LIBSTAR

THE LIBSTAR FAMILY

From our Home to Yours

2019

Annual Financial Statements

for the year ended
31 December 2019

GOLDCREST
CHOICE GRADE
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Annual Financial Statements 2019

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Independent auditor's report

To the shareholders of Libstar Holdings Proprietary Limited and its subsidiaries

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

We have audited the consolidated financial statements of Libstar Holdings Limited and its subsidiaries ("the Group") set out on pages 7 to 65, which comprise the consolidated statement of financial position as at 31 December 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 Libstar Holdings Limited and its subsidiaries as at 31 December 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 section 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 Code of Ethics for 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 MATTERS

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.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>
Annual impairment of goodwill and brands – Refer to Note 12 and 13
Goodwill and brands with an indefinite useful life comprise 29.07% of the total assets of the Group in the consolidated Statement of Financial Position.
As required by IAS 36 – Impairment of Assets, the directors conduct annual impairment assessments to test the recoverability of carrying amounts of goodwill and brands, which are allocated to cash-generating units for the purpose of assessing impairment.
Impairment assessments of goodwill and brands are performed using a discounted cash flow model. As disclosed in Note 12 and 13, there are a number of key judgements made in determining the inputs into the discounted cash flow model which include:
▪ Revenue growth (including forecast profits of the cash-generating units and forecast sales on branded products);
▪ Forecast profit and profit growth;
▪ Perpetuity growth rates; and
▪ The discount rates applied to the projected future cash flows.
Given the significance of the goodwill and brands to the consolidated financial statements and of the judgements involved in assessing any potential impairment, the impairment assessment of goodwill and brands was considered to be a key audit matter.
The directors identified on impairment loss of R72.6m on brands and goodwill on the conclusion of the sale of the business in respect of Elvin. No other impairments were identified.
</td><td>
We focused our testing of the directors' annual assessment of the impairment of goodwill and brands on the model used and the key assumptions applied.
Our audit procedures included:
▪ Critically evaluating whether the discounted cash flow model used by the directors to calculate the value in use of the individual cash-generating units complies with the requirements of IAS 36.
▪ Challenging the assumptions used by the directors in the calculations for each cash generating unit by:
– involving our internal valuation specialists, as part of our audit team, to evaluate and re-calculate the discount rates and evaluate the perpetuity growth rates in relation to external market data, and
– assessing the reasonableness of assumptions relating to revenue growth and profit growth in relation to our knowledge of the Group and the industries in which it operates, and through performing the procedures on the projected cash flows as described below.
▪ Analysing the future projected cash flows for the individual cash-generating units to determine whether they are reasonable and supportable given the current macro-economic climate and expected future performance of each cash generating unit.
▪ Comparing the projected cash flows, including the assumptions relating to revenue growth rates, profit growth and perpetuity growth rates, against historical performance to test the accuracy of the directors' projections.
▪ Subjecting the key assumptions to sensitivity analyses.
▪ Evaluating the adequacy of the financial statement disclosures, including the disclosure of key assumptions made by the directors.
We did not identify any additional impairments other than the impairment of goodwill and brands on the sale of Elvin as disclosed in note 12 and 13.
</td></tr>
</table>

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled "Libstar Holdings Limited Annual Financial Statements 2019", which includes the Directors' Report, the Audit Committee's report and the Company Secretary's Certificate as required by the Companies Act of South Africa and which we obtained prior to the date of this auditor's report. The other information also comprises the documents titled "Libstar Holdings Limited Integrated Annual Report 2019" and the "Libstar Holdings Limited Separate Financial Statements for the year ended 31 December 2019", which is expected to be made available to use after that date. The other information does not include the consolidated or the 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 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, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance. 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 International Standards on Auditing 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 International Standards on Auditing, we exercise professional judgement and maintain professional skepticism 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 directors 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 directors 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 directors, 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 Moore Cape Town Inc. has been the auditor of Libstar Holdings Limited and its subsidiaries for 6 years.

Moore Cape Town Inc.

Moore Cape Town Inc.
Chartered Accountants (SA)
Registered Auditor

Per: Alan Billson
Director
Chartered Accountant (SA)
Registered Auditor

17 March 2020

2nd Floor Block 2
Northgate Park
Paarden Eiland,
7406

Directors' responsibility

for the year ended 31 December 2019

In accordance with the requirements of the Companies Act, No 71 of 2008, as amended from time to time, the board of directors ("the Board") is responsible for the preparation of the consolidated annual financial statements which conform with International Financial Reporting Standards (IFRS) and which fairly present the state of affairs of Libstar Holdings Limited and its subsidiaries as at 31 December 2019 and the results of its operations and cash flows for the year then ended. The directors are also responsible for the other information included in the annual report and for both its accuracy and its consistency with the financial statements.

It is the responsibility of the independent external auditors to report on the fair presentation of the financial statements.

The Board is ultimately responsible for the internal controls. Management enables the Board to meet their responsibilities in this regard. Standards and systems of internal control are designed and implemented by management to provide reasonable assurance as to the integrity and reliability of financial records and of the financial statements and to adequately safeguard, verify and maintain accountability for the Group's assets. Appropriate accounting policies, supported by reasonable and prudent judgements and estimates are applied on a consistent and going concern basis. Systems and controls include the proper delegation of responsibilities, effective accounting procedures and adequate segregation of duties.

Based on the information and explanations given by management, the Board is of the opinion that the accounting controls are adequate and that the financial records may be relied upon for preparing the financial statements and maintaining accountability for the Group's assets and liabilities. Nothing has come to the attention of the Board to indicate that any breakdowns in the functioning of these controls, resulting in material loss to the Group, have occurred during the year and up to the date of this report. The Board has a reasonable expectation that the Group and its subsidiaries have adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis in preparing the financial statements.

The directors, whose names are stated below, hereby confirm that:

- The annual financial statements set out on pages 7 to 65, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;
- No facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- Internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer; and
- the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to the audit committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.

The annual financial statements which appear on pages 7 to 65 were approved by the board of directors on 17 March 2020 and are signed on behalf of the board by:

AV van Rensburg
Director

RW Smith
Director

Directors' report

for the year ended 31 December 2019

1. NATURE OF ACTIVITIES

The Group is engaged in the manufacture, import, export and supply of various food and beverage products as well as household and personal care products and operates principally in South Africa.

The operating results and state of affairs of the Group are fully set out in the attached consolidated financial statements and do not in our opinion require any further comment.

The following significant events took place during the year:

- Effective 1 November 2019, the Group disposed of its dairy blend and fruit concentrate beverage operations. Refer to note 7 for details; and
- The Group acquired the business operations of Healthwise Foods Proprietary Limited effective 1 October 2019 for a purchase price of R50m. Refer to note 28 for details.

2. EVENTS AFTER THE REPORTING PERIOD

Refer to note 32 for the cash dividend declared.

The directors are not aware of any other events after the reporting date which require disclosure.

3. AUTHORISED AND ISSUED SHARE CAPITAL

During the year 11,974,251 shares were repurchased. There were no additional shares issued in the current year. Refer to note 20.

4. NON-CURRENT ASSETS

There were no major changes in the nature of the non-current assets of the Group during the year under review except for the recognition of right-of-use assets. Refer to note 11.

5. BORROWINGS

There were no major changes in the nature of the Group's borrowings during the year under review except that R50m of Facility C was utilised during the current year to acquire the business operations of Healthwise Foods Proprietary Limited. Refer to note 24 for details.

6. DIVIDENDS

The board has approved and declared a final cash dividend of 25 cents per ordinary share in respect of the year ended 31 December 2019. The dividend is payable on 14 April 2020 to shareholders recorded as such in the share register of the Company on 9 April 2020 (the record date). The last date of trading cum dividend will be 6 April 2020.

7. DIRECTORS

The directors of the holding company, Libstar Holdings Limited, are responsible for the activities and reports related to the Group. Full details of the directors appear in the integrated report.

8. SECRETARY

The secretary of the company, S Pather, assisted by Cal Consulting CC served until 31 January 2020.

1st Floor
62 Hume Road
Dunkeld
Johannesburg
2196

The newly appointed secretary of the company effective 1 February 2020 is CorpStat Governance Services (Pty) Ltd represented by William Somerville and Elise Waldeck.

2nd Floor
PPI House
9A Sturdee Avenue
Rosebank
Johannesburg
2196

9. GOING CONCERN

The directors believe that the Group has adequate financial resources to continue to operate for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the Group is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any material uncertainty related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may materially affect the Group.

10. AUDITORS

Moore Cape Town Inc. continued in office as auditors for the company for 2019.

The board will be requested to reappoint Moore Cape Town Inc. as the independent external auditors of the company and to appoint Mr Alan Billson as the designated lead audit partner for the 2020 financial year.

11. PREPARATION OF FINANCIAL STATEMENTS

These annual financial statements have been audited in terms of the Companies Act, No 71 of 2008. These annual financial statements have been prepared by P Makate CA(SA) under the supervision of CB de Villiers CA(SA) and RW Smith CA(SA).

Report of the audit committee

for the year ended 31 December 2019

The audit committee ("the committee") is pleased to present its report in terms of section 94(7)(f) of the Companies Act, No 71 of 2008, as amended from time to time ("the Companies Act"). This report sets out how the committee discharged its statutory and Board assigned duties in respect of the financial year ended 31 December 2019.

MEMBERS OF THE AUDIT COMMITTEE

The committee has three members, all of which are independent, non-executive directors. The audit committee is chaired by an independent non-executive director. Each of the committee members is required to act objectively and independently.

MEETING ATTENDANCE

During the year, four meetings were held. Committee meetings and attendance for the year are summarised as follows:

Name of Committee Member	11 March 2019	9 July 2019	2 September 2019	25 November 2019
S Masinga (Chair)	Present	Present	Present	Present
S Khanna	Present	Present	Present	Present
JP Landman	Present	Present	Present	Present

The external auditors, internal auditors and management representatives attend committee meetings as standing invitees with no voting rights.

ROLES AND RESPONSIBILITIES

The committee has discharged the functions in terms of its charter and ascribed to it in terms of the Companies Act as follows:

- Reviewed the interim results and year-end financial statements culminating in a recommendation to the Board to adopt them. In the course of its review, the committee:
  - has taken appropriate steps to ensure that the financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act of South Africa;
  - considered and, when appropriate, made recommendations on internal financial controls;
  - dealt with concerns or complaints relating to accounting policies, internal audit, the auditing or content of annual financial statements and internal financial controls;
- Reviewed the external audit reports on the annual financial statements;
- Confirmed the internal audit plan;
- Reviewed the internal audit findings, and where relevant, made recommendations to the Board;
- Evaluated the effectiveness of risk management, controls and the governance processes;
- Verified the independence of the external auditors and nominated Moore Cape Town Inc. as the auditors for the 2020 financial year;
- Approved the audit fees and engagement terms of the external auditors; and
- Determined the nature and extent of allowable non-audit services and approved the contract terms for the provision of non-audit services by the external auditors.

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 re-appointment by considering, inter alia, the information stated in paragraph 22.15(h) of the JSE Limited Listings Requirements.

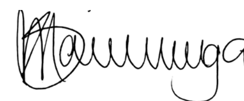
The committee received and considered the JSE's report on the pro-active monitoring of financial statements in 2019 for compliance with IFRS. These proposals were implemented where appropriate and practical. The requisite confirmation was sent to the JSE.

In addition, in fulfilling its key responsibilities, the Audit Committee placed specific focus on the following areas in the 2019 financial year which requires signficant judgement:

- Reviewed the annual impairment testing of indefinite useful life of intangible assets;
- Reviewed the measurement of the fair values of foreign exchange contracts; and
- Reviewed the measurement of the fair values of share-based payments.

GOING CONCERN

The committee considered and reviewed management's short to medium term plans, and the Group's associated projections. It has thus satisfied itself of the going concern status of the Group, in alignment with the applicable requirements outlined in the Companies Act. The committee also reviewed the solvency and liquidity test and is satisfied that there are adequate resources to support the proposed dividend.



S Masinga
Non-Executive Audit Chairman

Accounting policies

STATEMENT OF COMPLIANCE

These audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and comply with the Financial Reporting Guides as issued by the Accounting Practices Committee (APC), IFRS Interpretations Committee (IFRIC) and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, as well as the JSE Listings Requirements and the requirements of the Companies Act, No 71 of 2008.

FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements are presented in South African Rand, which is the Company's functional and the Group's presentation currency. All financial information presented in Rand has been rounded to the nearest thousand, unless otherwise stated.

BASIS OF PREPARATION

The financial statements have been prepared on the historical cost basis except for certain financial instruments and biological assets which are stated at fair value.

The principal accounting policies are set out below.

BASIS OF CONSOLIDATION

Subsidiaries:

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its Subsidiaries). The results of Subsidiaries acquired during the year are included in the consolidated financial statements from the date on which the Group obtains control. Control is achieved where the Company:

- has power to direct the income generating activities of an entity;
- has exposure or rights to variable returns from its involvement in the entity; and
- has the ability to use its power over the investee to affect the amount of its returns.

Management used their judgement to determine when all the indicators of control had been met. Factors such as effective date, payment date, ability to exercise power and govern are taken into account in the determination of control.

Income and expenses 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 and up to the effective date of disposal, as appropriate. Subsidiaries that will be disposed of/ discontinued within 12 months are consolidated in line with the principles of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations and disclosed as held for sale/ discontinued.

Total comprehensive income of Subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

CHANGES IN THE GROUP'S OWNERSHIP INTERESTS IN EXISTING SUBSIDIARIES:

Changes in the Group's ownership interests in Subsidiaries that do not result in the Group losing control over the Subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the Subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

DISPOSAL OF SUBSIDIARIES:

When the Group has lost control of a Subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the Subsidiary and any non-controlling interests. When assets of the Subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by the applicable IFRS). When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset.

BUSINESS COMBINATIONS

NON-CONTROLLING INTERESTS

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may initially be measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

The Group does not have Subsidiaries that have a material non-controlling interest in the context of the Group and accordingly detailed non-controlling interest disclosure is not required in terms of IFRS 12 Disclosure of Interests in Other Entities. In determining whether or not any non-controlling interests are material, the Group considered the share of the individual non-controlling interest in the consolidated net assets of the Group.

BUSINESS COMBINATION ACHIEVED IN STAGES

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income will be treated as would be by the relevant standard if the subsidiary had been disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

INVESTMENTS IN SUBSIDIARIES

Where necessary, adjustments are made to the financial statements of Subsidiaries to bring their accounting policies in line with those used by other members of the Group.

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

GOODWILL

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

The calculation of the recoverable amount requires the use of estimates and assumptions concerning future cash flows which are inherently uncertain and could change over time. In addition, changes in economic factors, such as discount rates, could also impact this calculation. If the recoverable amount of the cash-generating unit is less than its carrying amount, 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 period.

On disposal of a Subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

INTANGIBLE ASSETS

INTANGIBLE ASSETS ACQUIRED SEPARATELY

Intangible assets acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

- **Internally-generated intangible assets – research and development expenditure**

  Expenditure on research activities is recognised as an expense in the period in which it is incurred.

  The amount initially recognised for internally-generated intangible assets is the sum of the development expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

  Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

- **Intangible assets acquired in a business combination**

  Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

  Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

- **Derecognition of intangible assets**

  An intangible asset is derecognised on disposal, or when no future economic benefits are expected from its use. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets are 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). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount of an asset is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are initially recognised at cost.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the Group; and
- the cost of the item can be measured reliably.

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

Depreciation is recognised so as to write off the cost of an asset less its residual value over its useful life, using the straight-line method. The estimated useful lives of property, plant and equipment for current and comparative periods are reflected in Note 10. The estimated useful lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset useful lives, factors such as technological innovation and maintenance programs are taken into account. Residual value assessments consider factors such as market conditions, the remaining useful life of the asset and projected disposal values.

The gain or loss arising on the disposal of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

When the asset becomes idle or has been retired from active use, the depreciation of that asset does not cease unless the asset has been fully depreciated.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. When a replacement part is included in the cost of property, plant and equipment, the carrying amount of the previous part is derecognised.

DISCONTINUED OPERATIONS

A discontinued operation is a clearly distinguishable component of the Group's business that is abandoned or disposed of pursuant to a single plan and which represents a separate major line of business or geographical area of operation that can be distinguished physically, operationally and for financial reporting purposes.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative profit or loss is restated as if the operation had been discontinued from the start of the previous period.

INVENTORIES

Inventories are initially recognised at cost.

Inventories are subsequently stated at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories by the method most appropriate to the particular class of inventory, with the majority being valued on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

An allowance is raised to write inventories down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct costs to sell on certain inventory items.

BIOLOGICAL ASSETS

Biological assets are stated at fair value less estimated costs to sell, with any resultant gain or loss recognised in profit or loss. Costs to sell includes the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income taxes.

FINANCIAL ASSETS

All financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified at fair value through profit or loss, which are initially measured at fair value. Transaction costs on the financial instruments measured at fair value through profit or loss are immediately recognised in profit or loss.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' ("FVTPL") and 'at amortised cost'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

- **Recognition of financial assets**

  The Group initially recognises a financial asset only when it becomes party to the contractual provisions of the instrument.

- **Effective interest method**

  The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

  Income is recognised on an effective interest basis for debt instruments other than those financial assets classified at FVTPL.

- **Financial assets at FVTPL**

  Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

- **Financial assets at amortised cost**

  Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are referred to as financial assets at amortised cost. Financial assets at amortised cost are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

- **Impairment of financial assets**

  The Group assesses its financial assets for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the Group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

  For financial assets at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The Expected Credit Loss method was not applied by the Group in determining the impairment losses as it is not applicable to the operations of the Group.

  The carrying amount of the financial assets are reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

- **Derecognition of financial assets**

  The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expires, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

FINANCIAL LIABILITIES

Financial liabilities are classified as either financial liabilities at fair value through profit and loss ("FVTPL") or 'amortised cost'.

- **Recognition of financial liabilities**

  The Group initially recognises a financial liability only when it becomes party to the contractual provisions of the instrument.

- **Financial liabilities at FVTPL**

  Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

- **Financial liabilities at amortised cost**

  Financial liabilities at amortised cost, including borrowings, are initially measured at fair value, net of transaction costs.

  Financial liabilities at amortised cost are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

- **Derecognition of financial liabilities**

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

DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risk, including foreign exchange forward contracts.

For the year ended 31 December 2018 derivatives were initially recognised at fair value at the date the derivative contract is entered into and were subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss was recognised in profit or loss.

The Group has applied hedge accounting prospectively to all forward contracts entered into from 1 January 2019.

The Group hedges the majority of its foreign currency exposures. Import-related exposures are hedged to the value of 6 to 9 months' firm commitment imports and export-related exposures are hedged to the value of 9 to 12 months' firm commitment exports, or within 48 hours of receipt of a firm order, whichever date is earlier. Hedging instruments are limited to standard foreign exchange contract (FEC's) only.

A foreign currency transaction is recognised, on initial recognition in South African Rand, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period, the foreign currency monetary items are translated using the closing rate of exchange. Derivative financial instruments are initially and subsequently recognised at fair value, with changes in fair value being included in profit or loss other than derivatives designated as cash flow hedges.

The Group designates its derivatives as cash flow hedges. A hedge of the foreign currency risk of a firm commitment is designated and accounted for as a cash flow hedge. If these cash flow hedges meet the conditions for hedge accounting the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion is recognised in profit or loss.

Amounts deferred to the hedging reserves are recognised through profit and loss in the same period in which the hedged item affects profit and loss. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, for firm commitment transactions, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the firm commitment transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to profit or loss for the period.

A derivative with a positive fair value is recognised as a financial asset; a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group's classification of financial assets and financial liabilities are as follows:

Description of asset/liability	Classification
Loans and advances receivable	Financial asset at amortised cost
Trade and other receivables	Financial asset at amortised cost
Cash and cash equivalents	Financial asset at amortised cost
Forward exchange contract asset/(liability)	For the year ended 31 December 2018: Financial asset/(liability) at fair value through profit or loss For the year ended 31 December 2019: Financial asset/(liability) at fair value through other comprehensive income
Loans payables and borrowings	Financial liability at amortised cost
Trade and other payables	Financial liability at amortised cost

SHARE CAPITAL

Ordinary shares and preference shares are classified as equity. Incremental costs directly attributable to the issue of shares and share options are recognised as a deduction from equity, net of any tax effects.

REVENUE RECOGNITION

The Group predominantly sells consumer packaged goods to customers in the retail, food service, industrial and export channels. Revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specific location (delivery). Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on-selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer. No material judgement is required to determine the transaction price and the allocation thereof.

Refer to the Segmental Analysis for a detailed revenue disclosure.

INTEREST RECEIVED

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

GOVERNMENT GRANTS

- **Grants relating to income and expenses**

  The Group receives annual Sector Education and Training Authorities ("SETA") grants in respect of qualifying traineeships offered. These grants are recognised as other income in the same period as the related employee expense.

LEASING

- **The Group as lessee**

  The Group has applied a new accounting policy in the current year for leases where the Group is the lessee.

The Group has applied IFRS 16 Leases using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been amended. IFRS 16 Lease introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its right to use the underlying assets and lease liabilities representing its obligation to make lease payments.

The Group previously classified leases as operating or financing leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16 Leases, the Group recognises right-of-use assets and lease liabilities for most leases.

The Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Until 31 December 2018, leases were classified as finance leases whenever the terms of the lease transferred substantially all the risks and rewards of ownership to the lessee. All other leases were classified as operating leases and the following accounting policy applied until 31 December 2018:

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The Group had the following leasing activities at 1 January 2019 and applied the following accounting policy from 1 January 2019:

The Group leases various offices, warehouses, manufacturing facilities and equipment. Rental contracts are typically made for fixed periods of 6 months to 8 years, but may have extension options as described below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as operating leases. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessees incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use assets in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing; and
- makes adjustments specific to the lease, eg. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use assets is depreciated over the underlying asset's useful life. The Group has chosen not to revalue the right-of-use buildings.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

- **The Group as lessor**

  The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of IFRS 16 Leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

FOREIGN CURRENCIES

- **Foreign currency transactions**

  Transactions in foreign currencies are translated into the functional currency of Group companies at the exchange rates at the dates of the transactions.

  Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

- **Foreign operations**

  The results and financial position of each Group entity are expressed in Rand, which is the functional currency of the Group and the presentation currency for the consolidated financial statements.

  For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Rand using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

  On disposal of a foreign operation, the deferred cumulative amount recognised in other comprehensive income relating to that particular operation is recognised in profit or loss.

EMPLOYEE BENEFITS

- **Short-term employee benefits**

  Short-term employee benefits are those that are due to be settled within 12 months after the end of the period in which the services have been rendered. The accruals for employee entitlements to salaries, performance bonuses and annual leave represent the amounts which the Group has a present obligation to pay as a result of employees' services provided to the Group at the reporting date.

  Short-term employee benefits are measured on an undiscounted basis and are recognised as employee benefit expenses in profit or loss in the period in which the employee renders the related service.

- **Defined benefit plans**

  A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. These plans create an obligation on the entity to provide agreed benefits to current and past employees and effectively places actuarial and investment risk on the entity. The gross obligation is determined by estimating the future benefit attributable to employees in return for services rendered to date.

  This future benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. Independent actuaries perform this calculation annually using the projected unit credit method.

  Past service costs are recognised in profit or loss at the earlier of when:

  (i) plan amendment or curtailment occurs; and

  (ii) the entity recognises the relating restructuring or termination benefits.

  To the extent that the benefits are already vested, past service costs are recognised immediately. Improvements to a defined benefit pension plan relating to past service are recognised in profit or loss and expensed on a straight-line basis over the period during which the benefits vest.

  The Group recognises actuarial gains and losses in respect of defined benefit obligation in other comprehensive income.

SHARE-BASED PAYMENTS

The Group issues equity-settled and cash-settled share-based payments to certain employees. In the current year the Group implemented a new Group Share Plan ("GSP") which is classified as an equity settled share-based payment. The Group also implemented a new Long Term Incentive Plan ("LTIP") which is classified as a cash settled share-based payment. The LTIP replaces the previous Long Term Incentive scheme ("LTI"), also known as share appreciation rights in prior years. The Group is in the process of winding down the LTI scheme, and the final allocations in terms of this scheme were made in 2018. The LTI scheme will run its course and units will vest in terms of the rules of the LTI scheme up to 2021.

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with market conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amounts payable to employees in respect of the LTIP, which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the vesting period. The liability is remeasured at each reporting date and at settlement date based on the fair value of the awards. Any changes in the liability are recognised in profit or loss.

PROVISIONS

The Group recognises a provision when it has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and where a reliable estimate can be made of the amount of the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money.

- **Restructuring**

  A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan and has either started to implement the plan or announced its main features to those affected by it. Future operating costs are not provided for.

TAXATION

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

- **Current tax**

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

- **Deferred tax**

  Deferred tax 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.

  Deferred tax liabilities are generally recognised for all taxable temporary differences.

  Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Future taxable profits are estimated based on business plans which include estimates and assumptions regarding economic growth, inflation, taxation rates and competitive forces.

  Deferred tax 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 associated with investments in subsidiaries and associates, and interests 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

  The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 recovered.

  Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

  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.

- **Current and deferred tax for the period**

  Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

JUDGEMENTS

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that may affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about areas of estimation and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

Note 10 – useful lives of property, plant and equipment

Note 13 – useful lives and impairment test on intangible assets

Note 18 and 24 – Fair value measurement of foreign exchange contracts

Note 23 – Fair value measurement of share-based payments

NORMALISED EBIT AND NORMALISED EBITDA

The Group reports normalised earnings before interest and tax ("Normalised EBIT"), normalised earnings before interest, tax, depreciation and amortisation ("Normalised EBITDA"), normalised earnings per share ("Normalised EPS") and normalised headline earnings per share ("Normalised HEPS") as financial measures to review, measure and benchmark the operational performance of the operating segments (that consolidate into the Group) as well as for strategic planning and other commercial decision-making purposes.

To arrive at the normalised EBIT and normalised EBITDA measures respectively, the following adjustments are made to EBIT (operating profit from continuing operations as disclosed in the financial statements);

	Adjustment included in calculation of:	
	Normalised EBITDA	**Normalised EBIT**
Add back: amortisation of intangible assets in relation to customer contracts and brands with definitive useful lives	Yes	Yes
Add back: amortisation of intangible assets in relation to computer software and website costs	Yes	No
Add back: depreciation on property, plant and equipment and right-of-use assets	Yes	No
Add back: impairment losses on property, plant and equipment, goodwill and intangible assets	Yes	Yes
Add back or deduct: non-cash element relating to operating lease expenses (straight-line impact)	Yes	Yes
Add back or deduct: unrealised foreign exchange translation gains or losses	Yes	Yes
Add back or deduct: non-recurring items of an operating nature including government grants, due diligence costs in respect of business acquisitions, strategic advisory fees, retrenchment and settlement costs and restructuring costs including amounts payable in respect of onerous contracts.	Yes	Yes
Add back: securities transfer tax paid	Yes	Yes
Add back: costs and fees directly attributable to the Initial Public Offering	Yes	Yes
Add back or deduct: gains and losses on disposal of property, plant and equipment, gains and losses on disposals of assets or disposal groups (businesses) held for sale.	Yes	Yes
Add back or deduct: the cost of the long-term management incentive scheme (LTI Scheme), the long-term incentive plan (LTIP) and the Group Share Plan (GSP).	Yes	Yes

NORMALISED EPS AND NORMALISED HEPS

To arrive at normalised EPS, the after-tax earnings from continuing operations (as disclosed in the financial statements), is adjusted for the after-tax impact of the normalised EBIT adjustments shown above, excluding the after-tax impact of separately identifiable re-measurements as defined in accordance with IAS 33 Earnings Per Share read with circular 1 of 2019 Headline Earnings ("Headline Earnings Re-measurements").

To arrive at Normalised HEPS, the normalised EPS is adjusted for the after-tax impact of the Headline Earnings Re-measurements, the most common examples of which are (i) impairment losses on property, plant and equipment, goodwill and intangible assets and (ii) gains and losses on disposal of property, plant and equipment.

APPLICATION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

IFRS 16 Leases has been applied for the first time in the current financial year. This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements.

As indicated in the Accounting Policies section, the Group has applied IFRS 16 Leases retrospectively from 1 January 2019 and applied the modified retrospective approach. The Group has therefore not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening retained earnings balance on 1 January 2019. The new accounting policies are disclosed in the Accounting Policies section for Leases.

On adoption of IFRS 16 Leases, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 8.97%.

The right-of-use assets were measured on a retrospective basis as if the new rules had always been applied. The prior year straight-line accrual was adjusted directly against retained earnings on 1 Janaury 2019.

PRACTICAL EXPEDIENTS APPLIED

In applying IFRS 16 Leases for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use assets at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 Lease and Interpretation 4 Determining whether an Arrangement contains a Lease.

ADJUSTMENTS RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION ON 1 JANUARY 2019

The change in accounting policy affected the following items in the statement of financial position on 1 January 2019:

- right-of-use assets – increased by R510.3m (refer to note 11);
- deferred tax assets – increased by R19.7m (refer to note 11); and
- lease liabilities – increased by R588.2m (refer to note 11).
- retained earnings – decreased by R50.6m (refer to Statement of Changes in Equity).

STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December 2019

	Notes	2019 Audited R'000	2018 Audited R'000
CONTINUING OPERATIONS			
Revenue	1	**9 892 545**	9 659 597
Cost of sales		**(7 513 655)**	(7 493 721)
Gross profit		**2 378 890**	2 165 876
Other income	2	**52 725**	18 062
Operating expenses		**(1 729 857)**	(1 562 419)
Operating profit	3	**701 758**	621 519
Investment income	4	**54 025**	47 617
Finance costs	5	**(262 774)**	(269 310)
Profit before tax		**493 009**	399 826
Income tax expense	6	**(136 325)**	(125 907)
Profit for the year from continuing operations		**356 684**	273 919
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	7	**(77 057)**	(50 906)
Profit for the year		**279 627**	223 013
Other comprehensive income for the year, net of tax		**7 735**	(417)
Items that may be reclassified to profit or loss			
Gains on hedging reserves	34	**8 067**	–
Items that will never be reclassified to profit or loss			
Defined benefit plan actuarial losses	21	**(332)**	(417)
Total comprehensive profit for the year		**287 362**	222 596
Profit attributable to:			
Equity holders of the parent		**278 395**	222 224
Non-controlling interest		**1 232**	789
		279 627	223 013
Total comprehensive income attributable to:			
Equity holders of the parent		**286 130**	221 807
Non-controlling interest		**1 232**	789
		287 362	222 596
Basic earnings per share (cents)			
From continuing operations	8	**59.5**	48.2
From continuing and discontinued operations	8	**46.6**	39.2
Diluted earnings per share (cents)			
From continuing operations	8	**59.4**	48.2
From continuing and discontinued operations	8	**46.5**	39.2
Headline earnings per share (cents)			
From continuing operations	8	**59.9**	48.7
From continuing and discontinued operations	8	**55.7**	45.9
Diluted headline earnings per share (cents)			
From continuing operations	8	**59.8**	48.7
From continuing and discontinued operations	8	**55.6**	45.9

Consolidated statement of financial position

as at 31 December 2019

	Notes	2019 Audited R'000	2018 Audited R'000
ASSETS			
Non-current assets		**6 685 881**	6 009 716
Property, plant and equipment	10	**1 392 678**	1 205 921
Right-of-use assets	11	**655 596**	–
Goodwill	12	**2 534 656**	2 521 058
Intangible assets	13	**2 092 060**	2 269 199
Other financial assets	18	**5 824**	8 018
Operating lease asset		**–**	5 418
Deferred tax assets	14	**5 067**	102
Current assets		**4 141 076**	3 784 159
Inventories	15	**1 199 619**	1 121 330
Trade and other receivables	16	**1 763 463**	1 628 038
Biological assets	17	**29 407**	26 662
Other financial assets	18	**31 593**	17 921
Current tax receivable		**16 742**	2 796
Cash and bank balances	19	**1 100 252**	987 412
Total assets		**10 826 957**	9 793 875
EQUITY AND LIABILITIES			
Capital and reserves attributable to equity holders of the parent		**5 424 601**	5 410 079
Share capital	20	**4 727 314**	4 818 884
Defined benefit plan reserve	21	**(2 089)**	(1 757)
Share-based payment reserve	23	**2 211**	–
Retained earnings		**764 266**	668 120
Premium on acquisition of non-controlling interests	22	**(75 168)**	(75 168)
Hedging reserves	34	**8 067**	–
Non-controlling interests		**9 893**	8 661
Total equity		**5 434 494**	5 418 740
Non-current liabilities		**3 490 774**	2 734 401
Other financial liabilities	24	**2 087 970**	1 921 591
Lease liabilities	11	**677 674**	–
Deferred tax liabilities	14	**707 000**	769 960
Employee benefits	21	**9 583**	8 919
Share based payments	23	**8 547**	20 811
Operating lease liability		**–**	13 120
Current liabilities		**1 901 689**	1 640 734
Trade and other payables	25	**1 462 502**	1 401 337
Other financial liabilities	24	**111 737**	77 086
Lease liabilities	11	**75 712**	–
Share based payments	23	**4 156**	–
Current tax payable		**1 945**	4 239
Bank overdraft	19	**245 637**	158 072
Total liabilities		**5 392 463**	4 375 135
Total equity and liabilities		**10 826 957**	9 793 875

Consolidated statement of changes in equity

for the year ended 31 December 2019

	Share capital R'000	Defined benefit plan reserve[1] R'000	Share-based payment reserve R'000	Premium on acquisition of non-controlling interests[2] R'000	Retained earnings R'000	Put options exercisable by non-controlling interests and executive management[3] R'000	Hedging reserves[4] R'000	Non-controlling interests R'000	Total R'000
Balance at 1 January 2018	**4 187 177**	**(1 340)**	**–**	**(63 624)**	**445 896**	**(8 836)**	**–**	**7 696**	**4 566 969**
Total comprehensive income for the year	**–**	**(417)**	**–**	**–**	**222 224**	**–**	**–**	**789**	**222 596**
Profit or loss for the year	–	–	–	–	222 224	–	–	789	223 013
Other comprehensive income for the year	–	(417)	–	–	–	–	–	–	(417)
Transactions with owners of the Company									
Contributions and distributions	**631 707**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**631 707**
Capital distribution	(800 000)	–	–	–	–	–	–	–	(800 000)
Issue of shares	1 500 730	–	–	–	–	–	–	–	1 500 730
Held as treasury shares	(730)	–	–	–	–	–	–	–	(730)
Share repurchase	(7 964)	–	–	–	–	–	–	–	(7 964)
Capitalisation of costs directly attributable to issue of shares	(60 329)	–	–	–	–	–	–	–	(60 329)
Changes in ownership interests	**–**	**–**	**–**	**(11 544)**	**–**	**–**	**–**	**176**	**(11 368)**
Acquisition of non-controlling interest in subsidiary	–	–	–	(11 544)	–	–	–	176	(11 368)
Movement in put options	**–**	**–**	**–**	**–**	**–**	**8 836**	**–**	**–**	**8 836**
Fair value adjustment through equity	–	–	–	–	–	8 836	–	–	8 836
Balance at 31 December 2018	**4 818 884**	**(1 757)**	**–**	**(75 168)**	**668 120**	**–**	**–**	**8 661**	**5 418 740**
Adoption of new accounting standard	**–**	**–**	**–**	**–**	**(50 560)**	**–**	**–**	**–**	**(50 560)**
IFRS 16 Leases adoption (refer to note 11)	–	–	–	–	(50 560)	–	–	–	(50 560)
Total comprehensive income for the year	**–**	**(332)**	**–**	**–**	**278 395**	**–**	**8 067**	**1 232**	**287 362**
Profit or loss for the year	–	–	–	–	278 395	–	–	1 232	279 627
Other comprehensive income for the year	–	(332)	–	–	–	–	8 067	–	7 735
Transactions with owners of the Company									
Contributions and distributions	**(91 570)**	**–**	**–**	**–**	**(131 689)**	**–**	**–**	**–**	**(223 259)**
Share repurchase	(91 570)	–	–	–	–	–	–	–	(91 570)
Dividends paid	–	–	–	–	(131 689)	–	–	–	(131 689)
Share-based payment expenses	**–**	**–**	**2 211**	**–**	**–**	**–**	**–**	**–**	**2 211**
Group share plan	–	–	2 211	–	–	–	–	–	2 211
Balance at 31 December 2019	**4 727 314**	**(2 089)**	**2 211**	**(75 168)**	**764 266**	**–**	**8 067**	**9 893**	**5 434 494**
Notes	20	21	23	22			34		

1. *Defined benefit plan reserve: Reserves comprises actuarial gains or losses in respect of defined benefit obligations that are recognised in other comprehensive income.*
2. *Premium on non-controlling interests: Represents the difference between the carrying amount of the non-controlling interests and the fair value of the consideration given on acquisition of non-controlling interests.*
3. *Put options exercisable by non-controlling interest and executive management relates to the liability raised in respect of put options exercisable by non-controlling interests and executive management.*
4. *Hedging reserves: Represents the gains relating to foreign currency transactions recognised in other comprehensive income.*

Consolidated statement of cash flows

for the year ended 31 December 2019

	Notes	**2019 Audited R'000**	2018 Audited R'000
NET CASH FLOW FROM OPERATING ACTIVITIES		**579 769**	505 044
Cash generated from continuing operations	26	**944 777**	876 187
Finance income received		**54 025**	47 617
Finance costs paid		**(207 689)**	(269 310)
Taxation paid	27	**(191 404)**	(139 341)
Cash utilised by discontinued operations		**(19 940)**	(10 109)
NET CASH FLOW FROM INVESTMENT ACTIVITIES		**(394 730)**	(345 979)
Purchase of property, plant and equipment and computer software		**(400 902)**	(348 745)
Sale of property, plant and equipment and computer software		**7 155**	3 505
Proceeds from sale of discontinued operations		**46 716**	1 000
Other financial assets disposed/(advanced)		**2 301**	(1 739)
Acquisition of business	28	**(50 000)**	–
NET CASH FLOW FROM FINANCING ACTIVITIES		**(159 764)**	318 948
Proceeds from issue of equity shares		**–**	1 500 000
Capital distribution		**–**	(800 000)
Share issue costs		**–**	(60 329)
Share repurchase		**(91 570)**	(7 964)
Loans repaid to shareholders		**(846)**	(17 267)
Loans repaid by shareholders		**–**	39 648
Proceeds/(repayment) of other financial liabilities		**2 235**	(34 462)
Repayment of loans from non controlling interests		**–**	(28 592)
Purchase of non-controlling interests		**–**	(11 368)
Principal elements of lease payments	11	**(127 547)**	–
Proceeds from term loans and asset based financing		**270 765**	2 584 364
Repayment of term loans and asset based financing		**(81 112)**	(2 845 082)
Dividend paid		**(131 689)**	–
Net increase in cash and cash equivalents		**25 275**	478 013
Cash and cash equivalents at the beginning of the year		**829 340**	351 327
Cash and cash equivalents at the end of the year		**854 615**	829 340
Continuing operations	19	**854 615**	829 340

Segmental analysis

	Year ended 31 December 2019 R'000	Restated Year ended 31 December 2018 R'000

BASIS OF SEGMENTATION

The executive management team of the Group has chosen to organise the Group into categories and manage the operations in that manner. The information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance is based on five categories.

The following summary describes each segment:

Perishables
Perishable products are products that are refrigerated.

Groceries (previously referred to as Ambient Groceries)
Groceries (also known as "shelf-stable" groceries) is a category of foods that can be stored and preserved at room temperature. The category also includes beverages and specialised food packaging.

Snacks and Confectionery
Premium snacks and confectionery products.

Baking and Baking Aids
Baked goods, specialised gluten-free offering and baking aids.

Household and Personal Care
Detergents and household cleaning products, as well as personal care products.

Reclassifications between segments
During the current year, management reclassified the tea operations of Khoisan Gourmet from the Niche Beverages segment to the Groceries segment. This better aligns the financial disclosure to the commercial practice where tea is considered to be part of the groceries stable.

The dairy blend and fruit concentrate business of Elvin, previously shown in the Niche Beverages category, was sold during the current year.

The remaining Niche Beverages businesses, which comprise Chamonix Springwater and the non-beverage Elvin operations, were reclassified and have been reported under Groceries.

During the current year, management also reclassified the operations previously shown under the Specialised Food Packaging segment to the Groceries segment. This aligns the financial disclosure to the manner in which the Specialised Food Packaging is managed.

Comparative figures of both the Niche Beverages segment and the Specialised Food Packaging segment have been reclassified to show these operations within the Groceries segment.

INFORMATION ABOUT REPORTABLE SEGMENTS

	Year ended 31 December 2019 R'000	Restated Year ended 31 December 2018 R'000
Revenue from contracts with customers		
Perishables	**4 688 126**	4 569 593
Groceries	**3 177 811**	3 138 461
Snacks and Confectionery	**537 972**	477 391
Baking and Baking Aids	**699 841**	627 839
Household and Personal Care	**788 795**	846 313
	9 892 545	9 659 597
Revenue comprised as follows:		
Total revenue for reportable segments	**9 917 389**	9 692 191
Elimination of inter segment revenue	**(24 844)**	(32 594)
Perishables	**(8 328)**	(5 663)
Groceries	**(12 141)**	(14 954)
Snacks and Confectionery	**(722)**	(94)
Baking and Baking Aids	**(3 434)**	(11 599)
Household and Personal Care	**(219)**	(284)
	9 892 545	9 659 597

	Year ended 31 December 2019 R'000	Restated Year ended 31 December 2018 R'000
Operating profit (EBIT)		
Perishables	**402 686**	338 942
Groceries	**313 249**	239 401
Snacks and Confectionery	**60 666**	58 723
Baking and Baking Aids	**60 916**	64 731
Household and Personal Care	**(6 364)**	5 492
Corporate	**(129 395)**	(85 770)
	701 758	621 519
Reconciliation of operating profit per segment to profit before tax		
Operating profit	**701 758**	621 519
Investment income	**54 025**	47 617
Finance costs	**(262 774)**	(269 310)
Profit before tax	**493 009**	399 826

The chief operating decision maker reviews the revenue and operating profit on a regular basis. The chief operating decision maker does not evaluate any of the Group's assets or liabilities on a segmental basis for decision making purposes.

NORMALISED EBIT AND EBITDA

Group – continuing operations		
Operating profit	**701 758**	621 519
Amortisation of customer contracts and brands with definitive useful lives	**150 172**	140 841
Due diligence costs	**2 884**	3 319
Expenses relating to share based payments	**6 948**	(13 208)
Government grants	**(155)**	(46)
Impairment losses on assets	–	556
Gain on disposal of property, plant and equipment	**466**	3 190
Costs and fees attributable to the Initial Public Offering	–	5 007
Retrenchment and settlement costs	**16 646**	7 050
Securities transfer tax	**281**	66
Straight-lining of operating leases	–	3 694
Strategic advisory fees	**301**	43
Unrealised loss on foreign exchange	**11 035**	45 494
Donation	–	6 000
Normalised EBIT (after adoption of IFRS 16)	**890 336**	823 525
Amortisation of software	**10 913**	8 017
Depreciation of property, plant and equipment	**272 427**	152 914
Normalised EBITDA (after adoption of IFRS 16)	**1 173 676**	984 456
Impact of IFRS 16 (lease payments and lease modifications)	**(138 927)**	–
Normalised EBITDA (excluding adoption of IFRS 16)	**1 034 749**	984 456
Perishables		
Operating profit	**402 686**	338 942
Amortisation of customer contracts	**43 610**	44 677
Due diligence costs	**797**	–
Government grants	**(155)**	–
Impairment losses	–	243
Loss on disposal of property, plant and equipment	**45**	365
Retrenchment and settlement costs	**6 610**	2 024
Straight-lining of operating leases	–	3 530
Unrealised loss on foreign exchange	**2 094**	5 456
Normalised EBIT (after adoption of IFRS 16)	**455 687**	395 237
Amortisation of software	**2 090**	306
Depreciation of property, plant and equipment	**90 159**	59 109
Normalised EBITDA (after adoption of IFRS 16)	**547 936**	454 652
Impact of IFRS 16 (lease payments and lease modifications)	**(37 501)**	–
Normalised EBITDA (excluding adoption of IFRS 16)	**510 435**	454 652

	Year ended 31 December 2019 R'000	Restated Year ended 31 December 2018 R'000
Groceries		
Operating profit	313 249	239 401
Amortisation of customer contracts	71 239	70 173
Government grants	–	(46)
Impairment losses	–	313
Loss on disposal of property, plant and equipment	371	2 275
Retrenchment and settlement costs	357	2 306
Straight-lining of operating leases	–	257
Unrealised loss on foreign exchange	8 578	39 904
Normalised EBIT (after adoption of IFRS 16)	393 794	354 583
Amortisation of software	2 404	4 485
Depreciation of property, plant and equipment	93 161	48 839
Normalised EBITDA (after adoption of IFRS 16)	489 359	407 907
Impact of IFRS 16 (lease payments and lease modifications)	(54 317)	–
Normalised EBITDA (excluding adoption of IFRS 16)	435 042	407 907
Snacks and Confectionery		
Operating profit	60 666	58 723
Amortisation of customer contracts	4 402	4 402
Profit/(loss) on disposal of property, plant and equipment	(4)	44
Retrenchment and settlement costs	790	–
Straight-lining of operating leases	–	(112)
Strategic advisory fees	118	–
Unrealised loss/(gain) on foreign exchange	589	(116)
Normalised EBIT (after adoption of IFRS 16)	66 561	62 941
Amortisation of software	3 821	809
Depreciation of property, plant and equipment	19 957	9 301
Normalised EBITDA (after adoption of IFRS 16)	90 339	73 051
Impact of IFRS 16 (lease payments and lease modifications)	(7 383)	–
Normalised EBITDA (excluding adoption of IFRS 16)	82 956	73 051
Baking and Baking Aids		
Operating profit	60 916	64 731
Amortisation of customer contracts	6 870	9 406
Loss on disposal of property, plant and equipment	98	59
Retrenchment and settlement costs	–	280
Straight-lining of operating leases	–	(666)
Unrealised (gain)/loss on foreign exchange	(61)	258
Normalised EBIT (after adoption of IFRS 16)	67 823	74 068
Amortisation of software	876	794
Depreciation of property, plant and equipment	35 091	17 774
Normalised EBITDA (after adoption of IFRS 16)	103 790	92 636
Impact of IFRS 16 (lease payments and lease modifications)	(17 029)	–
Normalised EBITDA (excluding adoption of IFRS 16)	86 761	92 636

	Year ended 31 December 2019 R'000	Restated Year ended 31 December 2018 R'000
Household and Personal Care		
Operating (loss)/profit	**(6 364)**	5 492
Amortisation of customer contracts and brands with definitive useful lives	**24 051**	12 183
(Profit)/loss on disposal of property, plant and equipment	**(27)**	407
Retrenchment and settlement costs	**8 655**	1 946
Straight-lining of operating leases	**–**	685
Strategic advisory fees	**183**	42
Unrealised gain on foreign exchange	**(163)**	(8)
Normalised EBIT (after adoption of IFRS 16)	**26 335**	20 747
Amortisation of software	**23**	(569)
Depreciation of property, plant and equipment	**29 140**	16 179
Normalised EBITDA (after adoption of IFRS 16)	**55 498**	36 357
Impact of IFRS 16 (lease payments and lease modifications)	**(19 165)**	–
Normalised EBITDA (excluding adoption of IFRS 16)	**36 333**	36 357
Corporate		
Operating loss	**(129 395)**	(85 770)
Due diligence costs	**2 087**	3 319
Expenses/(income) relating to share based payments	**6 948**	(13 208)
(Profit)/loss on disposal of property, plant and equipment	**(17)**	40
Costs and fees attributable to the Initial Public Offering	**–**	5 007
Retrenchment and settlement costs	**234**	494
Securities transfer tax	**281**	66
Unrealised gain on foreign exchange	**(2)**	–
Donation	**–**	6 000
Normalised EBIT (after adoption of IFRS 16)	**(119 864)**	(84 052)
Amortisation of software	**1 699**	2 193
Depreciation of property, plant and equipment	**4 918**	1 712
Normalised EBITDA (after adoption of IFRS 16)	**(113 247)**	(80 147)
Impact of IFRS 16 (lease payments and lease modifications)	**(3 531)**	–
Normalised EBITDA (excluding adoption of IFRS 16)	**(116 778)**	(80 147)
Export revenue		
The Group mainly operates in South Africa. Revenue derived from customers domiciled within South Africa is classified as revenue from South Africa. Revenue from customers domiciled outside of South Africa is classified as export revenue.		
Export revenue for the year	**1 220 092**	1 270 480
Major customers		
During the period under review, revenue from certain customers exceeded 10% of total revenue.		
Customer A	**19%**	18%
Customer B	**13%**	14%
Customer C	**10%**	11%

Notes to the annual financial statements

for the year ended 31 December 2019

	2019 R'000	2018 R'000
1. REVENUE	**9 892 545**	9 659 597
Refer to the Segmental Analysis for detailed revenue disclosure by segment.		
2. OTHER INCOME		
Bad debts recovered	–	23
Commissions received	**38**	35
Gain on foreign exchange	**26 927**	10 337
Realised gain on foreign exchange	**37 962**	55 831
Unrealised loss on foreign exchange	**(11 035)**	(45 494)
Government grants[1]	**206**	137
Insurance claims received	**385**	2 020
Rebates received	–	67
Discounts and incentives received	**871**	–
Rental income	**5 577**	454
Sundry income	**18 721**	4 989
	52 725	18 062

1 *Income from government grants includes income received under the Manufacturing Competitiveness Enhancement Program, Skills Development Program and the Employer Tax Incentive program.*

	2019 R'000	2018 R'000
3. OPERATING PROFIT		
Operating profit from continuing operations is calculated after taking into account the following:		
3.1 OPERATING EXPENDITURE		
Depreciation of property, plant and equipment (refer note 10)	**168 824**	152 915
Depreciation of right-of-use assets (refer note 11)	**103 387**	–
Amortisation of brands (refer note 13)	**11 867**	–
Amortisation of software (refer note 13)	**10 913**	8 017
Amortisation of customer contracts (refer note 13)	**138 305**	140 841
Loss on disposal of property, plant and equipment	**466**	3 190
Employee benefits	**1 307 546**	1 105 388
Salaries and wages	**1 290 900**	1 099 166
Retrenchment and settlement costs	**16 646**	6 222
Strategic advisory fees	**301**	43
Due diligence costs	**2 884**	8 326
Costs and fees attributable to the Initial Public Offering	–	5 007
Charges relating to share appreciation rights granted (LTI scheme)	**(1 456)**	(13 203)
Charges relating to long-term incentive scheme (LTIP scheme)	**6 194**	–
Charges relating to share based payments (GSP)	**2 211**	–
Securities transfer tax	**281**	66
Operating lease charges	–	140 451
Premises	–	110 364
Straight-lining of operating leases	–	3 694
Motor vehicles & equipment	–	26 393
Research and development costs expensed as incurred	**1 773**	430
Auditors remuneration	**8 407**	7 562

4. INVESTMENT INCOME

	2019 R'000	2018 R'000
Interest income on financial assets:	**54 025**	47 617
Bank deposits	**53 807**	45 051
Interest received from related parties	**–**	850
Interest received on other loans and receivables	**56**	1 054
Other interest received	**162**	662
	54 025	47 617

5. FINANCE COSTS

	2019 R'000	2018 R'000
Interest payable on lease liabilities	**55 085**	–
Interest on bank overdraft, bank loans and asset based finance	**206 110**	267 822
Interest paid to related parties	**639**	–
Interest paid to suppliers	**153**	1 414
Interest on late payment of tax	**787**	74
	262 774	269 310

6. TAXATION

6.1 INCOME TAX RECOGNISED IN STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2019 R'000	2018 R'000
Current income tax	**170 793**	151 935
Current year	**170 793**	151 935
Deferred tax	**(34 468)**	(26 028)
Current year	**(34 468)**	(26 028)
Total tax expense for the year	**136 325**	125 907
The expense for the year can be reconciled to the accounting profit as follows:		
Profit before tax from continuing operations	**493 009**	399 826
Income tax expense calculated at statutory rate of 28%	**138 043**	111 951
Exempt income[1]	**(3 242)**	(2 591)
Non-deductible expenditure[2]	**1 524**	7 362
Reversal of deferred tax asset on assessed loss	**–**	9 183
Income tax expense recognised in profit or loss	**136 325**	125 907

1 *Exempt income includes employment tax incentive refunds; S12H learnership deductions; DTI refunds.*

2 *Non-deductible expenditure includes donations; non-deductible legal and professional fees; fines and penalties; non-deductible restructuring costs.*

7. LOSS FROM DISCONTINUED OPERATIONS

	2019 R'000	2018 R'000
Loss from discontinued operations	**(77 057)**	(50 906)

Loss from discontinued operations recognised in the Statement of Profit or Loss and Other Comprehensive Income consists of the following:

7.1 CURRENT YEAR LOSS FROM OPERATIONS HELD FOR SALE – ELVIN

The Group entered into a sale of business agreement in respect of the dairy blend and fruit concentrate beverages. The operation was sold effective 1 November 2019 and is therefore reported in the current year as a discontinued operation.

The results of the lines related to the discontinued operation for the period to the date of disposal included in the Statement of Profit or Loss and Other Comprehensive Income are set out below:

	2019 R'000	2018 R'000
Revenue	**212 091**	232 697
Cost of sales	**(201 098)**	(199 870)
Gross profit	**10 993**	32 827
Other income	–	476
Operating expenses[1]	**(98 303)**	(79 825)
Operating loss	**(87 310)**	(46 522)
Investment income	**164**	59
Finance costs	**(3 294)**	(3 580)
Loss before tax	**(90 440)**	(50 043)
Income tax	**13 383**	11 760
Loss for the year from discontinued operation	**(77 057)**	(38 283)
Loss from discontinued operation attributable to:		
Equity holders of the parent	**(77 057)**	(38 283)
Non-controlling interest	–	–
	(77 057)	(38 283)

1 *Included in operating expenses for 2019 are impairment losses of R72.6m (2018: R42m) in respect of goodwill and brands.*

7.2 LOSS FROM DISCONTINUED OPERATION – PASTA NOVA

During the previous financial year, the Group resolved to discontinue the operations of Pasta Nova.

The Pasta Nova operation was classified as a discontinued operation and the divisions results included in the Statement of Profit or Loss and Other Comprehensive Income are set out below:

	2019 R'000	2018 R'000
Revenue	–	26 000
Cost of sales	–	(21 028)
Gross profit	–	4 972
Other income	–	91
Operating expenses[1]	–	(19 202)
Operating loss	–	(14 139)
Finance costs	–	(409)
Loss before tax	–	(14 548)
Income tax	–	1 925
Loss for the year from discontinued operation	–	(12 623)
Loss from discontinued operation attributable to:		
Equity holders of the parent	–	(12 623)
Non-controlling interest	–	–
	–	(12 623)

1 *Included in operating expenses for 2018 are impairment losses of R7m in respect of property plant and equipment and customer relationships.*

7. LOSS FROM DISCONTINUED OPERATIONS continued

7.3 INCOME TAX IN RESPECT OF NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS RECOGNISED IN STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2019 R'000	2018 R'000
Deferred tax	**(13 383)**	(13 685)
Total tax for the year	**(13 383)**	(13 685)
The tax for the year can be reconciled to the accounting loss as follows:		
Loss before tax	**(90 440)**	(64 591)
Income tax expense calculated at statutory rate of 28%	**(25 323)**	(18 085)
Exempt income	**–**	(560)
Non-deductible expenditure	**7 000**	88
Unutilised assessed loss	**4 940**	3 256
Reversal of deferred tax asset on assessed loss	**–**	1 625
Deferred tax difference	**–**	(9)
Income tax recognised in profit or loss	**(13 383)**	(13 685)

8. EARNINGS PER SHARE

8.1 BASIC EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2019 R'000	2018 R'000
Earnings used in the calculation of basic earnings per share	**278 395**	222 224
From continuing operations	**355 452**	273 130
From discontinued operations	**(77 057)**	(50 906)
Weighted average number of ordinary shares for the purposes of basic earnings per share ('000)	**597 519**	566 445
Basic earnings per share in cents		
From continuing operations	**59.5**	48.2
From discontinued operations	**(12.9)**	(9.0)
From continuing and discontinued operations	**46.6**	39.2

8.2 DILUTED EARNINGS PER SHARE

The earnings used in the calculation of diluted earnings per share does not require adjustments. Refer to note 8.1 above for the earnings used in the calculation of diluted earnings per share.

The weighted average number of ordinary shares used in the calculation of diluted earnings per share are as follows:

	2019 R'000	2018 R'000
Weighted average number of ordinary shares for the purposes of diluted earnings per share ('000)	**598 481**	566 445
Diluted earnings per share in cents		
From continuing operations	**59.4**	48.2
From discontinued operations	**(12.9)**	(9.0)
From continuing and discontinued operations	**46.5**	39.2

8. EARNINGS PER SHARE continued

8.2 DILUTED EARNINGS PER SHARE continued

	2019 R'000	2018 R'000
Reconciliaton of weighted average number of shares used as the denominator:		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**597 519**	566 445
Adjustments for calculation of diluted earnings per share:		
Deferred Shares – GSP[1]	**962**	–
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**598 481**	566 445

1 Awards to deferred shares granted to executives under the GSP are included in the calculation of diluted earnings per share, assuming all outstanding awards will vest. The deferred shares are not included in the determination of basic earnings per share. Further information about the GSP is provided in note 23.

8.3 NORMALISED EARNINGS PER SHARE (EPS)

To arrive at Normalised EPS, the after-tax earnings from continuing operations is adjusted for the after-tax impact of the following:

	2019 R'000	2018 R'000
Profit for the year from continuing operations	**355 452**	273 130
Normalised for:	**136 368**	146 776
Amortisation of customer contracts and brands with definitive useful lives	**108 124**	101 406
Due diligence costs	**2 884**	3 319
Expenses/(income) relating to share based payments	**5 003**	(9 510)
Government grants	**(155)**	(46)
Costs and fees attributable to the Initial Public Offering	–	5 007
Retrenchment costs	**11 985**	5 076
Securities transfer tax	**281**	66
Straight lining of operating leases	–	2 660
Strategic advisory fees	**301**	43
Donation	–	6 000
Unrealised forex losses	**7 945**	32 757
Normalised earnings used in the calculation of basic earnings per share	**491 820**	419 906
Weighted average number of ordinary shares for the purposes of basic earnings per share ('000)	**597 519**	566 445
Normalised basic earnings per share in cents	**82.3**	74.1

The headline earnings used in the calculation of headline earnings and diluted headline earnings per share are as follows:

2019	**Gross**	**Net of tax**
Basic earnings from continuing operations	**355 452**	**355 452**
Adjustments	**466**	**2 322**
Loss on disposal of property, plant and equipment	**466**	**2 322**
Headline earnings from continuing operations	**355 918**	**357 774**

2018	**Gross**	**Net of tax**
Basic earnings from continuing operations	273 130	273 130
Adjustments	3 190	2 475
Loss on disposal of property, plant and equipment	3 190	2 475
Headline earnings from continuing operations	276 320	275 605

8. EARNINGS PER SHARE continued

8.4 HEADLINE EARNINGS PER SHARE

	2019 R'000	2018 R'000
Basic earnings from discontinued operations	**(77 057)**	(50 906)
Adjustments (net of tax)	**52 258**	35 304
(Profit)/loss on disposal of property, plant and equipment	**(7 000)**	5 064
Impairment of brands	**34 258**	30 240
Impairment of goodwill	**25 000**	–
Headline earnings from discontinued operations	**(24 799)**	(15 602)
Headline earnings from continuing and discontinued operations	**332 975**	260 003
Headline earnings per share in cents		
From continuing operations	**59.9**	48.7
From discontinued operations	**(4.2)**	(2.8)
From continuing and discontinued operations	**55.7**	45.9
Diluted headline earnings per share in cents		
From continuing operations	**59.8**	48.7
From discontinued operations	**(4.2)**	(2.8)
From continuing and discontinued operations	**55.6**	45.9

8.5 NORMALISED HEADLINE EARNINGS PER SHARE (HEPS)

To arrive at normalised HEPS, the Normalised EPS is adjusted for the after-tax impact of the below:

2019	**Net**
Normalised basic earnings from continuing operations	**491 820**
Adjustments	**2 322**
Loss on disposal of property, plant and equipment	**2 322**
Normalised headline earnings from continuing operations	**494 142**
Normalised headline earnings per share from continuing operations (cents)	**82.7**

2018	**Net**
Normalised basic earnings from continuing operations	419 906
Adjustments	2 475
Loss on disposal of property, plant and equipment	2 475
Normalised headline earnings from continuing operations	422 381
Normalised headline earnings per share from continuing operations (cents)	74.6

9. DIRECTORS' REMUNERATION

Name/designation	Basic salary R'000	Bonuses R'000	Total remuneration and benefits R'000
2019			
AV van Rensburg (Executive Director)	**5 820**	**3 123**	**8 943**
RW Smith (Executive Director)	**4 000**	**1 858**	**5 858**
W Luhabe (Chairman Non-Executive Director)	**1 060**	**–**	**1 060**
JP Landman (Lead Independent Non-Executive Director}	**610**	**–**	**610**
S Masinga (Independent Non-Executive Director)	**730**	**–**	**730**
S Khanna (Independent Non-Executive Director)	**720**	**–**	**720**
Total – 2019	**12 940**	**4 981**	**17 921**
2018			
AV van Rensburg (Executive Director)	5 820	873	6 693
RW Smith (Executive Director)	4 000	600	4 600
TF Judge (Executive Director)* Resigned in April 2018	700	287	987
TW Millar (Executive Director)* Resigned in April 2018	436	–	436
W Luhabe (Chairman Non-Executive Director)	758	–	758
JP Landman (Lead Independent Non-Executive Director)	547	–	547
P Langeni (Independent Non-Executive Director)	457	–	457
Total – 2018	12 718	1 760	14 478

Mr CB De Villiers was appointed as executive director effective 1 January 2020.

10. PROPERTY, PLANT AND EQUIPMENT

	2019 R'000	2018 R'000
Cost	**2 030 290**	1 740 136
Accumulated depreciation and impairment	**(637 612)**	(534 215)
	1 392 678	1 205 921

	Freehold land and buildings R'000	Plant, vehicles, machinery* and equipment* R'000
31 December 2019		
Cost		
At 1 January 2019	**183 803**	**1 556 333**
Additions	**24 390**	**358 620**
Disposals of assets	**–**	**(31 848)**
Disposal of discontinued operations	**–**	**(61 020)**
Acquisition of business (note 28)	**–**	**12**
At 31 December 2019	**208 193**	**1 822 097**
Total cost at 31 December 2019		**2 030 290**
Accumulated depreciation and impairment		
At 1 January 2019	**(14 935)**	**(519 280)**
Eliminated on disposals of assets	**–**	**24 227**
Eliminated on disposals of discontinued operations	**–**	**45 903**
Depreciation charge	**(8 037)**	**(160 787)**
Depreciation from discontinued operations	**–**	**(4 703)**
At 31 December 2019	**(22 972)**	**(614 640)**
Total accumulated depreciation and impairment at 31 December 2019		**(637 612)**
Carrying value at 31 December 2019	**185 221**	**1 207 457**
Total carrying value at 31 December 2019		**1 392 678**

10. PROPERTY, PLANT AND EQUIPMENT continued

	Freehold land and buildings R'000	Plant, vehicles, machinery* and equipment* R'000
31 December 2018		
Cost		
At 1 January 2018	133 546	1 296 938
Additions	50 257	282 335
Disposals of assets	–	(14 689)
Disposal of discontinued operations	–	(8 251)
At 31 December 2018	183 803	1 556 333
Total cost at 31 December 2018		1 740 136
Accumulated depreciation and impairment		
At 1 January 2018	(12 109)	(377 150)
Eliminated on disposals of assets	2 144	5 838
Eliminated on disposals of discontinued operations	–	4 864
Depreciation charge	(4 970)	(151 745)
Depreciation from discontinued operations	–	(1 087)
At 31 December 2018	(14 935)	(519 280)
Total accumulated depreciation and impairment at 31 December 2018		(534 215)
Carrying value at 31 December 2018	168 868	1 037 053
Total carrying value at 31 December 2018		1 205 921

* *The majority of the value of property, plant and equipment comprises of machinery. The other categories of property, plant and equipment are deemed not to be material enough and as such are not disclosed separately.*

Estimated useful lives	Land – Unlimited Buildings – 20 years	4 – 12 years

Certain items of plant, vehicles, machinery and equipment are pledged as security for the associated asset based finance agreement entered into to finance their acquisition. These asset based finance agreements are detailed in note 24.

The Group has signed a general and special notarial bond over all the movable assets in favour of Nedbank Limited and Standard Bank of South Africa Limited. Refer to note 34.8 Liquidity risk management for further details.

At the end of the 2019 and 2018 financial years, the Group had no material capital commitments.

11. LEASES

This note provides information for leases where the group is a lessee. The Group has applied IFRS 16 Leases using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been amended. Please refer to the Accounting Policies section for the accounting policy and adjustments recognised on adoption of IFRS 16 Leases on 1 January 2019.

AMOUNTS RECOGNISED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The Consolidated Statement of Financial Position shows the following amounts relating to leases:

	2019 R'000
Non-current right-of-use assets	**655 596**
Non-current lease liabilities	**(677 674)**
Current lease liabilities	**(75 712)**
Right-of-use asset	
Right-of-use assets recognised on 1 January 2019	**510 304**
Modification and additions in the current year	**248 679**
Depreciation for the year	**(103 387)**
Increase in assets	**655 596**
Deferred tax asset	
Retrospective adjustment to deferred tax asset at 1 January 2019	**19 662**
Movement for the year	**6 190**
Increase in deferred tax asset	**25 852**
Finance Lease Liability	
Lease liability recognised as at 1 January 2019	**(588 230)**
Modification and additions in the current year	**(237 618)**
Add: finance costs	**(55 085)**
Less: lease payments	**127 547**
Increase in financial liabilities	**(753 386)**
Amounts recognised in the Consolidated Statement of profit or loss and other Comprehensive Income	
The statement of profit or loss and other comprehensive income shows the following amounts relating to leases:	
Lease rental expense and lease modification	**138 927**
Depreciation of right-of-use asset	**(103 387)**
Finance costs in respect of lease liability	**(55 085)**
Reduction in profit before tax	**(19 545)**

The total cash outflow for leases in 2019 was R127,5m.

	2019 R'000	2018 R'000
12. GOODWILL		
Cost	**2 630 983**	2 592 385
Accumulated impairment	**(96 327)**	(71 327)
	2 534 656	2 521 058

	Goodwill R'000
31 December 2019	
Cost	
At 1 January 2019	**2 592 385**
Acquisition of business (note 28)	**38 598**
At 31 December 2019	**2 630 983**
Accumulated impairment	
At 1 January 2019	**(71 327)**
Impairment (note 13.4)	**(25 000)**
At 31 December 2019	**(96 327)**
Carrying value at 31 December 2019	**2 534 656**
31 December 2018	
Cost	
At 1 January 2018	2 592 385
At 31 December 2018	2 592 385
Accumulated impairment	
At 1 January 2018	(71 327)
At 31 December 2018	(71 327)
Carrying value at 31 December 2018	2 521 058

12.1 ALLOCATION OF GOODWILL TO CASH-GENERATING UNITS

Goodwill has been allocated to groups which are represented by the operating segments. For impairment testing purposes, goodwill is further allocated to the individual cash-generating units.

The carrying amount of goodwill that was allocated to cash-generating groups was as follows:

	2019 R'000	2018 R'000
Perishables	**1 057 269**	1 126 250
Groceries	**936 075**	853 496
Snacks and Confectionery	**228 980**	228 980
Baking and Baking Aids	**250 468**	250 468
Household and Personal Care	**61 864**	61 864
	2 534 656	2 521 058

Refer to note 13.3 for further details on impairment testing of goodwill. Refer to the Segmental Analysis for further details on the current year reclassification of Niche Beverages and Specialised Food Packaging into Groceries.

	2019 R'000	2018 R'000
13. INTANGIBLE ASSETS		
Cost	**3 020 217**	3 084 023
Accumulated amortisation and impairment	**(928 157)**	(814 824)
	2 092 060	2 269 199

	Brands* R'000	Computer software and website costs R'000	Customer relationships R'000
31 December 2019			
Cost			
At 1 January 2019	**644 791**	**49 995**	**2 389 237**
Additions	**–**	**17 892**	**–**
Aquisition of business (note 28)	**14 141**	**–**	**–**
Disposals	**–**	**(5 752)**	**–**
Disposals of disontinued operations	**(90 087)**	**–**	**–**
At 31 December 2019	**568 845**	**62 135**	**2 389 237**
Total cost at 31 December 2019			**3 020 217**
Accumulated amortisation and impairment			
At 1 January 2019	**(42 000)**	**(25 182)**	**(747 642)**
Eliminated on disposals of assets	**–**	**5 752**	**–**
Impairments of discontinued operations	**(47 581)**	**–**	**–**
Disposals of discontinued operations	**89 581**	**–**	**–**
Amortisation charge	**(11 867)**	**(10 913)**	**(138 305)**
At 31 December 2019	**(11 867)**	**(30 343)**	**(885 947)**
Total accumulated amortisation and impairment at 31 December 2019			**928 157**
Carrying value at 31 December 2019	**556 978**	**31 792**	**1 503 290**
Total carrying value at 31 December 2019			**2 092 060**
31 December 2018			
Cost			
At 1 January 2018	644 791	34 387	2 396 506
Additions	–	16 153	–
Disposals	–	(545)	–
Disposal of non-current assets held for sale	–	–	(7 269)
At 31 December 2018	644 791	49 995	2 389 237
Total cost at 31 December 2018			3 084 023
Accumulated amortisation and impairment			
At 1 January 2018	–	(17 738)	(608 439)
Eliminated on disposals of assets	–	626	–
Disposals of discontinued operations	–	–	2 365
Amortisation charge	–	(8 017)	(140 841)
Amortisation from discontinued operations	–	(53)	(727)
Impairment relating to discontinued operations	(42 000)	–	–
At 31 December 2018	(42 000)	(25 182)	(747 642)
Total accumulated amortisation and impairment at 31 December 2018			(814 824)
Carrying value at 31 December 2018	602 791	24 813	1 641 595
Total carrying value at 31 December 2018			2 269 199
Estimated useful lives	Indefinite*	3 – 6 years	5 – 20 years

* *Comprises well-established, growing brands which are considered to have indefinite useful lives and are not amortised, except for a brand in the Household and Personal Care segment which was reassessed in the current year to have a definitive useful live of two years and is amortised accordingly.*

Certain brands and trade marks are pledged as security for the financing facilities detailed in note 34.8.

13. INTANGIBLE ASSETS continued

13.1 ALLOCATION OF BRANDS TO CASH GENERATING UNITS

	2019 R'000	2018 R'000
The carrying amount of intangible assets with indefinite useful lives was allocated to cash-generating groups as follows:		
Perishables	**412 276**	438 082
Groceries	**61 187**	69 328
Baking and Baking Aids	**11 103**	11 103
Household and Personal Care	**72 412**	84 278
	556 978	602 791

Refer to the Segmental Analysis for further details on the current year reclassification of Niche Beverages and Specialised Food Packaging into Groceries.

13.2 TOTAL VALUE OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

The aggregate value of goodwill and intangible assets with indefinite useful lives allocated to cash-generating groups was as follows:

	Goodwill	Brands	Total
Perishables	**1 057 269**	**412 276**	**1 469 545**
Groceries	**936 075**	**61 187**	**997 262**
Snacks and Confectionery	**228 980**	**–**	**228 980**
Baking and Baking Aids	**250 468**	**11 103**	**261 571**
Household and Personal Care	**61 864**	**72 412**	**134 276**
	2 534 656	**556 978**	**3 091 634**

Refer to the Segmental Analysis for further details on the current year reclassification of Niche Beverages and Specialised Food Packaging into Groceries.

13.3 IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

Annually or if there is an indication of impairment, the Group assesses the cash generating units for impairment. Goodwill acquired through business combinations, brands and customer relationships have been allocated to cash-generating units to facilitate this assessment.

The key assumptions disclosed below are based on management's experience and expectations. Management considers forecast cash flow periods of five years to be appropriate.

Methods and assumptions

The Group applies a discounted cash flow methodology (value in use) to assess the recoverable amount of cash-generating units. This methodology entails a calculation of the present value of future cash flows generated by applicable cash-generating units over an appropriate period and incorporates a terminal growth rate.

These cash flows are based on forecasts which include assumptions on profit before interest and tax, depreciation, working capital movements, capital maintenance expenditure, an appropriate discount rate and a terminal growth rate. The terminal growth rate used is dependent on the industry and maturity of the cash-generating unit.

Brands and customer relationships

The main inputs used for forecasting the recoverable amount are forecast sales to which the brands or customer relationships contribute and estimated cash flows earned from these sales, a tax rate of 28% and an appropriate discount rate.

	2019 R'000	2018 R'000
13. INTANGIBLE ASSETS continued		
13.3 IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES continued		
Discount rates		
Approximate after-tax discount rates applied	**12,5%**	12,8%
The discounted cash flow model is sensitive to the discount rates, although slight movements in the discount rate will not result in any material movements to recoverable amounts which could cause them to be exceeded by carrying amounts.		
Growth rates		
Approximate terminal growth rates applied	**5,4%**	5,1%
13.4 RECORDED IMPAIRMENTS FROM DISCONTINUED OPERATIONS – PREVIOUS DAIRY BLEND AND FRUIT CONCENTRATE NICHE BEVERAGE OPERATIONS OF ELVIN		
Impairment losses recognised during the year are as follows:		
Goodwill	**25 000**	–
Brands	**47 581**	42 000
	72 581	42 000
The trading results of the previous dairy-blend and fruit concentrate niche beverage operations were negatively impacted by numerous factors including increased competitor pressure. As a result of this, the dairy-blend and fruit concentrate operations did not meet budget targets for the current and prior year and the longer-term forecasts have been revised. In assessing the recoverable amount of this cash generating unit, management recorded the impairment losses outlined above. Effective 1 November 2019, the Group disposed of its dairy blend and fruit concentrate beverage operations. Refer to note 7 for details.		
14. DEFERRED TAX ASSETS/(LIABILITIES)		
Deferred tax asset	**5 067**	102
Deferred tax liability	**(707 000)**	(769 960)
	(701 933)	(769 858)
Balance at beginning of the year	**(769 858)**	(809 458)
Adjustment on adoption of IFRS 16 (note 11)	**19 662**	–
Charge in profit or loss – continuing operations	**34 468**	26 028
Charge in profit or loss – discontinued operations	**13 383**	13 685
Prior period adjustment correction	**4 372**	(113)
Business combination (note 28)	**(3 960)**	–
Balance at the end of the year	**(701 933)**	(769 858)
The balance at the end of the year is due to the following timing differences:		
Property, plant and equipment	**(172 402)**	(162 135)
Right-of-use assets	**(184 292)**	–
Lease liabilities	**210 144**	–
Intangible assets	**(578 235)**	(629 316)
Operating lease liability	**–**	1 847
Accruals	**38 515**	34 308
Prepaid expenses	**(3 625)**	(1 965)
Consumable stores allowance	**(13 855)**	(12 765)
Assessed losses	**5 067**	5 067
Income received in advance	**111**	971
Capital gains tax – deferred	**(3 709)**	(7 417)
Post retirement medical aid contribution liability	**2 683**	2 497
Cash flow Hedged (Forward exchange contracts)	**(2 335)**	(950)
	(701 933)	(769 858)

There are no unrecognised deferred tax losses.

	2019 R'000	2018 R'000
15. INVENTORIES		
Raw materials and components	**556 264**	485 181
Work in progress	**202 535**	224 975
Finished goods and merchandise	**340 381**	358 344
Consumable stores and spares	**19 543**	19 298
Goods in transit	**102 074**	67 141
Provision for stock write-down: finished goods	**(21 178)**	(33 609)
	1 199 619	1 121 330

All inventories are carried at cost, with the exception of certain items of finished goods against which a provision for stock write-down of R 21.2m (2018: R 33.6m) has been raised.

The cost of inventories recognised as an expense during the period was R6.0bn (2018: R6.1bn).

	2019 R'000	2018 R'000
16. TRADE AND OTHER RECEIVABLES		
Trade receivables	**1 611 843**	1 500 470
Less: loss allowance	**(6 394)**	(17 792)
	1 605 449	1 482 678
Prepayments and deposits	**83 247**	73 990
Value-added tax receivable	**41 365**	42 172
Other receivables	**33 402**	29 198
	1 763 463	1 628 038

16.1 TRADE RECEIVABLES

Trade receivables disclosed above are classified as financial assets at amortised cost

Movement in the loss allowance	2019 R'000	2018 R'000
Balance at beginning of the year	**17 792**	25 571
Amounts raised during the current year	**6 394**	17 792
Amounts reversed during the current year	**(17 792)**	(25 571)
Balance at end of the year	**6 394**	17 792

The Group's policy is to provide fully for those customers who have been identified as non-recoverable. The credit quality of the customer base is considered to be good, based on historical default rates. In the current year the Group wrote off R1.3m (2018: R1.5m) of bad debts. The Group's top three customers, being leading retailers, comprise 28% of the carrying amount of trade receivables . The Group limits its credit exposure risk by dealing mainly with well-established institutions of high credit standing. Accordingly, the directors believe that no further provision is required in excess of the allowance for doubtful debts.

	2019 R'000	2018 R'000
17. BIOLOGICAL ASSETS		
Mushrooms	**29 407**	26 662
	29 407	26 662

The Group is engaged in mushroom production for supply to various customers.

The fair value of mushrooms in the growing cycle is calculated as the future expected net cash flows from the asset, which includes a number of assumptions, primarily based on the historical production yield and the weighted average selling price per kilogram produced.

The Group is exposed to financial risks that may arise from disease affecting its mushroom plant. Stringent biosecurity measures are in place to limit the effect of this risk.

	2019 R'000	2018 R'000
Balance at beginning of the year	**26 662**	26 162
Transferred for processing and sold	**(94 336)**	(64 907)
Gain arising from change in fair value due to physical change	**95 332**	63 241
Gain arising from change in fair value less estimated point of sale costs	**145**	255
Changes attributable to raw materials and overheads	**1 604**	1 911
Balance at the end of the year	**29 407**	26 662
The biological asset valuation comprised:		
Compost production cycle	**7 842**	7 397
Growing room cycle	**14 185**	13 025
Rooms in cropping	**7 085**	5 965
Spent compost	**295**	275
	29 407	26 662

Management performs regular industry trend analysis to ensure that the Group's pricing structure is in line with the market and to ensure that the projected harvest volumes are consistent with the expected demand.

	2019 R'000	2018 R'000
18. OTHER FINANCIAL ASSETS		
Financial assets carried at fair value through profit or loss (FVTPL)		
Foreign exchange contracts[1]	**485**	8 229
Financial assets carried at amortised cost	**15 409**	17 710
Loans to related parties	**3 411**	3 411
Loan to Kelloggs Tolaram South Africa Proprietary Limited	**8 172**	10 691
Other	**3 826**	3 608
Financial assets carried at fair value through other comprehensive income (FVTOCI)		
Foreign exchange contracts – cash flow hedges[1]	**21 523**	–
	37 417	25 939
Non-current assets	**5 824**	8 018
Current assets	**31 593**	17 921
	37 417	25 939

1 There has been no changes to the classification during the current financial year except for forward exchange contracts. The Group applied hedge accounting from 1 January 2019 to a significant portion of the Group's segments. The majority of the forward exchange contracts are therefore classified at Fair Value through Other Comprehensive Income for the year ended 31 December 2019. Refer to the Accounting Policies for the hedge accounting policy.

18.1 LOANS TO RELATED PARTIES

	2019 R'000	2018 R'000
Amazing Stars Proprietary Limited	**3 411**	3 411

The above amount represents the amounts receivable from management shareholders in respect of the purchase of non-controlling interests in subsidiaries as detailed in Note 22.

18.2 LOANS TO OTHER ENTITIES

	2019 R'000	2018 R'000
Kelloggs Tolaram South Africa Proprietary Limited	**8 172**	10 691

The loan is repayable in sixty monthly instalments and bears interest at the prime interest rate plus 1.00%. The loan is secured by the assets sold.

	2019 R'000	2018 R'000
19. CASH AND BANK BALANCES		
Cash on hand	**1 583**	4 990
Bank balances	**1 098 228**	982 006
Short-term deposits	**441**	416
Bank overdrafts	**(245 637)**	(158 072)
	854 615	829 340
Current assets	**1 100 252**	987 412
Current liabilities	**(245 637)**	(158 072)
	854 615	829 340

Bank overdrafts form an integral part of the Group's cash management and are included as cash equivalents.

The Group has signed a cession of all its rights and claims in respect of bank accounts maintained in its jurisdiction of incorporation, from time to time.

Refer to note 34.8 Liquidity risk management for details of financing facilities and details about securities for bank facilities.

	2019 R'000	2018 R'000
20. SHARE CAPITAL		
Share capital	**4 727 314**	4 818 884
Share premium	**–**	–
	4 727 314	4 818 884
Authorised capital comprises:		
10,000,000,000 ordinary shares of no par value		
1,000,000 preference shares		
Issued capital comprises:		
595,812,254 (2018 :607,759,505) fully paid ordinary shares of no par value	**4 727 314**	4 818 884
1,000,000 preference shares of no par value	**–**	–
	4 727 314	4 818 884

	Number of shares[1]	Share capital
20.1 FULLY PAID ORDINARY SHARES		
Balance at 1 January 2018	3 910 973	4 187 177
Share split	484 960 644	–
Share issue	193 049 783	1 500 730
Capital distribution	–	(800 000)
Treasury shares	(73 049 783)	(730)
Share repurchase	(1 112 112)	(7 964)
Capitalisation of costs directly attributable to issue of shares	–	(60 329)
Balance at 31 December 2018	**607 759 505**	**4 818 884**
Share repurchase	**(11 947 251)**	**(91 570)**
Balance at 31 December 2019	**595 812 254**	**4 727 314**

1 *Included in the number of shares are 73 049 783 treasury shares with a share capital of R0.7m wholly owned by an Employee Share Trust established for the benefit of employees of the group.*

Alterations to authorised and issued shares

- During the year 11,974,251 shares were repurchased. There were no additional shares issued in the current year;
- In the prior year the shareholders of the Company approved the subdivision of each Ordinary Share into 125 Ordinary Shares such that, following the Subdivision, the Company had an authorised Ordinary Share capital consisting of 1 250 000 000 Ordinary Shares and an issued Ordinary Share capital consisting of 488 871 625 Ordinary Shares; and
- In the prior year the shareholders of the Company approved an increase in the number of authorised Ordinary Shares by 8 750 000 000 Ordinary Shares such that the number of authorised Ordinary Shares is 10 000 000 000 Ordinary Shares.

21. EMPLOYEE BENEFITS

	2019 R'000	2018 R'000
Post-retirement medical aid contribution liability		
Actuarially determined present value of unfunded obligations	**9 583**	8 919
Movement in present value of the defined benefit obligation		
Balance at the beginning of the year	**8 919**	8 372
Transfer from statement of comprehensive income – operating profit	**823**	432
Current service costs	**75**	58
Interest cost	**748**	374
Contributions paid	**(620)**	(464)
Actuarial loss recognised in other comprehensive income:	**461**	579
arising from changes in demographic assumptions	**367**	504
arising from changes in financial assumptions	**(203)**	(67)
arising from change in actuarial experience	**297**	142
	9 583	8 919

The Company has an obligation to provide certain post-retirement medical aid benefits to certain eligible employees and pensioners. The entitlement to these benefits for current employees is dependent upon the employee remaining in service until retirement age. The scheme is not a funded arrangement and no separate assets are held to meet the liability. The funded status of the scheme is therefore equal to the negative value of the accrued liability.

The actuarial valuation of the post-retirement medical aid contributions liability was performed at 31 December 2019.

	2019 R'000	2018 R'000
Expense recognised in profit or loss		
Current service costs	**75**	58
Interest on obligation	**748**	374
Actuarial losses recognised in other comprehensive income (pre-tax)		
Amount accumulated in retained earnings at the beginning of the year	**2 440**	1 861
Recognised during the year	**461**	579
Amount accumulated in retained earnings at the end of the year	**2 901**	2 440
Net actuarial losses recognised in other comprehensive income (post-tax)	**2 089**	1 757
Actuarial assumptions		
The following are the principal actuarial assumptions at the reporting date:		
Discount rate	**10.1%**	10.1%
Medical inflation	**7.3%**	7.5%
Average duration of the obligation	**11.75 years**	12 years
Last actuarial valuation – South Africa	**31 December 2019**	
Full/interim valuation	**Full**	
Valuation method adopted	**Projected Unit Credit**	

Healthcare cost inflation risk

Medical aid contribution increases have outpaced price inflation and a 1,5% was added to the price inflation to account to align with the healthcare inflation. An increase in healthcare cost inflation will increase the obligation of the plan.

Sensitivity analysis

Assumed medical aid contribution rates have a significant effect on the amounts recognised in profit or loss. A one percentage point change in assumed medical aid contribution rates would have the following effects:

	Increase	Decrease
Effect on the aggregate service and interest cost	**121**	(100)
Effect on defined benefit obligation	**1 062**	(893)

	2019 R'000	2018 R'000
22. PREMIUM ON ACQUISITION OF NON-CONTROLLING INTERESTS		
Balance at the beginning of the year	**(75 168)**	(63 624)
Transfer of reserves from non-controlling interests	–	(176)
Acquisition of non-controlling interests	–	(11 368)
	(75 168)	(75 168)

There were no acquisitions of minority interests in subsidiaries in the current financial year.

During 2018, the Group acquired additional interests in certain subsidiaries as outlined below:

- Berfin World Wide Proprietary Limited – 30%
- Palpable Way Trade and Invest Proprietary Limited – 26.32%

	2019 R'000	2018 R'000
23. SHARE-BASED PAYMENTS		
Non-current liabilities:		
Cash settled share appreciation rights (LTI scheme)	**2 353**	20 811
Cash settled share based payments (LTIP)	**6 194**	–
	8 547	20 811
Current liabilities		
Cash settled share appreciation rights (LTI scheme)	**4 156**	–
Equity:		
Equity settled share based payments (GSP)	**2 211**	–

23.1 DETAILS OF THE CASH SETTLED SHARE APPRECIATION RIGHTS SCHEME OF THE GROUP (LTI SCHEME)

During 2016, the Group established a share appreciation rights scheme for executives and senior employees of the Group. In accordance with the terms of the plan, qualifying executives and senior employees may be awarded units annually, based upon their performance. Each unit allocated is the equivalent of an ordinary share in the Group. The units allocated are issued at the then prevailing market value of an ordinary share in the Group and incorporates a suitable discount factor. The units vest over a three year period from the date of issue. Upon vesting of a unit, the holder thereof is entitled to receive the difference between the then determined market value of the unit and its issue price, payable in cash.

The number of units granted is calculated in accordance with the performance-based formula approved by the Board and the remuneration committee. The formula rewards executives and senior employees to the extent of the Group's and the individual's achievement judged against both qualitative and quantitative criteria from the following financial measures:

- Improvement in share price;
- Improvement in net profit; and
- Employee performance bonus for the prior financial year.

The number of units previously granted were adjusted for subdivision allocations prior to the Initial Public Offering. Issue prices were adjusted to take into account a suitable discount factor.

The Group is in the process of winding down this scheme, and the final allocations in terms of this scheme were made in the current year. The LTI scheme will run its course and units will vest in terms of the rules of the LTI scheme up to 2022.

The following share appreciation rights were awarded during the current financial year:

Unit series	Number	Vesting date	Issue price
(1) Granted on 1 January 2016	**4 086 513**	**31/12/2018**	**9,79**
(2) Granted on 1 January 2017	**4 593 946**	**31/12/2019**	**11,87**
(3) Granted on 1 January 2018	**7 150 161**	**31/12/2020**	**12,92**

23. SHARE-BASED PAYMENTS continued

23.1 DETAILS OF THE CASH SETTLED SHARE APPRECIATION RIGHTS SCHEME OF THE GROUP (LTI SCHEME) continued

23.1.1 Fair value of the share appreciation rights allocated in the year

The total movement of the share appreciation rights during the financial year is a decrease of R9,8m (2018: R13,2m decrease). Units were priced using the Economic Value Added model. Expected volatility is based on the historical share price volatility over the past 3 years.

Inputs into the model

	2019	2018
Issue date share price	–	R12,92
Expected vesting date share price	–	R13,84
Expected volatility	–	15.0%
Vesting period	–	3 years
Dividend yield	–	–
Risk-free interest rate	–	8.9%

23.1.2 Movements in share appreciation rights during the year

The following table reconciles the share appreciation rights outstanding:

	Number of units issued	Weighted average issue price R	Number vested	Value R'000
Balance at 1 January 2018	8 680 459	11,87	–	34 019
Movement in fair value of units issued in 2018	(4 086 513)	–	–	(18 945)
Allocated during the year	7 150 161	12,92	4 086 513	5 737
Balance at 1 January 2019	**11 744 107**	**12,92**	**4 086 513**	**20 811**
Movement in fair value of units issued in 2019	**(4 593 946)**	–	–	**(14 302)**
Balance at 31 December 2019	**7 150 161**	**12,77**	**8 680 459**	**11 018**

The first allocation of units vested in full on 31 December 2018. The second allocation of units vested in full on 31 December 2019.

23. SHARE-BASED PAYMENTS continued

23.2 DETAILS OF THE LONG-TERM INCENTIVE SCHEME OF THE GROUP – (LTIP SCHEME)

The Group has developed a new cash-settled long term incentive scheme (known as the LTIP). The LTIP is designed as a cash-settled incentive scheme whereby senior employees may be awarded notional units which are linked to the price of ordinary shares of the Group. The LTIP is regulated by a detailed set of rules. As with the previous LTI scheme, the LTIP seeks to attract and retain senior employees and promote ongoing loyalty, commitment and motivation. All senior employees are eligible to participate in the LTIP. The LTIP is implemented by the Board through the direction of the Remuneration Committee. On an annual basis, senior employees may be offered three components (i) allocations of Share Appreciation Rights ("SARs"), (ii) awards of the Performance Share Plan ("PSP"), or (iii) grants of the Forfeitable Share Plan ("FSP").

A summary of each component of offer under LTIP is set out below.

23.2.1 Share appreciation rights (SARs)

On 4 April 2019, eligible employees were allocated conditional and notional awards, at an allocation price of R8.08, which if settled in the future will be settled in cash equal to the appreciation of Libstar Holdings Limited ("Libstar") shares as calculated on the exercise date. Settlement is contingent on the extent to which the performance criteria has been met and the holder exercising their right. Award holders shall be settled a cash amount to the value of X, which will be determined as follows:

A = appreciation in Libstar share market value = Libstar share market value at exercise date – allocation price

N = number of vested rights exercised

X = N x A

Award holders are not entitled to a dividend during the life of the award. The awards vest 3 years after allocation, from which point the rights may be exercised to the extent that the performance condition, as described below, has been met. The awards may be exercised for the next 4 years, ie: between the vesting date of 4 April 2022 and the maturity date of 4 April 2026.

The performance condition is measured over a minimum of a 3 year period starting at the allocation date and ending at the vesting date. The real growth in normalised headline earnings ("NHE") of Libstar is compared to the consumer price index ("CPI") using a vesting scale of the NHE versus CPI to determine the portion of awards that will vest. Vesting is further contingent on the award holder remaining employed by the Group.

The SARs was valued by utilising the binomial tree approach valuation method. The result of which represent the fair value per unit (excluding pre-vesting forfeiture), which is fixed in time. A range of expected vesting percentages for the NHE vs. CPI performance condition were utilised. The number of awards was adjusted by these expected vesting percentages as well as adjusted for pre-vesting forfeiture to arrive at a number of awards expected to vest. The fair value per unit was then multiplied the number of awards expected to vest to arrive at a total value. Refer to 23.2.4 for the inputs and assumptions used in the measurement of the fair values at grant date and reporting date.

There were no SARs granted in prior years, and none of the SARs had vested as at 31 December 2019. Refer to 23.2.4 for number of awards issued during the current financial year.

23. SHARE-BASED PAYMENTS continued

23.2 DETAILS OF THE LONG-TERM INCENTIVE SCHEME OF THE GROUP – (LTIP SCHEME) continued

23.2.2 Performance Share Plan (PSP)

On 4 April 2019, eligible employees were allocated conditional and notional awards, which if settled in the future will be settled in cash equal to the value of Libstar shares. Settlement is contingent on the extent to which the 3 performance criteria have been met and the award holder exercising their right.

In contrast to the SARs, the award holders do not pay any consideration for the awards and receive the cash equal to the Libstar share value in full. The awards vest 3 years after allocation on 4 April 2022, from which point the rights may be exercised to the extent that certain performance conditions, as described below, have been met. The performance conditions are measured over the 3 year period starting at the allocation date and ending at the vesting date.

The PSP is subject to the following performance conditions in the proportions stated:

1. NHE vs. CPI performance condition (as described in section 23.2.1) – 30%;
2. ROAA vs. WACC performance condition (as described below) – 30%; and
3. TSR performance condition (as described below) – 40%.

The Libstar return on adjusted assets (“ROAA”) is compared to the Libstar adjusted weighted average cost of capital (“WACC”) using a vesting scale to determine the portion of awards that will vest under the ROAA versus WACC performance condition.

Libstar’s total shareholder return (“TSR”) will be compared to the TSR of a group of peer companies, each weighted by their market capitalisation using a vesting scale to determine the portion of awards that will vest under the TRS performance condition.

Vesting is further contingent on the award holder remaining employed by the Group. There were no PSPs granted in prior years, and none of the PSPs had vested as at 31 December 2019. Refer to 23.2.4 for number of awards issued during the current financial year.

23.2.3 Details of the Forfeitable Share Plan (FSP)

On 4 April 2019, eligible employees were allocated conditional and notional awards which if settled in the future will be settled in cash equal to the value of Libstar shares. Settlement is contingent on the extent to which the performance criteria has been met and the holder exercising their right. Award holders shall be settled a cash amount to the value of X, which will be determined as follows:

S = Libstar share market value at allocation, reduced for expected dividends during the vesting period

N = number of vested rights exercised

X = N x S

In contrast to the SARs, the award holders do not pay any consideration for the awards and receive the cash equal to the Libstar share value in full.

The awards vest 3 years after allocation at 4 April 2022, when the rights may be exercised to the extent that the performance condition, as described below, have been met.

The performance condition is measured over the 3 year period starting at the allocation date and ending at the vesting date. The awards will vest if Libstar attains a “Complaint Contributor” status in terms of B-BBEE and Transformation on an all-or-nothing basis. Vesting is further contingent on the award holder remaining employed by the Group.

There were no FSPs granted in prior years, and none of the FSPs had vested as at 31 December 2019. Refer to 23.2.4 for the number of awards issued during the current financial year.

23. SHARE-BASED PAYMENTS continued

23.2 DETAILS OF THE LONG-TERM INCENTIVE SCHEME OF THE GROUP – (LTIP SCHEME) continued

23.2.4 Fair value of the LTIP

Valuation methods:

The SARs was valued by utilising the binomial tree approach valuation method. The result of which represent the fair value per unit (excluding pre-vesting forfeiture), which is fixed in time. A range of expected vesting percentages for the NHE vs. CPI performance condition were utilised. The number of awards were adjusted by these expected vesting percentages as well as adjusted for pre-vesting forfeiture to arrive at a number of awards expected to vest. The fair value per unit was then multiplied by the number of awards expected to vest to arrive to a total value. Refer to the below for the inputs and assumptions used in the measurement of the fair values at grant date and reporting date.

The PSP was valued in two parts:

1. Fair value per unit (excluding performance conditions)

   The fair value per unit (excluding performance conditions) is calculated as the share price at valuation date, reduced for expected dividends over the remainder of the vesting period. The fair value per unit is then multiplied by the number of shares remaining adjusted for forfeiture.

2. Proportion of shares vesting under the performance conditions

   To determine the number of shares that will vest at the end of the vesting period as a result of the performance conditions, a model was built that has both stochastic (i.e. random future outcomes) and deterministic (i.e. fixed future outcomes) features. Awards subject to the NHE vs. CPI and ROAA vs. WACC performance conditions were modelled deterministically and awards applicable to the TSR condition were modelled stochastically with a Monte Carlo Simulation Model.

The FSP was valued in two parts:

1. Fair value per unit (excluding forfeiture)

   The fair value per unit (excluding forfeiture) is calculated as the share price at valuation date, reduced for expected dividends over the vesting period. The fair value per unit is then multiplied by the number of shares remaining adjusted for forfeiture.

2. Proportion of shares expected to vest

   A range of expected vesting percentages for the B-BBEE performance condition were provided by management. The number of awards were adjusted by these expected vesting percentages as well as adjusted for forfeiture to arrive at a number of awards expected to vest. The fair value per unit was then multiplied by the number of awards expected to vest to arrive at a total value.

23. SHARE-BASED PAYMENTS continued

23.2 DETAILS OF THE LONG-TERM INCENTIVE SCHEME OF THE GROUP – (LTIP SCHEME) continued

23.2.4 Fair value of the LTIP continued

The following inputs were used as at 31 December 2019 to calculate a fair value for the 3 components of the LTIP. Service and non-market performance conditions attached to the arrangements were not taken into account in measuring fair values.

	2019
Valuation date	**31 December 2019**
Grant date	**4 April 2019**
Vesting date	**4 April 2022**
Maturity date	**4 April 2026**
Share price at grant date	**R8.08**
Share price at valuation date	**R7.59**
Awards issued – SARs	**7 110 829**
Awards issued – PSP	**1 377 944**
Awards issued – FSP	**344 593**
Forfeiture rate p.a	**5.00%**
Dividend yield p.a	**See table below**
Risk-Free interest rate	**BESA Swap Curve**
Volatility	**See table below**
Exercise Multiple	**1.8**
Non-Market performance conditions vesting percentages	**See table below**
Expected Dividend Yields	
Scenarios	
Lower Bound	**3.00%**
Mid Estimate	**3.25%**
Upper Bound	**3.50%**
Volatility Range	
Scenarios	
Lower Bound	**36.04%**
Mid Estimate	**38.54%**
Upper Bound	**41.04%**
Volatility was calculated based on the daily returns of the share price, under the assumption that the natural logarithm of the share price returns are normally distributed. Since the Libstar share price data only exists from 8 May 2018, the standard deviation of the daily log returns on the available data as at the valuation date of 31 December 2019 was considered to arrive at a range which is deemed to be reasonable.	
Non-Market Performance Conditions Vesting Percentages	
Expected NHE vs. CPI Performance Condition Vesting Percentages	
Scenarios	
Lower Bound	**65.00%**
Mid Estimate	**70.00%**
Upper Bound	**75.00%**
Expected ROAA vs. WACC Performance Condition Vesting Percentages	
Scenarios	
Lower Bound	**75.00%**
Mid Estimate	**80.00%**
Upper Bound	**85.00%**
Expected B-BBEE Performance Condition Vesting Percentages	
Scenarios	
Lower Bound	**70.00%**
Mid Estimate	**75.00%**
Upper Bound	**80.00%**

23. SHARE-BASED PAYMENTS continued

23.2 DETAILS OF THE LONG-TERM INCENTIVE SCHEME OF THE GROUP – (LTIP SCHEME) continued

23.2.5 Movements in LTIP components during the year

The following table reconciles the 3 LTIP components outstanding:

	Number of units issued	Weighted average issue price R	Number vested	Value R'000
Share Appreciation Rights (SARs)				
Balance at 1 January 2019	–	–	–	–
Awards issued – 4 April 2019	8 474 882	8,08	–	3 743
Movement in fair value of units issued in 2019	(1 364 053)	–	–	(969)
Balance at 31 December 2019	7 110 829	8,08	–	2 774
Performance Share Plan (PSP)				
Balance at 01 January 2019	–	–	–	–
Awards issued – 4 April 2019	1 586 360	8,08	–	3 158
Movement in fair value of units issued in 2019	(208 416)	–	–	(418)
Balance at 31 December 2019	1 377 944	8,08	–	2 740
Forfeitable Share Plan (FSP)				
Balance at 1 January 2019	–	–	–	–
Awards issued – 4 April 2019	396 659	8,08	–	736
Movement in fair value of units issued in 2019	(52 066)	–	–	(56)
Balance at 31 December 2019	344 593	8,08	–	680
Total balance of the LTIP at 31 December 2019	8 833 366		–	6 194

23.3 DETAILS OF THE GROUP SHARE PLAN – GSP

The Group has also developed a new share-settled Group Share Plan ("GSP"). On an annual basis, senior employees may be offered 3 components (i) allocations of Share Appreciation Rights ("SARs"), (ii) awards of the Performance Share Plan ("PSP"), or (iii) grants of the Forfeitable Share Plan ("FSP").

These allocation methods of the 3 components are substantially similar to those used in the LTIP. The difference is that the GSP is settled in Libstar shares to the value of the awards as opposed to the LTIP which is settled in cash. The GSP is an equity settled share scheme and the grant date was 31 July 2019. Further details of the GSP components are not included and should be read together with the LTIP scheme components above. Refer to secion 23.2.1 – 23.2.3.

23. SHARE-BASED PAYMENTS continued

23.3 DETAILS OF THE GROUP SHARE PLAN – GSP continued

23.3.2 Fair value of the GSP

The valuation methods used to value the 3 components of the GSP are substantially similar to the valuation methods of the LTIP. Refer to section 23.2.4 for further details.

The following inputs were used as at 31 December 2019 to calculate a fair value for the 3 components of the GSP. Service and non-market performance conditions attached to the arrangements were not taken into account in measuring fair values.

	2019
Valuation date	31 July 2019
Grant date	31 July 2019
Vesting date	31 July 2022
Maturity date	31 July 2026
Share price at grant date	R8.65
Awards issued – SARs	2 269 550
Awards issued – PSP	1 274 590
Awards issued – FSP	318 796
Forfeiture rate p.a	5.00%
Dividend yield p.a	See table in section 23.2.4
Risk-Free interest rate	BESA Swap Curve
Volatility	See Table in section 23.2.4
Exercise Multiple	1.8
Non-Market performance conditions vesting percentages	See Table in section 23.2.4

23.3.3 Movements in GSP components during the year

The following table reconciles the 3 GSP components as at 31 December 2019:

	Number of units issued	Weighted average issue price R	Number vested	Value R'000
Share Appreciation Rights (SARs)	2 269 550	8,56	–	597
Performance Share Plan (PSP)	1 274 590	8,56	–	1 391
Forfeitable Share Plan (FSP)	318 796	8,56	–	223
Total balance of the GSP at 31 December 2019	3 862 936		–	2 211

There were no awards granted in prior years, and none of the SARs, awards of the PSP and FSP vested as at 31 December 2019.

23.4 EXPENSES ARISING FROM SHARE-BASED PAYMENT TRANSACTIONS

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	2019 R'000	2018 R'000
Charges/(credit) relating to share appreciation rights granted (LTI scheme)	(1 456)	(13 208)
Charges relating to long-term incentive scheme (LTIP scheme)	6 194	–
Charges relating to share based payments (GSP)	2 211	–
	6 949	(13 208)

24. OTHER FINANCIAL LIABILITIES

	2019 R'000	2018 R'000
Financial liabilities carried at fair value through profit or loss (FVTPL)		
Foreign exchange contracts[1]	**1 330**	2 229
Financial liabilities carried at amortised cost		
Bank loans	**1 720 000**	1 670 000
Asset based finance	**425 077**	285 424
Loans payable	**38 060**	38 906
Other financial liabilities (note 24.4)	**4 353**	2 118
Financial liabilities carried at fair value through other comprehensive income (FVTOCI)		
Foreign exchange contracts – cash flow hedges[1]	**10 887**	–
	2 199 707	1 998 677
Non-current	**2 087 970**	1 921 591
Current	**111 737**	77 086
	2 199 707	1 998 677

1 *There has been no changes to the classification during the current financial year except for forward exchange contracts. The Group applied hedge accounting from 1 January 2019 to a significant portion of the Group's segments. The majority of the forward exchange contracts are therefore classified at Fair Value through Other Comprehensive Income for the year ended 31 December 2019. Refer to the Accounting Policies for the hedge accounting policy.*

24.1 BANK LOANS

	2019 R'000	2018 R'000
Senior Facility Term Loan A		
– Nedbank Limited	**335 000**	335 000
– Standard Bank of South Africa Limited	**335 000**	335 000

The loans were refinanced in November 2018. The loans bear interest at the prevailing jibar rate plus 1.68%. The loans are payable in a single bullet payment in November 2022. Prior to refinancing the loans bore interest at the prevailing jibar rate plus 2.85% and were repayable quarterly.

	2019 R'000	2018 R'000
Senior Facility Term Loan B		
– Nedbank Limited	**500 000**	500 000
– Standard Bank of South Africa Limited	**500 000**	500 000

The loans were refinanced in November 2018. The loans bear interest at the prevailing jibar rate plus 1.75%. The loans are repayable in a single bullet payment, in November 2023. Prior to the refinancing the loans bore interest at the prevailing jibar rate plus 3.30% and were repayable as a single bullet payment on 2 October 2020 with interest repayable quarterly.

	2019 R'000	2018 R'000
Senior Facility Term Loan C		
– Nedbank Limited	**25 000**	
– Standard Bank of South Africa Limited	**25 000**	–

The loans were refinanced in November 2018. The loans bear interest at the prevailing jibar rate plus 1.85%. The loans are repayable in a single bullet payment, in November 2023.

	2019 R'000	2018 R'000
The above loans are secured as detailed in note 34.8.	**1 720 000**	1 670 000

24.2 ASSET BASED FINANCE

	2019 R'000	2018 R'000
Standard Bank of South Africa Limited	**139 649**	170 656
Nedbank Limited	**268 217**	96 929
Other	**17 211**	17 839
	425 077	285 424

The asset based financial liabilities are held by various financial institutions, are repayable in monthly instalments over an average of 5 years and bear interest at rates between the prevailing prime interest rate and 1.4% less per annum.

The above asset based financial liabilities are secured as detailed in note 34.8.

	2019 R'000	2018 R'000
24. OTHER FINANCIAL LIABILITIES continued		
24.3 LOANS PAYABLE		
	8 306	9 152
Mark Pollock Investments Proprietary Limited	**4 153**	4 576
ARH Investments Proprietary Limited	**4 153**	4 576
The loans are unsecured, bear interest at the prime interest rate and are repayable over variable periods between 1 – 5 years.		
G McGregor	**19 736**	19 736
The loans is unsecured, interest free and has no fixed repayment term.		
Gham Gourmet Proprietary Limited	**10 018**	10 018
The loan is unsecured, interest free and has no fixed repayment terms. The loan is subordinated in favour of the creditors of Libstar Food Solutions Proprietary Limited.		
	38 060	38 906
24.4 OTHER FINANCIAL LIABILITIES		
Amounts payable to executive management		
The Terry Millar Family Trust	**2 118**	2 118
The above amount represents the settlement value of the put option exercised by executive management during December 2017. The above amounts will be settled in the next financial year.		
Amounts payable to other parties		
WD Vermeulen	**2 235**	–
The above amounts relate to payments due to trade creditors in Healthwise Proprietary Limited which were acquired on 1 October 2019 and settled by WD Vermeulen on half of the Group. The above amounts were settled in the next financial year.		
	4 353	2 118
25. TRADE AND OTHER PAYABLES		
Trade payables	**1 088 308**	1 068 802
Accrued expenses	**291 359**	258 380
Value-added tax payable	**52 828**	40 400
Other payables	**30 007**	33 755
	1 462 502	1 401 337

	2019 R'000	2018 R'000
26. CASH GENERATED FROM CONTINUING OPERATIONS		
Profit before taxation from continuing operations	**493 009**	399 826
Adjustments for:	**629 947**	568 391
Depreciation, amortisation and impairments	**433 296**	301 773
Loss on disposal of property, plant and equipment	**466**	3 190
IFRS 16 non-cash lease modifications	**(11 275)**	–
Investment income	**(54 025)**	(47 617)
Finance costs	**262 774**	269 310
Fair value adjustment on forward exchange contracts	**4 276**	47 257
Movements in employee benefits	**332**	547
Movements in operating lease assets and accruals	**–**	7 139
Movements in share based payments	**(5 897)**	(13 208)
Share based payments in terms of LTIP scheme	**(12 846)**	–
Other non-cash movements in share based payments	**6 949**	13 208
Changes in working capital:	**(178 179)**	(92 030)
(Increase)/decrease in inventories	**(96 600)**	15 777
Increase in trade and other receivables	**(140 671)**	(9 930)
Increase in biological assets	**(2 745)**	(500)
Increase/(decrease) in trade and other payables	**61 837**	(97 377)
	944 777	876 187
Cash generated discontinued operations		
Loss before taxation from discontinued operations	**(90 440)**	(64 591)
Adjustments for:	**70 500**	54 482
Depreciation, amortisation and impairments	**77 284**	47 667
(Profit)/loss on disposal of property, plant and equipment	**(7 000)**	6 815
Finance income	**–**	–
Finance costs	**–**	–
	(19 940)	(10 109)
27. TAXATION PAID		
Balance at beginning of the year	**(1 443)**	11 151
Current tax for the year recognised in profit or loss	**(170 793)**	(151 935)
Prior period adjustment correction to deferred tax	**(4 371)**	–
Balance at end of the year	**(14 797)**	1 443
	(191 404)	(139 341)

28. ACQUISITION OF BUSINESS

The acquisition was accounted for using the acquisition method where the Group performed a purchase price allocation.

28.1 SUMMARY OF ACQUISITION OF BUSINESS ACQUIRED DURING 2019 – HEALTHWISE FOODS PROPRIETARY LIMITED

On 1 October 2019, the Group acquired the full business operations of Healthwise Foods Proprietary Limited for a consideration of R50m. Healthwise Foods Proprietary Limited is a rooibos tea, fruit juice and spices distributor. The acquisition has increased the Group's footprint within the Groceries segment. Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	R'000
Fair value of purchase consideration (refer to 28.2 below):	
Cash paid	**50 000**
The fair value of the assets and liabilities acquired is reflected below:	
Property, plant and equipment	**12**
Inventories	**4 149**
Other payables	**(2 941)**
Brands	**14 141**
Deferred tax liability	**(3 959)**
Net identifiable assets acquired	**11 402**
Less: non-controlling interests	**–**
Add: Goodwill	**38 598**
Net assets acquired	**50 000**
The goodwill is attributable to the profitability of the acquired business. It will not be deductible for tax purposes.	
During the year ended 31 December 2019, the acquired business contributed the following to the Group's revenue and net profit for the period from 1 October 2019 to 31 December 2019:	
Revenue	**10 881**
Profit after tax	**2 142**

There were no acquisitions in the year ending 31 December 2018.

28.2 PURCHASE CONSIDERATION – CASH OUTFLOW

Outflow of cash to acquire subsidiary	
Cash consideration	(50 000)
Net outflow of cash – investing activities	(50 000)

Cash and bank overdraft balances at acquisition date were excluded from the business combination.

	2019 R'000	2018 R'000
29. COMMITMENTS		
Minimum lease payments due on operating leases – as lessee (expense)		
– within one year	–	111 312
– in second to fifth year inclusive	–	281 616
– later than five years	–	104 847
	–	497 775

From 1 January 2019, the Group has recognised a lease liabilities in accordance with IFRS 16 Leases, except for short-term and low-value leases. See note 11 for further information.

30. GOVERNMENT GRANTS

During the year, the Group was awarded a government grant of R 0.2m (2018: R 0.2m). The Group benefits from such assistance under the Manufacturing Competitiveness Enhancement Program, Skills Development and under the Employer Tax Incentive program.

All government grants received during the current financial year have been classified as income and all conditions relating to these grants have been fulfilled.

31. RELATED PARTY DISCLOSURES

31.1 RELATED PARTY RELATIONSHIPS

Shareholders

In so far as it is known to the Company, the following shareholders, directly or indirectly beneficially hold 5% or more shares in the issued shares:

APEF Pacific Mauritius Limited
Government Employees Pension Fund
Business Venture Investments 2071*

Directors

W Luhabe (Chairman)
JP Landman (Lead – independent director)
S Masinga
S Khanna
WS Hamid – Resigned 12 August 2019
AV van Rensburg
RW Smith
CB De Villiers – Appointed 1 January 2020

* *Business Venture Investments No 2071 (RF) Proprietary Limited (BDT SPV), is wholly-owned by a Employee Share Trust established for the benefit of employees of the Group.*

31.2 RELATED PARTY BALANCES

Refer to note 18.1, note 24.3 and 24.4

31.3 RELATED PARTY TRANSACTIONS

Directors' remuneration
Refer to note 9.

Interest received from non-controlling shareholders of subsidiaries
Refer to note 4 and note 5.

Dividends paid to shareholders and non-controlling shareholders of subsidiaries
Refer to consolidated statement of changes in equity.

32. SUBSEQUENT EVENTS

The following material events occurred during the period subsequent to 31 December 2019 but prior to these financial statements being authorised for issue:

32.1 DIVIDEND DECLARED

The Board of Libstar has approved and declared a final cash dividend of 25 cents per ordinary share (gross) in respect of the year ended 31 December 2019.

33. GOING CONCERN

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

34. RISK MANAGEMENT

34.1 FINANCIAL RISK MANAGEMENT OBJECTIVES

The divisions within the Group monitor and manage the financial risks relating to their operations through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group seeks to minimise the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the Board of directors, which provide written principles on foreign exchange risk. Compliance with policies and exposure limits are reviewed by the internal auditor funtion on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Where all relevant criteria are met from 1 January 2019, hedge accounting is applied to a significant portion of the Group's segments for the first time for the year ended 31 December 2019 to remove the accounting mismatch between the hedging instrument and the hedged item. This will effectively result in recognising inventory at the fixed foreign currency rate for the hedged purchases.

34. RISK MANAGEMENT continued

34.2 DERIVATIVES

The Group has the following derivative financial instruments in the following line items in the balance sheet:

	2019 R'000	2018 R'000
Current assets		
Other financial assets		
Foreign exchange contracts – cash flow hedges	**21 523**	–
Current liabilities		
Other financial liabilities		
Foreign exchange contracts – cash flow hedges	**10 887**	–

Classification of derivatives

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as 'held for trading' for accounting purposes and are accounted for at fair value through profit or loss. They are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period. The Group's accounting policy for its cash flow hedges is set out in the Accounting Policies section. Further information about the derivatives used by the Group is provided in this note.

Hedging reserves

	Cash flow hedging reserves
Opening balance 1 January 2019	–
Add: Pre-tax change in fair value of hedging instrument recognised in other comprehensive income	**11 204**
Less: Deferred tax	**(3 137)**
Closing balance 31 December 2019	**8 067**

There were no reclassifications from the cash flow hedging reserves to profit or loss during the year in relation to the forward exchange contracts.

Hedge effectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument.

For hedges of foreign currency purchases, the Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The Group therefore performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Group uses the hypothetical derivative method to assess effectiveness.

In hedges of foreign currency purchases, ineffectiveness may arise if the timing of the firm commitment inventory purchase changes from what was originally estimated, or if there are changes in the local credit risk or the derivative counterparty.

34. RISK MANAGEMENT continued

34.3 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged.

The capital structure of the Group consists of net debt (bank loans and asset based finance as detailed in note 24 offset by cash and bank balances as detailed in note 19) and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests as detailed in notes 20, 21, 22 and 23).

The Group is not subject to any externally imposed capital requirements.

Gearing ratio

The gearing ratio at end of the reporting period was as follows:

	2019 R'000	2018 R'000
Bank loans, asset based finance and loans payable	**2 149 430**	1 957 542
Bank overdraft/(cash)	**(854 615)**	(829 340)
Net debt	**1 294 815**	1 128 202
Total equity	**5 434 494**	5 418 740
Net debt to equity ratio	**0,24**	0,21

The Group endeavours to maintain a net debt to equity ratio below 0.5.

34.4 MARKET RISK

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group enters into derivative financial instruments to manage its exposure to foreign currency risk, specifically forward foreign exchange contracts to hedge the exchange rate risk arising on the export and import of food products mainly to and from Australia, New Zealand, the United Kingdom, the European Union, USA and Canada.

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed, except that the Group has applied hedge accounting from 1 January 2019 as detailed in note 34.2 above.

34. RISK MANAGEMENT continued

34.5 FOREIGN CURRENCY RISK MANAGEMENT

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

Foreign currency exposure at Statement of Financial Position date

	2019 R'000	2018 R'000
Assets		
Trade debtors, USD 6,598,022 (2018: 7,093,451)	**97 922**	102 309
Trade debtors, EUR 1,599,838 (2018: 1,586,350)	**26 345**	26 142
Trade debtors, GBP 789,355 (2018: 1,021,043)	**15 205**	18 584
Trade debtors, AUD 2,011,275 (2018: 262,800)	**20 879**	2 724
Trade debtors, NZD 77,466 (2018: 24,189)	**726**	235
Liabilities		
Trade creditors, USD 2,097,439 (2018: 1,537,239)	**29 908**	22 410
Trade creditors, EUR 3,223,473 (2018: 1,837,924)	**52 693**	30 102
Trade creditors, GBP 50,949 (2018: 4,354)	**956**	80
Trade creditors, SGD 137,214 (2018: nil)	**1 456**	–
Trade creditors, THB 2,343,908 (2018: nil)	**1 050**	–
Trade creditors, AED 22,431 (2018: nil)	**84**	–
Exchange rates used for conversion of foreign items		
US Dollar	**14,01**	14,39
Euro	**15,72**	16,48
Pound Sterling	**18,51**	18,36
Australian Dollar	**9,84**	10,14
New Zealand Dollar	**9,45**	9,65
Thai Baht	**0,47**	–
Singapore Dollar	**10,42**	–
United Arab Emirates Dirham	**3,81**	–

Forward exchange contracts which relate to future firm commitments

	Foreign amount '000	Rand amount R'000	Fair value R'000
31 December 2019			
US Dollar	**13 371**	**205 098**	**9 508**
Euro	**1 400**	**24 615**	**1 893**
Pound Sterling	**2 292**	**45 094**	**1 708**
Australian Dollar	**3 047**	**32 574**	**2 143**
	20 110	**307 381**	**15 252**
31 December 2018			
US Dollar	27 044	388 093	1 063
Euro	10 296	175 496	2 752
Pound Sterling	2 516	48 468	1 076
Australian Dollar	4 652	49 145	1 038
New Zealand Dollar	26	246	(6)
Japanese Yen	1 108	140	5
	45 642	661 588	5 928

The fair value gain/(loss) is calculated as the difference between the exchange rate contracted and the forward rate at the reporting date.

34. RISK MANAGEMENT continued

34.5 FOREIGN CURRENCY RISK MANAGEMENT

Instruments used by the Group

The Group operates internationally and is exposed to foreign exchange risk, primarily the US Dollar and Euro. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the Group. The risk is measured through a forecast of firm commitments of foreign currency expenditures. The risk is hedged with the objective of minimising the volatility of the local currency cost of firm commitment inventory purchases.

The Group treasury's risk management policy is to hedge between 80% and 100% of foreign currency denominated cash flows for firm commitment inventory purchases. The Group hedges firm commitments in advance – up to 6 – 9 months' imports and 9 – 12 months' exports, or within 48 hours of receipts of a firm order, whichever date is earlier, subject to a review of the cost of implementing each hedge. For the year ended 31 December 2019, approximately 80% of inventory purchases were hedged in respect of foreign currency risk. At 31 December 2019, 90% of US Dollar firm commitment inventory purchases during the first quarter of 2020 qualified for hedge accounting purposes.

The Group only uses foreign currency forwards to hedge its exposure to foreign currency risk. Under the Group's policy, the critical terms of the forwards must align with the hedged items.

The Group only designates the spot component of foreign currency forwards in hedge relationships. The spot component is determined with reference to relevant spot market exchange rates. The differential between the contracted forward rate and the spot market exchange rate is defined as the forward points.

	2019 R'000
Foreign currency forwards	
Foreign exchange contracts – cash flow hedges (included in other financial assets)	21 523
Foreign exchange contracts – cash flow hedges (included in other financial liabilities)	(10 887)
Notional amount (exposure to the ZAR)	
FECs used for hedging imports	
US Dollar	163 820
Euro	206 764
United Arab Emirates Dirham	61
FECs used for hedging exports	
US Dollar	197 991
Euro	36 365
Pound Sterling	45 094
Australian Dollar	32 574
Maturity date	1 January 2020 – 2 October 2020
Hedge ratio*	1:1
Change in discounted pre-tax spot value of outstanding hedging instruments since inception of the hedge	11 205
Weighted average hedged rate for outstanding hedging instruments (including forward points)	
FECs used for hedging imports	
US Dollar	14,70
Euro	16,31
United Arab Emirates Dirham	3,83
FECs used for hedging exports	
US Dollar	15,52
Euro	17,15
Pound Sterling	19,67
Australian Dollar	10,69

* *The foreign currency forwards are denominated in the same currency as the firm commitment inventory purchases, therefore the hedge ratio is 1:1.*

34. RISK MANAGEMENT continued

34.5 FOREIGN CURRENCY RISK MANAGEMENT continued

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 10% increase and decrease in the South African Rand (ZAR) against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonable possible change in foreign exchange rates that the Group is mainly exposed to, namely the US Dollar and the Euro. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit and equity where the ZAR strengthens 10% against the relevant currencies. For a 10% weakening of the ZAR against the relevant currencies, there would be a comparable impact on the profit and equity and the balances below would be negative.

	2019 R'000	2018 R'000
Impact on profit and equity		
US Dollar	**95 274**	114 937
Euro	**(41 411)**	(6 526)
Pound Sterling	**26 377**	33 966
Australian Dollar	**20 535**	2 761
New Zealand Dollar	**689**	227
Thai Baht	**(49)**	–
Singapore Dollar	**(1 517)**	–
United Arab Emirates Dirham	**(32)**	–

Interest rate risk management

The Group is exposed to interest rate risk because entities in the Group borrow funds at floating interest rates. The risk is managed by the Group by linking the interest rate of the loan to the JIBAR over the period of the loan.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

34.6 INTEREST RATE SENSITIVITY ANALYSIS

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 1% per annum increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonability of possible change in interest rates.

If interest rates had been 1% per annum higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2019 would decrease/increase by R24.2m (2018: R24.4m). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

The Group does not have any fixed rate financial instruments.

34. RISK MANAGEMENT continued

34.7 CREDIT RISK MANAGEMENT

Credit risk arises from the risk that a counterparty may default or not meet its obligations timeously.

The Group limits its counterparty exposure arising from financial instruments by only dealing with well-established institutions of high credit standing. The Group does not expect any counterparties to fail to meet their obligations given their high credit ratings.

The Group's credit exposure, in respect of its customer base, is represented by the net aggregate balance of amounts trade receivable. The maximum credit exposure at balance sheet date was R1.6m (2018: R1.5m).

Cash and cash equivalents are kept with counterparties that have sound credit ratings. Management does not expect any counter parties to fail to meet its obligations.

The Group's credit exposure in respect of the financial assets are considered not to be material. Therefore, no additional disclosures will be made. The Expected Credit Loss method was not applied by the Group in determining impairment losses as it is not applicable to the operations of the Group.

Credit risk in respect of the Group's customer base is controlled by the application of credit limits and credit monitoring procedures. Certain significant receivables are monitored on a daily basis. Where appropriate, credit guarantee insurance is obtained. The Group does not hold any collateral in respect of its customers.

34.8 LIQUIDITY RISK MANAGEMENT

Liquidity and interest risk tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Group may be required to pay.

	Weighted average effective interest %	Carrying value R'000	Less than 1 year R'000	Between 2 and 5 years R'000	More than 5 years R'000	Total R'000
31 December 2019						
Trade and other payables[1]	**0.00%**	**1 409 674**	**1 409 674**	**–**	**–**	**1 409 674**
Bank overdraft	**10.00%**	**245 637**	**245 637**	**–**	**–**	**245 637**
Other financial liabilities[2]	**8.52%**	**2 187 490**	**99 521**	**2 717 238**	**–**	**2 816 759**
Lease liabilties	**8.97%**	**753 386**	**75 712**	**573 879**	**606 603**	**1 256 194**
		4 596 187	**1 830 544**	**3 291 117**	**606 603**	**5 728 264**
31 December 2018						
Trade and other payables[1]	0.00%	1 361 877	1 361 877	–	–	1 361 877
Bank overdraft	10.06%	158 072	158 072	–	–	158 072
Other financial liabilities[2]	9.11%	1 996 448	217 727	2 462 683	–	2 680 410
		3 516 397	1 737 676	2 462 683	–	4 200 359

1 Trade and other payables excludes value-added-tax payables.
2 Other financial liabilities include bank loans, asset based finance and loans payable.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

34. RISK MANAGEMENT continued

34.8 LIQUIDITY RISK MANAGEMENT continued

Liquidity risk

The following table indicates the periods in which the cash flows associated with derivatives that are expected to occur:

	Carrying amount R'000	6 months or less R'000	6 – 12 months	Total Contractual Cashflows R'000
31 December 2019				
FECs used for hedging				
– Imports	**(10 887)**	**(360 814)**	**(9 830)**	**(370 644)**
– Exports	**21 523**	**228 598**	**83 426**	**312 024**
	10 636	**(132 216)**	**73 596**	**(58 620)**
31 December 2018				
FECs used for hedging				
– Imports	(2 229)	(240 403)	–	(240 403)
– Exports	8 229	74 256	346 929	421 185
	6 000	(166 147)	346 929	180 782

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Details of additional facilities that the Group has at its disposal to further reduce liquidity risk are given below.

Financing facilities

Collective financing facilities provided to the Group are as follows:

- Senior facility A of R670,000,000 with a 4 year bullet profile – fully utilised;
- Senior facility B of R1,000,000,000 with a 5 year bullet profile – fully utilised;
- Senior facility C of R240,000,000 with a 5 year bullet profile – utilisation of R50,000,000 with a further availability of R190,000,000 subject to credit approval by lenders;
- Senior facility D of R240,000,000 with a 5 year bullet profile – unutilised facility subject to credit approval by lenders;
- An asset based finance facility of R500,000,000 – and
- A general banking facility of R500,000,000 is available by way of an overdraft facility and/or Letters of Guarantee and/or Letters of Credit and/or Forward Exchange Contracts (being 10% of the amount of the forward exchange contracts).

The Senior Facility A, Senior Facility B, Senior Facility C and Senior Facility D loans are held by Libstar Operations Proprietary Limited.

The above asset based finance facilities and general banking facilities are shared by the following entities:

- Libstar Operations Proprietary Limited and its respective divisions being Amaro Foods, Cape Herb and Spice, Chamonix, Chet, Dickon Hall Foods, Finlar, Lancewood, Millennium Foods, Montagu Foods, Noodlemaster, Retailer Brands, Rialto, Ambassador Foods, Cecil Vinegar, Contactim, Denny Mushrooms, Elvin, Hurters, Khoisan Gourmet, Multicup Solutions, Pasta Nova.
- Libstar Services Mauritius
- Khoisan Green Proprietary Limited
- Berfin Worldwide Proprietary Limited
- Glenmor Soap Proprietary Limited
- Libstar Properties Proprietary Limited
- Palpable Way Trade and Invest Proprietary Limited
- Ambassador Commerce Proprietary Limited

34. RISK MANAGEMENT continued

34.8 LIQUIDITY RISK MANAGEMENT continued

Financing facilities continued

Security agreements currently held in favour of the debt guarantor to establish security are as follows:

- A pledge and cession of all shares, securities and other ownership interest it holds, from time to time, in any affiliate, associate company or another person in which it is invested;
- A cession of all present and future claims, from time to time, against any person, including its trade debtors
- A cession of its present and future claims, from time to time, against any person under the acquisition documents;
- A cession of all rights and claims in respect of bank accounts maintained, from time to time;
- A cession of all insurances taken out by or for the benefit of that obligor, from time to time, and all proceeds receivable under those insurances;
- A hypothecation of all the trade marks, patents and designs of that obligor;
- A cession of all the intellectual property rights of that obligor;
- First ranking covering mortgage bonds over all the immovable property of which the obligor is the registered owner; and
- A general notarial bond over all the movable assets of the obligor.

The security for the Senior Facility A, Senior Facility B, Senior Facility C and Senior Facility D term loans are provided by Libstar Operations being the original guarantor and Libstar Holdings Limited being the additional guarantor.

Certain items of plant, machinery, equipment and vehicles are pledged as security for the associated asset based finance agreements entered into to finance their acquisition.

34.9 FAIR VALUES

The fair values of all financial instruments are substantially the same as the carrying amount reflected on the statement of financial position.

The value of the biological assets at the end of the reporting period are considered not to be material. Therefore, no additional disclosures are required to be made.

FEC derivative instruments are measured as disclosed in note 35.2 and the fair values are disclosed in note 34.8.

35. FINANCIAL INSTRUMENTS

35.1 CATEGORISATION OF FINANCIAL ASSETS AND LIABILITIES

The table below sets out the Group's classification of each class of assets and liabilities:

	Financial assets/'liabilities		
	Fair value through Other Comprehensive Income R'000	**Fair value through profit or loss R'000**	**Amortised cost R'000**
31 December 2019			
Other financial assets[1]	**21 523**	**485**	**15 409**
Trade and other receivables	**–**	**–**	**1 638 851**
Cash and bank balances	**–**	**–**	**1 100 252**
Total assets from continuing operations	**21 523**	**485**	**2 754 512**
Loans			**–**
Other financial liabilities[1]	**10 887**	**1 330**	**2 187 490**
Trade and other payables	**–**	**–**	**1 409 674**
Bank overdraft	**–**	**–**	**245 637**
Total liabilities from continuing operations	**10 887**	**1 330**	**3 842 801**

	Financial assets/liabilities		
	Fair value through Other Comprehensive Income R'000	Fair value through profit or loss R'000	Amortised cost R'000
31 December 2018			
Other financial assets[1]	8 229	–	17 710
Trade and other receivables	–	–	1 511 876
Cash and bank balances	–	–	987 412
Total assets from continuing operations	8 229	–	2 516 998
Other financial liabilities[1]	2 229	–	1 996 448
Trade and other payables	–	–	1 360 937
Bank overdraft	–	–	158 072
Total liabilities from continuing operations	2 229	–	3 515 457

1 *These financial assets/liabilities comprise forward exchange contracts and are categorised as level 2 per the fair value hierarchy. In the prior year all the forward exchange contracts were recognised at Fair Value through profit or loss. The group applied hedge accounting from 1 January 2019 to a significant portion of the Group's segments. The majority of the forward exchange contracts are therefore classified at Fair Value through Other Comprehensive Income for the year ended 31 December 2019. Refer to the Accounting Policy section for the new hedge accounting policy.*

There has been no changes to the classification during the current financial year except for forward exchange contracts – the Group applied hedge accounting from 1 January 2019 to a signficant portion of the Group's segments. The majority of the forward exchange contracts are classified at Fair Value through Other Comprehensive Income for the year ended 31 December 2019. Refer to theAccounting Policies section for the new hedge accounting policy.

The carrying amount of cash and bank balances and bank overdrafts approximates fair value because of the short maturity of these instruments.

Trade and other receivables, investments, loans and trade and other payables reflected on the statement of financial position approximate the fair values thereof.

Borrowings (term loans, asset based finance and loans payable) are measured at amortised cost using the effective interest rate method and the carrying amounts approximate their fair value.

There are no significant differences between carrying values and fair values of financial assets and liabilities.

35. FINANCIAL INSTRUMENTS continued

35.2 MEASUREMENT OF FAIR VALUES

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities,
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices), and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There were no transfers between level 2 and 3 of the fair value hierarchy for the years ended 31 December 2019 or 2018.

Type	Valuation Technique	Fair value hierarchy	Inter-relationship between significant unobservable inputs and fair value measurement
Forward exchange contracts (derivative financial instruments – used for hedging)	Forward Pricing: The fair value is determined using quoted forward exchange rates at the reporting date and present value calculations based on high credit quality yield curves in the respective currencies.	Level 2	Not applicable

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