



Independent auditor's audit report on the Combined Carve-out Historical Financial Information of RainbowDiv

To the directors of Rainbow Chicken Limited

Our opinion

Rainbow Chicken Limited ("Rainbow Chicken") is issuing a Pre-Listing Statement (the "PLS") regarding RCL Foods Limited's ("RCL") intention to form a new company Rainbow Chicken as a vehicle to list RCL's agri-processing business (namely the chicken, animal feed, and waste-to-value businesses) ("RainbowDiv", the "Group") on the Main Board of the Johannesburg Stock Exchange ("JSE") (the "Proposed JSE Listing").

In our opinion, the combined carve-out historical financial information of RainbowDiv as set out in Annexure 2B of the PLS (the "Combined Carve-out Historical Financial Information") as at 02 July 2023, is prepared in all material respects in accordance with the basis of preparation and accounting policies disclosed in the Basis of Preparation and Accounting Policies of the Combined Carve-out Historical Financial Information set out in Annexure 2A of the PLS ("Basis of Preparation and Accounting Policies of the Combined Carve-out Historical Financial Information") and the JSE Limited Listings Requirements.

What we have audited

At your request and solely for the purpose of the PLS to be dated on or about 10 June 2024, we have audited the Combined Carve-out Historical Financial Information of Rainbow Chicken, which comprises:

- the combined carve-out statement of financial position as at 02 July 2023;
- the combined carve-out statement of profit and loss for the year then ended;
- the combined carve-out statement of other comprehensive income for the year then ended;
- the combined carve-out statement of changes in equity for the year then ended;
- the combined carve-out cash flow statement for the year then ended; and
- the notes to the combined carve-out Historical Financial Information and a summary of material accounting policies.

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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 Combined Carve-out Historical Financial Information* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

Emphasis of matter: Basis of preparation and restriction on use and distribution

We draw attention to the Basis of Preparation and Accounting Policies of the Combined Carve-out Historical Financial Information which describes the basis of accounting. Furthermore, as described in the Basis of Preparation and Accounting Policies of the Combined Carve-out Historical Financial Information, RainbowDiv did not previously form a group or operate as a separate entity. The Combined Carve-out Historical Financial Information is, therefore, not necessarily indicative of the financial performance, financial position, changes in equity and cash flows that would have been achieved, had RainbowDiv operated independently or of the future results of RainbowDiv.

The Combined Carve-out Historical Financial Information is prepared by the directors of RCL for the purpose of the PLS and may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Purpose of this report

This report has been prepared for the purpose of the PLS and for no other purpose.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Combined Carve-out Historical Financial Information for the year ended 2 July 2023. These matters were addressed in the context of our audit of the Combined Carve-out Historical Financial Information for the year ended 2 July 2023 as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Key audit matter	How our audit addressed the key audit matter
<p>Impairment of property, plant and equipment. This key audit matter relates to the Combined Carve-out Historical Financial Information</p> <p>Refer to the following notes to the Combined Carve-out Historical Financial Information for detail:</p> <ul style="list-style-type: none"> • Note 1 - Property, plant, equipment and Right of Use Assets; and • Note 3 - Impairments <p>A significant portion of RainbowDiv’s total assets relate to property, plant and equipment with a carrying value of R2.0 billion. For the year, impairments amounting to R1.4 million were recognised in the consolidated profit.</p> <p>International Accounting Standard (IAS) 36 - Impairment of assets (IAS 36) requires an impairment test to be performed annually on cash generating units or groups of cash generating units (CGUs) where goodwill and indefinite life intangible assets exist and for all other CGUs when there are indicators that these may be impaired. As described in the notes to the Combined Carve-out Historical Financial Information, management have assessed all CGUs for impairment, or reversals thereof in the current year.</p> <p>The continued high agricultural commodity input costs along with loadshedding, have had a negative impact on the global and local economy in the current year. These are indicators that CGUs may be impaired.</p> <p>The recoverable amounts of the CGUs are determined based on value-in-use calculations. These calculations are subject to key assumptions that require the use of judgement and estimation. Refer to the notes to the Combined Carve-out Historical Financial Information where these key assumptions are further described.</p> <p>Management’s assessment indicated the need for impairments which are detailed in Note 3.</p> <p>We considered the impairment of property, plant and equipment to be a matter of most significance to the current year audit due to the following:</p>	<p>Our audit addressed this key audit matter as follows:</p> <p>We obtained an understanding of the approach applied by management in performing their impairment assessment for each of the relevant CGUs and assessed this against the applicable requirements of IAS 36 and market practice. We noted no material inconsistencies in this regard.</p> <p>For each relevant CGU, we performed detailed testing to critically assess the reasonableness of key inputs applied in the value-in-use calculations, which included:</p> <ul style="list-style-type: none"> • testing the mathematical accuracy of management’s impairment assessments, noting no material exceptions; • with the assistance of our valuations expertise, we challenged the key assumptions, including the cash flow projections, the discount rate and perpetuity growth rate. We referred to the board approved business plan, historical performance and market data, which consists of data external to RainbowDiv, we found the key assumptions to be reasonable; • comparing the historical Board approved budgets to actual results to evaluate whether forecasted cash flows are reliable based on past experience. Where variances in excess of our set threshold were identified we obtained management explanations and inspected underlying supporting documentation. We accepted the budgeting inputs used; • utilising our valuations expertise, we assessed the reasonableness of the discount rate applied by independently recalculating the discount rate with reference to independently sourced market inputs. This included risk-free rates, betas and market risk premiums. We found this discount rate to be within a reasonable range of our independent discount rate; • assessing the reasonableness of the growth rates assumed by comparing them to economic and industry forecasts. We found these rates to be within a reasonable range of the economic and industry forecasts.



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| <ul style="list-style-type: none">• the significant judgement and estimates applied by management in the determination of the recoverable amounts of the respective CGUs; and• the magnitude and size of the related property, plant and equipment balance in relation to the Combined Carve-out Historical Financial Information. | <ul style="list-style-type: none">• performing an independent calculation to determine the degree by which the key inputs and assumptions would need to fluctuate before an impairment was triggered and considered the likelihood of such fluctuations occurring as a reasonableness test. Based on the results of our assessment we accepted this to be unlikely; and• For the Chicken CGU, we further:<ul style="list-style-type: none">○ Performed additional independent sensitivity analyses on the cash flow projections, perpetuity growth rates and the discount rates by flexing the impairment calculations to include our independently calculated inputs. We found management’s conclusion to be appropriate based on the independent inputs.• We assessed the disclosures in the notes to the Combined Carve-out Historical Financial Information against the requirements of IAS 36 - Impairment of assets and found them to be appropriate. |
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Other Matter

The Combined Carve-out Historical Financial Information of RainbowDiv as at 03 July 2022 and 04 July 2021, and for the years then ended were not audited but subject to review. A review engagement is substantially less in scope than an audit. The review report dated 4 June 2024 expressed an unqualified conclusion.

Responsibilities of the directors for the Combined Carve-out Historical Financial Information

The directors of Rainbow Chicken are responsible for the preparation, contents and presentation of the PLS and are responsible for ensuring that Rainbow Chicken complies with the requirements of the JSE Limited’s Listings Requirements.



The directors of RCL are responsible for the preparation of the Combined Carve-out Historical Financial Information in accordance with the Basis of Preparation and Accounting Policies of the Combined Carve-out Historical Financial Information included in Annexure 2A of the PLS and the requirements of the JSE Limited Listings Requirements, and for such internal control as the directors determine is necessary to enable the preparation of the Combined Carve-out Historical Financial Information that are free from material misstatement, whether due to fraud or error.

In preparing the Combined Carve-out Historical Financial Information, the directors of RCL are responsible for assessing RainbowDiv'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 RainbowDiv or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Combined Carve-out Historical Financial Information

Our objectives are to obtain reasonable assurance about whether the Combined Carve-out Historical Financial Information 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 this Combined Carve-out Historical Financial Information.

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 Combined Carve-out Historical Financial Information, 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 of RCL.
- Conclude on the appropriateness of the directors of RCL's 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 RainbowDiv'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 Combined Carve-out Historical Financial Information 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 RainbowDiv to cease to continue as a going concern.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within RainbowDiv to express an opinion on the Combined Carve-out Historical Financial Information. We are responsible for the direction, supervision and performance of the RainbowDiv audit. We remain solely responsible for our audit opinion.

We communicate with the directors of Rainbow Chicken 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.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the Combined Carve-out Historical Financial Information 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.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.
Director: Rodney Klute
Registered Auditor
Durban, South Africa
Date: 4 June 2024