continued gap between chicken realisations and cost growth. This was especially the case in the last quarter of the extended financial year as feed costs began rising more rapidly and agricultural performance was challenged by the cold winter.

The increase in **net finance income** of R5,7 million is largely a function of the extended 15-month financial year.

The lower effective **tax rate** of 32,9% (2010: 33,4%) is largely attributable to an overprovision in prior years.

**Headline earnings** increased by 10,6% to R388,8 million (2010: R351,5 million) with **diluted headline earnings** per share increasing by 10,1% to 131,8 cents per share (2010: 119,7 cents per share).

**Cash generated by operations** increased by 22,3% to R643,3 million (2010: R525,9 million) and working capital has been impacted by the changed year-end. Maize inventory levels are normally higher over the June period compared to March to take advantage of harvests in proximity to Rainbow's coastal mills. Finished goods inventory levels are also higher, primarily related to Individually Quick Frozen (IQF) stocks as a consequence of the lower consumer demand typically associated with this period. The higher ending raw material and feed prices have also impacted the valuation of inventories. Trade receivable days are in line with the previous year.

### Capital expenditure

Capital expenditure for the 15-month period was R360,0 million (2010: R251,4 million). Although it predominantly relates to spend on plant and equipment, it also includes the R52,0 million Wolwehoek acquisition. A further amount of R79,7 million (2010: R99,2 million) has been contracted and committed, but not spent, whilst a further R116,9 million (2010: R81,2 million) has been approved, but not contracted. The Group continues to follow a policy of upgrading its facilities and funding normal levels of replacement capital expenditure from its own resources.

Return on equity for the 15-month period is 13,9% (2010: 13,8%).

### CASH DIVIDEND DECLARATION

Notice is hereby given that on 30 August 2011 the board declared a final dividend (number 76) of 56,0 cents per share in respect of the 15 months ended 30 June 2011 (2010: 48,0 cents). The total dividend for the year is 1,6 times covered by fully diluted headline earnings per share (2010: 1,6 times). It is the Board's intention to restore the dividend cover range to between 2,0 and 2,5 times over a period of time.

The salient dates of the declaration and payment of this dividend are as follows:

Last date to trade ordinary shares cum dividend	Friday, 16 September 2011
Ordinary shares trade ex dividend	Monday, 19 September 2011
Record date	Friday, 23 September 2011
Payment date	Monday, 26 September 2011

Share certificates may not be dematerialised or rematerialised between Monday, 19 September 2011 and Friday, 23 September 2011 (both dates inclusive).

### PROSPECTS

The global economic recovery remains fragile with growth in the SA economy below the levels experienced prior to the recession.

Oil prices specifically are trading at relatively high levels, which impacts on related ethanol and maize markets. Maize and soya prices are likely to remain high and volatile, with any improvement in the low global stock levels dependant on the yield of the new northern hemisphere crops. Since year-end local maize prices have increased significantly and over the next six months all raw material prices are anticipated to follow international price movements.

Energy rate cost increases, driven largely by oil and electricity, continue to challenge Rainbow and Vector's cost of doing business.

Although chicken realisations have improved marginally, they are expected to remain under pressure as a result of consumers' lower disposable income and the current higher level of imports.

### AUDIT OPINION

The annual financial statements, from which the abridged Group results contained herein are derived, have been audited by PricewaterhouseCoopers Inc. Their unmodified Audit Reports on the annual financial statements and the abridged Group results are available for inspection at the company's registered office.

### DIRECTORATE

Mr DW Vale retired as a director on 30 July 2010.

For and on behalf of the Board

### MH Visser

*Non-executive Chairman*

Durban

30 August 2011

### Directors:

MH Visser (*Non-executive Chairman*), M Dally (*CEO*), JJ Durand, RH Field\*, M Griessel, PR Louw, NP Mageza, JB Magwaza, MM Nhlanihla, RV Smither, GC Zondi \* *executive directors*

**Registration number:** 1966/004972/06

**JSE share code:** RBW

**ISIN:** ZAE000019063

**Company Secretary:** MJM Maher

**Registered office:** Rainbow Chicken Limited  
One The Boulevard, Westway Office Park, Westville, 3629

**Transfer secretaries:** Computershare Investor Services (Pty) Limited  
70 Marshall Street, Johannesburg 2001

**Auditors:** PricewaterhouseCoopers Inc

**Sponsor:** Rand Merchant Bank (a division of FirstRand Bank Limited)

**Bank**