Annual Financial Statements

for the year ended
31 December

2020

From our Home to Yours

The financial statements of Libstar Holdings Limited have been audited in compliance with section 30 of the Companies Act No 71 of 2008, as amended, and have been prepared under the supervision of Charl de Villiers CA(SA), the Libstar Group Chief Financial Officer.

These annual financial statements for the year ended 31 December 2020 were published on 17 March 2021.

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Independent Auditor's Report

To the shareholders of Libstar Holdings 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 12 to 76, which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the group in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). 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.

Key audit matter	How our audit addressed the key audit matter
Annual impairment of goodwill and brands – Refer to Note 12 and 13 Goodwill and brands with an indefinite useful life comprise 27.36% 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. During this assessment, the directors identified an impairment of R198,0 million in relation to goodwill allocated to the Denny division. Impairment assessments of goodwill and brands are performed using a discounted cash flow model. As disclosed in Note 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 before interest, tax, depreciation and amortisation; ▪ 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.	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. ▪ 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.

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report, Company Secretary's Certificate and the Report of the Audit and Risk Committee's report as required by the Companies Act of South Africa, which we obtained prior to the date of this report and supplementary information set out on pages 8 to 11. The other information does not include the consolidated financial statements and our auditor's report 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. 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, actions taken to eliminate threats or safeguards applied.

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 auditors' 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 7 years.

Moore Cape Town Inc.

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

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

16 March 2021

2nd Floor Block 2
Northgate Park
Paarden Eiland
7406

Directors' responsibility

for the year ended 31 December 2020

Directors' responsibility for and approval of the consolidated annual financial statements

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 ("the Group") as at 31 December 2020, the results of its operations and cash flows for the year then ended, the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report.

The Board's responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these consolidated annual financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The Board's responsibility also includes maintaining adequate accounting records and an effective system of risk management.

The Board has a reasonable expectation that the Group has adequate resources to continue operating in the foreseeable future and continue to adopt the going concern basis in preparing the consolidated annual financial statements.

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

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

(a) The consolidated annual financial statements of the Group as set out on pages 8 to 76, fairly present in all material respects the financial position, financial performance and cash flows of the group in terms with IFRS;

(b) No facts have been omitted or untrue statements made that would make the consolidated annual financial statements false or misleading;

(c) Internal financial controls have been put in place to ensure that material information, relating to Libstar Holdings Limited and its subsidiaries, have been provided to effectively prepare the consolidated annual financial statements;

(d) The internal financial controls are adequate and effective and can be relied upon in compiling the consolidated annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to prinicple 15 of the King Code.

The above responsibility statements include the statement required by the JSE Listing requirements 3.84(k).

Where we are not satisfied, we have disclosed to the audit and risk committe 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 consolidated annual financial statements which appear on pages 8 to 76 were approved by the board of directors on 16 March 2021 and are signed on behalf of the board by:

AV van Rensburg
Chief Executive Officer

CB de Villiers
Chief Financial Officer

Company secretary's certificate

In accordance with section 88(2)(e) of the Companies Act, No 71 of 2008, for the year ended 31 December 2020, it is hereby certified that Libstar Holdings Ltd and its subsidiaries have lodged with the Companies and Intellectual Property Commission (CIPC) all returns as required by a public company and all such returns are true, correct and up to date.

William Somerville,
on behalf of CorpStat Governance Services (Pty) Ltd
Company Secretary

16 March 2021

Directors' report

for the year ended 31 December 2020

1. Nature of activities

Libstar Holdings Limited and its subsidiaries ("the Group") is engaged in the manufacture, import, export and supply of various food 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 annual financial statements and do not in our opinion require any further comment.

The following significant event took place during the year:

In March 2020, the World Health Organization formally recognised Covid-19, the novel strain of coronavirus, as a pandemic. As a result of various actions taken by national and local governments worldwide to curb the pandemic, including the temporary closure of certain businesses, various travel restrictions, and the mandatory containment of large segments of the global population within their geographic regions, the pandemic is proving to have a profound human and economic impact across the globe.

The Group has been impacted by Covid-19 during the current year. Revenue from the Group's retail and wholesale channel increased, whilst revenue from its food service channel decreased relative to the prior year. The Group has also noted a marked increase in the cost of operations required to maintain a safe working environment for its employees. The total direct Covid-19 related expenses for the year amounted to R65m.

The full extent of the impact of the Covid-19 pandemic on the Group has yet to be established. However, the Board expects the following factors to continue to have an impact on the Group:

- Changes in the Group's sales channel mix attributable to national or provincial lockdown restrictions;
- Additional operating costs attributable to the Covid-19-pandemic;
- Supply chain disruptions; and
- A weak marco-economic climate, high rate of national unemployment and weakening consumer disposable income.

2. Events after the reporting period

Refer to section 6 below for more information of the dividend declared after year-end.

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

3. Authorised and issued share capital

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

Authorised share capital remained unchanged during the current and prior year.

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. Non-essential capital expenditure was deferred during the second trading quarter in order to preserve the Group's cash resources. Critical projects resumed from the start of the third quarter.

5. Borrowings

There were no major changes in the nature of the Group's borrowings during the current and prior year except that R100m (2019: R50m) of Facility C was withdrawn during the current year in anticipation of the uncertainty of the impact of Covid-19 on the Group's operations and cashflows. None of the amount so drawn was utilised. The total direct Covid-19 related expenses for the year amounted to R65m.

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 2020 totalling R170.5 million. The dividend is payable on 12 April 2021 to shareholders recorded as such in the share register of the Company on 9 April 2021 (the record date). The last date of trading cum dividend will be 6 April 2021.

The Board declared a cash dividend of 25 cents per share for the year ended 31 December 2019 totalling R170.5 million ("the Dividend"). In light of the uncertainty as to the duration and extent of the impact that Covid-19 may have on the operations within the markets in which the Group operates, the Board considered it prudent and in the best interests of the Group, its people and stakeholders to preserve the Group's financial liquidity to the fullest extent possible. The Board therefore resolved to postpone the payment of the Dividend until the release of the condensed consolidated interim financial statements. In light of the stable financial performance delivered by the Group during the first six months of the current year, the Board of Libstar approved payment of the cash dividend of 25 cents per ordinary share (gross) on 2 September 2020 and paid the Dividend on 28 September 2020 in respect of the year ended 31 December 2019.

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. Company Secretary

The secretary of the company is CorpStat Governance Services (Pty) Ltd represented by William Somerville and Elise Waldeck.

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2196

9. Going concern

The directors believe that the Company has adequate financial resources to continue to operate for the foreseeable future and accordingly the consolidated annual financial statements have been prepared on a going concern basis.

The directors continue to monitor the impact of Covid-19 on the Group's solvency and liquidity ratios. The directors have satisfied themselves that the Group is in a sound financial position, has a stable forecast cash flow profile and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may materially affect the Company.

The directors therefore confirm the Group's ability to continue as a going concern for the next twelve months.

10. Auditors

Moore Cape Town Inc. continued in office as auditors for the current year under review.

The Board will propose the reappointment of Moore Cape Town Inc. as the independent external auditors and to appoint Alan Billson as the designated lead audit partner for the 2021 financial year.

11. Preparation of consolidated annual financial statements

These consolidated annual financial statements have been prepared by P Makate CA(SA) under the supervision of CB de Villiers CA(SA).

12. Confirmation of compliance with Companies Act

The directors confirm that Libstar Holdings Limited is:

(a) in compliance with the provisions of the Companies Act and the relevant laws applicable to its establishment, specifically relating to its incorporation; and

(b) operating in conformity with its memorandum of incorporation.

Report of the audit and risk committee

for the year ended 31 December 2020

The audit and risk 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") and the King IV Report on Corporate Governance for South Africa 2016 ("King IV"). This report sets out how the committee discharged its statutory and Board assigned duties in respect of the financial year ended 31 December 2020.

Members of the audit and risk committee

The committee has four 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, five meetings were held. Committee meetings and attendance for the year are summarised as follows :

Name of Committee Member	11 March 2020	2 April 2020	8 July 2020	31 August 2020	24 November 2020
S Masinga (Chair)	Present	Present	Present	Present	Present
S Khanna	Present	Present	Present	Present	Present
JP Landman	Present	Present	Present	Present	Present
A Andrews~	n/a	n/a	n/a	n/a	Present

~ Appointed with effect from 1 November 2020

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 and King IV 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;
  - 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 2021 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 the 2019 financial statements for compliance with IFRS. These proposals were implemented where appropriate and practical.

The requisite confirmation was sent to the JSE.

The committee further received the JSE's letter to Libstar on 7 December 2020 related to pro-active monitoring of the annual financial statements and considered all items included in the letter. The pro-active monitoring was successfully concluded with no further outstanding items on 15 March 2021.

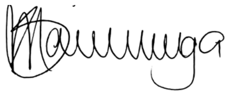
In addition, in fulfilling its key responsibilities, the Audit Committee placed specific focus on the following areas in the 2020 financial year which requires significant judgement:

- 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.

The committee has specifically considered the impact of Covid-19 on the level of impairment testing performed by management and agreed with the impairment losses recognised by management and audited by the external auditor. Please refer to note 13.4 in the consolidated annual financial statements for further detail related to the impairment losses recognised on goodwill and brands.

Going Concern

The committee considered and reviewed management's short to medium term plans, and the Group's associated projections. The committee critically considered the impact of Covid-19 on the going concern assumption of the Group. 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 and Risk Committee Chairman

Accounting policies

Statement of compliance

These audited consolidated annual 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 issued by the 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). 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 fully consolidated 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.

The acquisition method of accounting is used to account for business combinations by the Group.

Inter-company transactions, balances and unrealised gains on transactions between the group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Where necessary, adjustments are made to the financial statements of Subsidiaries to bring their accounting policies in line with those used by the Group.

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.

Non-controlling interests in the results and equity of Subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

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

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.

Loss of control 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 an investment because of a loss of control, 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

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a Subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the Subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

Goodwill

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Goodwill is not amortised but is tested 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 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 are recognised as an expense in the period in which it is incurred.

  The Group internally developed computer software.

  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.

  Brands acquired in a business combination are assessed as having indefinite useful lives and are not amortised, but tested for impairment annually.

  Amortisation on intangible assets is recognised so as to write off the cost of an asset over its useful life, using the straight-line method. The estimated useful lives of intangible assets are reflected in Note 13. The estimated useful lives of the intangible assets are assessed annually and may vary depending on a number of factors.

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.

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.

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 comprise mushroom production which are measured 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 as 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 amortised cost' and financial assets 'at fair value through profit or loss' ("FVTPL"). The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Refer to the policy for Derivative financial instruments for further information on the accounting policy applicable to financial assets at FVTPL.

- **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 measured at amortised cost.

- **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 allowance. 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**

  Impairment provisions for trade receivables and other receivables, consisting of sundry debtors, are recognised based on the simplified approach within IFRS 9. A provision matrix is used in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the debtors is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the debtors. For debtors, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within operating expenses in profit or loss. On confirmation that the debtors will not be collectible, the gross carrying value of the asset is written off against the associated provision.

  Impairment provisions for other financial assets are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses are recognised. There were no significant increases in credit risk in any of the Group's other financial assets.

  To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the financial asset as at the reporting date with the risk of default as at the date of initial recognition. A default on a financial asset is when the counterparty fails to make contractual payments within 120 days of when they fall due.

  Refer to note 33.7 for further details on impairment of financial assets and the credit risk policy of the Group.

- **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 'amortised cost' or financial liabilities at fair value through profit or loss "FVTPL". Refer to the policy for Derivative financial instruments for further information on the accounting policy applicable to financial liabilities at FVTPL.

- **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 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 with any gains or losses arising, recognised as other income in profit or loss when, and only when, the Group's obligations are discharged, canceled or they expire.

Derivative financial instruments

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

The Group applies hedge accounting when the Group uses the instruments as a designated hedging instruments. The Group uses designated hedging instruments within the major divisions of the Group.

The Group hedges the majority of its foreign currency exposures. Import-related exposures are hedged to the value of 3 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.

- **Financial assets and liabilities at FVTPL**

  When the Group does not use the FEC as a designated hedging instrument, these instruments are measured at fair value through profit or loss. The instruments are initially measured at fair value and any gains or losses on subsequent changes in fair value are recognised in profit or loss.

- **Hedge accounting**

  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 instruments

The Group's classification of financial instruments are as follows:

Description of financial instruments	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) designated as a cash flow hedge	Hedging instruments
Forward exchange contract asset/(liability) not designated as a cash flow hedge	Financial asset/(liability) at fair value through profit or loss
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 in five product categories, namely Perishables, Groceries, Snacks & Confectionery, Baking & Baking Aids and Household & Personal Care. These products are sold to customers in the retail, food service, industrial and contract manufacturing and export channels. Revenue is recognised at the point in time 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. No material judgement is required to determine the transaction price and the allocation thereof.

Refer to the Segmental Analysis for 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 grants from the Manufacturing Competitiveness Enhancement Program, Skills Development Program and the Employer Tax Incentive program. These grants are recognised as other income in the same period as the related employee expense.

Leasing

- **The Group as lessee**

  The Group leases various offices, warehouses, manufacturing facilities and equipment. Rental contracts are typically made for fixed periods of 6 months to 10 years with fixed escalations, 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.

  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 lessee's 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 asset 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, e.g. 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 asset is depreciated over the underlying asset's useful life. Right-of-use assets are not revalued by the Group.

  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.

  When there has been a change or extension to the lease term, the lease liability is remeasured by discounting the revised lease payments using a revised discount rate and a corresponding adjustment is made to the related right-of-use asset. When a lease contract has been modified in this manner, the lease modification is not accounted for as a separate lease and the lease liability is remeasured with the corresponding adjustment made to the right-of-use asset.

- **The Group as lessor**

  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 Company has a present obligation to pay as a result of employees' services provided to the company 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**

  The Group has a post-retirement medical aid contribution liability that is classified as a defined benefit plan. 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; or

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

  To the extent that the benefits have 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 prior 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") in the prior year 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 wound up the LTI scheme in the current year, and the final allocations in terms of this scheme were made in 2018.

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.

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.

  When there is uncertainty concerning the Group's filing position regarding the tax bases of assets or liabilities, the taxability of certain transactions or other tax-related assumptions, then the Group:

  - Considers whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
  - Determines if it is probable that the tax authorities will accept the uncertain tax treatment; and
  - If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. This measurement is required to be based on the assumption that each of the tax authorities will examine amounts they have a right to examine and have full knowledge of all related information when making those examinations.

- **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 and key sources of estimation uncertainty

The preparation of the consolidated annual 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.

Impact of Covid-19 on judgements and estimates

The effects of Covid-19 have resulted in certain judgements and estimates being significant in the current period when they had not been in the past. This is due to the uncertainty introduced by the effects of the pandemic, such as collection risk for customers and the cash flows included in estimates of recoverable amounts in impairment testing. These effects are detailed further in the relevant sections of the consolidated annual financial statements.

Information about key areas of estimates and assumptions in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are as follows:

Impairment of goodwill and other long-lived assets (Estimate of future cash flows and determination of the discount rate)	refer to Note 13
Useful lives of property, plant and equipment	refer to note 10
Useful lives on intangible assets	refer to Note 13
Valuation of biological assets	refer to Note 17
Impairment of financial assets	refer to Note 33.7
Fair value measurement of foreign exchange contracts	refer to note 34
Fair value measurement of share-based payments	Note 23

Normalised EBIT and Normalised EBITDA

The Group adopts 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 individual divisions (that consolidate into the Group) as well as for strategic planning and other commercial decision-making purposes relating to each division.

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: unrealised foreign exchange translation gains or losses	Yes	Yes
Add back: 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 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: 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.

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, excluding the after-tax impact of separately identifiable re-measurements as defined in accordance with circular 1/2019 Headline Earnings, read with IAS 33 Earnings per share.

New standards and interpretations

New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual financial statements commencing 1 January 2020:

- Definition of Material – amendments to IAS 1 and IAS 8
- Definition of a Business – amendments to IFRS 3
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7
- Covid-19-related Rent Concessions – Amendments to IFRS 16
- Revised Conceptual Framework for Financial Reporting

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods 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.

The following amendments are effective for the period beginning 1 January 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether the Group has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments were originally effective for annual reporting periods beginning on or after 1 January 2022. However, in May 2020, the effective date was deferred to annual reporting periods beginning on or after 1 January 2023.

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December 2020

	Notes	2020 Audited R'000	2019 Audited R'000
CONTINUING OPERATIONS			
Revenue	1	**10 285 881**	9 892 545
Cost of sales		**(7 856 448)**	(7 513 655)
Gross profit		**2 429 433**	2 378 890
Other income	2	**47 172**	52 725
Operating expenses		**(2 111 168)**	(1 729 857)
Operating profit	3	**365 437**	701 758
Investment income	4	**44 720**	54 025
Finance costs	5	**(230 130)**	(262 774)
Profit before tax		**180 027**	493 009
Income tax expense	6	**(106 496)**	(136 325)
Profit for the year from continuing operations		**73 531**	356 684
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	7	**–**	(77 057)
Profit for the year		**73 531**	279 627
Other comprehensive income for the year, net of tax		**3 340**	7 735
Items that may be reclassified to profit or loss			
Gains on hedging reserves	33	**10 241**	8 067
Hedging gains reclassified to profit or loss	33	**(8 067)**	–
Items that will never be reclassified to profit or loss			
Defined benefit plan actuarial gains/(losses)	21	**1 166**	(332)
Total comprehensive profit for the year		**76 871**	287 362
Profit attributable to:			
Equity holders of the parent		**73 713**	278 395
Non-controlling interest		**(182)**	1 232
		73 531	279 627
Total comprehensive income attributable to:			
Equity holders of the parent		**77 053**	286 130
Non-controlling interest		**(182)**	1 232
		76 871	287 362
Basic earnings per share (cents)			
From continuing operations	8	**12.4**	59.5
From continuing and discontinued operations	8	**12.4**	46.6
Diluted earnings per share (cents)			
From continuing operations	8	**12.3**	59.4
From continuing and discontinued operations	8	**12.3**	46.5
Headline earnings per share (cents)			
From continuing operations	8	**46.9**	59.9
From continuing and discontinued operations	8	**46.9**	55.7
Diluted headline earnings per share (cents)			
From continuing operations	8	**46.8**	59.8
From continuing and discontinued operations	8	**46.8**	55.6

Consolidated statement of financial position

as at 31 December 2020

	Notes	**2020 Audited R'000**	2019 Audited R'000
ASSETS			
Non-current assets		**6 445 545**	6 685 881
Property, plant and equipment	10	**1 507 815**	1 392 678
Right-of-use assets	11	**649 533**	655 596
Goodwill	12	**2 337 192**	2 534 656
Intangible assets	13	**1 938 095**	2 092 060
Other financial assets	18	**11 402**	5 824
Deferred tax assets	14	**1 508**	5 067
Current assets		**4 089 453**	4 141 076
Inventories	15	**1 314 971**	1 199 619
Trade and other receivables	16	**1 752 824**	1 763 463
Biological assets	17	**31 294**	29 407
Other financial assets	18	**37 962**	31 593
Current tax receivable		**16 189**	16 742
Cash and bank balances	19	**936 213**	1 100 252
Total assets		**10 534 998**	10 826 957
EQUITY AND LIABILITIES			
Capital and reserves attributable to equity holders of the parent		**5 357 635**	5 424 601
Share capital	20	**4 727 314**	4 727 314
Defined benefit plan reserve	21	**(923)**	(2 089)
Share-based payment reserve	23	**7 798**	2 211
Retained earnings		**688 373**	764 266
Premium on acquisition of non-controlling interests	22	**(75 168)**	(75 168)
Hedging reserves	33	**10 241**	8 067
Non-controlling interests		**9 711**	9 893
Total equity		**5 367 346**	5 434 494
Non-current liabilities		**3 446 977**	3 490 774
Other financial liabilities	24	**2 073 079**	2 087 970
Lease liabilities	11	**692 372**	677 674
Deferred tax liabilities	14	**659 191**	707 000
Employee benefits	21	**8 400**	9 583
Share-based payments	23	**13 935**	8 547
Current liabilities		**1 720 675**	1 901 689
Trade and other payables	25	**1 456 852**	1 462 502
Other financial liabilities	24	**171 325**	111 737
Lease liabilities	11	**90 596**	75 712
Share-based payments	23	**–**	4 156
Current tax payable		**1 717**	1 945
Bank overdraft	19	**185**	245 637
Total liabilities		**5 167 652**	5 392 463
Total equity and liabilities		**10 534 998**	10 826 957

Consolidated statement of changes in equity

for the year ended 31 December 2020

	Share capital R'000	Defined benefit plan reserve[1] R'000	Share-based payment reserve[2] R'000	Premium on acquisition of non-controlling interests[3] R'000	Retained earnings R'000	Hedging reserves[4] R'000	Non-controlling interests R'000	Total R'000
Balance at 1 January 2019 (including adoption of IFRS 16)	4 818 884	(1 757)	–	(75 168)	617 560	–	8 661	5 368 180
Total comprehensive income for the year	–	(332)	–	–	278 395	8 067	1 232	287 362
Profit 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**
Total comprehensive income for the year	**–**	**1 166**	**–**	**–**	**73 713**	**2 174**	**(182)**	**76 871**
Profit/(loss) for the year	**–**	**–**	**–**	**–**	**73 713**	**–**	**(182)**	**73 531**
Other comprehensive income for the year	**–**	**1 166**	**–**	**–**	**–**	**2 174**	**–**	**3 340**
Transactions with owners of the Company Contributions and distributions	**–**	**–**	**–**	**–**	**(149 606)**	**–**	**–**	**(149 606)**
Dividends paid	**–**	**–**	**–**	**–**	**(149 606)**	**–**	**–**	**(149 606)**
Share-based payment expenses	**–**	**–**	**5 587**	**–**	**–**	**–**	**–**	**5 587**
Group share plan	**–**	**–**	**5 587**	**–**	**–**	**–**	**–**	**5 587**
Balance at 31 December 2020	**4 727 314**	**(923)**	**7 798**	**(75 168)**	**688 373**	**10 241**	**9 711**	**5 367 346**
Notes	**20**	**21**	**23**	**22**		**33**		

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. Share-based payment reserve is used to recognise the grant date fair value of the Group's equity settled share-based payments (GSP) over the vesting period of GSP.
3. 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.
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 2020

	Notes	2020 Audited R'000	2019 Audited R'000
NET CASH FLOW FROM OPERATING ACTIVITIES		**637 218**	579 769
Cash generated from continuing operations	26	**908 679**	944 777
Finance income received		**44 720**	54 025
Finance costs paid		**(165 760)**	(207 689)
Taxation paid	27	**(150 421)**	(191 404)
Cash utilised by discontinued operations		**–**	(19 940)
NET CASH FLOW FROM INVESTMENT ACTIVITIES		**(322 189)**	(394 730)
Purchase of property, plant and equipment and computer software		**(328 042)**	(400 902)
Proceeds on disposal of property, plant and equipment and computer software		**8 085**	7 155
Proceeds from sale of discontinued operations		**–**	46 716
Other loans repaid to the Group		**4 772**	2 301
Other loans granted by the Group		**(8 200)**	–
Loans repaid by shareholders to the Group		**1 812**	–
Acquisition of business	28	**(616)**	(50 000)
NET CASH FLOW FROM FINANCING ACTIVITIES		**(233 616)**	(159 764)
Share repurchase		**–**	(91 570)
(Repayment of)/proceeds from other loans payable		**(2 235)**	2 235
Proceeds from/(repayment of) related party loans payable		**614**	(846)
Capital portion of lease payments	11	**(149 132)**	(127 547)
Proceeds from term loans and asset based financing	26	**156 727**	270 765
Repayment of term loans and asset based financing	26	**(89 984)**	(81 112)
Dividend paid		**(149 606)**	(131 689)
Net increase in cash and cash equivalents		**81 413**	25 275
Cash and cash equivalents at the beginning of the year		**854 615**	829 340
Cash and cash equivalents at the end of the year		**936 028**	854 615
Continuing operations	19	**936 028**	854 615

Segmental analysis

	Year ended 31 December 2020 R'000	Year ended 31 December 2019 R'000
BASIS OF SEGMENTATION		

The executive management team of the Group, the chief operating decision maker, 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

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 offerings and baking aids.

Household and Personal Care

Detergents and household cleaning products as well as personal care products.

INFORMATION ABOUT REPORTABLE SEGMENTS

	Year ended 31 December 2020 R'000	Year ended 31 December 2019 R'000
Revenue from contracts with customers		
Perishables	**4 698 998**	4 688 126
Groceries	**3 345 616**	3 177 811
Snacks and Confectionery	**574 257**	537 972
Baking and Baking Aids	**815 584**	699 841
Household and Personal Care	**851 426**	788 795
	10 285 881	9 892 545
Revenue comprised as follows:		
Total revenue for reportable segments	**10 323 980**	9 917 389
Elimination of inter segment revenue	**(38 099)**	(24 844)
Perishables	**(7 552)**	(8 328)
Groceries	**(23 965)**	(12 141)
Snacks and Confectionery	**(3 203)**	(722)
Baking and Baking Aids	**(3 179)**	(3 434)
Household and Personal Care	**(200)**	(219)
	10 285 881	9 892 545
Operating profit (EBIT)		
Perishables	**13 383**	402 686
Groceries	**344 019**	313 249
Snacks and Confectionery	**53 538**	60 666
Baking and Baking Aids	**55 710**	60 916
Household and Personal Care	**17 028**	(6 364)
Corporate	**(118 241)**	(129 395)
	365 437	701 758
Reconciliation of operating profit per segment to profit before tax		
Operating profit	**365 437**	701 758
Investment income	**44 720**	54 025
Finance costs	**(230 130)**	(262 774)
Profit before tax	**180 027**	493 009

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.

	Year ended 31 December 2020 R'000	Year ended 31 December 2019 R'000
NORMALISED EBIT AND EBITDA		
Group – continuing operations		
Operating profit	**365 437**	701 758
Amortisation of customer contracts and brands with definitive useful lives	**150 172**	150 172
Due diligence costs	**286**	2 884
Expenses relating to share based payments	**13 990**	6 948
Government grants	**(840)**	(155)
Impairment losses on goodwill and other assets	**203 820**	–
Loss on disposal of property, plant and equipment	**2 683**	466
Retrenchment and settlement costs	**16 758**	16 646
Securities transfer tax	**–**	281
Strategic advisory fees	**–**	301
Unrealised loss on foreign exchange	**21 787**	11 035
Normalised EBIT	**774 093**	890 336
Amortisation of software	**12 031**	10 913
Depreciation of property, plant and equipment and right-of-use assets	**329 131**	272 427
Normalised EBITDA (including effect of IFRS 16)	**1 115 255**	1 173 676
Less: lease payments and lease modifications	**(149 133)**	(138 927)
Normalised EBITDA (excluding effect of IFRS 16)	**966 122**	1 034 749
Perishables		
Operating profit	**13 383**	402 686
Amortisation of customer contracts	**43 610**	43 610
Due diligence costs	**–**	797
Government grants	**(72)**	(155)
Impairment losses on goodwill and other assets	**203 820**	–
(Profit)/loss on disposal of property, plant and equipment	**(1 261)**	45
Retrenchment and settlement costs	**5 128**	6 610
Unrealised loss on foreign exchange	**6 488**	2 094
Normalised EBIT	**271 096**	455 687
Amortisation of software	**4 146**	2 090
Depreciation of property, plant and equipment and right-of-use assets	**133 626**	90 160
Normalised EBITDA (including effect of IFRS 16)	**408 868**	547 937
Less: lease payments and lease modifications	**(44 069)**	(37 502)
Normalised EBITDA (excluding effect of IFRS 16)	**364 799**	510 435
Groceries		
Operating profit	**344 019**	313 249
Amortisation of customer contracts	**71 239**	71 239
Government grants	**(607)**	–
Loss on disposal of property, plant and equipment	**3 006**	371
Retrenchment and settlement costs	**4 341**	357
Unrealised loss on foreign exchange	**14 525**	8 578
Normalised EBIT	**436 523**	393 794
Amortisation of software	**1 897**	2 404
Depreciation of property, plant and equipment and right-of-use assets	**90 494**	93 161
Normalised EBITDA (including effect of IFRS 16)	**528 914**	489 359
Less: lease payments and lease modifications	**(50 209)**	(54 317)
Normalised EBITDA (excluding effect of IFRS 16)	**478 705**	435 042

SEGMENTAL ANALYSIS CONTINUED

	Year ended 31 December 2020 R'000	Year ended 31 December 2019 R'000
Snacks and Confectionery		
Operating profit	**53 538**	60 666
Amortisation of customer contracts	**4 402**	4 402
Loss/(profit) on disposal of property, plant and equipment	**564**	(4)
Retrenchment and settlement costs	**2 109**	790
Strategic advisory fees	**–**	118
Unrealised loss on foreign exchange	**666**	589
Normalised EBIT	**61 279**	66 561
Amortisation of software	**2 099**	3 821
Depreciation of property, plant and equipment and right-of-use assets	**26 283**	19 957
Normalised EBITDA (including effect of IFRS 16)	**89 661**	90 339
Less: lease payments and lease modifications	**(12 450)**	(7 383)
Normalised EBITDA (excluding effect of IFRS 16)	**77 211**	82 956
Baking and Baking Aids		
Operating profit	**55 710**	60 916
Amortisation of customer contracts	**6 870**	6 870
Loss on disposal of property, plant and equipment	**458**	98
Retrenchment and settlement costs	**391**	–
Unrealised loss/(gain) on foreign exchange	**55**	(61)
Normalised EBIT	**63 484**	67 823
Amortisation of software	**986**	876
Depreciation of property, plant and equipment and right-of-use assets	**39 537**	35 091
Normalised EBITDA (including effect of IFRS 16)	**104 007**	103 790
Less: lease payments and lease modifications	**(16 833)**	(17 029)
Normalised EBITDA (excluding effect of IFRS 16)	**87 174**	86 761
Household and Personal Care		
Operating profit/(loss)	**17 028**	(6 364)
Amortisation of customer contracts and brands with definitive useful lives	**24 051**	24 051
Profit on disposal of property, plant and equipment	**(139)**	(27)
Retrenchment and settlement costs	**1 009**	8 655
Strategic advisory fees	**–**	183
Unrealised loss/(gain) on foreign exchange	**53**	(163)
Normalised EBIT	**42 002**	26 335
Amortisation of software	**23**	23
Depreciation of property, plant and equipment and right-of-use assets	**34 280**	29 140
Normalised EBITDA (including effect of IFRS 16)	**76 305**	55 498
Less: lease payments and lease modifications	**(21 716)**	(19 165)
Normalised EBITDA (excluding effect of IFRS 16)	**54 589**	36 333

	Year ended 31 December 2020 R'000	Year ended 31 December 2019 R'000
Corporate		
Operating loss	**(118 241)**	(129 395)
Due diligence costs	**286**	2 087
Expenses relating to share based payments	**13 990**	6 948
Government grants	**(161)**	–
Loss/(profit) on disposal of property, plant and equipment	**55**	(17)
Retrenchment and settlement costs	**3 780**	234
Securities transfer tax	**–**	281
Unrealised gain on foreign exchange	**–**	(2)
Normalised EBIT	**(100 291)**	(119 864)
Amortisation of software	**2 880**	1 699
Depreciation of property, plant and equipment and right-of-use assets	**4 911**	4 918
Normalised EBITDA (including effect of IFRS 16)	**(92 500)**	(113 247)
Less: lease payments and lease modifications	**(3 856)**	(3 531)
Normalised EBITDA (excluding effect of IFRS 16)	**(96 356)**	(116 778)
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	**1 239 636**	1 220 092
Major customers		
During the period under review, revenue from certain customers exceeded 10% of total revenue.		
Customer A	**22%**	19%
Customer B	**16%**	13%
Customer C	**10%**	10%

Notes to the annual financial statements

for the year ended 31 December 2020

	2020 R'000	2019 R'000
1. Revenue		
Revenue from the sale of goods	**10 115 711**	9 791 738
Revenue from the rendering of services	**170 170**	100 807
	10 285 881	9 892 545
Refer to the Segmental Analysis for detailed revenue disclosure by segment.		
2. Other income		
Bad debts recovered	**315**	–
Commissions received	**40**	38
Gain on foreign exchange	**2 917**	26 927
Realised gain on foreign exchange	**24 704**	37 962
Unrealised loss on foreign exchange	**(21 787)**	(11 035)
Government grants[1]	**1 253**	206
Insurance claims received	**532**	385
Discounts and incentives received	**–**	871
Rental income	**4 103**	5 577
Sundry income[2]	**38 012**	18 721
	47 172	52 725

1. Income from government grants includes income received under the Manufacturing Competitiveness Enhancement Program, Skills Development Program and the Employer Tax Incentive program.
2. Included in current year are two loans payable that were previously provided for as amounts due to related parties, which were written back following the favourable outcome of an arbitration process (R19.7 million) and R10.0 million lapsed following the termination of the Group's relationship with the counterparty in question. Refer to note 24.3 for further information related to these loans.

3. Operating profit

Operating profit from continuing operations is calculated after taking into account the following:

3.1 Operating expenditure

	2020 R'000	2019 R'000
Depreciation of property, plant and equipment (refer note 10)	**205 159**	168 824
Depreciation of right-of-use assets (refer note 11)	**123 659**	103 387
Amortisation of brands (refer note 13)	**11 867**	11 867
Amortisation of computer software (refer note 13)	**12 031**	10 913
Amortisation of customer relationships (refer note 13)	**138 305**	138 305
Impairment loss on goodwill (refer note 13.4)	**198 000**	–
Impairment loss on building (refer note 10)	**5 820**	–
Loss on disposal of property, plant and equipment	**2 683**	466
Employee benefits	**1 398 179**	1 307 546
Salaries and wages	**1 381 421**	1 290 900
Retrenchment and settlement costs	**16 758**	16 646
Strategic advisory fees	**–**	301
Due diligence costs	**286**	2 884
Credits relating to share appreciation rights granted (LTI scheme)	**(2 370)**	(1 456)
Charges relating to long-term incentive scheme (LTIP scheme)	**7 741**	6 194
Charges relating to share based payments (GSP)	**8 619**	2 211
Securities transfer tax	**–**	281
Research and development costs expensed as incurred	**1 420**	1 773
Auditors remuneration	**8 343**	8 407

	2020 R'000	2019 R'000
4. Investment income		
Interest income on financial assets:	**44 720**	54 025
Bank deposits	**44 574**	53 807
Other interest received	**146**	218
	44 720	54 025
5. Finance costs		
Interest on lease liabilities	**64 370**	55 085
Interest on bank overdraft, bank loans and asset based finance	**165 170**	206 110
Interest paid to related parties	**570**	639
Interest paid to suppliers	**15**	153
Interest on late payment of tax	**5**	787
	230 130	262 774
6. Taxation		
6.1 Income tax recognised in statement of profit or loss and other comprehensive income		
Current income tax	**154 250**	170 793
Current year	**154 250**	170 793
Deferred tax	**(47 754)**	(34 468)
Current year	**(47 754)**	(34 468)
Total tax expense for the year	**106 496**	136 325
The expense for the year can be reconciled to the accounting profit as follows:		
Profit before tax from continuing operations	**180 027**	493 009
Income tax expense calculated at statutory rate of 28%	**50 408**	138 043
Exempt income[1]	**(5 237)**	(3 242)
Non-deductible expenditure[2]	**5 146**	1 524
Impairment loss on goodwill	**55 440**	–
Capital gains tax	**582**	–
Recognised in Other Comprehensive Income	**1 568**	–
Deferred tax difference	**(1 910)**	–
Unutilised assessed loss	**499**	–
Income tax expense recognised in profit or loss	**106 496**	136 325

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.

	2020 R'000	2019 R'000

7. Loss from discontinued operations

	2020 R'000	2019 R'000
Loss from discontinued operations	–	(77 057)

There were no discontinued operations related to the current year. The loss from discontinued operations recognised in the Statement of Profit or Loss and Other Comprehensive Income consists of the following prior year discontinued operations:

7.1 Prior 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.

Elvin, operating as a division of Libstar Operations (Pty) Ltd, comprised (i) dairy-blend and fruit concentrate manufacturing lines ("Disposed Component") and (ii) non-dairy blend and non-fruit concentrate manufacturing lines in relation to vinegar, lemon juice and lime juice packaging ("Retained Component").

The Disposed Component, in the context of the disposal transaction agreed with the purchaser, constituted a separate major line of business. The Disposed Component, previously shown in the Niche Beverages category, was sold effective 1 November 2019 and was therefore reported in the prior 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:

	2020 R'000	2019 R'000
Revenue	–	212 091
Cost of sales	–	(201 098)
Gross profit	–	10 993
Other income	–	–
Operating expenses[1]	–	(98 303)
Operating loss	–	(87 310)
Investment income	–	164
Finance costs	–	(3 294)
Loss before tax	–	(90 440)
Income tax	–	13 383
Loss for the year from discontinued operation	–	(77 057)
Loss from discontinued operation attributable to:		
Equity holders of the parent	–	(77 057)
Non-controlling interest	–	–
	–	(77 057)

1. Included in operating expenses for 2019 are impairment losses of R72.6m in respect of goodwill and brands.

7.2 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

	2020 R'000	2019 R'000
Deferred tax	–	(13 383)
Total tax for the year	–	(13 383)

The tax for the year can be reconciled to the accounting loss as follows:

	2020 R'000	2019 R'000
Loss before tax	–	(90 440)
Income tax expense calculated at statutory rate of 28%	–	(25 323)
Non-deductible expenditure	–	7 000
Unutilised assessed loss	–	4 940
Income tax recognised in profit or loss	–	(13 383)

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:

	2020 R'000	2019 R'000
Earnings used in the calculation of basic earnings per share	**73 713**	278 395
From continuing operations	**73 713**	355 452
From discontinued operations	–	(77 057)
Weighted average number of ordinary shares for the purposes of basic earnings per share ('000)	**595 812**	597 519
Basic earnings per share in cents		
From continuing operations	**12.4**	59.5
From discontinued operations	–	(12.9)
From continuing and discontinued operations	**12.4**	46.6

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:

	2020 R'000	2019 R'000
Weighted average number of ordinary shares for the purposes of diluted earnings per share ('000)	**596 932**	598 481
Diluted earnings per share in cents		
From continuing operations	**12.3**	59.4
From discontinued operations	–	(12.9)
From continuing and discontinued operations	**12.3**	46.5
Reconciliation 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	**595 812**	597 519
Adjustments for calculation of diluted earnings per share:		
Deferred Shares – GSP[1]	**1 120**	962
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**596 932**	598 481

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 related to the GSP is provided in note 23.

8. Earnings per share continued

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:

	2020 R'000	2019 R'000
Profit for the year from continuing operations	**73 713**	355 452
Normalised for:	**145 395**	136 368
Amortisation of customer contracts and brands with definitive useful lives	**108 124**	108 124
Due diligence costs	**286**	2 884
Expenses relating to share based payments	**10 073**	5 002
Government grants	**(840)**	(155)
Retrenchment and settlement costs	**12 066**	11 985
Securities transfer tax	**–**	281
Strategic advisory fees	**–**	301
Unrealised forex losses	**15 686**	7 946
Normalised earnings used in the calculation of basic earnings per share	**219 108**	491 820
Weighted average number of ordinary shares for the purposes of basic earnings per share ('000)	**595 812**	597 519
Normalised basic earnings per share in cents	**36.8**	82.3

8.4 Headline earnings

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

2020	**Gross**	**Net of tax**
Basic earnings from continuing operations	**73 713**	**73 713**
Adjustments	**206 503**	**205 902**
Loss on disposal of property, plant and equipment	**2 683**	**2 082**
Impairment of buildings (note 10)	**5 820**	**5 820**
Impairment of goodwill (note 13.4)	**198 000**	**198 000**
Headline earnings from continuing operations	**280 216**	**279 615**

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

	2020 R'000	2019 R'000
Basic earnings from discontinued operations	–	(77 057)
Adjustments (net of tax)	–	52 258
Profit on disposal of property, plant and equipment and customer contracts	–	(7 000)
Impairment of brands (note 13)	–	34 258
Impairment of goodwill (note 13)	–	25 000
Headline earnings from discontinued operations	–	(24 799)
Headline earnings from continuing and discontinued operations	**279 615**	332 975

8. Earnings per share continued

8.4 Headline earnings continued

	2020 R'000	2019 R'000
Headline earnings per share in cents		
From continuing operations	**46.9**	59.9
From discontinued operations	–	(4.2)
From continuing and discontinued operations	**46.9**	55.7
Diluted headline earnings per share in cents		
From continuing operations	**46.8**	59.8
From discontinued operations	–	(4.2)
From continuing and discontinued operations	**46.8**	55.6

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:

2020	**Net**
Normalised basic earnings from continuing operations	**219 108**
Adjustments	**205 902**
Impairment of goodwill (note 13)	**198 000**
Impairment of property, plant and equipment (note 10)	**5 820**
Loss on disposal of property, plant and equipment	**2 082**
Normalised headline earnings from continuing operations	**425 010**
Normalised headline earnings per share from continuing operations (cents)	**71.3**

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

9. Directors' remuneration

Name/designation	Basic salary R'000	Bonuses R'000	Total remuneration and benefits R'000
2020			
AV van Rensburg (Executive Director)	**6 111**	**2 065**	**8 176**
RW Smith (Executive Director)	**4 200**	**621**	**4 821**
CB de Villiers (Executive Director)	**3 500**	**928**	**4 428**
W Luhabe (Chairman Non-Executive Director)	**1 110**	**–**	**1 110**
JP Landman (Lead Independent Non-Executive Director)	**720**	**–**	**720**
S Masinga (Independent Non-Executive Director)	**730**	**–**	**730**
S Khanna (Independent Non-Executive Director)	**860**	**–**	**860**
A Andrews (Independent Non-Executive Director)	**72**	**–**	**72**
Total – 2020	**17 303**	**3 614**	**20 917**
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

Mr CB de Villiers was appointed as executive director effective 1 January 2020 and Ms A Andrews was appointed effective 1 November 2020.

10. Property, plant and equipment

	2020 R'000	2019 R'000
Cost	**2 344 147**	2 030 290
Accumulated depreciation and impairment	**(836 332)**	(637 612)
	1 507 815	1 392 678

	Freehold land and buildings R'000	Plant, vehicles, machinery and equipment* R'000
31 December 2020		
Cost		
At 1 January 2020	**208 193**	**1 822 097**
Additions[1]	**16 486**	**320 089**
Transfer[2]	**–**	**8 235**
Disposals of assets	**(8 156)**	**(22 797)**
At 31 December 2020	**216 523**	**2 127 624**
Total cost at 31 December 2020		**2 344 147**
Accumulated depreciation and impairment		
At 1 January 2020	**(22 972)**	**(614 640)**
Eliminated on disposals of assets	**–**	**12 259**
Impairment[3]	**(5 820)**	**–**
Depreciation charge	**(8 729)**	**(196 430)**
At 31 December 2020	**(37 521)**	**(798 811)**
Total accumulated depreciation and impairment at 31 December 2020		**(836 332)**
Carrying value at 31 December 2020	**179 002**	**1 328 813**
Total carrying value at 31 December 2020		**1 507 815**

10. Property, plant and equipment continued

	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 (note 7)	–	(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 (note 7)	–	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
Estimated useful lives	Land – Unlimited Buildings – 20 years	4 – 12 years

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

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 useful lives and residual values of the assets are estimated based on management's best estimates and industry experience.

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 33.8 Liquidity risk management for further details.

There were no material capital commitments at the end of the current and prior year.

1 A portion of the additions of R17m was prepaid in the prior year.
2 In the current year, the Group transferred inventory work in progress to equipment. The equipment has been accounted for per the Group's accounting policies pertaining to property, plant and equipment and has been depreciated over its estimated useful life.
3 The impairment loss relates to a building within the Lancewood division that was demolished in order to erect a new building. The remaining carrying value of the building was written off as an impairment loss and this impairment loss is included in operating expenditure in the statement of profit or loss and other comprehensive income.

11. Leases

This note provides information for leases where the group is a lessee.

Amounts recognised in the consolidated statement of financial position

	2020 R'000	2019 R'000
Non-current right-of-use assets	**649 533**	655 596
Non-current lease liabilities	**(692 372)**	(677 674)
Current lease liabilities	**(90 596)**	(75 712)
Right-of-use assets[1]		
Right-of-use assets at 1 January	**655 596**	510 304
Lease modifications[2]	**(761)**	110 829
Additions and derecognitions	**118 357**	137 850
Depreciation for the year	**(123 659)**	(103 387)
Right-of-use assets at 31 December	**649 533**	655 596
Deferred tax asset		
Opening balance at 1 January	**25 852**	19 662
Movement for the year	**12 642**	6 189
Balance at 31 December	**38 494**	25 851
Lease Liabilities		
Lease liabilities recognised as at 1 January	**(753 386)**	(588 230)
Lease modifications[2]	**761**	(110 829)
Additions and derecognitions	**(115 105)**	(126 789)
Add: finance costs	**(64 370)**	(55 085)
Less: lease payments	**149 132**	127 547
Balance at 31 December	**(782 968)**	(753 386)

1 The majority of the value of the right-of-use assets relate to property leases. The other equipment related leases are deemed not to be material and as such are not disclosed separately.

2 Lease modifications mainly consist of lease extensions that occurred in the current and prior year.

Amounts recognised in the consolidated statement of profit or loss and other comprehensive income

	2020 R'000	2019 R'000
Depreciation of right-of-use asset	**(123 659)**	(103 387)
Finance costs in respect of lease liability	**(64 370)**	(55 085)
Short-term and low value lease charges*	**31 535**	11 458

* Short-term and low value lease charges are due within the next twelve months.

Refer to note 33.8 Liquidity and interest risk tables for the maturity analysis of lease liabilities.

The total cash outflow for leases in the current year was R149.1m (2019: R127.5m).

There were no significant variable payments in the current and prior year.

12. Goodwill

	2020 R'000	2019 R'000
Cost	**2 631 519**	2 630 983
Accumulated impairment	**(294 327)**	(96 327)
	2 337 192	2 534 656

	Goodwill R'000
31 December 2020	
Cost	
At 1 January 2020	**2 630 983**
Acquisition of business (note 28.1)	**536**
At 31 December 2020	**2 631 519**
Accumulated impairment	
At 1 January 2020	**(96 327)**
Impairment (note 13.4)	**(198 000)**
At 31 December 2020	**(294 327)**
Carrying value at 31 December 2020	**2 337 192**
31 December 2019	
Cost	
At 1 January 2019	2 592 385
Acquisition of business (note 28.2)	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

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:

	2020 R'000	2019 R'000
Perishables	**859 269**	1 057 269
Groceries	**936 075**	936 075
Snacks and Confectionery	**229 516**	228 980
Baking and Baking Aids	**250 468**	250 468
Household and Personal Care	**61 864**	61 864
	2 337 192	2 534 656

12. Goodwill continued

Change in aggregation of Goodwill attributable to cash-generating units

2019	Previous classification 1 January	Change in classification	After change in classifcation 1 January	Movements Acquisition	Impairment	Closing balance 31 December
Perishables	1 126 250	(68 981)	1 057 269	–	–	1 057 269
Groceries	653 751	243 726	897 477	38 598	–	936 075
Snacks and Confectionery	228 980	–	228 980	–	–	228 980
Baking and Baking Aids	250 468	–	250 468	–	–	250 468
Niche Beverages	162 745	(137 745)	25 000	–	(25 000)	–
Household and Personal Care	61 864	–	61 864	–	–	61 864
Specialised Food Packaging	37 000	(37 000)	–	–	–	–
	2 521 058	–	2 521 058	38 598	(25 000)	2 534 656

Refer to note 13.3 for further details on impairment testing of goodwill.

During the prior 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.

In the prior year, the Retained Component of Elvin operations has been operationally and financially integrated into the Cecil Vinegar division, which operates in the Groceries product category.

Therefore, in the prior year, the remaining Niche Beverages businesses, which comprise Chamonix Springwater and the Retained Component of the Elvin operations, were reclassified and have been reported under the Groceries product category.

During the prior 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 segments are managed.

There were no reclassifications between cash-generating units during the current year.

	2020 R'000	2019 R'000
13. Intangible assets		
Cost	**3 028 190**	3 020 217
Accumulated amortisation and impairment	**(1 090 095)**	(928 157)
	1 938 095	2 092 060

	Brands* R'000	**Computer software and website costs R'000**	**Customer relationships R'000**
31 December 2020			
Cost			
At 1 January 2020	**568 845**	**62 135**	**2 389 237**
Additions	**–**	**8 547**	**–**
Disposals	**–**	**(574)**	**–**
At 31 December 2020	**568 845**	**70 108**	**2 389 237**
Total cost at 31 December 2020			**3 028 190**
Accumulated amortisation and impairment			
At 1 January 2020	**(11 867)**	**(30 343)**	**(885 947)**
Eliminated on disposals of assets	**–**	**265**	**–**
Amortisation charge	**(11 867)**	**(12 031)**	**(138 305)**
At 31 December 2020	**(23 734)**	**(42 109)**	**(1 024 252)**
Total accumulated amortisation and impairment at 31 December 2020			**(1 090 095)**
Carrying value at 31 December 2020	**545 111**	**27 999**	**1 364 985**
Total carrying value at 31 December 2020			**1 938 095**
31 December 2019			
Cost			
At 1 January 2019	644 791	49 995	2 389 237
Additions	–	17 892	–
Acquisition of business (note 28)	14 141	–	–
Disposals	–	(5 752)	–
Disposals of discontinued operations (note 7)	(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 (note 13.4)	(47 581)	–	–
Disposals of discontinued operations (note 7)	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
Estimated useful lives	Indefinite	3 – 6 years	5 – 20 years

* Indefinite useful lives are allocated to Brands as there is no foreseeable limit to the period over which the Group expects to utilise the future economic benefits embodied in the intangible asset. Brands comprise of 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 prior year to have a definitive useful live of two years and is amortised accordingly. This brand with a definite useful life is fully amortised at 31 December 2020 with an original cost of R23.7m and accumulated amortisation of R23.7m (2019: R11.9m) at reporting date.

13. Intangible assets continued

The Group estimates the useful life of the computer software and website costs based on management's best estimates of factors such as technical innovations and rate of change whilst the useful life of customer relationships is based on management's consideration of factors such as the nature and tenure of the relationship in question as well as an assessment of the competitive landscape in which the Group operates. Management defines useful lives based on estimates on how the benefit of the assets will be utilised over time. Each year the remaining useful lives of the intangibles assets are re-evaluated and if a change in estimate occurs, the remaining carrying value is amortised prospectively over the revised remaining useful life. There were no changes in the estimated useful lives in the current and prior year.

The remaining useful lives and carrying values of customer relationships grouped per segment are as follows:

Segment	Carrying value	Remaining weighted average useful lives – years
Perishables	544 455	12,76
Groceries	587 592	9,67
Snacks and Confectionery	47 207	10,72
Baking and Baking Aids	88 263	12,85
Household and Personal Care	97 468	8,00
	1 364 985	9,87

Brands are pledged as security for the financing facilities detailed in note 33.8

	2020 R'000	2019 R'000
13.1 Allocation of brands to cash generating units		
The carrying amount of intangible assets with indefinite useful lives was allocated to cash-generating groups as follows:		
Perishables	**412 276**	412 276
Groceries	**61 187**	61 187
Baking and Baking Aids	**11 103**	11 103
Household and personal care	**60 545**	72 412
	545 111	556 978

Change in aggregation of brands attributable to cash-generating units

2019	Previous classification 1 January	Change in Classification	After change in classification 1 January	Movements: Impairment/ reclassification to definite useful lives	Movements: Acquisition/ (Disposal)	Closing balance 31 December
Perishables	438 082	(25 806)	412 276	–	–	412 276
Groceries	14 146	32 901	47 047	–	14 141	61 188
Baking and Baking Aids	11 103	–	11 103	–	–	11 103
Niche Beverages	55 182	(7 095)	48 087	(47 581)	(506)	–
Household and Personal Care	84 278	–	84 278	(11 867)	–	72 411
	602 791	–	602 791	(59 448)	13 635	556 978

Refer to note 12.1 Change in aggregation of Goodwill attributable to cash-generating units for further details on the prior year reclassification between the segments.

There were no reclassifications between cash-generating units during the current year.

13. Intangible assets continued

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
2020			
Perishables	**859 269**	**412 276**	**1 271 545**
Groceries	**936 075**	**61 187**	**997 262**
Snacks and Confectionery	**229 516**	**–**	**229 516**
Baking and Baking Aids	**250 468**	**11 103**	**261 571**
Household and Personal Care	**61 864**	**60 545**	**122 409**
	2 337 192	**545 111**	**2 882 303**
2019			
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 note 13.4 for the impairment losses recognised during the current and prior year.

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. The Group allocates goodwill to operating segments, which in turn may be represented by groups of individual cash-generating units. For impairment testing purposes, goodwill is allocated to the lowest level of identifiable individual cash-generating units.

The key assumptions disclosed below are based on management's experience and expectations. The Group prepares 5 year cash flow forecasts as inputs to the discounted cash flow models used in assessing the impairment of individual cash-generating units. The recoverable amount of each cash-generating unit is based on its value in use. The carrying value of the cash-generating unit is compared with the value in use and if the value in use is exceeded by the carrying value, an impairment loss in recognised in the statement of profit or loss and other comprehensive income.

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 a five year period and incorporates a terminal growth rate.

These cash flows are based on forecasts which include assumptions on profit before interest, tax, depreciation and amortisation, 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

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

	2020 R'000	2019 R'000

13. Intangible assets continued

13.3 Impairment testing of goodwill and intangible assets with indefinite useful lives continued

DISCOUNT RATES

	2020 R'000	2019 R'000
Approximate pre-tax discount rates applied	**12,2%**	12,5%

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

	2020 R'000	2019 R'000
Approximate terminal growth rates applied	**5,1%**	5,4%

Management specifically considered the impact of Covid-19 on the inputs used to forecast the recoverable amounts, particularly in relation to cash-generating units within the Perishables cash generating group which have a significant exposure the food service channel. The future growth rates and the discount rates have been adjusted to factor in the lower future expected growth and the lower interest rates which impacts the weighted average cost of capital of the Group.

The Group discount rates and growth rates are assessed for specific divisional-level risk factors at a cash-generating unit level as they arise. A risk-premium is built into the inputs to consider the specific risk factor applicable to the relevant division.

13.4 Recorded impairments

	2020 R'000	2019 R'000
Recorded impairments from continued operations		
Goodwill	**198 000**	–

The carrying amount of the Denny Mushrooms division within the Perishables cash-generating group has been reduced to its recoverable amount through recognition of an impairment loss against goodwill. This impairment loss is included in operating expenditure in the statement of profit or loss and other comprehensive income.

The effect of Covid-19 has been most apparent in the Group's sales channels. In particular, the food service channel was most adversely affected by the closure of hospitality venues and restaurants due to the second quarter level 5 lockdown restrictions and subsequent lower restaurant occupancy rates during the second half of the current year. The food service channel slowdown had a particularly pronounced impact on the Denny Mushrooms division. The impact of the lower mushroom sales volumes on the innately high fixed-cost nature of Denny Mushrooms' farming operations, adversely impacted profitability. Corrective actions taken by the Group have included increased mushroom price realisation, the containment of costs and the significant recovery of its retail channel market share from previous lows. Despite these efforts, the prevailing competitive market conditions, high operating cost structure and declining sale volumes have interrupted Denny Mushrooms' recovery. Considering these factors, the Group has applied a conservative downward revision of Denny Mushrooms' five-year growth forecasts.

In so doing, an impairment loss of R198 million has been recognised in relation to goodwill attributable to Libstar's investment in Denny Mushrooms. The recoverable amount of Denny Mushrooms was calculated at a conservative terminal growth rate of 4.7% and an after-tax discount rate of 13.0%. No class of asset other than goodwill related to Denny Mushrooms was impaired. Refer to section 13.5 for the recoverable amount of the entire Perishables cash-generating group and related sensitivity analysis performed as at 31 December 2020.

The remaining unimpaired carrying value of goodwill attributable to Denny Mushrooms as at 31 December 2020 was R97.8m.

13. Intangible assets continued

13.4 Recorded impairments continued

	2020 R'000	2019 R'000
Recorded impairments from discontinued operations – previous dairy blend and fruit concentrate niche beverage operations of Elvin		
Goodwill	–	25 000
Brands	–	47 581
	–	72 581

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. The recoverable amount of the dairy-blend and fruit-concentrate operations of Elvin was determined to be R38 million, which represented the consideration receivable from the purchaser in accordance with the sale of business agreement. In assessing the recoverable amount of this cash generating unit, management recorded the impairment losses outlined above. Goodwill of R25 million has been allocated to the disposed component of Elvin on the basis of its at-acquisition fair value relative to the fair value of the retained component of Elvin.

Effective 1 November 2019, the Group disposed of its dairy blend and fruit concentrate beverage operations. Refer to note 7 for details.

13.5 Sensitivity Analysis – impact of possible changes in key assumptions

The Group has performed a sensitivity analysis of assumptions used in the indefinite life intangible assets and goodwill impairment test of cash generating groups. The table below shows the percentage change in the discounted cash flow model discount rate that would cause the recoverable amount of each group of cash-generating units to be equal to its carrying amount.

	2020 Discount rate Movement %	2019 Discount rate Movement %
Perishables*	**+4.1**	+4.9
Groceries	**+6.7**	+5.7
Snacks and Confectionery	**+6.1**	+4.6
Baking and Baking Aids	**+5.0**	+8.1
Household and Personal Care	**+8.2**	+5.1

The recoverable amount of groups of cash-generating units that hold a significant proportion of the Group's overall goodwill balance and indefinite useful life intangible assets include:

Perishables* – recoverable amount of R2.5bn (2019: R3.2bn) exceeds its carrying amount by R1.4bn (2019: R2.1bn).

Groceries – recoverable amount of R3.3bn (2019: R2.9bn) exceeds its carrying amount by R2.3bn (2019: R1.9bn).

* Excluding the Denny Mushrooms cash-generating unit.

13. Intangible assets continued

13.5 Sensitivity Analysis – impact of possible changes in key assumptions continued

The Group has, in respect of the Perishables, Groceries, Snacks & Confectionery and Baking & Baking Aids categories, extended its impairment testing to the divisional level where there was a potential indication of impairment. The directors estimate that the following changes in the discount rates applied to the below divisions, would cause the recoverable amount of each CGU's to be equal to its carrying amount.

	2020 Discount rate Movement %	2019 Discount rate Movement %
Khoisan	**+1.1**	–
Cecil Vinegar	**+1.6**	–
Multicup	**+1.8**	–
Montagu Foods	**+1.6**	+0.5
Denny Mushrooms	**–**	+0.4
Dickon Hall Foods	**–**	+0.5

The directors and management have critically revised their budgets for the years 2021 – 2025 in the light of the impact of Covid-19. It was concluded that the individual cash-generating groups which will be affected adversely by the extended impact of Covid-19, will continue to operate at a level of profitability that is sustainable for the Group.

The terminal growth rate of 4.7% and an after-tax discount rate of 13.0% relevant to Denny Mushrooms to calculate the impairment loss recognised is more conservative compared to the standard terminal growth rate of 5.1% and the after-tax discount rate of 12.2% of the Group. Management performed a stress-analysis and applied the terminal growth rate of 4.7% and an after-tax discount rate of 13.0% to all cash-generating groups and no carrying values exceeded the recoverable amounts as at 31 December 2020.

The directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of the five cash generating groups to exceed its recoverable amount.

14. Deferred tax (liabilities)/assets

	2020 R'000	2019 R'000
Deferred tax asset	**1 508**	5 067
Deferred tax liability	**(659 191)**	(707 000)
	(657 683)	(701 933)
Balance at beginning of the year	**(701 933)**	(750 196)
Charge in profit or loss – continuing operations	**47 754**	34 468
Charge in profit or loss – discontinued operations	**–**	13 383
Prior period adjustment correction	**–**	4 372
Transfer to Other comprehensive income	**(3 504)**	–
Business combinations	**–**	(3 960)
Balance at the end of the year	**(657 683)**	(701 933)
The balance at the end of the year is due to the following timing differences:		
Property, plant and equipment	**(182 336)**	(172 402)
Right-of-use assets	**(182 517)**	(184 292)
Lease liabilities	**221 011**	210 144
Intangible assets	**(536 135)**	(578 235)
Accruals	**36 473**	38 515
Prepaid expenses	**(3 587)**	(3 625)
Consumable stores allowance	**(15 556)**	(13 855)
Assessed losses	**–**	5 067
Income received in advance	**349**	111
Capital gains tax – deferred	**–**	(3 709)
Post retirement medical aid contribution liability	**2 352**	2 683
Forward exchange contracts	**(1 634)**	(2 335)
Share-based payments (Cash settled)	**3 897**	–
	(657 683)	(701 933)

There are no unrecognised deferred tax assets related to assessed losses.

	2020 R'000	2019 R'000

15. Inventories

	2020 R'000	2019 R'000
Raw materials and components	**621 853**	556 264
Work in progress	**127 427**	202 535
Finished goods and merchandise	**479 168**	340 381
Consumable stores and spares	**20 243**	19 543
Goods in transit	**103 113**	102 074
Provision for stock write-down: finished goods	**(36 833)**	(21 178)
	1 314 971	1 199 619

All inventories are carried at cost, with the exception of certain items of finished goods against which a provision for stock write-down of R36.8m (2019: R21.2m) has been raised. The Group held higher inventory levels in the current year in order to respond to the potential negative impact of Covid-19 on the supply chain and meet customer demand. Due to the impact of Covid-19, management further increased the provision for stock write-down from 2% to 3% of inventory in the current year.

The cost of inventories recognised as an expense during the period was R6.0bn (2019: R6.0bn).

16. Trade and other receivables

	2020 R'000	2019 R'000
Trade receivables	**1 647 717**	1 611 843
Other receivables	**55 515**	33 402
Less: expected credit loss allowance	**(17 984)**	(6 394)
	1 685 248	1 638 851
Prepayments and deposits	**67 576**	83 247
Value-added tax receivable	**–**	41 365
	1 752 824	1 763 463
Categories of financial and non-financial assets		
Financial assets	**1 685 248**	1 638 851
Non-financial assets	**67 576**	124 612
	1 752 824	1 763 463

16.1 Trade receivables

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

Movement in the loss allowance	**2020 R'000**	2019 R'000
Balance at beginning of the year	**6 394**	17 792
Expected credit loss recognised in profit or loss	**17 984**	6 394
Bad debts written off	**(6 394)**	(1 313)
Impairment loss utilised	**–**	(16 479)
Balance at end of the year	**17 984**	6 394

In the current year the Group wrote off R6.4m (2019: R1.3m) of bad debts. The Group's top three customers, being leading retailers, comprise 27% (2019: 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 expected credit loss allowance recognised.

Trade receivables and other receivables, consisting of sundry debtors, are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due. Impairment losses on trade and other receivables are presented as net impairment losses within operating expenses in profit or loss. Subsequent recoveries of amounts previously written off are credited against the same line item. Refer to note 33.7 for further details on impairment of trade and other receivables and the credit risk policy of the Group.

17. Biological assets

	2020 R'000	2019 R'000
Mushrooms	**31 294**	29 407
	31 294	29 407
Reconciliation of the carrying value of biological assets:		
Balance at beginning of the year	**29 407**	26 662
Transferred for processing and sold	**(90 264)**	(94 336)
Gain arising from change in fair value due to physical change	**91 180**	95 332
Gain arising from change in fair value less estimated point of sale costs	**203**	145
Changes attributable to raw materials and overheads	**768**	1 604
Balance at the end of the year	**31 294**	29 407
The biological asset valuation comprised:		
Compost production cycle	**7 760**	7 842
Growing room cycle	**15 034**	14 185
Rooms in cropping	**8 179**	7 085
Spent compost	**321**	295
	31 294	29 407

Nature of activities

The Group is engaged in mushroom production for supply to various customers. As at 31 December 2020, the Group had 202.7 tons (2019 – 182.1 tons) of mushrooms in cropping rooms and 8,887.5 tons (2019 – 9,217.1 tons) of mushrooms were sold during the year.

Financial risk management

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.

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.

Measuring biological assets at fair value

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.

Significant estimates and judgements

Estimates and judgements in determining the fair value of mushrooms relate to market prices (last purchase price of raw materials), overhead costs and number of days in the production cycle.

Fair value hierarchy

Mushrooms have been classified as level 3 in the fair value hierarchy as the valuation includes unobservable inputs and assumptions including the production yield and overhead costs.

18. Other financial assets and hedging instruments

	2020 R'000	2019 R'000
Financial assets carried at fair value through profit or loss (FVTPL)		
Foreign exchange contracts[1]	–	485
Financial assets carried at amortised cost	**15 426**	15 409
Loans to related parties	–	3 411
Loan to Astratek Proprietary Limited	8 200	–
Loan to Kelloggs Tolaram South Africa Proprietary Limited	6 034	8 172
Other	1 192	3 826
Hedging instruments		
Foreign exchange contracts – cash flow hedges[1]	**33 938**	21 523
	49 364	37 417
Non-current assets	**11 402**	5 824
Current assets	**37 962**	31 593
	49 364	37 417

1 There has been no changes to the classification during the current financial year.

Refer to note 33.7 for further details on impairment of other financial assets and the credit risk policy of the Group.

18.1 Loans to related parties

	2020 R'000	2019 R'000
Amazing Stars Proprietary Limited	**653**	3 411
Less: expected credit loss allowance	**(653)**	–
	–	3 411

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

The loans are unsecured, interest free and have no fixed repayment terms.

Included in the above loan balance is a loan payable by a previous management shareholder of Hurters Honey. There is uncertainty whether the loan of R0,65m will be repaid and a expected credit loss allowance was therefore raised in full. Refer to note 33.7 for further details on impairment loss and the credit risk policy of the Group.

18.2 Loans to other entities

	2020 R'000	2019 R'000
Astratek Proprietary Limited The loan is unsecured and interest free. The loan is repayable by close of the 2026 reporting period.	**8 200**	–
Kelloggs Tolaram South Africa Pty Ltd 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.	**6 034**	8 172

19. Cash and bank balances

	2020 R'000	2019 R'000
Cash on hand	**495**	1 583
Bank balances	**935 712**	1 098 228
Short-term deposits	**6**	441
Bank overdrafts	**(185)**	(245 637)
	936 028	854 615
Current assets	**936 213**	1 100 252
Current liabilities	**(185)**	(245 637)
	936 028	854 615

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 33.8 Liquidity risk management for details of financing facilities and details about securities for bank facilities.

20. Share capital

	2020 R'000	2019 R'000
Share capital	**4 727 314**	4 727 314
Authorised capital comprises:		
10,000,000,000 ordinary shares of no par value		
1,000,000 preference shares		
Issued capital comprises:		
595,812,254 (2019: 595,812,254) fully paid ordinary shares of no par value	**4 727 314**	4 727 314
1,000,000 preference shares of no par value	**–**	–
	4 727 314	4 727 314

20.1 Movements in fully paid ordinary shares

R'000	Number of shares[1]	Share capital
Balance at 1 January 2019	607 759 505	4 818 884
Share repurchase	(11 947 251)	(91 570)
Balance at 31 December 2019	595 812 254	4 727 314
Balance at 31 December 2020	**595 812 254**	**4 727 314**

There were no changes in share capital in the current year. Ordinary shares entitle the holder to participate in dividends. These rights are subject to the prior entitlements of the preference shares. On a show of hands every holder of ordinary shares present at a meeting, in person or by proxy, is entitled to one vote, and on a poll each share is entitled to one vote.

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

During the year under review Business Venture Investments No 2072 (Pty) Ltd subscribed for 517 473 subscription shares at a subscription price of R14.88 per share on 30 April 2020 and 554 723 subscription shares at a subscription price R15.32 per share on 30 September 2020. Libstar Holdings repurchased the same number of Nominal BEE shares at R0.01 per share on the respective dates.

During the year under review Business Venture Investments No 2071 (Pty) Ltd subscribed for 604 838 subscription shares at a subscription price of R14.88 per share on 30 April 2020 and 646 089 subscription shares at a subscription price R15.32 per share on 30 September 2020. Libstar Holdings repurchased the same number of Nominal BEE shares at R0.01 per share on the respective dates.

1 Included in the number of shares are 73,049,783 treasury shares with a share capital value of R0.7m wholly-owned by Employee Share Trusts established for the benefit of employees of the Group.

Alterations to authorised and issued shares

During the prior year 11,974,251 shares were repurchased.

21. Employee benefits

	2020 R'000	2019 R'000
Post-retirement medical aid contribution liability		
Actuarially determined present value of unfunded obligations	**8 400**	9 583
Movement in present value of the defined benefit obligation		
Balance at the beginning of the year	**9 583**	8 919
Transfer from statement of comprehensive income – operating profit	**1 021**	823
Current service costs	**80**	75
Interest cost	**941**	748
Contributions paid	**(585)**	(620)
Actuarial (gain) loss recognised in other comprehensive income:	**(1 619)**	461
arising from changes in demographic assumptions	**–**	367
arising from changes in financial assumptions	**(488)**	(203)
arising from change in actuarial experience	**(1 131)**	297
	8 400	9 583

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 2020.

	2020 R'000	2019 R'000
Expense recognised in profit or loss		
Current service costs	**80**	75
Interest on obligation	**941**	748
Actuarial losses recognised in other comprehensive income (pre-tax)		
Amount accumulated in retained earnings at the beginning of the year	**2 901**	2 440
Recognised during the year	**(1 619)**	461
Amount accumulated in retained earnings at the end of the year	**1 282**	2 901
Net actuarial losses recognised in other comprehensive income (post-tax)	**923**	2 089
Actuarial assumptions		
The following are the principal actuarial assumptions at the reporting date:		
Discount rate	**10.9%**	10.1%
Medical inflation	**7.5%**	7.3%
Average duration of the obligation	**10.75 years**	11.75 years
Last actuarial valuation – South Africa	**31 December 2020**	
Full/interim valuation	**Full**	
Valuation method adopted	**Projected Unit Credit**	

Healthcare cost inflation risk
Medical aid contribution increases have outpaced price inflation, therefore a 1.5% was added to the price inflation to get the assumption for medical aid contribution increases. 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	**96**	(82)
Effect on defined benefit obligation	**850**	(721)

	2020 R'000	2019 R'000
22. Premium on acquisition of non-controlling interests		
Balance at 31 December	**(75 168)**	(75 168)
There were no acquisitions of or changes in minority interests in subsidiaries in the current and prior year.		
23. Share-based payments		
Non-current liabilities:		
Cash settled share appreciation rights (LTI scheme)	**–**	2 353
Cash settled share based payments (LTIP)	**13 935**	6 194
	13 935	8 547
Current liabilities		
Cash settled share appreciation rights (LTI scheme)	**–**	4 156
Equity:		
Equity settled share based payments (GSP)	**7 798**	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 Initial Public Offering. Issue prices were adjusted to take into account a suitable discount factor.

The Group wound down this scheme during the current year, and the final allocations in terms of this scheme that were made in 2018 vested in the current year.

The following share appreciation rights were awarded to date:

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 MOVEMENTS IN SHARE APPRECIATION RIGHTS DURING THE YEAR

The following table reconciles the share appreciation rights outstanding:

	Number of units issued (vested)	Weighted average issue price R	Value R'000
Balance at 1 January 2018	8 680 459	11.87	34 019
Movement in fair value of units vested in 2018	(4 086 513)	–	(18 945)
Allocated during the year	7 150 161	12.92	5 737
Balance at 1 January 2019	**11 744 107**	**12.92**	**20 811**
Movement in fair value of units vested in 2019	(4 593 946)	–	(14 302)
Balance at 31 December 2019	**7 150 161**	**12.77**	**6 509**
Movement in fair value of units vested in 2020	(6 451 943)	–	(4 139)
Movement in fair value of units forfeited in 2020	(698 218)	–	(2 370)
Balance at 31 December 2020	–	–	–

The first allocation of units vested in full on 31 December 2018. The second allocation of units vested in full on 31 December 2019 and the last units vested in full on 31 December 2020. Vested units have been fully settled in the current year. Refer to note 26.1 for the share-based payments in terms of LTI scheme.

23.2 Details of the Long-term Incentive Scheme of the Group – (LTIP scheme)

In the prior year the Group 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 and 8 April 2020, eligible employees were allocated conditional and notional awards, at an allocation price of R8.08 and R6.33 respectively, which if settled in the future will be settled in cash. 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 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, i.e.: between the vesting date of 4 April 2022 and the maturity date of 4 April 2026 for the 2019 grant; and between the vesting date of 8 April 2023 and the maturity date of 8 April 2027 for the 2020 grant. PSP and FSP also have a 4 year exercise period similar to the SARs.

The performance condition is measured over a minimum of a three 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.

23. Share-based payments continued

23.2 Details of the Long-term Incentive Scheme of the Group – (LTIP scheme) continued

23.2.1 SHARE APPRECIATION RIGHTS (SARS) continued

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 by 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.

Refer to 23.2.5 for number of awards issued during the current and prior year. None of the SARs had vested as at 31 December 2020.

23.2.2 PERFORMANCE SHARE PLAN (PSP)

On 4 April 2019 and 8 April 2020, 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 three performance criteria have been met and the award holder exercising their right.

In contrast to the SARs, the award holders receive the cash equal to the Libstar share value in full.

The awards vest 3 years after allocation at 4 April 2022 for the 2019 grant and 8 April 2023 for the 2020 grant, when the rights may be exercised to the extent that the performance condition, as described below, has been met.

The performance conditions are measured over the three 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 TSR performance condition.

Vesting is further contingent on the award holder remaining employed by the Group.

Refer to 23.2.5 for number of awards issued during the current and previous year. None of the PSPs had vested as at 31 December 2020.

23.2.3 DETAILS OF THE FORFEITABLE SHARE PLAN (FSP)

On 4 April 2019 and 8 April 2020, 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 receive the cash equal to the Libstar share value in full.

The awards vest 3 years after allocation at 4 April 2022 for the 2019 grant and 8 April 2023 for the 2020 grant, when the rights may be exercised to the extent that the performance condition, as described below, has been met.

The performance condition is measured over the three year period starting at the allocation date and ending at the vesting date. Subject to the discretion of the Board and remuneration committee, the awards will vest if Libstar attains a “Compliant 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.

Refer to 23.2.5 for number of awards issued during the current and prior year. None of the FSPs had vested as at 31 December 2020.

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 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 by the number of awards expected to vest to arrive at a total value. Refer to 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 was 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 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

	2020	2019
Valuation date – 31 December 2020		
Grant date	**8 April 2020**	4 April 2019
Vesting date	**8 April 2023**	4 April 2022
Maturity date	**8 April 2027**	4 April 2026
Allocation price	**R6.33**	R8.08
Share price at valuation date	**R6.33**	R6.33
Awards issued – SARs	**10 165 185**	6 156 748
Awards issued – PSP	**1 664 576**	1 101 830
Awards issued – FSP	**415 989**	275 444
Forfeiture rate p.a	**5.00%**	5.00%
Dividend yield p.a	**See Table below**	See Table below
Risk-Free interest rate	**BESA Swap Curve**	BESA Swap Curve
Volatility	**See Table below**	See Table below
Exercise Multiple	**1.8**	1.8
Non-Market performance conditions vesting percentages	**See Table below**	See Table below

	Expected Dividend Yields and Volatility Range at 31 December 2020
Expected Dividend Yields	
Scenario	
Lower Bound	**2.50%**
Mid Estimate	**2.75%**
Upper Bound	**3.00%**
Volatility Range	
Scenario	
Lower Bound	**42.35%**
Mid Estimate	**44.85%**
Upper Bound	**47.35%**

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 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 2020 was considered to arrive at a range which is deemed to be reasonable.

Non-Market Performance Conditions Vesting Percentages

	Expected Vesting Percentage at 31 December 2020
Expected NHE vs. CPI Performance Condition Vesting Percentages	
Scenario	
Lower Bound	**60.00%**
Mid Estimate	**65.00%**
Upper Bound	**70.00%**
Expected ROAA vs. WACC Performance Condition Vesting Percentages	
Scenario	
Lower Bound	**70.00%**
Mid Estimate	**75.00%**
Upper Bound	**80.00%**
Expected BBBEE Performance Condition Vesting Percentages	
Scenario	
Lower Bound	**65.00%**
Mid Estimate	**70.00%**
Upper Bound	**75.00%**

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 three LTIP components outstanding:

	Number of units issued (forfeited)	Value R'000
Share Appreciation Rights (SARs)		
Balance at 1 January 2019	–	–
Awards issued – 4 April 2019	8 474 882	3 743
Movement in 2019 units and fair value	(1 364 053)	(969)
Balance at 31 December 2019	7 110 829	2 774
2019 Awards forfeited in current year	(954 081)	–
Movement in fair value of 2019 units (including forfeiture)	–	636
Awards issued – 8 April 2020	11 610 050	–
2020 Awards forfeited in current year	(1 444 865)	–
Movement in fair value of 2020 units (including forfeiture)	–	2 996
Balance at 31 December 2020	**16 321 933**	**6 406**
Performance Share Plan (PSP)		
Balance at 1 January 2019	–	–
Awards issued – 4 April 2019	1 586 360	3 158
Movement in 2019 units and fair value	(208 416)	(418)
Balance at 31 December 2019	1 377 944	2 740
2019 Awards forfeited in current year	(276 114)	–
Movement in fair value of 2019 units (including forfeiture)	–	1 330
Awards issued – 8 April 2020	1 897 120	–
2020 Awards forfeited in current year	(232 544)	–
Movement in fair value of 2020 units (including forfeiture)	–	2 490
Balance at 31 December 2020	**2 766 406**	**6 560**
Forfeitable Share Plan (FSP)		
Balance at 1 January 2019	–	–
Awards issued – 4 April 2019	396 659	736
Movement in 2019 units and fair value	(52 066)	(56)
Balance at 31 December 2019	344 593	680
2019 Awards forfeited in current year	(69 149)	–
Movement in fair value of 2019 units (including forfeiture)	–	(62)
Awards issued – 8 April 2020	474 226	–
2020 Awards forfeited in current year	(58 237)	–
Movement in fair value of 2020 units (including forfeiture)	–	351
Balance at 31 December 2020	**691 433**	**969**
Total balance of the 2019 LTIP at 31 December 2019	8 833 366	6 194
Total balance of the 2019 LTIP at 31 December 2020	**7 534 022**	**8 098**
Total balance of the 2020 LTIP at 31 December 2020	**12 245 750**	**5 837**
Total balance of the LTIP at 31 December 2020	**19 779 772**	**13 935**

23. Share-based payments continued

23.3 Details of the Group Share Plan – GSP

In the prior year the Group also developed a new share-settled Group Share Plan (known as the "GSP"). 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").

These allocation methods of the three 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 dates were 31 July 2019 and 8 April 2020. Further details of the GSP components are not included and should be read together with of the LTIP scheme components above. Refer to section 23.2.1 – 23.2.3.

23.3.2 FAIR VALUE OF THE GSP

The valuation methods used to value the three components of the GSP are substantially similar to the valuation methods of the LTIP, except that the GSP valuation is a once off valuation at grant date where the LTIP is at grant date and subsequently at every reporting date due to it being cash settled. Refer to section 23.2.4 for further details.

The following inputs were used as at 31 December 2020 to calculate a fair value for the three components of the GSP. Service and non-market performance conditions attached to the arrangements were not taken into account in measuring fair values.

	2020	2019
31 July 2019 GSP		
Valuation date – GSP 31 July 2019		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
8 April 2020 GSP		
Valuation date – GSP 8 April 2020	**8 April 2020**	
Grant date	**8 April 2020**	
Vesting date	**8 April 2023**	
Maturity date	**8 April 2027**	
Share price at grant date	**R6.20**	
Awards issued – SARs	**2 824 546**	
Awards issued – PSP	**1 897 120**	
Awards issued – FSP	**474 226**	
Forfeiture rate p.a	**5.00%**	5.00%
Dividend yield p.a	**See Table in section 23.2.4**	See Table in section 23.2.4
Risk-Free interest rate	**BESA Swap Curve**	BESA Swap Curve
Volatility	**See Table in section 23.2.4**	See Table in section 23.2.4
Exercise Multiple	**1.8**	1.8
Non-Market performance conditions vesting percentages	**See Table in section 23.2.4**	See Table in section 23.2.4

23. Share-based payments continued

23.3 Details of the Group Share Plan – GSP

23.3.3 MOVEMENTS IN GSP COMPONENTS DURING THE YEAR

The following table reconciles the three GSP components as at 31 December 2020:

	Number of units issued	Value R'000
Share Appreciation Rights (SARs)		
Balance at 1 January 2019	–	–
Awards issued – 31 July 2019	2 269 550	597
Balance at 1 January 2020	**2 269 550**	**597**
Recognition of fair value of 2019 awards over vesting period	–	1 223
Awards issued – 8 April 2020	2 824 546	808
Balance at 31 December 2020	**5 094 096**	**2 628**
Performance Share Plan (PSP)		
Balance at 1 January 2019	–	–
Awards issued – 31 July 2019	1 274 590	1 391
Balance at 1 January 2020	**1 274 590**	**1 391**
Recognition of fair value of 2019 awards over vesting period	–	3 242
Awards issued – 8 April 2020	1 897 120	2 482
Balance at 31 December 2020	**3 171 710**	**7 115**
Forfeitable Share Plan (FSP)		
Balance at 1 January 2019	–	–
Awards issued – 31 July 2019	318 796	223
Balance at 1 January 2020	**318 796**	**223**
Recognition of fair value of 2019 awards over vesting period	–	493
Awards issued – 8 April 2020	474 226	371
Balance at 31 December 2020	**793 022**	**1 087**
Total balance of the 2019 GSP at 31 December 2019	3 862 936	2 211
Total balance of the 2019 GSP at 31 December 2020	**3 862 936**	**7 169**
Total balance of the 2020 GSP at 31 December 2020	**5 195 892**	**3 661**
Total balance of the GSP at 31 December 2020	**9 058 828**	**10 830**
Weighted average remaining contractual life of the GSP outstanding at end of period:		
2019 GSP		1,58 years
2020 GSP		2,27 years

The range of exercise prices for the GSP at end of period:

	Lower Bound Value (price per unit)	Mid Estimate Value (price per unit)	Upper Bound Value (price per unit)
2019 GSP			
SARs	R1.69	R1.89	R2.09
PSP	R7.68	R7.86	R8.03
FSP	R4.74	R5.05	R5.34
Total	R14.11	R14.80	R15.46
2020 GSP			
SARs	**R1.17**	**R1.33**	**R1.48**
PSP	**R5.37**	**R5.50**	**R5.63**
FSP	**R3.21**	**R3.43**	**R3.64**
Total	**R9.75**	**R10.26**	**R10.75**

None of the SARs, awards of the PSP and FSP vested as at 31 December 2020.

23. Share-based payments continued

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:

	2020	2019
Credits relating to share appreciation rights granted (LTI scheme)	(2 370)	(1 456)
Charges relating to long-term incentive scheme (LTIP scheme)	7 741	6 194
Charges relating to share based payments (GSP)	5 587	2 211
	10 958	6 949

23.5 Impact of current economic environment and Covid-19 on fair value measurements and awards

The LTIP and GSP share-based payments are valued based on the valuation results of the external valuator. These valuation results are based on the valuation inputs and assumptions as described above. The inputs and assumptions used in the current year valuations have been adjusted to factor in the current economic conditions and the impact of Covid-19. The valuation results include a lower bound, mid estimate and upper bound scenario. In the prior year, the mid estimate scenario was used to value the share-based payments.

Management, after consideration of the current economic conditions and potential impact of Covid-19, has taken a prudent approach and valued the 2019 LTIP, 2020 LTIP, 2019 GSP and 2020 GSP sharebased payments based on the lower bound scenario.

The Company continued to make share awards in the current year amidst the current economic impacts. The Remuneration Committee will continue to evaluate the social and economic impacts prior to making future awards.

24. Other financial liabilities and hedging instruments

	2020 R'000	2019 R'000
Financial liabilities carried at fair value through profit or loss (FVTPL)		
Foreign exchange contracts	885	1 330
Financial liabilities carried at amortised cost		
Bank loans	1 820 000	1 720 000
Asset based finance	391 820	425 077
Loans payable to related parties	8 920	38 060
Other financial liabilities (note 24.4)	2 118	4 353
Hedging instruments		
Foreign exchange contracts – cash flow hedges	20 661	10 887
	2 244 404	2 199 707
Non-current	2 073 079	2 087 970
Current	171 325	111 737
	2 244 404	2 199 707

24.1 Bank loans

	2020 R'000	2019 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 bear interest at the prevailing JIBAR rate plus 1.68%. The loans are payable in a single bullet payment in November 2022.		
Senior Facility Term Loan B		
– Nedbank Limited	500 000	500 000
– Standard Bank of South Africa Limited	500 000	500 000
The loans bear interest at the prevailing JIBAR rate plus 1.75%. The loans are repayable in a single bullet payment, in November 2023.		
Senior Facility Term Loan C		
– Nedbank Limited	75 000	25 000
– Standard Bank of South Africa Limited	75 000	25 000
The loans bear interest at the prevailing JIBAR rate plus 1.85%. The loans are repayable in a single bullet payment, in November 2023.		
	1 820 000	1 720 000

The above loans are secured as detailed in note 33.8.

24. Other financial liabilities and hedging instruments continued

24.2 Asset based finance

	2020 R'000	2019 R'000
Standard Bank of South Africa Limited	**151 517**	139 649
Nedbank Limited	**231 057**	268 217
Other	**9 246**	17 211
	391 820	425 077
Non-current	**253 079**	325 556
Current	**138 741**	99 521
	391 820	425 077

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 33.8.

24.3 Loans payable to related parties

	2020 R'000	2019 R'000
	8 920	28 042
Mark Pollock Investments Proprietary Limited[1]	**4 460**	4 153
ARH Investments Proprietary Limited[1]	**4 460**	4 153
G McGregor[2]	**–**	19 736

The above balances represent amounts payable to minority interest shareholders.

1. The loans are unsecured, bear interest at the prime interest rate and are repayable over variable periods from 1 – 5 years.
2. The loan was unsecured, interest free and has no fixed repayment terms. During the current year, following a process of arbitration, which was concluded in favour of the Group in May 2020, the loan amount payable was written off and recognised as sundry income. Refer to note 2.

	2020 R'000	2019 R'000
Gham Gourmet Proprietary Limited The loan is unsecured, interest free and has no fixed repayment terms. During the current year, the loan was written off and recognised as sundry income. The amount due lapsed as a consequence of the termination of the Group's relationship with the counterparty. Refer to note 2.	**–**	10 018
	8 920	38 060

24.4 Other financial liabilities

	2020 R'000	2019 R'000
Amounts payable to related parties (previous executive management)		
The Terry Millar Family Trust 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.	**2 118**	2 118
Amounts payable to other non-related parties		
WD Vermeulen The above amounts relate to payments due to trade creditors of Healthwise Proprietary Limited which arose subsequent to the Group's acquisition on 1 October 2019 and which were settled by WD Vermeulen on behalf of the Group. The amount payable was unsecured, interest free and was settled in the current year.	**–**	2 235
	2 118	4 353

25. Trade and other payables

	2020 R'000	2019 R'000
Trade payables	**1 084 697**	1 088 308
Accrued expenses	**304 440**	291 359
Value-added tax payable	**10 828**	52 828
Other payables	**56 887**	30 007
	1 456 852	1 462 502
Categories of financial and non-financial liabilities		
Financial liabilities	**1 446 024**	1 409 674
Non-financial liabilities	**10 828**	52 828
	1 456 852	1 462 502

26. Cash generated from continuing operations

	2020 R'000	2019 R'000
Profit before taxation from continuing operations	**180 027**	493 009
Adjustments for:	**846 312**	641 345
Depreciation and amortisation	**491 021**	433 296
Loss on disposal of property, plant and equipment	**2 683**	466
Impairment loss on goodwill (note 13.4)	**198 000**	–
Impairment loss on building (note 10)	**5 820**	–
Expected credit loss allowance movement on other financial assets (note 18.1)	**653**	–
Expected credit loss allowance movement on trade and other receivables	**(11 590)**	11 398
IFRS 16 non-cash lease modifications	**(3 252)**	(11 275)
Investment income	**(44 720)**	(54 025)
Finance costs	**230 130**	262 774
Other financial assets written off	**946**	–
Sundry income – loans payable written off	**(29 754)**	–
Fair value adjustment on forward exchange contracts	**(427)**	4 276
Movements in employee benefits – medical aid plan	**(17)**	332
Employee benefits contributions paid	**(585)**	(620)
Other non-cash movements in employee benefits	**568**	952
Movements in share based payments	**6 819**	(5 897)
Share based payments in terms of LTI scheme	**(4 139)**	(12 846)
Other non-cash movements in share based payments	**10 958**	6 949
Changes in working capital:	**(117 660)**	(189 577)
Increase in inventories	**(115 352)**	(96 600)
Decrease/(increase) in trade and other receivables	**5 229**	(152 069)
Increase in biological assets	**(1 887)**	(2 745)
(Decrease)/increase in trade and other payables	**(5 650)**	61 837
	908 679	944 777
Cash generated from operations – discontinued operations		
Loss before taxation from discontinued operations	–	(90 440)
Adjustments for:	–	70 500
Depreciation, amortisation and impairments	–	77 500
Profit on disposal of property, plant and equipment	–	(7 000)
	–	(19 940)

	2020 R'000	2019 R'000

26. Cash generated from continuing operations continued

26.1 Non-cash investing and financing activities

Non-cash investing and financing activities disclosed in other notes are:

- Acquisition of right-of-use assets – refer to Note 11
- Share-based payments awards issued to employees under the LTIP and GSP for no cash consideration – note 23

26.2 Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	2020 R'000	2019 R'000
Bank loans, asset based finance and loans payable	**2 222 858**	2 187 490
Lease liabilities	**782 968**	753 386
Less: Cash and cash equivalents (including overdraft)	**(936 028)**	(854 615)
Net debt (including IFRS 16 Lease liabilities)*	**2 069 798**	2 086 261
Net debt (excluding IFRS 16 Lease liabilities)	**1 286 830**	1 332 875

* Net debt (including IFRS 16 Lease liabilities) is hereafter referred to as Net debt. All debt is considered fixed interest rate debt.

	Liabilities from financing activities				
	Borrowings	**Leases**	**Subtotal**	**Less: Cash and cash equivalents (including overdraft)**	**Total**
Net debt as at 1 January 2019	1 996 448	588 230	2 584 678	(829 340)	1 755 338
Cash flows	191 042	(127 547)	63 495	(25 275)	38 220
Lease modifications	–	110 829	110 829	–	110 829
Additions and derecognitions	–	126 789	126 789	–	126 789
Finance cost amortised	–	55 085	55 085	–	55 085
Net debt as at 31 December 2019	2 187 490	753 386	2 940 876	(854 615)	2 086 261
Cash flows	65 122	(149 132)	(84 010)	(81 413)	(165 423)
Loans written off (refer note 2)	(29 754)	–	(29 754)	–	(29 754)
Lease modifications	–	(761)	(761)	–	(761)
Additions and derecognitions	–	115 105	115 105	–	115 105
Finance cost amortised	–	64 370	64 370	–	64 370
Net debt as at 31 December 2020	**2 222 858**	**782 968**	**3 005 826**	**(936 028)**	**2 069 798**

27. Taxation paid

	2020 R'000	2019 R'000
Balance at beginning of the year	**14 797**	(1 443)
Current tax for the year recognised in profit or loss	**(154 250)**	(170 793)
Deferred tax adjustments (note 14)	**3 504**	(4 371)
Balance at end of the year	**(14 472)**	(14 797)
	(150 421)	(191 404)

28. Acquisition of business

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

28.1 Summary of acquition of business acquired during 2020 – Faves Food Proprietary Limited

On 20 February 2020, the Group acquired the business of Faves Food Proprietary Limited for a consideration of R0.6m. Faves Food Proprietary Limited produces vacuum dried snacks (vegetable and fruits). The acquisition has further increased the Group's footprint within the Snacks segment.

28.2 Summary of acquition of business acquired during 2019 – Healthwise Foods Proprietary Limited continued

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 of the Healthwise brand, which is known within Japanese and South Korean markets, is expected to expand the Group's geographical footprint for value-added tea sales in key Asian markets. The acquisition has further 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 28.3 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	**(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.	
Had the acquisition of Healthwise been completed with effect from 1 January 2019, the Group's revenue and total comprehensive profit for the year ended 31 December 2019 would have been R9,941,333,000 and R289,272,000 respectively.	
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**
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.

29. Government grants

During the year, the Group was awarded a government grant of R 1.3m (2019: 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.

30. Related party disclosures

30.1 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 share:

APEF Pacific Mauritius Limited
Government Employees Pension Fund
Business Venture Investments No 2071 (RF) (Pty) Ltd*
Business Venture Investments No 2072 (RF) (Pty) Ltd^

Directors

W Luhabe (Chairman)
JP Landman (Lead – independent director)
S Masinga (Independent non-executive director)
S Khanna (Independent non-executive director)
A Andrews – Appointed 1 November 2020 (Independent non-executive director)
AV van Rensburg (CEO)
RW Smith (Executive director)
CB De Villiers – Appointed 1 January 2020 (CFO)

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

^ Business Venture Investments No 2072 (RF) Proprietary Limited (BDT SPV), is wholly-owned by an BEE Development Trust establised for the benefit of employees of the Group.

30.2 Related party balances

Refer to note 18.1, note 24.3 and 24.4

30.3 Related party transactions

Directors' remuneration
Refer to note 9.

Interest paid to non-controlling shareholders of subsidiaries
Refer to note 5.

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

30.4 Material Subsidiaries

Libstar Holdings Limited has one material subsidiary, Libstar Operations (Pty) Ltd, in which it holds a 100% share. Libstar Operations (Pty) Ltd's place of business is South Africa and holds all the main operating segments within the Group.

Other subsidiaries are not considered material subsidiaries and represent 0,6% (2019: 0,8%) of the net revenue of the Group.

31. Subsequent Events

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 2020.

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

32. Going concern

The directors believe that the Group has adequate financial resources to continue to operate for the foreseeable future and accordingly the consolidated annual financial statements have been prepared on a going concern basis.

The directors continue to monitor the impact of Covid-19 on the Group's solvency and liquidity ratios. The directors have satisfied themselves that the Group is in a sound financial position, has a stable forecast cash flow profile and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may materially affect the Company.

The directors therefore confirm the Group's ability to continue as a going concern for the next twelve months.

33. Risk management

33.1 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 is reviewed by the internal audit function on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

33.2 Derivatives – designated cash flow hedges

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

	2020 R'000	2019 R'000
Current assets		
Other financial assets		
Foreign exchange contracts – cash flow hedges	**33 938**	21 523
Current liabilities		
Other financial liabilities		
Foreign exchange contracts – cash flow hedges	**20 661**	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 that meet the hedge accounting criteria are 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**
Add: Pre-tax change in fair value of hedging instrument recognised in other comprehensive income	**14 224**
Less: reclassified from other comprehensive income to profit or loss	**(8 067)**
Less: Deferred tax	**(3 983)**
Closing balance 31 December 2020	**10 241**

There were no reclassifications from the cash flow hedging reserves to profit or loss during the prior year in relation to the forward exchange contracts. The reclassifications from the cash flow hedging reserve to profit or loss in the current year is recognised in operating expenses within profit or loss.

33. Risk management continued

33.2 Derivatives – designated cash flow hedges continued

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. Hedge ineffectiveness did not occur in the current and prior year.

33.3 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, asset based finance and loans payable 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:

	2020 R'000	2019 R'000
Bank loans, asset based finance and loans payable	**2 222 858**	2 187 490
Lease liabilities	**782 968**	753 386
Less: Cash and cash equivalents (including overdraft)	**(936 028)**	(854 615)
Net debt (including IFRS 16 Lease liabilities)	**2 069 798**	2 086 261
Net debt (excluding IFRS 16 Lease liabilities)	**1 286 830**	1 332 875
Total equity	**5 367 346**	5 434 494
Net debt to equity ratio (including IFRS 16 Lease Liabilities)	**0.39**	0.38

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

As at 31 December 2020, the Group's leverage ratio (Senior Borrowings to EBITDA) was 1.3 (2019: 1.3) against a covenant of no more than 2.5. EBITDA to senior interest cover ratio was 8.0 (2019: 7.0) against a covenant of at least 3.5.

The Group remains solvent, liquid and operates well within the facility covenants established by its lenders.

The Board will continue to monitor the impact of Covid-19 on the Group's operations and its financial position to take timeous action where required.

33.4 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 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 33.2 above.

33. Risk management continued

33.5 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

	2020 R'000	2019 R'000
Assets		
Trade debtors USD8 461 928 (2019: 6 598 022)	**126 125**	97 922
Trade debtors EUR948 776 (2019: 1 599 838)	**16 718**	26 345
Trade debtors GBP808 953 (2019: 789 355)	**16 193**	15 205
Trade debtors AUD2 076 449 (2019: 2 011 275)	**23 381**	20 879
Trade debtors NZD109 413 (2019: 77 466)	**1 151**	726
Trade debtors CAD25 318 (2019: 0)	**291**	–
Trade debtors SGD102 481 (2019: 0)	**1 198**	–
Trade debtors YEN143 475 (2019: 0)	**465**	–
Trade debtors THB2 300 442 (2019: 0)	**1 127**	–
Liabilities		
Trade creditors USD1 884 326 (2019: 2 097 439)	**27 922**	29 908
Trade creditors EUR1 041 032 (2019: 3 223 473)	**18 799**	52 693
Trade creditors GBP4 975 (2019: 50 949)	**97**	956
Trade creditors AED35 982 (2019: 22 431)	**173**	84
Trade creditors YEN1 317 206 (2019: 0)	**198**	–
Trade creditors SGD0 (2019: 137 214)	**–**	1 456
Trade creditors THB0 (2019: 2 343 908)	**–**	1 050
Exchange rates used for conversion of foreign items		
US Dollar	**14.89**	14.01
Euro	**17.85**	15.72
Pound Sterling	**20.01**	18.51
Australian Dollar	**11.32**	9.84
New Zealand Dollar	**10.59**	9.45
Thai Baht	**0.49**	0.47
Singapore dollar	**11.09**	10.42
Japanese Yen	**0.14**	–
United Arab Emirates Dirham	**3.99**	3.81
Canadian dollar	**11.51**	–

Forward exchange contracts which relate to future firm commitments

	Foreign amount '000	Rand amount R'000	Fair value R'000
31 December 2020			
US Dollar	**(10 136)**	**164 914**	**11 768**
Euro	**4 103**	**(75 887)**	**(2 341)**
Pound Sterling	**(1 844)**	**40 886**	**3 232**
Australian Dollar	**(5 848)**	**68 388**	**964**
	(13 725)	**198 301**	**13 623**
31 December 2019			
US Dollar	559	16 917	9 213
Euro	(10 556)	(170 398)	(2 832)
Pound Sterling	2 292	45 094	1 708
Australian Dollar	3 047	32 574	2 143
	(4 658)	(75 813)	10 232

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

33. Risk management continued

33.5 Foreign currency risk management continued

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 3 – 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.

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. It is discounted, where material.

	2020 R'000	2019 R'000
Foreign currency forwards		
Foreign exchange contracts – cash flow hedges (included in other financial assets)	**33 938**	21 523
Foreign exchange contracts – cash flow hedges (included in other financial liabilities)	**(20 661)**	(10 887)
Notional amount (exposure to the ZAR)		
FECs used for hedging imports		
US Dollar	**191 875**	163 820
Euro	**184 325**	206 764
United Arab Emirates Dirham	**–**	61
FECs used for hedging exports		
US Dollar	**356 790**	197 991
Euro	**108 438**	36 365
Pound Sterling	**40 886**	45 094
Australian Dollar	**68 388**	32 574
Maturity date	**1 January 2021 – 3 December 2021**	1 January 2020 – 2 October 2020
Hedge ratio*	**1:1**	1:1
Change in discounted pre-tax spot value of outstanding hedging instruments since inception of the hedge	**14 224**	11 205
Weighted average hedged rate for outstanding hedging instruments (including forward points)		
FECs used for hedging imports		
US Dollar	**16.17**	14.70
Euro	**18.86**	16.31
United Arab Emirates Dirham	**–**	3.83
FECs used for hedging exports		
US Dollar	**16.20**	15.52
Euro	**19.10**	17.15
Pound Sterling	**22.20**	19.67
Australian Dollar	**11.70**	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.

33. Risk management continued

33.5 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.

	2020 R'000	2019 R'000
Impact on profit and equity		
US Dollar	**146 224**	95 274
Euro	**(3 715)**	(41 411)
Pound Sterling	**32 208**	26 377
Australian Dollar	**26 467**	20 535
New Zealand Dollar	**1 219**	686
Thai Baht	**55**	(49)
Singapore dollar	**1 329**	(1 517)
United Arab Emirates Dirham	**(69)**	(32)
Japanese Yen	**4**	–
Canadian Dollar	**335**	–

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.

33.6 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 percentage point per annum higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2020 would decrease/increase by R18.2m (2019: R24.2m). 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.

33.7 Credit risk management

Credit risk arises from the risk that a counterparty may default or not meet its obligations timeously. Credit risk arises from the credit exposures to customers as well as cash and cash equivalents, deposits with banks and financial institutions, contractual cash flows of other financial assets carried at amortised cost and favourable derivative financial instruments.

The Group limits its counterparty exposure arising from financial instruments by only dealing with well-established institutions of high credit standing.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Geographically there is concentration of credit risk in the South African market.

The Group has established a credit policy in terms of which each new customer is analysed individually for creditworthiness before payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer; these limits are reviewed annually or when conditions arise that warrant a review. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

33. Risk management continued

33.7 Credit risk management continued

Most of the Group's customers have been transacting with the Group for over three years and losses have occurred infrequently. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or a legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, ageing profile, maturity, existence of previous financial difficulties and the existence of current financial difficulties due to the impact of Covid-19 or otherwise. Trade and other receivables relate mainly to the Group's retail and wholesale channel and food service customers. Customers that are graded as "high risk" are placed on a restricted customer list, and future sales are made on a prepayment basis.

The Group establishes a credit loss allowance for expected credit losses in respect of trade receivables and other receivables, consisting of sundry debtors, by applying the simplified approach of IFRS 9, measuring the credit loss allowance based on lifetime expected credit loss. The Group first establishes whether any specific customers may be impaired and raises a credit allowance in respect thereof. Further to this, as a practical expedient, the Group applies a provision matrix to the remaining debtors by assessing historical credit losses per aged bucket of debtors. In addition, a risk-of-default factor was added to each aged bucked based on management's expectation of credit losses.

The majority of debtors not past due relate to credit extended to large South African retailers and wholesalers, considered to be of a high credit grade.

Based on historical default rates, the Group believes that a nominal credit loss allowance is appropriate in respect of debtors not past due.

Management has considered forward-looking information (macro-economic forecast data such as the five year CPI forecast) to evaluate the impact on expected future default rates, in particular with regards to debtors exposed to the food service channel. In the light of the current economic environment and the potential future impact of Covid-19, management increased the risk-to-default factor per each aged bucket.

The Group does not hold any collateral in respect of its customers.

Impairment matrix

The ageing of trade and other receivables at the reporting date:

	Gross R'000	Impairment loss allowance R'000	Expected credit loss rate %
2020			
Specifically identified trade debtors	**3 389**	**3 389**	**100%**
Specifically identified sundry debtors	**29 513**	**4 000**	**13.55%**
Not past due*	**1 022 266**	**636**	**0.06%**
Past due 0 – 30 days	**497 204**	**4 124**	**0.83%**
Past due 31 – 60 days	**113 969**	**3 225**	**2.83%**
Past due 61 days – 90 year	**25 323**	**1 476**	**5.83%**
Past due 121 and greater	**11 568**	**1 134**	**9.83%**
Total	**1 703 232**	**17 984**	**1.06%**
2019			
Specifically identified trade debtors	7 983	7 983	100%
Not past due*	1 208 912	157	0.01%
Past due 0 – 30 days	326 081	1 674	0.51%
Past due 31 – 60 days	70 125	1 061	1.51%
Past due 61 days – 90 year	25 439	894	3.51%
Past due 121 and greater	6 705	504	7.52%
Total	1 645 245	12 273	0.75%

* Not past due debtors include R26.0m (2019: R33.4m) sundry debtors which was not considered past due.

Cash and cash equivalents and deposits with banks and financial institutions

While cash and cash equivalents and deposits with banks and financial institutions are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial. Cash and cash equivalents and deposits are kept with banks and financial institutions that have sound credit ratings. Management does not expect any counter parties to fail to meet its obligations.

33. Risk management continued

33.7 Credit risk management continued

Other financial assets carried at amortised cost

The Group's credit exposure in respect of other financial assets at amortised cost are considered to be limited. Other financial assets at amortised cost include loans to related parties. The credit ratings of these assets are monitored for credit deterioration. All of the Group's other financial assets at amortised cost are considered to have low credit risk, and the credit loss allowance recognised during the period was therefore limited to 12 months' expected losses. The Group recognised a R0,65m (2019: Rnil) credit loss allowance for other financial assets at amortised cost. The current year allowance was raised in relation to a specific loan receivable from a previous related party. Except for the current year exception, the counter parties have not defaulted on their credit before and they have a strong capacity to meet its contractual cash flow obligations in the near term.

Specific consideration has been given to the impact of Covid-19 on the default rate and a zero default rate is still considered reasonable for the foreseeable future.

Favourable derivative financial instruments

For derivative financial instruments, management engages with Nedbank Limited that have a sound credit rating. Management does not expect Nedbank Limited to fail to meet its obligations.

33.8 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 1 and 2 years R'000	Between 2 and 3 years R'000	Between 3 and 4 years R'000	Between 4 and 5 years R'000	More than 5 years R'000	Total R'000
31 December 2020									
Trade and other payables[1]	**0.00%**	**1 446 024**	**1 446 024**	**–**	**–**	**–**	**–**	**–**	**1 446 024**
Bank overdraft	**7.00%**	**185**	**185**	**–**	**–**	**–**	**–**	**–**	**185**
Other financial liabilities[2]	**5.42%**	**2 222 858**	**269 536**	**866 347**	**1 305 966**	**89 084**	**–**	**–**	**2 530 933**
Lease liabilities	**8.97%**	**782 968**	**155 334**	**151 525**	**147 392**	**142 829**	**117 369**	**442 234**	**1 156 683**
		4 452 035	**1 871 079**	**1 017 872**	**1 453 358**	**231 913**	**117 369**	**442 234**	**5 133 825**
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	285 694	327 849	945 344	1 258 436	–	–	2 817 323
Lease liabilities	8.97%	753 386	135 728	129 454	127 321	122 484	117 771	482 745	1 115 503
		4 596 187	2 076 733	457 303	1 072 665	1 380 920	117 771	482 745	5 588 137

1 Trade and other payables excludes value-added-tax payables.

2 Other financial liabilities include bank loans, asset based finance and loans payable.

33. Risk management continued

33.8 Liquidity risk management continued

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.

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 R'000	Total Contractual Cashflows R'000
31 December 2020				
FECs used for hedging				
– Imports	**(20 661)**	**(261 293)**	**(93 430)**	**(354 723)**
– Exports	**33 938**	**245 552**	**293 851**	**539 403**
	13 277	**(15 741)**	**200 421**	**184 680**
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)

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 R150,000,000 with a further availability of R90,000,000 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.

33. Risk management continued

33.8 Liquidity risk management continued

Financing facilities continued

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

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.

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

33.9 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 fair value of the biological assets at the end of the reporting period are considered in note 17.

FEC derivative instruments are measured as disclosed in note 33.2 and the fair values are disclosed in note 34.2.

34. Financial Instruments

This note provides information about the Group's financial instruments, including:

- an overview of all categories of financial instruments held by the Group and
- information about determining the fair value of the instruments.

34.1 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	
	Hedging instruments* R'000	Fair value through profit or loss R'000	Amortised cost R'000
31 December 2020			
Other financial assets	**33 938**	–	**15 424**
Trade and other receivables	–	–	**1 685 248**
Cash and bank balances	–	–	**936 213**
Total assets	**33 938**	–	**2 636 887**
Other financial liabilities	**20 661**	**885**	**2 222 858**
Trade and other payables	–	–	**1 446 024**
Lease liabilities	–	–	**782 968**
Bank overdraft	–	–	**185**
Total liabilities	**20 661**	**885**	**4 452 035**
31 December 2019			
Other financial assets	21 523	485	15 409
Trade and other receivables	–	–	1 638 851
Cash and bank balances	–	–	1 100 252
Total assets	21 523	485	2 754 512
Other financial liabilities	10 887	1 330	2 187 490
Trade and other payables	–	–	1 409 674
Lease liabilities	–	–	753 386
Bank overdraft	–	–	245 637
Total liabilities	10 887	1 330	4 596 187

* These financial instruments comprise forward exchange contracts and are categorised as level 2 per the fair value hierarchy.

The Group's exposure to various risks associated with the financial instruments is discussed in note 33. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

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.

34. Financial Instruments continued

34.2 Measurement of fair values

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. Fair values are categorised into three 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 2020 or 2019.

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

35. Impact of Covid-19

In March 2020, the World Health Organization formally recognised Covid-19, the novel strain of coronavirus, as a pandemic. As a result of various actions taken by national and local governments worldwide to curb the pandemic, including the temporary closure of certain businesses, various travel restrictions, and the mandatory containment of large segments of the global population within their geographic regions, the pandemic is proving to have a profound human and economic impact across the globe.

The Group has been impacted by Covid-19 during the current year. Revenue from the Group's retail and wholesale channel increased, whilst revenue from its food service channel decreased relative to the prior year. The Group has also noted a marked increase in the cost of operations required to maintain a safe working environment for its employees. The total direct Covid-19 related expenses for the year amounted to R64.7 million.

The full extent of the impact of the Covid-19 pandemic on the Group has yet to be established. However, the Board expects the following factors to continue to have an impact on the Group:

- Changes in the Group's sales channel mix attributable to national or provincial lockdown restrictions;
- Additional operating costs attributable to the Covid-19-pandemic;
- Supply chain disruptions; and
- A weak marco-economic climate, high rate of national unemployment and weakening consumer disposable income.

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