

UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007 AND CASH DIVIDEND DECLARATION

CONSOLIDATED BALANCE SHEET

R'000	30 Sept 2007	30 Sept 2006	31 March 2007
ASSETS			
Non-current assets			
Property, plant and equipment	1 103 468	1 003 930	1 054 124
Trademarks		336	
Goodwill	287 444	287 444	287 444
Deferred taxation	15 285		15 285
	1 406 197	1 291 710	1 356 853
Current assets			
Inventories	482 122	348 380	409 356
Biological assets	336 451	280 122	269 278
Trade and other receivables	757 823	599 879	464 539
Derivative financial instruments	36 394	15 622	2 969
Taxation receivable			2 246
Cash and cash equivalents	556 624	268 463	590 336
	2 169 414	1 512 466	1 738 724
Total assets	3 575 611	2 804 176	3 095 577
EQUITY			
Capital and reserves	2 028 074	1 666 776	1 920 889
LIABILITIES			
Non-current liabilities			
Deferred taxation	186 876	170 310	179 606
Post-retirement medical obligation	78 647	72 138	75 535
Finance lease liability		116	
	265 523	242 564	255 141
Current liabilities			
Trade and other payables	1 178 533	807 811	834 153
Provisions	41 025	39 283	40 687
Derivative financial instruments			16 970
Finance lease liability	176	524	389
Taxation payable	62 280	47 218	27 348
	1 282 014	894 836	919 547
Total liabilities	1 547 537	1 137 400	1 174 688
Total equity and liabilities	3 575 611	2 804 176	3 095 577

CONSOLIDATED INCOME STATEMENT

R'000	Six months ended 30 Sept 2007	Six months ended 30 Sept 2006	Year ended 31 March 2007
Revenue	2 871 448	2 177 770	4 730 363
Operating profit before depreciation and amortisation	380 908	312 937	772 315
Depreciation and amortisation	(65 211)	(56 010)	(118 181)
Operating profit	315 697	256 927	654 134
Finance costs	(1 144)	(2 358)	(2 714)
Finance income	14 604	13 631	25 179
Profit before taxation	329 157	268 200	676 599
Taxation	(118 630)	(97 168)	(202 354)
Profit for the period attributable to the equity holders of the Group	210 527	171 032	474 245

SALIENT FEATURES

Revenue

▲ 31.9%

Operating profit

▲ 22.9%

Operating margin

▼ by 1.0% to 10.9%

Diluted headline earnings

per share

▲ 18.1%

Dividend per share

▲ 20.0%

HEADLINE EARNINGS

R'000	Six months ended 30 Sept 2007	Six months ended 30 Sept 2006	Year ended 31 March 2007
Profit for the period attributable to the equity holders of the Group	210 527	171 032	474 245
Net asset impairment provision released	(1 914)		
(Profit)/loss on disposal of property, plant and equipment	(300)	1 397	2 759
Headline earnings	208 313	172 429	477 004

STATEMENT OF CHANGES IN EQUITY

R'000	Stated capital	Share-based payments	Retained earnings	Total
Balance at 1 April 2006	1 115 747	14 226	465 928	1 595 901
Profit for the period attributable to the equity holders of the Group			474 245	474 245
Ordinary dividends paid			(168 817)	(168 817)
Employee share option scheme:				
Proceeds from shares issued	11 538			11 538
Value of employee services		8 022		8 022
Balance at 1 April 2007	1 127 285	22 248	771 356	1 920 889
Profit for the period attributable to the equity holders of the Group			210 527	210 527
Ordinary dividend paid			(139 202)	(139 202)
Employee share option scheme:				
Proceeds from shares issued	29 806			29 806
Value of employee services		6 054		6 054
Balance at 30 September 2007	1 157 091	28 302	842 681	2 028 074

CONSOLIDATED CASH FLOW INFORMATION

R'000	Six months ended 30 Sept 2007	Six months ended 30 Sept 2006	Year ended 31 March 2007
Operating profit before working capital requirements	384 457	318 288	783 096
Working capital requirements	(135 788)	(107 576)	38 398
Cash generated by operations	248 669	210 712	821 494
Net finance income	13 460	11 273	22 465
Taxation paid	(74 181)	(144 545)	(277 836)
Cash available from operating activities and cash equivalents	187 948	77 440	566 123
Dividends paid	(139 202)	(112 405)	(168 817)
Net cash flows from investing activities	(112 051)	(99 075)	(212 466)
Net cash flows from financing activities	29 593	8 120	11 113
Net (decrease)/increase in cash and cash equivalents	(33 712)	(125 920)	195 953
Cash and cash equivalents at the beginning of the period	590 336	394 383	394 383
Cash and cash equivalents at the end of the period	556 624	268 463	590 336

SUPPLEMENTARY INFORMATION

Capital expenditure contracted and committed	188 045	151 346	76 008
Capital expenditure approved but not contracted	66 141	5 590	81 685
Contingent liabilities	53 802	48 466	56 950

STATISTICS

Ordinary shares in issue	(000's)	290 004	281 738	282 712
Weighted average ordinary shares in issue	(000's)	287 898	279 360	281 393
Diluted weighted average ordinary shares in issue	(000's)	293 136	286 436	290 118
Basic earnings per share	(cents)	73.1	61.2	168.5
Basic earnings per share – diluted	(cents)	71.8	59.7	163.5
Headline earnings per share	(cents)	72.4	61.7	169.5
Headline earnings per share – diluted	(cents)	71.1	60.2	164.4
Net asset value per share	(cents)	699.3	591.6	679.5
Ordinary dividends:				
Interim dividends declared/paid	(cents)	24.0	20.0	20.0
Final dividend paid	(cents)			48.0

BASIS OF PREPARATION

The unaudited results have been prepared in accordance with IAS 34 (Interim Financial Reporting) and in compliance with the Companies Act of South Africa, Act 61 of 1973, as amended and the Listings Requirements of the JSE Limited. The accounting policies are consistent with those of the previous financial period and comply with International Financial Reporting Standards (IFRS).

OVERVIEW AND MARKET CONDITIONS

The Group's results for the six months ended 30 September 2007 reflect headline earnings growth of 20.8% compared to the same period of the previous year.

The South African economy continues to grow at approximately 5%. Strong underlying fixed investment in the public and private sectors means solid GDP growth should continue despite current weaknesses in the consumer sector. Secondary inflation impacts are being felt by virtue of the continuing higher food and energy prices which resulted in the Monetary Policy Committee (MPC) imposing further interest rate hikes to contain inflationary pressures. Consumer demand will be impacted by these factors.

Higher international grain prices driven by low international stock levels and increased ethanol production in the US, compounded by the 2006/07 local crop being drought affected, have led to local yellow maize prices being 52% higher than September 2006. Indications are that local plantings of maize for the 2007/08 season are expected to be 5% higher than the 2006/07 season. This together with an expectation of improved yields with better weather and growing conditions is reflected in lower futures pricing.

The local chicken industry remains on high alert for Avian Influenza (AI). AI outbreaks continue to be reported internationally. Rainbow and the local industry at large, through the Southern African Poultry Association (SAPA) and in co-operation with the National Department of Agriculture, continue to focus on prevention through increased bio-security and stepped-up surveillance and monitoring of flock health.

Although chicken import volumes are 24% down on last year, they are still at historical highs, being 44% higher than the 5-year average. The recent lower chicken imports appear to be mostly a function of Brazilian exports finding more profitable markets than South Africa. Imported chicken mostly impacts on channels that are not a strategic focus area for Rainbow. Red meat prices have remained high with the result that chicken still represents a more affordable protein source.

REVIEW OF OPERATIONS

Rainbow has continued to focus on its key strategic initiatives centred around its consumers and customers. Investment in the supply chain continues to be made to supply strategic customers with the desired product mix.

From a marketing perspective, this period saw the consolidation of the further processed category innovations launched in April 2006. Some sub-categories have performed exceptionally well with Rainbow Simply Chicken Polony and Viennas having captured substantial volume share in their respective categories. Their "100% Grade A Rainbow Chicken" positioning has been well accepted by consumers and the brand looks set to grow further volume share.

An active year of further innovation, across all of South Africa's income groups, is planned. This will be supported by a full suite of marketing activity, across the three vital consumer touchpoints of advertising, in-store impact and product quality.

The Foodservice channel performed well as a consequence of significant investment in partnerships with strategic customers who have grown solidly. This strategy is being reinforced to position Rainbow FoodSolutions as the outstanding service oriented brand.

Vector continues to extend its service offering successfully. The Multi-Temperature Contract Distribution (MTCD) model with Spur and Nando's and the Vector Cold Storage (VCS) facilities are performing well. A new business unit, Vector Primary Transport, was successfully launched in August 2007 following the recent award of the McCain primary transport contract. Rainbow's primary transport, which was previously outsourced, will be performed in-house by Vector.

Agriculture experienced a challenged winter period this year. Despite this and the higher than normal incidence of disease in the industry, agricultural performance was slightly improved on last year. This can be attributed to the continued investment in upgrading facilities and good husbandry practice.

Epol has performed well during the period, despite significant cost increases in maize, soya, freight and fuel. Other operating costs have been well managed and external business utilising excess capacity has grown by 13%. The long raw material procurement strategy has contributed to deferring some of the cost pressures in the rising market. The next six months poses the most significant challenge in sourcing reasonably priced raw materials until the new season's local crop is harvested. Considering the state of the international market, it is unlikely local prices will ease meaningfully before then.

Recovery of the feed contamination claim against the responsible supplier is progressing and is in the hands of their insurers, but to date remains unresolved.

FINANCIAL REVIEW

Revenue – Rm	2007	2006	%
Chicken	2 217.3	1 727.4	28.4
External sales – Cobb, Epol and Vector	654.1	450.4	45.2
Reported revenue	2 871.4	2 177.8	31.9

Chicken revenue for the six months was 28.4% higher than the same period of the previous year. Rainbow's average price realisation, including mix improvement, increased by 16.7%. Overall chicken volumes increased by 11.7%, including 5 extra trading days (4% effect), with the Quick Service Restaurants (QSR) sector, targeted customers and branded products all showing pleasing growth.

Group revenue increased by 31.9% to R2.9 billion (2006: R2.2 billion) largely a function of the higher chicken and feed realisations and Epol and Vector's higher external volumes.

Headline EBITDA increased by 20.5% to R378.7 million (2006: R314.3 million), reflecting the higher revenue and improved customer and product mix. The headline EBITDA margin decreased to 13.2% (2006: 14.4%). This decline was referred to in the previous prospects statement at year end and reflects the higher feed raw material costs not being entirely recovered in chicken pricing.

As previously noted, reporting the financial effects of certain financial instruments used in the feed raw material procurement strategy in accordance with IAS39 (Financial Instruments: Recognition and Measurement) introduces volatility to the Group's financial results. For this reporting period however, the pre-taxation impact of applying IAS39 on the Group's results is similar to last year, being a negative R31.5 million (2006: R34.1 million negative).

	2007	2006	%
Headline EBIT (Rm)			
– pre IAS39	344.7	292.4	17.9
– post IAS39	313.2	258.3	21.3
Headline EBIT margin (%)			
– pre IAS39	12.0	13.4	(1.4)
– post IAS39	10.9	11.9	(1.0)

The effective **taxation** rate is 36.0% (2006: 36.1%).

Net finance income increased by R2.2m due to the higher cash balances.

Headline earnings increased by 20.8% to R208.3 million (2006: R172.4 million) with **diluted headline earnings per share** improving by 18.1% to 71.1 cents per share (2006: 60.2 cents per share).

Cash generated by operations increased by 18.0% to R248.7 million (2006: R210.7 million) in line with the improved trading results. Trade receivables are higher in line with increased trading and the valuation of inventories is impacted by the higher feed costs.

Capital expenditure was R116.4 million (2006: R99.3 million). A further amount of R188.0 million (2006: R151.3 million) has been contracted and committed, but not spent, whilst a further R66.1 million (2006: R5.6 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 on a 12-month rolling basis increased to 27.8% (2006: 27.6%).

PROSPECTS

Consumer spending is expected to soften over the next six months as a consequence of the higher inflation and interest rate environment although the impact on chicken consumption is likely to be limited.

Maize and soya prices are likely to remain at the current higher levels translating into higher feed input costs for the balance of the financial year.

Earnings growth for the full year on a pre- and post-IAS39 basis is expected to be lower than the first six months.

DIRECTORATE

There have been no changes to the directorate since the last reporting date, however with effect from 1 August 2007 John Maher was appointed as Company Secretary.

DIVIDEND DECLARATION

Notice is hereby given that on 21 November 2007 the Board declared an interim cash dividend (number 69) of 24.0 cents per ordinary share in respect of the six months ended 30 September 2007 (2006: 20.0 cents).

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

Last date to trade ordinary shares cum dividend	Friday, 4 January 2008
Ordinary shares trade ex dividend	Monday, 7 January 2008
Record date	Friday, 11 January 2008
Payment date	Monday, 14 January 2008

Share certificates may not be dematerialised or rematerialised between Monday, 7 January 2008 and Friday, 11 January 2008 (both dates inclusive).

For and on behalf of the Board

M H Visser **M Dally**
Non-executive Chairman *Chief Executive Officer* Durban
21 November 2007

Directors: MH Visser (Non-executive Chairman), M Dally (CEO)*, RH Field*, M Griessel, JB Magwaza, M Nhlhlahla, DW Vale, DG Zwiigelaar
** Executive Directors*

Company secretary: JM Mahler

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

Transfer secretaries: Computershare Investor Services 2004 (Proprietary) Limited, 70 Marshall Street, Johannesburg 2001

Auditors: PricewaterhouseCoopers Inc

Sponsor: RAND MERCHANT BANK (a division of FirstRand Bank Limited)

Bankers: ABSA Bank Limited

Website: www.rainbowchicken.co.za