LIBSTAR

From our home to yours

Consolidated annual financial statements

for the year ended 31 December 2022

The financial statements of Libstar Holdings Ltd 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 Terri Lee Ladbrooke CA(SA), the Libstar Group Chief Financial Officer. These consolidated annual financial statements for the year ended 31 December 2022 were published on 16 March 2023.

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We have audited the consolidated financial statements of Libstar Holdings Limited and its subsidiaries ("the Group") set out on pages 11 to 84, which comprise the consolidated statement of financial position as at 31 December 2022, 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 2022, 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 26% 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 R240.2 million. 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); ■ 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. Our audit procedures included: ■ Critically evaluating whether the discounted cash flow model used by the directors to calculate the value in use of the individual cash-generating units complies with the requirements of IAS 36. ■ Challenging the assumptions used by the directors in the calculations for each cash generating unit by: – involving our internal valuation specialists, as part of our audit team, to evaluate and re-calculate the discount rates and evaluate the perpetuity growth rates in relation to external market data, and – assessing the reasonableness of assumptions relating to revenue growth and profit growth in relation to our knowledge of the Group and the industries in which it operates, and through performing the procedures on the projected cash flows as described below. ■ Analysing the future projected cash flows for the individual cash-generating units to determine whether they are reasonable and supportable given the current macro-economic climate and expected future performance of each cash generating unit. ■ Comparing the projected cash flows, including the assumptions relating to revenue growth rates, profit growth and perpetuity growth rates, against historical performance to test the accuracy of the directors' projections. ■ Subjecting the key assumptions to sensitivity analyses. ■ Evaluating the adequacy of the financial statement disclosures, including the disclosure of key assumptions made by the directors.

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 as required by the Companies Act of South Africa, supplementary information set out on page 85, the shareholder analysis, which we obtained prior to the date of this report, and the Integrated Annual Report, which is expected to be made available to us after that date. 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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Moore Cape Town Inc. has been the auditor of Libstar Holdings Limited for 9 years.

Moore Cape Town Inc.

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

Per: Adele Smit
Director
Chartered Accountant (SA)
Registered Auditor

15 March 2023

2nd Floor Block 2
Northgate Park
Paarden Eiland,
7406

DIRECTORS' RESPONSIBILITY

for the year ended 31 December 2022

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 2022, 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.

Each of the directors, whose names are stated below, hereby confirm that:

(a) The consolidated annual financial statements of the Group as set out on pages 7 to 84, fairly present in all material respects the financial position, financial performance and cash flows of the group in terms with IFRS;

(b) To the best of their knowledge and belief, 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 consolidated 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 as executive directors with primary responsibility for implementation and execution of controls;

(e) Where we are not satisfied, we have disclosed to the audit committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken steps to remedy the deficiencies; and

(f) We are not aware of any fraud involving directors.

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

The consolidated annual financial statements which appear on pages 7 to 84 were approved by the board of directors on 14 March 2023 and are signed on behalf of the board by:

CB de Villiers
Chief Executive Officer

TL Ladbrooke
Group 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 2022, it is hereby certified that Libstar Holdings Limited 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.

Ntokozo Makomba,
Company Secretary

14 March 2023

DIRECTORS' REPORT

for the year ended 31 December 2022

1. Nature of activities

Libstar Holdings Ltd and its subsidiaries ("the Group") is a leading producer and supplier of high quality products in the Consumer packaged goods (CPG) industry and sells a wide range of products in South Africa and globally. The Group provides a multi-product offering in multiple categories across four channels (Retail and wholesale, Food service, Exports and Industrial and Contract manufacturing), while strategically positioning itself within the food and beverage sectors. The Group operates principally in South Africa.

The Group currently operates across a number of business units, each of which has its own infrastructure, employees and products. The Group operates a decentralised business model, with each business unit being responsible for its own procurement, production, distribution, logistics and customer relationships. Libstar demonstrates a strong management drive and provides a platform for these business units to grow through provision of working capital and investment in infrastructure that builds manufacturing capability and capacity.

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.

2. 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.

3. Dividends

The Board has approved and declared a final cash dividend (inclusive of treasury shares) of 22 cents per ordinary share in respect of the year ended 31 December 2022 totalling R150m "the dividend". The dividend is payable on 11 April 2023 to shareholders recorded as such in the share register of the Company on 6 April 2023 (the record date). The last date of trading cum dividend will be 3 April 2023.

The Board paid a final cash dividend (inclusive of treasury shares) of 25 cents per ordinary share on 11 April 2022 in respect of the year ended 31 December 2021 totalling R170.5m.

4. Events after the reporting period

Refer to section 3 above for more information of the dividend declared after year-end.

The directors are not aware of any other events after the reporting date which significantly impact the financial position of the Group or the results of its operations.

5. Borrowings

During the current year, the Group utilised R120m of Facility C to finance the purchase of Cape Foods (Pty) Ltd. The Group also utilised R200m from its general banking facility, and used the proceeds to repay R200m from Facility C. Refer to Note 27.2 for further information related to the business acquisition of Cape Foods (Pty) Ltd.

During the prior year, the Group refinanced the Term Loan Facilities through Nedbank Ltd and Standard Bank of South Africa Ltd, and included the Rand Merchant Bank Holdings Ltd. During prior year, the Group also made a voluntary repayment from internally generated cash flows and repaid the full amount outstanding of R150m on Facility C as well as a further voluntary repayment of R320m on Facility A. Refer to Note 23.1 for further information.

6. Authorised and issued share capital

Authorised share capital remained unchanged during the current and prior year. Refer to Note 20 for further information.

7. Non-current assets

There were no major changes in the nature of the non-current assets of the Group during the current year except for the derecognition of Chet Chemicals and Contactim as discontinued operations and the transfer from the disposal group classified as held for sale on 31 December 2022. Refer to Section 8 for further information on the reclassification of Chet Chemicals and Contactim.

8. Significant events in the current year

The financial position and performance of the Group was particularly affected by the following events and transactions during the current year:

Sale of Glenmor

The Group sold its share in Glenmor in July 2022. Refer to Note 7.2 for further information related to the sale of Glenmor. The comparative year profit or loss is restated as if Glenmor had been discontinued from the start of the prior year.

Reclassification of Chet Chemicals and Contactim from being held for sale

The Group's strategy to dispose of Chet Chemicals and Contactim remains unchanged. However, the Group is required to comply with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (IFRS 5). Based on the criteria of IFRS 5, Chet Chemicals and Contactim no longer meet the criteria to be classified as a held for sale and discontinued operations at reporting date.

Consequently, Chet Chemicals and Contactim are presented as continuing operations in the current year and the comparatives presented have been restated to include Chet Chemicals and Contactim as continuing operations in the prior year.

At 31 December 2022 the assets and liabilities were transferred from the disposal group classified as held for sale. Current year depreciation of R32.4m and amortisation of R5.0m were recognised as if the disposal group was not held for sale in the current year. The transfer from held for sale at reporting date and the related non-cash charges and gains did not impact the operations or cashflows of the Group. Refer to Note 7.3 for the prior year financial information related to the Chet Chemicals and Contactim disposal group classified as held for sale.

Acquisition of Cape Foods

On 10 August 2022, the Group announced that an agreement had been entered into for the acquisition of Cape Foods Proprietary Limited. The transaction became effective on 10 November 2022 which resulted in an increase in property, plant and equipment (Note 10) and the recognition of goodwill (Note 12) and other intangible assets (Note 13). Refer to Note 27.2 for further information.

Denny Mushrooms fire

On 9 September 2022, a fire broke out at Denny Mushrooms Shongweni farm in KwaZulu-Natal. The fire destroyed the Denny Mushrooms' Shongweni facility and resulted in the impairment and scrapping of a number of assets. Refer to Note 10, 13 and 32 for further information.

9. Directors

The directors of the holding company, Libstar Holdings Ltd, are responsible for the activities and reports related to the Group.

AV van Rensburg, the Libstar Chief Executive Officer (CEO) retired with effect from 31 December 2022. CB de Villiers, the Libstar Chief Financial Officer (CFO) was appointed as the CEO of Libstar with effect from 1 January 2023.

TL Ladbrooke, the Financial and Operations Executive at Rialto, a division of the Group, was appointed as interim CFO of the Group with effect from 1 January 2023, and subsequently appointed as CFO and executive director of the Group with effect from 15 March 2023.

Full details of the directors appear in the integrated report.

Refer to Annexure 1 of the financial statements for the directors' shareholdings. Refer to Note 22 for details related to the share-based payment schemes.

10. Company Secretary

The group company secretary's responsibilities are fulfilled by Ntokozo Makomba. The board is satisfied that the company secretarial role is carried out by a person who has the necessary competence, qualifications and experience, and that there is an arm's-length relationship between the company secretarial function and the board members as required by JSE Listings Requirement 3.84(h).

11. Auditors

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

The Board will propose the reappointment of Moore Cape Town Inc. as the independent external auditors and to appoint A Smit as the designated lead audit partner for the 2023 financial year.

Pursuant to the mandatory audit firm rotation requirements of the Independent Regulatory Board for Auditors, the Audit and Risk Committee recommended the appointment of Ernst & Young Inc. as external auditors for the 2024 financial year which will be presented for approval at the annual general meeting of the Group to be held on 1 June 2023.

12. Preparation of consolidated annual financial statements

These consolidated annual financial statements have been prepared under the supervision of TL Ladbrooke CA(SA), Chief Financial Officer.

13. Confirmation of compliance with Companies Act

The directors confirm that Libstar Holdings Ltd 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 2022

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 2022.

Members of the audit and risk committee

The committee has four members, all of whom are independent, non-executive directors. The committee is chaired by an independent non-executive director. Each of the committee members is required to act objectively and independently. The committee members are considered to be suitably skilled directors having extensive and relevant financial experience.

Refer to Note 9 of the consolidated annual financial statements for the fees paid to the committee members.

Meeting attendance

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

Name	Designation	Qualification	11 March 2022	11 April 2022	13 July 2022	08 September 2022	23 November 2022
A Andrews	Committee Chair	CA(SA)	Present	Present	Present	Present	Present
JP Landman	Committee member	BA.LLB, Mphil	Present	Present	Present	Present	Present
S Khanna	Committee member	Chartered Global Management Accountant	Present	Present	Present	Present	Present
S Masinga	Committee member	BCom	Present	Present	Present	Present	Present
W Luhabe	Invitee	BCom, Management Advancement Programme – Wits Business School	Present	Present	Present	Not present	Present
AV van Rensburg	Invitee	BEng, MEng, MBL	Present	Present	Present	Present	Present
CB de Villiers	Invitee	CA(SA)	Present	Present	Present	Present	Present

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

Roles and responsibilities

The committee discharged its responsibilities as set out in its charter in accordance with the provisions 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:
  - took 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 matters relating to accounting policies, internal audit, the annual financial statements and internal financial controls;
- Reviewed the external audit reports on the annual financial statements;
- Approved 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 2023 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.

In addition, in fulfilling its key responsibilities, the committee placed specific focus on the following areas in the 2022 financial year which requires significant judgement:

- Reviewed the annual impairment testing of intangible assets with indefinite useful lives;
- Reviewed the measurement of the fair values of foreign exchange contracts;
- Reviewed the measurement of the fair values of share-based payments;
- Reviewed the useful lives of intangible assets;
- Reviewed the useful lives of property, plant and equipment;
- Reviewed the valuation of biological assets; and
- Reviewed the impairment of financial assets.

External audit

The committee reviewed the independence, expertise and objectivity of the external auditor, Moore Cape Town Inc. (Moore) and the designated audit partner, Adele Smit, as well as approved the terms of engagement and fees paid to Moore for the 2022 financial year.

The committee reviewed the representation made by the external auditor 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.

Pursuant to the mandatory audit firm rotation requirements of the Independent Regulatory Board for Auditors, the committee recommended the appointment of Ernst & Young Inc. as external auditors for the 2024 financial year which will be presented for approval at the annual general meeting of the Group to be held on 1 June 2023.

Evaluation of the Chief Financial Officer

CB de Villiers performed the role of the CFO until 31 December 2022. TL Ladbrooke (Terri) was appointed as the interim CFO with effect from 1 January 2023, and subsequently appointed as CFO and executive director of the Group with effect from 15 March 2023. Terri is a Chartered Accountant who has held various financial and leadership roles within Libstar since joining the Group in 2015, including that of Group Financial Controller and Internal Audit Manager at Libstar Operations as well as Management Accountant and Finance Executive at Rialto. The committee is satisfied that the in-depth expertise and experience of the chief financial officer is appropriate to meet the responsibilities of the position. This is based on the qualifications, continuing professional education, in-depth experience and the committee's assessment of the financial knowledge of the chief financial officer.

Going Concern

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

Approval of the committee report

The committee confirms that it has functioned in accordance with its terms of reference for the 2022 financial year and that its report to shareholders has been approved by the board.

A Andrews
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.

Basis of preparation

The consolidated annual financial statements have been prepared on a going concern basis and 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.

Functional and presentation currency

The consolidated annual 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 (R'000), unless otherwise stated.

Basis of consolidation

The consolidated annual financial statements incorporate the annual financial statements of the Company and entities controlled by the Company (its Subsidiaries).

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.

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.

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

Goodwill arises from of the acquisition of businesses.

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 (CGUs) expected to benefit from the synergies of the combination. CGUs 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 CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Refer to Judgements and key sources of estimation uncertainty and Note 13 for more information on judgements and estimates.

Intangible assets

Intangible assets acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses.

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).

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 and may vary depending on a number of factors, with the effect of any changes in estimate being accounted for on a prospective basis. The estimated useful lives of intangible assets are reflected in Note 13.

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

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 CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs 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 CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) 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 CGU) 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 CGU) 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 in order 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.

Disposal groups held for sale and discontinued operations

The disposal group is classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. The disposal group is measured at the lower of their carrying amount and fair value less costs to sell, except for financial assets such as trade and other receivables which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the disposal group to fair value less costs to sell.

Non-current assets within the disposal group are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

A discontinued operation is a component of the Group that has been classified as held for sale and that represents a separate major line of business and is part of a single co-ordinated plan to dispose of such a line of business. The results of discontinued operations are presented separately in the statement of profit or loss. The comparative profit or loss is restated as if the operation had been discontinued from the start of the previous reporting period.

Inventories

Inventories are initially measured at cost.

Inventories are subsequently measured 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

Financial assets are classified as financial assets at amortised cost. 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 hedging instruments.

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.

- **Recognition of financial assets**

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

- **Financial assets at amortised cost**

Trade and other receivables, loans and advances receivable and cash and cash equivalents are classified as financial assets at amortised cost if the asset is held in terms of the Group's business model with the objective to collect the contractual cash flows and the contractual terms give rise to cash flows that are solely payments of principal and interest. 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.

- **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.

- **Impairment of financial assets**

Impairment provisions for trade receivables and other receivables, consisting of sundry debtors which are contract assets, 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 collectable, 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, 12 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 33.6 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 financial liabilities at amortised cost. Refer to the policy for Derivative financial instruments for further information on the accounting policy applicable to hedging instruments.

- **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 in profit or loss when, and only when, the Group's obligations are discharged, cancelled or they expire.

Derivative financial instruments

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

- **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.

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

- **Sale of goods**

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 and wholesale, food service, industrial 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 contractual selling price with the customer, net of value-added tax, rebates and discount allowances.

Rebates and discounts are recognised at the end of each month as a reduction in revenue and trade receivables. These rebates and discount allowances are calculated on a monthly basis based on the relevant monthly sales. Contractual trading terms are used to calculate the monthly rebates and discount allowances.

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 significant financing component is deemed present as the credit terms for sales with customers are short periods of time that vary throughout the Group. No material judgement is required to determine the transaction price and the allocation thereof.

Refer to the Segmental Information for detailed revenue disclosure.

- **Contract manufacturing revenue**

Revenue from contract manufacturing services is recognised at a point in time when the performance obligation is satisfied by transferring the goods manufactured to the customer. It is measured at the contractually agreed selling prices, net of value-added tax.

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

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, 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. The remeasurement results in a corresponding adjustment to the carrying amount of right-of-use assets, with the difference recorded in profit or loss if the carrying amount of the right-of-use assets has been reduced to zero. 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. If the carrying amount of right-of-use asset has been reduced to zero, then the remaining difference is recorded in profit or loss.

- **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 the Group 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.

Employee Benefits

- **Short-term employee benefits**

Short-term employee benefits are those that are due to be settled within 12 months after the end of the period in which the services have been rendered. The accruals for employee entitlements to salaries, performance bonuses and annual leave represent the amounts which the Group has a present obligation to pay as a result of employees' services provided to the 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. The plan creates an obligation on the Group to provide agreed benefits to current and past employees and effectively places actuarial and investment risk on the Group. 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 Group recognises the relating restructuring or termination benefits.

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

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

Share-based payments

The Group issues equity-settled and cash-settled share-based payments to certain employees. The Group has a Group Share Plan ("GSP") which is classified as an equity settled share-based payment and a Long Term Incentive Plan ("LTIP") which is classified as a cash-settled share-based payment.

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.

- **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, tax 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 tax authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Accounting policies continued

- **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.

Contingent assets

A contingent asset is disclosed in the consolidated annual financial statements if a possible asset arose from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Refer to Note 32 for the contingent assets disclosed in relation to the fire at Denny Mushrooms.

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.

Information about key areas of estimates and assumptions in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated annual 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 33.6
- Fair value measurement of foreign exchange contracts – refer to Note 33.4
- Fair value measurement of share-based payments – Note 22

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 business units (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 as disclosed in the consolidated annual financial statements).

	Adjustment included in calculation of:	
	Normalised EBIT	Normalised EBITDA
Add back: amortisation of intangible assets in relation to customer relationships and brands with definitive useful lives	Yes	Yes
Add back: amortisation of intangible assets in relation to computer software and website costs	No	Yes
Add back: depreciation on property, plant and equipment and right-of-use assets	No	Yes
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 Incentive Plan (LTIP) and the Group Share Plan (GSP).	Yes	Yes

To arrive at Normalised EPS, the after-tax effects of the adjustments detailed above for normalised EBITDA are taken into account, except for those that also qualify as headline earnings adjustments (as detailed in circular 1/2021 Headline Earnings). The after-tax headline earnings adjustments are applied to Normalised EPS to calculate normalised HEPS.

Normalised EPS and Normalised HEPS

To arrive at normalised EPS, the after-tax earnings from continuing operations (as disclosed in the consolidated annual 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 1/2021 Headline Earnings, read with IAS 33 Earnings per share.

New standards and interpretations

New and amended standards adopted by the Group

Certain new accounting standards and interpretations have been published that are effective for the current year. These standards are not considered to have a material impact on the Group in the current or future consolidated annual financial statements.

Standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2022 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 2023:

- Presentation of Financial Statements – disclosure of accounting policies (Amendment to IAS 1 and IFRS Practice Statement 2);
- Accounting policies, Changes in Accounting Estimates and Errors – definition of accounting estimates (Amendment to IAS 8); and
- Income Taxes – deferred tax related to assets and liabilities arising from a single transaction (Amendment to IAS 12).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2022

	Notes	2022 R'000	2021* R'000
Profit/(loss) for the year			
CONTINUING OPERATIONS			
Revenue	1	**11 771 605**	10 630 354
Cost of sales		**(9 329 548)**	(8 275 292)
Gross profit		**2 442 057**	**2 355 062**
Other income	2	**83 185**	20 272
(Losses)/gains on foreign exchange and disposal of property, plant and equipment	3.1	**(13 460)**	25 910
Operating expenses	3.2	**(2 274 687)**	(1 964 252)
Operating profit		**237 095**	**436 992**
Investment income	4	**9 767**	26 410
Finance costs	5	**(175 824)**	(190 978)
Profit before tax		**71 038**	272 424
Income tax expense	6	**(76 477)**	(49 231)
(Loss)/profit for the year from continuing operations		**(5 439)**	223 193
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	7.1	**(1 613)**	(68 788)
Total (loss)/profit for the year		**(7 052)**	**154 405**
Other comprehensive income/(loss) for the year, net of tax		**21 435**	**(26 974)**
Items that may be reclassified to profit or loss			
Gains/(losses) on hedging reserves	33.2	**1 856**	(16 755)
Hedging losses/(gains) reclassified to profit or loss	33.2	**18 933**	(10 241)
Foreign currency translation reserve adjustments		**435**	–
Items that will never be reclassified to profit or loss			
Defined benefit plan actuarial gains		**211**	22
Total comprehensive income for the year		**14 383**	**127 431**
(Loss)/profit attributable to:			
Equity holders of the parent		**(5 168)**	157 945
Non-controlling interest		**(1 884)**	(3 540)
		(7 052)	**154 405**
Total comprehensive income/(loss) attributable to:			
Equity holders of the parent		**16 267**	130 971
Non-controlling interest		**(1 884)**	(3 540)
		14 383	**127 431**
Total comprehensive income/(loss) attributable to equity holders of the parent arises from:			
Continuing operations		**17 880**	199 759
Discontinued operations		**(1 613)**	(68 788)
		16 267	**130 971**
Basic (loss)/earnings per share (cents)	8.1	**(0.90)**	26.5
From continuing operations	8.1	**(0.60)**	38.0
From discontinued operations	8.1	**(0.30)**	(11.5)
Diluted (loss)/earnings per share (cents)	8.2	**(0.90)**	26.5
From continuing operations	8.2	**(0.60)**	38.0
From discontinued operations	8.2	**(0.30)**	(11.5)

* The comparative year profit or loss is restated to present Glenmor as a discontinued operation from the start of the prior year, and to present Chet Chemicals and Contactim as continued operations from the start of the prior year. Chet Chemicals and Contactim were presented as discontinued operations in the prior year consolidated annual financial statements. Refer to note 7.1 for further information.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2022

	Notes	2022 R'000	2021 R'000
ASSETS			
Non-current assets		**5 882 970**	**5 891 291**
Property, plant and equipment	10	**1 738 924**	1 456 947
Right-of-use assets	11	**521 469**	504 352
Goodwill	12	**2 096 842**	2 275 328
Intangible assets	13	**1 513 831**	1 644 890
Other financial assets	18	**4 971**	8 200
Deferred tax assets	14	**6 933**	1 574
Current assets		**4 038 895**	**3 687 791**
Inventories	15	**1 671 138**	1 407 955
Trade and other receivables	16	**1 877 464**	1 609 923
Biological assets	17	**26 742**	33 214
Other financial assets	18	**5 738**	3 996
Current tax receivable		**8 597**	40 101
Cash and bank balances	19	**449 216**	592 602
Assets classified as held for sale	7.3	–	**408 397**
Total assets		**9 921 865**	**9 987 479**
EQUITY AND LIABILITIES			
Capital and reserves attributable to equity holders of the parent		**5 203 064**	**5 337 756**
Share capital	20	**4 727 314**	4 727 314
Defined benefit plan reserve	21	**(690)**	(901)
Share-based payment reserve	22	**3 328**	6 554
Retained earnings		**543 811**	696 712
Premium on acquisition of non-controlling interests		**(75 168)**	(75 168)
Foreign currency translation reserve		**435**	–
Hedging reserves	33.2	**4 034**	(16 755)
Non-controlling interests		**(695)**	**6 171**
Total equity		**5 202 369**	**5 343 927**
Non-current liabilities		**2 625 193**	**2 707 329**
Other financial liabilities	23	**1 508 651**	1 579 495
Lease liabilities	11	**580 411**	566 474
Deferred tax liabilities	14	**516 499**	536 923
Employee benefits	21	**8 618**	8 650
Share-based payments	22	**11 014**	15 787
Current liabilities		**2 094 303**	**1 711 943**
Trade and other payables	24	**1 681 067**	1 476 696
Other financial liabilities	23	**98 397**	140 652
Lease liabilities	11	**114 260**	93 302
Current tax payable		**534**	1 293
Bank overdraft	19	**200 045**	–
Liabilities directly associated with assets classified as held for sale	7.3	–	**224 280**
Total liabilities		**4 719 496**	**4 643 552**
Total equity and liabilities		**9 921 865**	**9 987 479**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2022

	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	Foreign currency translation reserve R'000	Non-controlling interests R'000	Total R'000
Balance at 1 January 2021	**4 727 314**	**(923)**	**7 798**	**(75 168)**	**688 373**	**10 241**	**–**	**9 711**	**5 367 346**
Total comprehensive income/(loss) for the year	**–**	**22**	**–**	**–**	**157 945**	**(26 996)**	**–**	**(3 540)**	**127 431**
Profit/(loss) for the year	–	–	–	–	157 945	–	–	(3 540)	154 405
Other comprehensive income/(loss) for the year	–	22	–	–	–	(26 996)	–	–	(26 974)
Transactions with owners of the Company									
Contributions and distributions	**–**	**–**	**–**	**–**	**(149 606)**	**–**	**–**	**–**	**(149 606)**
Dividends paid	–	–	–	–	(149 606)	–	–	–	(149 606)
Share-based payment expenses	**–**	**–**	**(1 244)**	**–**	**–**	**–**	**–**	**–**	**(1 244)**
Group share plan expenses	–	–	668	–	–	–	–	–	668
Payment	–	–	(1 912)	–	–	–	–	–	(1 912)
Balance at 31 December 2021	**4 727 314**	**(901)**	**6 554**	**(75 168)**	**696 712**	**(16 755)**	**–**	**6 171**	**5 343 927**
Total comprehensive income for the year	**–**	**211**	**–**	**–**	**(5 168)**	**20 789**	**435**	**(1 884)**	**14 383**
Loss for the year	**–**	**–**	**–**	**–**	**(5 168)**	**–**	**–**	**(1 884)**	**(7 052)**
Other comprehensive income for the year	**–**	**211**	**–**	**–**	**–**	**20 789**	**435**	**–**	**21 435**
Transactions with owners of the Company									
Non-controlling interests on acquisition of subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**66**	**66**
Non-controlling interests on disposal of subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(5 048)**	**(5 048)**
Contributions and distributions	**–**	**–**	**–**	**–**	**(149 606)**	**–**	**–**	**–**	**(149 606)**
Dividends paid	**–**	**–**	**–**	**–**	**(149 606)**	**–**	**–**	**–**	**(149 606)**
Share-based payment expenses	**–**	**–**	**(3 226)**	**–**	**1 873**	**–**	**–**	**–**	**(1 353)**
Group share plan expenses	**–**	**–**	**628**	**–**	**–**	**–**	**–**	**–**	**628**
Payment	**–**	**–**	**(1 981)**	**–**	**–**	**–**	**–**	**–**	**(1 981)**
2019 Group share plan awards forfeited	**–**	**–**	**(1 873)**	**–**	**1 873**	**–**	**–**	**–**	**–**
Balance at 31 December 2022	**4 727 314**	**(690)**	**3 328**	**(75 168)**	**543 811**	**4 034**	**435**	**(695)**	**5 202 369**
Notes	**20**	**21**	**22**			**33.2**		**27.1 & 7.2**	

1 Defined benefit plan reserve comprises actuarial gains or losses in respect of defined benefit obligations that are recognised in other comprehensive income.
2 Share-based payment reserve represents 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 interest 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 2022

	Notes	2022 R'000	2021 R'000
Net cash flow from operating activities		**528 724**	**786 055**
Cash generated from operations	25	**731 027**	1 035 040
Finance income received		**9 771**	26 245
Finance costs paid		**(120 435)**	(128 732)
Tax paid	26	**(91 639)**	(146 498)
Net cash flow from investment activities		**(387 772)**	**(219 106)**
Purchase of property, plant and equipment and computer software		**(298 841)**	(226 403)
Proceeds on disposal of property, plant and equipment and computer software		**12 204**	933
Other loans repaid to the Group		**–**	6 364
Proceeds on sale of Glenmor, net of cash disposed	7.2	**963**	–
Acquisition of subsidiaries, net of cash acquired	27	**(102 098)**	–
Net cash flow from financing activities		**(484 383)**	**(910 375)**
Repayment of loans from related parties		**–**	(2 118)
Capital portion of lease payments	11	**(156 237)**	(155 990)
Repayment of term loans and asset based financing	25.2	**(178 540)**	(602 661)
Dividend paid		**(149 606)**	(149 606)
Net decrease in cash and cash equivalents		**(343 431)**	(343 426)
Cash and cash equivalents at the beginning of the year	19	**592 602**	936 028
Cash and cash equivalents at the end of the year		**249 171**	**592 602**
Cash flows of discontinued operation	7.2	**(1 960)**	**(1 436)**

The consolidated statement of cash flows represents both continued and discontinued operations combined cash flows.

CONSOLIDATED SEGMENTAL INFORMATION

for the year ended 31 December 2022

Basis of segmentation

The chief operating decision maker, which represents the executive members of the board of directors, 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 or frozen.

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.

During July 2022, the Glenmor division was sold. The Group's strategy to dispose of Chet Chemicals and Contactim remains unchanged. However, the Group is required to comply with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (IFRS 5). Based on the criteria of IFRS 5, Chet Chemicals and Contactim no longer meet the criteria to be classified as a held for sale and discontinued operations at the reporting date.

Consequently, Chet Chemicals and Contactim are presented as continuing operations in the current year and the comparatives presented have been restated to include Chet Chemicals and Contactim as continuing operations in the prior year. Segmental information therefore includes information related to Chet Chemicals and Contactim for the current and prior year.

Consolidated segmental information continued

	2022 R'000	2021 R'000
INFORMATION ABOUT REPORTABLE SEGMENTS		
Revenue from contracts with customers		
Perishables	**5 957 683**	5 208 847
Groceries	**3 605 252**	3 337 461
Snacks and Confectionery*	**565 254**	539 940
Baking and Baking Aids	**924 766**	859 626
Household and Personal Care	**718 650**	684 480
	11 771 605	**10 630 354**
Revenue comprised as follows:		
Total revenue for reportable segments	**11 896 611**	10 735 832
Elimination of inter segment revenue	**(125 006)**	(105 478)
Perishables	**(38 358)**	(24 479)
Groceries	**(73 845)**	(70 121)
Snacks and Confectionery	**(3 162)**	(6 843)
Baking and Baking Aids	**(9 431)**	(3 921)
Household and Personal Care	**(210)**	(114)
	11 771 605	**10 630 354**
Operating profit (EBIT)		
Perishables	**208 676**	251 123
Groceries	**187 922**	354 175
Snacks and Confectionery	**68 255**	73 832
Baking and Baking Aids	**(52 731)**	47 945
Household and Personal Care	**(56 462)**	(157 776)
Corporate	**(118 565)**	(132 307)
	237 095	**436 992**
Reconciliation of operating profit per segment to profit before tax		
Operating profit	**237 095**	436 992
Investment income	**9 767**	26 410
Finance costs	**(175 824)**	(190 978)
Profit before tax	**71 038**	**272 424**

* Revenue from the rendering of contract manufacturing services of R65 504 (2021: R103 126) (R'000) is included in Snacks and Confectionery segment revenue.

The chief operating decision maker, which represents the executive members of the board of directors, 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.

Consolidated segmental information continued

	2022 R'000	2021 R'000
Normalised EBIT and EBITDA		
Group – continuing operations		
Operating profit	**237 095**	436 992
Amortisation of customer relationships	**133 201**	137 087
Due diligence costs	**1 398**	–
Expenses relating to share-based payments	**2 080**	4 569
Government grants	**(187)**	(706)
Impairment losses on goodwill and other assets	**292 188**	102 557
Loss on disposal of property, plant and equipment	**1 173**	5 876
Retrenchment and settlement costs	**8 980**	43 207
Strategic advisory fees	**889**	10 786
Unrealised loss/(gain) on foreign exchange	**13 264**	(20 436)
Normalised EBIT	**690 081**	**719 932**
Amortisation of software and website costs	**8 511**	13 424
Depreciation of property, plant and equipment and right-of-use assets	**333 740**	343 658
Normalised EBITDA (including effect of IFRS 16)	**1 032 332**	**1 077 014**
Less: lease payments and lease modifications	**(180 836)**	(160 974)
Normalised EBITDA (excluding effect of IFRS 16)	**851 496**	**916 040**
Perishables		
Operating profit	**208 676**	251 123
Amortisation of customer relationships	**43 610**	48 990
Government grants	**(78)**	(19)
Impairment losses on goodwill and other assets	**97 842**	–
Profit on disposal of property, plant and equipment	**(141)**	(3 255)
Retrenchment and settlement costs	**1 587**	22 366
Unrealised gain on foreign exchange	**(2 703)**	(7 054)
Normalised EBIT	**348 793**	**312 151**
Amortisation of software and website costs	**4 018**	4 251
Depreciation of property, plant and equipment and right-of-use assets	**146 031**	143 512
Normalised EBITDA (including effect of IFRS 16)	**498 842**	**459 914**
Less: lease payments and lease modifications	**(55 391)**	(49 824)
Normalised EBITDA (excluding effect of IFRS 16)	**443 451**	**410 090**
Groceries		
Operating profit	**187 922**	354 175
Amortisation of customer relationships	**73 371**	65 859
Government grants	**(36)**	(526)
Impairment losses on goodwill and other assets	**76 910**	–
Loss on disposal of property, plant and equipment	**1 284**	2 108
Retrenchment and settlement costs	**1 578**	4 286
Strategic advisory fees	**370**	–
Unrealised loss/(gain) on foreign exchange	**14 298**	(12 082)
Normalised EBIT	**355 697**	**413 820**
Amortisation of software and website costs	**680**	2 176
Depreciation of property, plant and equipment and right-of-use assets	**85 153**	94 719
Normalised EBITDA (including effect of IFRS 16)	**441 530**	**510 715**
Less: lease payments and lease modifications	**(71 969)**	(53 247)
Normalised EBITDA (excluding effect of IFRS 16)	**369 561**	**457 468**

Consolidated segmental information continued

	2022 R'000	2021 R'000
Snacks and Confectionery		
Operating profit	**68 255**	73 832
Amortisation of customer relationships	**4 402**	4 402
Government grants	**(73)**	(16)
(Gain)/Loss on disposal of property, plant and equipment	**(498)**	865
Retrenchment and settlement costs	**(398)**	–
Strategic advisory fees	**19**	536
Unrealised loss/(gain) on foreign exchange	**1 547**	(1 318)
Normalised EBIT	**73 254**	**78 301**
Amortisation of software and website costs	**2 160**	3 299
Depreciation of property, plant and equipment and right-of-use assets	**29 003**	28 800
Normalised EBITDA (including effect of IFRS 16)	**104 417**	**110 400**
Less: lease payments and lease modifications	**(20 066)**	(21 408)
Normalised EBITDA (excluding effect of IFRS 16)	**84 351**	**88 992**
Baking and Baking Aids		
Operating (loss)/profit	**(52 731)**	47 945
Amortisation of customer relationships	**6 870**	6 870
Impairment losses on goodwill and other assets	**90 109**	–
(Gain)/Loss on disposal of property, plant and equipment	**(25)**	606
Retrenchment and settlement costs	**51**	–
Unrealised gain on foreign exchange	**–**	(99)
Normalised EBIT	**44 274**	**55 322**
Amortisation of software	**1 103**	1 164
Depreciation of property, plant and equipment and right-of-use assets	**37 222**	39 697
Normalised EBITDA (including effect of IFRS 16)	**82 599**	**96 183**
Less: lease payments and lease modifications	**(15 803)**	(14 941)
Normalised EBITDA (excluding effect of IFRS 16)	**66 796**	**81 242**
Household and Personal Care		
Operating loss	**(56 462)**	(157 776)
Amortisation of customer relationships	**4 555**	10 966
Loss on disposal of property, plant and equipment	**539**	5 524
Impairment losses on goodwill and other assets	**27 327**	102 557
Retrenchment and settlement costs	**3 595**	7 907
Unrealised loss on foreign exchange	**10**	117
Normalised EBIT	**(20 436)**	**(30 705)**
Amortisation of software	**478**	433
Depreciation of property, plant and equipment and right-of-use assets	**32 403**	32 860
Normalised EBITDA (including effect of IFRS 16)	**12 445**	**2 588**
Less: lease payments and lease modifications	**(14 784)**	(18 364)
Normalised EBITDA (excluding effect of IFRS 16)	**(2 339)**	**(15 776)**

Consolidated segmental information continued

	2022 R'000	2021 R'000
Corporate		
Operating loss	**(118 565)**	(132 307)
Amortisation of customer relationships	**393**	–
Due diligence costs	**1 398**	–
Expenses relating to share-based payments	**2 080**	4 569
Government grants	**–**	(145)
Loss on disposal of property, plant and equipment	**14**	28
Retrenchment and settlement costs	**2 567**	8 648
Strategic advisory fees	**500**	10 250
Unrealised gain on foreign exchange	**112**	–
Normalised EBIT	**(111 501)**	**(108 957)**
Amortisation of software and website costs	**72**	2 101
Depreciation of property, plant and equipment and right-of-use assets	**3 928**	4 070
Normalised EBITDA (including effect of IFRS 16)	**(107 501)**	**(102 786)**
Less: lease payments and lease modifications	**(2 823)**	(3 190)
Normalised EBITDA (excluding effect of IFRS 16)	**(110 324)**	**(105 976)**

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.

	2022	2021
Export revenue for the year	**1 208 073**	1 259 732

Major customers

During the period under review, revenue from certain customers exceeded 10% of total revenue.

	2022	2021
Customer A	**20%**	21%
Customer B	**17%**	16%
Customer C	**10%**	9%

The above customers trade with the Group across all five segments. The contribution of each customer to total revenue is therefore spread across multiple segments.

Consolidated segmental information continued

Revenue by channel

	Note	2022 R'000	2021 R'000	Change %
Retail and wholesale		6 765 486	6 227 140	8.6
Food service		2 303 514	1 866 743	23.4
Exports		1 208 073	1 259 732	(4.1)
Industrial and contract manufacturing		1 494 532	1 276 739	17.1
Total Group revenue	1	**11 771 605**	**10 630 354**	**10.7**

Contribution to Group revenue

	2022 %	2021 %
Retail and wholesale	57.4	58.6
Food service	19.6	17.6
Exports	10.3	11.9
Industrial and contract manufacturing	12.7	11.9
Total Group revenue	100.0	100.0

Revenue by channel per segment

	Perishables	Groceries	Snacks and Confectionery	Baking and Baking Aids	Household and Personal Care	Total
Year ended 31 December 2022						
Retail and wholesale	3 368 561	1 477 622	477 175	791 800	650 328	6 765 486
Food service	1 780 175	417 470	4 527	101 342	–	2 303 514
Exports	319 264	841 775	9 483	24 784	12 767	1 208 073
Industrial and contract manufacturing	489 683	868 385	74 069	6 840	55 555	1 494 532
	5 957 683	3 605 252	565 254	924 766	718 650	11 771 605
Year ended 31 December 2021						
Retail and wholesale	3 044 991	1 394 293	437 822	723 978	626 056	6 227 140
Food service	1 476 362	293 981	4 076	92 324	–	1 866 743
Exports	265 884	938 271	8 058	31 506	16 013	1 259 732
Industrial and contract manufacturing	421 610	710 916	89 984	11 818	42 411	1 276 739
	5 208 847	**3 337 461**	**539 940**	**859 626**	**684 480**	**10 630 354**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2022

		Notes	2022 R'000	2021 R'000
1	**Revenue**			
	Revenue from the sale of goods		**11 706 060**	10 527 228
	Revenue from the rendering of contract manufacturing services		**65 545**	103 126
			11 771 605	**10 630 354**
	Refer to the Segmental Information for detailed revenue disclosure by segment.			
2	**Other income**			
	Insurance proceeds		**37 158**	11 003
	Sundry income[1]		**43 348**	6 347
	Government grants[2]		**1 929**	2 086
	Other income		**750**	836
			83 185	**20 272**

1 The current year's sundry income includes lease modifications of R25.6m.

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

		Notes	2022 R'000	2021 R'000
3	**Operating profit**			
	Operating profit from continuing operations is calculated after taking into account the following:			
3.1	**(Losses)/gains on foreign exchange and disposal of property, plant and equipment**			
	(Loss)/gain on foreign exchange		**(12 287)**	31 786
	Realised gain on foreign exchange		**977**	11 350
	Unrealised (loss)/gain on foreign exchange		**(13 264)**	20 436
	Loss on disposal of property, plant and equipment		**(1 173)**	(5 876)
			(13 460)	**25 910**
3.2	Operating expenses			
	Depreciation of property, plant and equipment		**63 202**	67 589
	Depreciation of right-of-use assets		**56 327**	66 537
	Amortisation of computer software and website costs	13	**8 511**	13 425
	Amortisation of customer relationships	13	**133 201**	137 087
	Employee benefits		**562 359**	610 103
	Salaries and wages		**549 073**	568 171
	Retrenchment and settlement costs		**13 286**	41 932
	Strategic advisory fees		**889**	10 786
	Due diligence costs		**1 398**	–
	Impairment loss on goodwill	13.3 & 7.3	**236 224**	36 706
	Impairment loss on intangible assets	13.3 & 7.3	**55 964**	65 851
	Impairment loss on property, plant and equipment	10	**3 837**	–
	Charges relating to long-term incentive scheme (LTIP scheme)	22.3	**1 271**	4 384
	Charges relating to share-based payments (GSP)	22.3	**809**	184
	Research and development costs expensed as incurred		**535**	443
	Auditor's remuneration		**8 192**	8 707

Notes to the consolidated annual financial statements continued

	Notes	2022 R'000	2021 R'000
3 Operating profit continued			
3.3 Nature of operating expenses in cost of sales			
Depreciation of property, plant and equipment		**155 365**	151 358
Depreciation of right-of-use assets		**58 846**	58 174
Biological assets write-off due to fire	17	**8 795**	–
Inventory write-off due to fire	15	**2 550**	–
Employee benefits		**830 796**	758 750
Salaries and wages		**810 260**	757 575
Retrenchment and settlement costs		**20 536**	1 175
Lease rentals		**32 236**	23 573

	2022 R'000	2021 R'000
4 Investment income		
Interest income on financial assets:		
Bank deposits	**9 754**	26 240
Other interest received	**13**	170
	9 767	**26 410**

	2022 R'000	2021 R'000
5 Finance costs		
Interest on lease liabilities	**55 389**	61 684
Interest on bank overdraft, bank loans and asset based finance	**119 517**	129 110
Interest charged by suppliers	**827**	105
Interest on late payment of tax	**91**	79
	175 824	**190 978**

Notes to the consolidated annual financial statements continued

	Notes	2022 R'000	2021 R'000
6 Taxation			
Income tax recognised in statement of profit or loss and other comprehensive income			
Current income tax		**122 920**	122 162
Current year		**122 920**	148 200
Over provision previous years		–	(26 038)
Deferred tax		**(46 286)**	(87 488)
Current year from continuing operations		**(46 443)**	(74 040)
Current year from discontinued operations		**157**	(13 448)
Total tax expense for the year		**76 634**	**34 674**
The expense for the year can be reconciled to the accounting profit as follows:			
Profit before tax			
Continuing operations		**71 038**	272 424
Discontinued operations		**(1 456)**	(83 344)
Profit before tax from all operations		**69 582**	189 080
Income tax expense calculated at statutory rate of 28%		**19 483**	52 942
Non-taxable income[1]		**(3 679)**	(3 208)
Non-deductible expenditure[2]		**3 276**	1 371
Impairment loss on goodwill		**66 143**	17 322
Capital gains tax		–	(998)
Tax relating to Reserves recognised through other comprehensive income		**8 233**	(10 982)
Other		**392**	(786)
Effect of tax rate differences due to statutory rate change[3]		**(18 642)**	–
Unutilised assessed loss		**1 428**	–
Prior period over provision		–	(26 038)
Income tax expense recognised in profit or loss		**76 634**	**34 674**
Income tax expense is attributable to:			
Profit from continuing operations		**76 477**	49 231
Loss from discontinued operations	7.2	**157**	(14 557)
		76 634	**34 674**

1 Non-taxable income includes employment tax incentive refunds; S12H learnership deductions; DTI refunds; SETA grants; and income which is capital in nature.

2 Non-deductible expenditure includes donations; non-deductible legal and professional fees; fines and penalties; non-deductible restructuring costs; non-deductible subscriptions; and short-term capital expenditure.

3 In February 2022, the local government enacted a change in the national income tax rate from 28% to 27%, becoming effective for reporting periods ending on or after 31 March 2023. As such, the tax rate of 27% was applied to the deferred tax assets and liabilities and 28% was still applied to taxable income in the current year. A credit was recognised to the deferred tax expense in the current year.

Notes to the consolidated annual financial statements continued

	2022 R'000	2021 R'000
7 Loss from discontinued operations and disposal group classified as held for sale		
7.1 Loss from discontinued operations	**(1 613)**	(68 788)

The current year and prior year loss from discontinued operations presented in the statement of profit or loss and other comprehensive income comprises the financial results of Glenmor, a division reclassified as discontinued from the HPC segment.

The combined sale of business agreement for Chet Chemicals and Contactim (the divisions of the HPC segment), as announced on 21 February 2022, was terminated on 1 June 2022. The Group's strategy to dispose of Chet Chemicals and Contactim remains unchanged. However, the Group is required to comply with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (IFRS 5). Based on the criteria of IFRS 5, Chet Chemicals and Contactim no longer meet the criteria to be classified as a held for sale and discontinued operations at reporting date.

Consequently, Chet Chemicals and Contactim are presented as continuing operations in the current year and the comparatives presented have been restated to include Chet Chemicals and Contactim as continuing operations in the prior year. Refer to Note 7.3 for the prior year financial information related to the held for sale disposal group of Chet Chemicals and Contactim.

7.2 Discontinued operations' financial information – Glenmor

The Group disposed of its Glenmor division in July 2022. The associated assets and liabilities were reclassified as held for sale on 30 June 2022 and subsequently sold in July 2022. Consequently, Glenmor is presented as a discontinued operation in the current year and the comparatives presented have been restated to include Glenmor as a discontinued operation in the prior year. Financial information relating to the discontinued operation and sale of Glenmor segment is set out below.

Financial performance and cash flow information of Glenmor

An analysis of the loss for the year from discontinued operations and net cash flows attributable to the operating, investing and financing activities of discontinued operations is set out below:

	2022 R'000	2021 R'000
Revenue	**31 049**	55 500
Cost of sales	**(29 907)**	(52 991)
Gross profit	**1 142**	**2 509**
Impairment loss	–	(73 253)
Operating expenses	**(5 711)**	(11 635)
Operating loss	**(4 569)**	**(82 379)**
Investment income	**4**	26
Finance costs	**(489)**	(991)
Loss before tax	**(5 054)**	**(83 344)**
Income tax (expense)/credit	**(157)**	14 556
Gain on sale of Glenmor after income tax	**3 598**	–
Loss for the year from discontinued operation	**(1 613)**	**(68 788)**
Net cash outflow from operating activities	**(7 090)**	(3 551)
Net cash (outflow)/inflow from investing activities	**(62)**	175
Net cash inflow from financing activities	**5 192**	1 940
Net decrease in cash generated by the discontinued operations	**(1 960)**	**(1 436)**

7 Loss from discontinued operations and disposal group classified as held for sale continued

7.2 Discontinued operations' financial information – Glenmor continued

Impairment losses in respect of Glenmor

2021 Impairment

In the prior year it was estimated that there was no value remaining in the brands and customer relationships of the HPC segment based on the consolidated value in use. The full carrying amounts of the goodwill, brands and customer relationships of Glenmor were impaired, resulting in a total impairment loss of R73.3m being recognised at 31 December 2021. Other asset classes within Glenmor were not impacted.

	2021 R'000
Goodwill	25 158
Intangibles*	48 095
Impairment loss on discontinued operations of Glenmor	73 253
Tax credit on loss	(13 467)
Impairment loss on discontinued operations net of income tax	59 786

* The impairment of intangibles consists of R39 574 (R'000) brands and R8 521 (R'000) customer relationships.

No further impairment losses were recognised in the current year.

Details of the sale of Glenmor	**2022 R'000**	2021 R'000
Disposal consideration		
Cash	**1 000**	–
Less: carrying amount of net assets sold	**2 450**	–
Property, plant and equipment	**734**	–
Right-of-use assets	**1 442**	
Inventory	**13 059**	–
Trade and other receivables	**8 511**	–
Tax receivable	**354**	–
Cash and cash equivalents	**37**	–
Lease liability	**(2 114)**	–
Other financial liabilities	**(9 938)**	–
Deferred tax	**(5 788)**	–
Trade and other payables	**(3 615)**	–
Provisions	**(232)**	–
Less: non-controlling interests	**(5 048)**	–
Gain on sale before income tax	**3 598**	**–**
Income tax expense on gain	**–**	–
Gain on sale after income tax	**3 598**	**–**

The gain on the sale of Glenmor is presented net of related income tax in loss for the year from discontinued operations in the statement of profit or loss and other comprehensive income. See above the detailed analysis of the loss for the year from discontinued operations.

7 Loss from discontinued operations and disposal group classified as held for sale continued

7.3 2021 held for sale disposal group financial information – Chet Chemicals and Contactim

2021 Impairment

Chet Chemicals and Contactim are no longer presented as held for sale as at 31 December 2022 for the reasons disclosed in Note 7.1 above. However, during the prior year it was estimated that there was no value remaining in the brands and customer relationships of the HPC segment based on the consolidated value in use. Impairment losses of R103m were recognised in respect of goodwill, brands and customer relationships of Chet Chemicals and Contactim on 31 December 2021 when the divisions were classified as held for sale. Other asset classes within Chet Chemicals and Contactim were not impacted.

Details of the prior year impairments are as follows:

	2021 R'000
Fair value of disposal group less cost to sell	209 320
Carrying amount of net assets recognised as held for sale on 31 December	311 877
Property, plant and equipment	123 118
Right-of-use assets	69 074
Intangibles	98 555
Goodwill	36 706
Inventories	77 959
Trade and other receivables	105 542
Lease liabilities	(78 679)
Trade and other payables	(120 398)
Impairment loss on discontinued operations of Chet Chemicals and Contactim	102 557
Goodwill	36 706
Intangibles*	65 851
Tax credit on loss	(18 438)
Impairment loss on discontinued operations net of income tax	**84 119**

* The impairment of intangibles consists of R20 970 (R'000) brands and R44 881 (R'000) customer relationships.

2021 Assets and liabilities of the disposal group classified as held for sale	2021 R'000
The following assets and liabilities are classified as held for sale in relation to the Chet Chemicals and Contactim disposal group at 31 December 2021:	
Assets classified as held for sale	
Property, plant and equipment	123 118
Right-of-use assets	69 074
Intangibles	32 704
Inventories	77 959
Trade and other receivables	105 542
Total assets of disposal group held for sale	**408 397**
Liabilities directly associated with assets classified as held for sale	
Deferred tax liability	25 204
Lease liability	78 679
Trade and other payables	120 397
Total liabilities of disposal group held for sale	**224 280**

	2022 R'000	2021 R'000
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:		
Earnings used in the calculation of basic earnings per share	**(5 168)**	157 945
From continuing operations (excluding the non-controlling interest)	**(3 555)**	226 733
From discontinued operations (excluding the non-controlling interest)	**(1 613)**	(68 788)
Weighted average number of ordinary shares for the purposes of basic earnings per share ('000)	**595 812**	595 812
Basic earnings per share in cents		
From continuing operations	**(0.6)**	38.0
From discontinued operations	**(0.3)**	(11.5)
From continuing and discontinued operations	**(0.9)**	26.5
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:		
Weighted average number of ordinary shares for the purposes of diluted earnings per share ('000)	**596 147**	597 430
Diluted earnings per share in cents		
From continuing operations	**(0.6)**	38.0
From discontinued operations	**(0.3)**	(11.5)
From continuing and discontinued operations	**(0.9)**	26.5
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 ('000)	**595 812**	595 812
Adjustments for calculation of diluted earnings per share:		
Deferred Shares – GSP[1]	**335**	1 618
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share ('000)	**596 147**	597 430

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 22.

Notes to the consolidated annual financial statements continued

	2022 R'000	2021 R'000
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:		
(Loss)/profit for the year from continuing operations	**(3 555)**	226 733
Normalised for:	**115 270**	125 646
Amortisation of customer relationships	**95 905**	98 703
Due diligence costs	**1 398**	–
Expenses relating to share-based payments	**1 498**	3 290
Government grants	**(187)**	(508)
Retrenchment and settlement costs	**6 466**	31 109
Strategic advisory fees	**640**	7 766
Unrealised loss/(gain) on foreign exchange	**9 550**	(14 714)
Normalised earnings used in the calculation of basic earnings per share	**111 715**	352 379
Weighted average number of ordinary shares for the purposes of basic earnings per share ('000)	**595 812**	595 812
Normalised basic earnings per share in cents	**18.8**	**59.1**

8.4 Headline earnings per share

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

		2022		2021	
Continuing operations	Notes	Gross	Net of tax	Gross	Net of tax
Basic earnings from continuing operations			**(3 555)**		226 733
Adjustments		**293 361**	**277 363**	108 433	88 349
Impairment of goodwill	13.3 & 7.3	**236 224**	**236 224**	36 706	36 706
Impairment of intangible assets	13.3 & 7.3	**55 964**	**40 294**	65 851	47 413
Impairment of property, plant and equipment	10	**3 837**	**2 763**	–	–
Compensation from third parties for items of property, plant and equipment and intangibles that were lost or given up		**(3 837)**	**(2 763)**	–	–
Loss on disposal of property, plant and equipment		**1 173**	**845**	5 876	4 231
Headline earnings from continuing operations			**273 808**		**315 082**

Notes to the consolidated annual financial statements continued

8 Earnings per share continued

8.4 Headline earnings per share continued

Discontinued operations	Note	2022 Gross	2022 Net of tax	2021 Gross	2021 Net of tax
Basic earnings from discontinued operations			**(1 613)**		(68 788)
Adjustments		**(3 598)**	**(3 598)**	73 258	59 790
Impairment of goodwill		–	–	25 158	25 158
Impairment of intangible assets		–	–	48 095	34 628
Loss on disposal of property, plant and equipment		–	–	5	4
Gain on sale of Glenmor	7.2	**(3 598)**	**(3 598)**	–	–
Headline earnings from discontinued operations			**(5 211)**		**(8 998)**

	2022 R'000	2021 R'000
Headline earnings from continuing and discontinued operations	**268 597**	306 085
Headline earnings per share in cents:		
From continuing operations	**46.0**	52.9
From discontinued operations	**(0.9)**	(1.5)
From continuing and discontinued operations	**45.1**	**51.4**
Diluted headline earnings per share in cents:		
From continuing operations	**45.9**	52.7
From discontinued operations	**(0.9)**	(1.5)
From continuing and discontinued operations	**45.0**	**51.2**

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:

	Net 2022	Net 2021
Normalised basic earnings from continuing operations	**111 715**	352 379
Adjustments	**277 363**	88 350
Impairment of goodwill	**236 224**	36 706
Impairment loss on intangible assets	**40 294**	47 413
Loss on disposal of property, plant and equipment	**845**	4 231
Normalised headline earnings from continuing operations	**389 078**	440 729
Normalised headline earnings per share from continuing operations in cents	**65.3**	74.0

9 Directors' remuneration

Name/designation	Basic salary R'000	Retirement R'000	Bonuses R'000	Share-based payments R'000	Total remuneration and benefits R'000
2022					
AV van Rensburg (Executive Director)	**6 641**	**13 282**	**816**	**2 207**	**22 946**
CB de Villiers (Executive Director)	**4 081**	**–**	**494**	**827**	**5 402**
W Luhabe (Chairman Non-Executive Director)	**1 114**	**–**	**–**	**–**	**1 114**
JP Landman (Lead Independent Non-Executive Director)	**1 014**	**–**	**–**	**–**	**1 014**
S Masinga (Independent Non-Executive Director)	**673**	**–**	**–**	**–**	**673**
S Khanna (Independent Non-Executive Director)	**948**	**–**	**–**	**–**	**948**
A Andrews (Independent Non-Executive Director)	**584**	**–**	**–**	**–**	**584**
Total 2022	**15 055**	**13 282**	**1 310**	**3 034**	**32 681**
2021					
AV van Rensburg (Executive Director)	6 325	–	613	–	6 938
RW Smith (Executive Director)	5 073	13 112	578	–	18 763
CB de Villiers (Executive Director)	3 850	–	360	–	4 210
W Luhabe (Chairman Non-Executive Director)	1 166	–	–	–	1 166
JP Landman (Lead Independent Non-Executive Director)	756	–	–	–	756
S Masinga (Independent Non-Executive Director)	693	–	–	–	693
S Khanna (Independent Non-Executive Director)	968	–	–	–	968
A Andrews (Independent Non-Executive Director)	504	–	–	–	504
Total 2021	**19 335**	**13 112**	**1 551**	–	**33 998**

Mr AV van Rensburg, the Libstar Chief Executive Officer (CEO) retired with effect from 31 December 2022. Mr AV van Rensburg co-founded Libstar in 2005 with the vision of building a value-added consumer packaged goods business. Guiding and instilling the Company's entrepreneurial spirit, he led the Group from its humble beginnings to a family of 17 decentralised divisions spanning a diverse portfolio of food products and channels. The retirement payment is in full and final settlement of any and all claims Mr AV van Rensburg may have against the Group. The payment includes leave pay, notice pay, application of the good leaver provisions of the LTIP and GSP share-based payment schemes (refer to note 22 for the related share-based payments), and a discretionary amount equivalent of two times annual total guaranteed pay. His employment agreement provided for a 3-month notice period and a 36-month restraint of trade.

Mr CB de Villiers, the Libstar Chief Financial Officer (CFO) was appointed as the CEO of Libstar with effect from 1 January 2023. Management concluded that he is the best candidate for the position due to his in-depth understanding of the business and strategy of the Group.

Ms TL Ladbrooke, the Financial and Operations Executive at Rialto, a division of the Group, was appointed as interim CFO of the Group with effect from 1 January 2023, and subsequently appointed as CFO and executive director of the Group with effect from 15 March 2023.

Mr C Lodewyks, the current managing executive of Lancewood, has been appointed as an executive director of Libstar and member of the Board with effect from 1 January 2023. Mr C Lodewyks will continue in his role as managing executive of Lancewood, whilst supporting the Group management team in the implementation of its strategic initiatives.

Mr RW Smith retired on 31 December 2021.

The Group concluded a mutual separation agreement with Mr RW Smith, in terms of which he retired as an executive director of the Company with effect from 31 December 2021 after 16 years of service. Mr RW Smith, who co-founded the Company, played a significant role in the development and growth of Libstar. The retirement payment is in full and final settlement of any and all claims Mr RW Smith may have against the Group. The payment includes leave pay, notice pay, application of the good leaver provisions of the LTIP and GSP share-based payment schemes (refer to note 22 for the related share-based payments), and a discretionary amount equivalent of two times annual total guaranteed pay. His employment agreement provided for a 3-month notice period and a 36-month restraint of trade.

Notes to the consolidated annual financial statements continued

	2022 R'000	2021 R'000
10 Property, plant and equipment		
Cost	**2 865 919**	2 343 382
Accumulated depreciation and impairment	**(1 126 995)**	(886 435)
	1 738 924	1 456 947

		Freehold land and buildings R'000	Plant, vehicles, machinery and equipment * R'000
31 December 2022			
Cost			
At 1 January 2022		**251 930**	**2 091 452**
Additions		**13 248**	**371 156**
Transfer		**(41 702)**	**41 702**
Scrapping and disposals		**(3 094)**	**(59 295)**
Transfer from disposal group held for sale		**–**	**201 596**
Acquisition through business combination	27	**725**	**10 446**
Reclassified as held for sale and disposed	7.2	**–**	**(12 245)**
At 31 December 2022		**221 107**	**2 644 812**
Total cost at 31 December 2022			**2 865 919**
Accumulated depreciation and impairment			
At 1 January 2022		**(46 062)**	**(840 373)**
Scrapping and disposals[1]		**554**	**48 444**
Reclassified as held for sale and disposed	7.2	**–**	**11 511**
Transfer from disposal group held for sale		**–**	**(78 478)**
Impairment[1]		**(3 837)**	**–**
Depreciation charge from continuing operations		**(11 895)**	**(206 672)**
Depreciation charge from discontinued operations		**–**	**(187)**
At 31 December 2022		**(61 240)**	**(1 065 755)**
Total accumulated depreciation and impairment at 31 December 2022			**(1 126 995)**
Carrying value at 31 December 2022		**159 867**	**1 579 057**
Total carrying value at 31 December 2022			**1 738 924**
31 December 2021			
Cost			
At 1 January 2021		**216 523**	**2 127 624**
Additions		**36 524**	**264 173**
Transfer		**(361)**	**361**
Scrapping and disposals		**(756)**	**(99 110)**
Reclassified as held for sale	7.3	**–**	**(201 596)**
At 31 December 2021		**251 930**	**2 091 452**
Total cost at 31 December 2021			**2 343 382**

* 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.

1 On 9 September 2022 a fire broke out at Denny Mushrooms Shongweni farm in KwaZulu-Natal. Certain assets were destroyed and subsequently impaired or scrapped. Plant and equipment of R261 (R'000) was written off as a scrapping loss and included in operating expenditure in the statement of profit or loss and other comprehensive income. Land and buildings of R3,837 (R'000) was impaired and the impairment loss is included in operating expenditure in the statement of profit or loss and other comprehensive income. Insurance proceeds were received for the losses on plant and equipment and land and buildings and were recognised as other income. Refer to Note 32 for the contingent assets disclosed in relation to the pending insurance claim for the damaged plant.

	Note	Freehold land and buildings R'000	Plant, vehicles, machinery and equipment* R'000
10 Property, plant and equipment continued			
Accumulated depreciation and impairment			
At 1 January 2021		**(37 521)**	(798 811)
Scrapping and disposals		**859**	89 879
Reclassified as held for sale	7.3	**–**	78 478
Depreciation charge from continuing operations		**(9 400)**	(209 547)
Depreciation charge from discontinued operations		**–**	(372)
At 31 December 2021		**(46 062)**	**(840 373)**
Total accumulated depreciation and impairment at 31 December 2021			**(886 435)**
Carrying value at 31 December 2021		**205 868**	**1 251 079**
Total carrying value at 31 December 2021			**1 456 947**
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 23.

The Group has signed a general and special notarial bond over all the movable assets in favour of Nedbank Ltd, Standard Bank of South Africa Ltd, and Rand Merchant Bank Holdings Ltd. Refer to Note 33.7 Liquidity risk management for further details.

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

11 Leases

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

The consolidated statement of financial position shows the following amounts relating to leases:

	Notes	2022 R'000	2021 R'000
Right-of-use assets			
Non-current assets		521 469	504 352
Lease Liabilities			
Non-current liabilities		(580 411)	(566 474)
Current liabilities		(114 260)	(93 302)
Right-of-use assets[1]			
Right-of-use assets at 1 January		504 352	649 533
Lease modifications[2]		(5 533)	21 353
Additions		43 332	29 096
Acquisition through business combination		27 524	–
Derecognitions		–	(514)
Transfer from disposal group held for sale		69 074	–
Reclassified as held for sale	7.2 & 7.3	(1 442)	(69 074)
Depreciation charge from continuing operations		(115 173)	(124 711)
Depreciation charge from discontinued operations		(665)	(1 331)
Right-of-use assets at 31 December		521 469	504 352
Lease Liabilities			
Lease liabilities recognised as at 1 January		(659 776)	(782 968)
Lease modifications[2]		31 098	(21 049)
Additions		(43 179)	(28 255)
Acquisition through business combination	27.2	(46 980)	–
Transfer from disposal group held for sale		(78 679)	–
Reclassified as held for sale	7.2 & 7.3	2 114	78 679
Finance costs from continuing operations		(55 389)	(55 360)
Finance costs from discontinued operations		(117)	(6 813)
Lease payments		156 237	155 990
Balance at 31 December		(694 671)	(659 776)

1 The majority of the value of the right-of-use assets relate to property leases. Other equipment leases are not material and not disclosed separately.

2 Lease modifications mainly consist of lease extensions that occurred in the current and prior year, and an early lease termination that occurred during the current year.

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

The statement of profit or loss shows the following amounts relating to leases:

	2022 R'000	2021 R'000
Depreciation of right-of-use assets from continuing operations	(115 173)	(124 711)
Depreciation of right-of-use assets from discontinued operations	(665)	(1 331)
Finance costs in respect of lease liabilities from continuing operations	(55 389)	(61 831)
Finance costs in respect of lease liabilities from discontinued operations	(117)	(342)
Short-term lease charges*	(56 972)	(44 128)

* Short-term lease charges are due within the next 12 months.

The total cash outflow for leases in the current year was R156.2m (2021: R156.0m).
Refer to Note 33.7 Liquidity risk management for the maturity analysis of lease liabilities.
There were no significant variable payments related to leases in the current and prior year.

Notes to the consolidated annual financial statements continued

		Notes	2022 R'000	2021 R'000
12	**Goodwill**			
	Cost		**2 664 099**	2 594 813
	Accumulated impairment		**(567 257)**	(319 485)
			2 096 842	**2 275 328**
	Cost			
	At 1 January		**2 594 813**	2 631 519
	Acquisition through business combination	27	**57 738**	–
	Reclassified from assets held for sale		**36 706**	–
	Reclassified as held for sale	7.2 & 7.3	**(25 158)**	(36 706)
	At 31 December		**2 664 099**	**2 594 813**
	Accumulated impairment			
	At 1 January		**(319 485)**	(294 327)
	Reclassified from assets held for sale		**(36 706)**	–
	Reclassified as held for sale		**25 158**	–
	Impairment	13.3 & 7.2	**(236 224)**	(25 158)
	At 31 December		**(567 257)**	(319 485)
	Carrying value at 31 December		**2 096 842**	**2 275 328**

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.

Refer to Note 13.1 for the allocation of the carrying value of goodwill to the cash-generating groups.

		2022 R'000	2021 R'000
13	**Intangible assets**		
	Cost	**2 990 902**	2 829 585
	Accumulated amortisation and impairment	**(1 477 071)**	(1 184 695)
		1 513 831	**1 644 890**

	Brands* R'000	Computer software and website costs R'000	Customer relationships R'000
31 December 2022			
Cost			
At 1 January 2022	547 875	63 058	2 218 652
Additions	–	9 943	–
Scrapping and disposals	–	(6 489)	–
Reclassified as held for sale	(39 574)	–	(18 936)
Transfer from disposal group held for sale	20 970	1 300	170 585
Acquisition through business combination	–	165	23 353
At 31 December 2022	529 271	67 977	2 393 654
Total cost at 31 December 2022			2 990 902

Notes to the consolidated annual financial statements continued

	Notes	Brands* R'000	Computer software and website costs R'000	Customer relationships R'000
13 Intangible assets continued				
Accumulated amortisation and impairment				
At 1 January 2022		**(63 308)**	**(44 131)**	**(1 077 256)**
Scrapping and disposals		**–**	**6 250**	**–**
Reclassified as held for sale		**39 574**	**–**	**18 936**
Amortisation charge from continuing operations		**–**	**(8 511)**	**(133 201)**
Transfer from disposal group held for sale		**(20 970)**	**(478)**	**(137 886)**
Impairment	13.3	**(3 959)**	**–**	**(52 005)**
Acquisition through business combination		**–**	**(126)**	**–**
At 31 December 2022		**(48 663)**	**(46 996)**	**(1 381 412)**
Total accumulated amortisation and impairment at 31 December 2022				**(1 477 071)**
Carrying value at 31 December 2022		**480 608**	**20 981**	**1 012 242**
Total carrying value at 31 December 2022				**1 513 831**
31 December 2021				
Cost				
At 1 January 2021		568 845	70 108	2 389 237
Additions		–	5 175	–
Scrapping and disposals		–	(10 925)	–
Reclassified as held for sale	7.3	(20 970)	(1 300)	(170 585)
At 31 December 2021		547 875	63 058	2 218 652
Total cost at 31 December 2021				**2 829 585**
Accumulated amortisation and impairment				
At 1 January 2021		(23 734)	(42 109)	(1 024 252)
Scrapping and disposals		–	10 925	–
Amortisation charge from continuing operations		–	(12 991)	(127 339)
Amortisation charge from discontinued operations		–	(434)	(10 966)
Impairment	7.2	(39 574)	–	(8 521)
Reclassified as held for sale	7.3	–	478	93 822
At 31 December 2021		**(63 308)**	**(44 131)**	**(1 077 256)**
Total accumulated amortisation and impairment at 31 December 2021				**(1 184 695)**
Carrying value at 31 December 2021		**484 567**	**18 927**	**1 141 396**
Total carrying value at 31 December 2021				**1 644 890**
Estimated useful lives		Indefinite	3 – 6 years	5 – 20 years

* Indefinite useful lives are allocated to Brands when 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.

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 determine useful lives based on estimates of 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.

Notes to the consolidated annual financial statements continued

13 Intangible assets continued

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

Segment	2022 Carrying value	Remaining weighted average useful lives – years
Perishables	**457 237**	10.82
Groceries	**442 079**	8.13
Snacks and Confectionery	**38 403**	10.74
Baking and Baking Aids	**74 523**	10.99
	1 012 242	**9.65**

Brands and trade marks are pledged as security for the financing facilities detailed in Note 33.7.

13.1 Total value of goodwill, brands and customer relationships

The aggregate carrying value of goodwill, brands and customer relationships are allocated to cash-generating groups as follows:

2022	Goodwill	Brands	Customer relationships	Total
Perishables	**762 510**	**412 277**	**457 237**	**1 632 024**
Groceries	**940 481**	**61 187**	**442 079**	**1 443 747**
Snacks and Confectionery	**229 515**	**–**	**38 403**	**267 918**
Baking and Baking Aids	**164 336**	**7 144**	**74 523**	**246 003**
	2 096 842	**480 608**	**1 012 242**	**3 589 692**
2021				
Perishables	859 269	412 277	500 423	1 771 969
Groceries	936 075	61 187	516 775	1 514 037
Snacks and Confectionery	229 516	–	42 805	272 321
Baking and Baking Aids	250 468	11 103	81 393	342 964
	2 275 328	**484 567**	**1 141 396**	**3 901 291**

* The assets within HPC were classified as held for sale as at 31 December 2021 and transferred back out of held for sale as at 31 December 2022.

Refer to Note 13.3 for the impairment losses recognised during the current and prior year.

13 Intangible assets continued

13.2 Impairment testing of cash-generating units

Annually or if there is an indication of impairment of goodwill and brands, the Group assesses the cash-generating units (CGUs) for impairment. The Group allocates goodwill to operating segments, which in turn may be represented by groups of individual CGUs. For impairment testing purposes, goodwill is allocated to the lowest level of identifiable individual CGUs.

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 CGU is based on its value in use. The carrying value of the CGU is compared with the value in use and if the value in use is exceeded by the carrying value, an impairment loss is recognised in the consolidated 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 CGUs. 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 and tax, depreciation, working capital movements, capital maintenance expenditure, an appropriate discount rate and a terminal growth rate. The terminal growth rate used was based on CPI and was consistently used.

INTANGIBLES

The key assumptions used for forecasting the recoverable amount are forecast sales, EBITDA, the discount rate and the terminal growth rate.

	2022 R'000	2021 R'000
DISCOUNT RATES		
Post-tax discount rates	**13.1%**	12.5%
Pre-tax discount rates applied to the CGUs	**16.2% to 24.5%**	14.8% to 20.8%
GROWTH RATES		
Terminal growth rates applied	**5.0%**	5.0%

Forecast inputs are calculated for each CGU, taking into account historical performance and current market conditions.

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

	2022 R'000	2021 R'000
13.3 Impairments		
Recorded impairments from continued operations		
Goodwill	**236 224**	36 706
Intangibles	**55 964**	65 851
	292 188	**102 557**

The prior year impairments of Goodwill and Intangibles presented above were recognised within the disposal group of Chet Chemicals and Contactim classified as held for sale as at 31 December 2021. At 31 December 2022 Chet Chemicals and Contactim no longer meets the IFRS 5 criteria to be classified as held for sale, therefore the comparatives have been restated to include these impairments in operating expenditure of continued operations in the statement of profit or loss and other comprehensive income. The comparatives have also been restated to reclassify the impairment losses recognised on Glenmor at 31 December 2021 to loss from discontinued operations as a result of Glenmor being classified as held for sale on 30 June 2022 and sold in July 2022. Refer to Note 7.3 for further details related to the impairments from continued operations related to the disposal group classified as held for sale.

13 Intangible assets continued

13.3 Impairments continued

2022 Impairment

The carrying values of the following CGUs within their respective cash-generating group were reduced to their recoverable amounts through the recognition of an impairment loss against Goodwill (if in existence at reporting date) and against other intangible assets as follows:

			Impairment loss allocated to assets in CGU		
CGU (division)	**Cash-generating group (segment)**	**Total impairment loss**	**Goodwill**	**Customer relationships**	**Brands**
Denny Mushrooms	Perishables	97 842	97 842	–	–
Retailer Brands	Baking and Baking Aids	90 109	86 150	–	3 959
Cecil Vinegar	Groceries	76 910	52 232	24 678	–
Chet Chemicals	Household and Personal Care	14 137	–	14 137	–
Contactim	Household and Personal Care	13 190	–	13 190	–
		292 188	**236 224**	**52 005**	**3 959**

Refer to section 13.4 for the sensitivity analysis performed as at 31 December 2022 on other cash-generating groups. The impairment losses impacted goodwill and intangible assets and no other asset classes within the affected cash-generating groups were impacted.

The impairment losses were driven by the following cash-generating group specific factors including the impact of rising interest rates on segmental business plans and discount rates:

DENNY MUSHROOMS IMPAIRMENT

The impairment of Goodwill of the Denny Mushrooms division within the Perishables cash-generating group was driven by the loss of production volume stemming from the fire that destroyed the Denny Mushrooms' Shongweni facility on 9 September 2022.

Insurance proceeds of R35m was received and was recognised as other income. Refer to Note 32 for the contingent assets disclosed in relation to the pending insurance claim.

RETAILER BRANDS IMPAIRMENT

The impairment of Goodwill of the Retailer Brands division within the Baking and Baking Aids cash-generating group was driven by sustained margin pressure arising from weak demand for higher margin baking products. The brand, Cartwrights, was fully impaired to Rnil as the brand is discontinued and no longer generates revenue income.

CECIL VINEGAR IMPAIRMENT

The impairment of Cecil Vinegar division within the Groceries cash-generating group was driven by the discontinuation of certain lemon juice and flammables product lines, sustained pressure on margins and increased operational challenges at Cecil Vinegar.

CHET CHEMICALS AND CONTACTIM IMPAIRMENT

The impairment of Contactim and Chet Chemicals within the Household and Personal Care cash-generating group was driven by a review of the sustainable trading forecast of the Household and Personal Care cash-generating group.

2021 Impairment

During the prior year the impairments were limited to the cash-generating group, HPC, which is also a reportable segment within the Group. HPC reflected indications of impairment – the segment started to incur losses in the prior year. The three divisions within HPC namely Chet Chemicals, Contactim and Glenmor were all impacted:

- The above presented prior year impairments of Goodwill and Intangibles were recognised within the disposal group of Chet Chemicals and Contactim classified as held for sale as at 31 December 2021. Refer to Note 7.3 for further details related to the impairments from continued operations related to the disposal group classified as held for sale.
- The prior year impairment of intangibles which was included in operating expenditure in the consolidated statement of profit or loss and other comprehensive income was reclassified in the current year as impairments from discontinued operations. Refer to Note 7.2 for impairment losses related to Glenmor.

13 Intangible assets continued

13.4 Sensitivity Analysis – impact of possible changes in key assumptions

The Group has performed a sensitivity analysis of assumptions used in the indefinite useful life intangible assets and goodwill impairment test of cash-generating groups. The table below shows the percentage change in the post-tax 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.

	2022 Discount rate Movement %	2021 Discount rate Movement %
Perishables	+2.2	+2.9
Groceries	+4.5	+5.1
Snacks and Confectionery	+5.7	+4.8
Baking and Baking Aids	+5.9	+5.1

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

Perishables – recoverable amount of R2.0bn (2021: R2.2bn) exceeds its carrying amount by R0.8bn (2021: R1.0bn).

Groceries – recoverable amount of R2.3bn (2021: R2.7bn) exceeds its carrying amount by R1.4bn (2021: R1.7bn).

The recoverable amount of the Baking and Baking Aids group of CGU's (for which an impairment loss was recognised in the current year within the Retailer Brands CGU) is R0.6bn and it exceeds the carrying amount by R0.5bn.

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 post-tax discount rates applied to the below divisions, would cause the recoverable amount of each CGU's to be equal to its carrying amount.

	2022 Discount rate Movement %	2021 Discount rate Movement %
Khoisan	+0.2	+1.9
Cecil Vinegar*		+1.2
Finlar Fine Foods	+1.4	+1.1
Millennium Foods	+3.7	+0.8
Denny Mushrooms*		+0.7
Montagu Foods	+0.4	+0.5

* In the current year Cecil Vinegar and Denny Mushrooms were impaired – refer to note 13.3 above.

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

Notes to the consolidated annual financial statements continued

		2022 R'000	2021 R'000
14	**Deferred tax assets/(liabilities)**		
	Deferred tax asset	**6 933**	1 574
	Deferred tax liability	**(516 499)**	(536 923)
		(509 566)	**(535 349)**
	Balance at 1 January	**(535 349)**	(657 683)
	Charge in profit or loss – continuing operations	**46 443**	74 040
	Charge in profit or loss – discontinued operations	**(157)**	13 448
	Transfer to non-current assets held for sale	**5 788**	25 204
	Transfer from non-current assets held for sale	**(25 204)**	–
	Recognised in other comprehensive income	**921**	9 642
	Business combinations	**(2 008)**	–
	Balance at 31 December	**(509 566)**	**(535 349)**
	The balance at the end of the year is due to the following timing differences:		
	Property, plant and equipment	**(202 174)**	(180 217)
	Right-of-use assets	**(140 937)**	(140 672)
	Lease liabilities	**187 771**	184 630
	Intangible assets	**(399 359)**	(432 713)
	Accruals	**32 949**	42 199
	Prepaid expenses	**(6 226)**	(5 604)
	Farming operations produce	**(15 932)**	(16 527)
	Income received in advance	**406**	344
	Post retirement medical aid contribution liability	**2 327**	2 422
	Forward exchange contracts	**(574)**	6 383
	Provisions	**23 478**	–
	Assessed loss	**5 737**	–
	Share-based payments (Cash settled)	**2 968**	4 406
		(509 566)	**(535 349)**

In February 2022, the government enacted a change in the national income tax rate from 28% to 27%, becoming effective for reporting periods ending on or after 31 March 2023. As such, deferred tax assets and liabilities are remeasured as at 31 December 2022, using the tax rate of 27%.

There are no unrecognised deferred tax assets related to assessed losses in the current and prior year.

Notes to the consolidated annual financial statements continued

	2022 R'000	2021 R'000
15 Inventories		
Raw materials and components	**853 984**	625 144
Work in progress	**177 448**	233 273
Finished goods and merchandise	**523 010**	407 779
Consumable stores and spares	**42 447**	31 753
Goods in transit	**114 311**	140 466
Provision for stock write-down: finished goods	**(40 062)**	(30 460)
	1 671 138	**1 407 955**

All inventories are carried at cost, with the exception of certain items of finished goods against which a provision for stock write-down of R40.0m (2021: R30.5m) has been raised. The cost of inventories recognised as an expense during the year was R8.1bn (2021: R7.0bn).

The fire at Denny Mushrooms Shongweni farm in KwaZulu-Natal destroyed raw materials inventory beyond repair which gave rise to a stock write-down of raw materials in the current year. The stock write-down of R2.6m (2021: Rnil) was included in the cost of sales in the statement of profit or loss and other comprehensive income.

An insurance recovery of R435 (R'000) was received for damaged stock which was recognised as other income. Insurance claims are still pending at reporting date. Refer to Note 32 for the contingent asset disclosed in relation to the pending insurance claim.

The Group has signed a general and special notarial bond over all the movable assets in favour of Nedbank Ltd, Standard Bank of South Africa Ltd, and Rand Merchant Bank Holdings Ltd. Refer to Note 33.7 Liquidity risk management for further details.

	2022 R'000	2021 R'000
16 Trade and other receivables		
Trade receivables	**1 807 546**	1 538 810
Other receivables	**20 290**	41 342
Less: expected credit loss allowance	**(15 737)**	(19 940)
	1 812 099	1 560 212
Prepayments and deposits	**65 365**	49 711
	1 877 464	**1 609 923**
Categories of financial and non-financial assets		
Financial assets	**1 812 099**	1 560 212
Non-financial assets	**65 365**	49 711
	1 877 464	**1 609 923**

16.1 Trade receivables and other receivables

Trade receivables and other receivables, consisting of sundry debtors, disclosed above are classified as financial assets at amortised cost. No interest is charged on trade receivables and other receivables which exceed the normal credit days. The average credit days on sale of goods was 56 days (2021: 53 days).

Movement in the loss allowance	2022 R'000	2021 R'000
Balance at 1 January	**19 940**	17 984
Expected credit loss recognised in profit or loss	**(2 457)**	4 889
Acquired through business combination	**150**	–
Transfer from disposal group held for sale	**1 210**	–
Reclassified to discontinued operations	**(164)**	(719)
Bad debts written off	**(2 942)**	(2 214)
Balance at 31 December	**15 737**	**19 940**

In the current year the Group wrote off R2.9m (2021: R2.2m) of bad debts. The Group's top three customers, being leading retailers, comprise 56% (2021: 35%) 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 as bad debt 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. Where debtors have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss. Impairment losses on trade and other receivables are presented as net impairment losses within operating expenditure in profit or loss. Subsequent recoveries of amounts previously written off are credited to other income as bad debts recovered. Refer to Note 33.6 for further details on impairment of trade receivables and other receivables and the credit risk policy of the Group.

Notes to the consolidated annual financial statements continued

		2022 R'000	2021 R'000
17	**Biological assets**		
	Mushrooms	**26 742**	33 214
		26 742	**33 214**
	Reconciliation of the carrying value of biological assets:		
	Balance at 1 January	**33 214**	31 294
	Transferred for processing and sold	**(68 234)**	(68 153)
	Gain arising from change in fair value due to physical change	**69 207**	66 552
	Gain arising from change in fair value less estimated point of sale costs	**121**	354
	Changes attributable to raw materials and overheads	**1 229**	3 167
	Write-off due to fire*	**(8 795)**	–
	Balance at 31 December	**26 742**	**33 214**
	The biological asset valuation comprised:		
	Compost production cycle	**5 505**	8 281
	Growing room cycle	**14 858**	17 680
	Rooms in cropping	**6 153**	6 907
	Spent compost	**226**	346
		26 742	**33 214**

* On 9 September 2022 a fire broke out at Denny Mushrooms Shongweni farm in KwaZulu-Natal. Biological assets were permanently damaged due to the fire. The biological assets write-down was included in cost of sales in the statement of profit or loss and other comprehensive income. Insurance proceeds related to the fire have been allocated to other income.

The Group has signed a general and special notarial bond over all the movable assets in favour of Nedbank Ltd, Standard Bank of South Africa Ltd, and Rand Merchant Bank Holdings Ltd. Refer to Note 33.7 Liquidity risk management for further details.

NATURE OF ACTIVITIES

The Group is engaged in mushroom production for supply to various customers. As at 31 December 2022, the Group had 143,0 tons (2021: 165.2 tons) of mushrooms in cropping rooms and 8,158.0 tons (2021: 8,671.0 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 facilities. Stringent biosecurity measures are in place to limit the impact 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. The valuation process is split into three main sections, namely:

1. Compost production cycle*
2. Growing room cycle*
3. Rooms in cropping**

* The fair value for the compost production cycle and the growing room cycle is calculated as follows:
Total overhead costs for the year is determined and divided by the number of days involved in production to calculate the overhead costs per day. The overhead costs per day is then multiplied by the number of days the cycle is on to determine the amount of overhead costs allocated at that point. This total amount is added to the actual raw material costs used up until that point for items such as compost, bales of hay and mushroom spawn.

** The fair value for the rooms in cropping is calculated as follows: Total production yield for the year is determined to calculate the average kilogram (KG) yield per square metre. This average KG yield per square meter is then further broken down into breaks (1st, 2nd and 3rd break equals 1st, 2nd and 3rd picking which in total matches the average yield per square metre). The fair value is calculated as the average KG yield per square metre, less what has already been picked, to determine what is still expected to be picked from the crop (existing at reporting date). To determine what has been picked and what is still to be picked, an assessment is done to determine which day of the cycle each room is in as at reporting date. Once the expected KGs remaining at year end is determined, the latter is multiplied by the selling price less point of sale costs to estimate the final fair value.

17 Biological assets continued

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, overheads costs and number of days in production.

R'000	Phesantekraal	Deodar	Shongweni	Total
Quantitative inputs for significant unobservable inputs				
2022				
Production yield (in Kilograms)				
Produced – Net of stained mushrooms	3 226 218	3 985 345	2 112 167	9 323 730
Produced – Inclusive of stained mushrooms	3 516 300	4 303 907	2 208 840	10 029 047
Overhead costs (R'000)	**77 185**	**96 745**	**35 325**	**209 255**
Number of days in production				
Typical cycle – big	86 days	82 days	84 days	
Typical cycle – small	86 days	73 days	84 days	
2021				
Production yield (in Kilograms)				
Produced – Net of stained mushrooms	2 767 513	4 267 878	2 723 808	9 759 199
Produced – Inclusive of stained mushrooms	3 187 835	4 802 694	2 934 094	10 924 623
Overhead costs (R'000)	**75 441**	**99 936**	**47 954**	**223 331**
Number of days in production				
Typical cycle – big	89 days	82 days	84 days	
Typical cycle – small	89 days	73 days	84 days	

Sensitivity analysis of the fair value measurements to changes in significant unobservable inputs

Due to the recurring fair value measurement at reporting date, a narrative description of the sensitivity of the fair value measurement to changes in the unobservable inputs is disclosed. Attention is drawn to the inter-relationships between the noted inputs and how they might magnify the affect on the fair value measurement.

Significant changes in the unobservable inputs will result in the following:

Production yield

Significant increases (decreases) in production yield will result in the average yield used for determining expected KGs to increase (decrease) resulting in a higher (lower) fair value.

Overhead costs

Significant increases (decreases) in overhead costs will result in the overhead allocation per day to increase (decrease) resulting in a higher (lower) fair value.

Number of days in production

The number of days in production has an inter-relationship with:

- the production yield in determining the remaining number of KGs to be picked in the rooms in cropping; and
- the overhead costs in determining how much to allocate to the compost production and growing rooms cycle.

Significant increases (decreases) in the number of days in production will result in:

- the number of days (and thus KGs) left to be picked to decrease (increase) resulting in a lower (higher) fair value; and
- the overhead allocation per day to decrease (increase) resulting in a lower (higher) fair value.

However, significant increases (decreases) in actual number of days in production as at reporting date, where the total production days remains the same, results in a higher (lower) amount of the overhead costs being allocated at that point and thus results in a higher (lower) fair value. In the instances noted above where the change in days results in the inverse affect on the fair value measurement, should the corresponding input (production yield or overhead costs) move in the same direction of that of the number of days in production, the affect on the fair value will be mitigated as a result of the inverse relationship.

However, where these inverse relationships exist and the inputs move in opposite directions, the affect on the fair value measurement will be increased. Where these inverse relationships do not exist, the opposite applies.

	Notes	2022 R'000	2021 R'000
18 Other financial assets and hedging instruments			
Financial assets carried at amortised cost			
Loans to other entities	18.1	**4 971**	9 062
Hedging instruments			
Foreign exchange contracts – cash flow hedges*	33.2	**5 738**	3 134
		10 709	**12 196**
Non-current assets		**4 971**	8 200
Current assets		**5 738**	3 996
		10 709	**12 196**

* There has been no changes to the classification during the current and prior year.

Refer to Note 33.6 for further details on impairment of other financial assets and the credit risk policy of the Group.

	2022 R'000	2021 R'000
18.1 Loans to other entities		
Astratek (Pty) Ltd	**8 200**	8 200
Less: lifetime expected credit loss allowance	**(4 100)**	–
Net loan receivable	**4 100**	8 200
The loan is unsecured and interest free. The loan is payable in a single bullet payment on 31 December 2025.		
Other loans	**871**	862
	4 971	**9 062**

Notes to the consolidated annual financial statements continued

		2022 R'000	2021 R'000
19	**Cash and bank balances**		
	Cash on hand	**718**	1 068
	Bank balances	**433 188**	591 528
	Short-term deposits	**15 310**	6
	Bank overdrafts	**(200 045)**	–
		249 171	**592 602**
	Current assets	**449 216**	592 602
	Current liabilities	**(200 045)**	–
		249 171	**592 602**

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 33.7 Liquidity risk management for further information related to financing facilities and information related to securities for bank facilities.

		2022 R'000	2021 R'000
20	**Share capital**		
	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:		
	595 812 263 (2021: 595 812 263) 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**

* 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.

There were no changes in share capital in the current year and prior year, other than the movements in treasury shares noted below. 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 current year Business Venture Investments No 2072 (Pty) Ltd subscribed for 487 022 (2021: 524 301) subscription shares at a subscription price of R17.38 (2021: R16.02) per share on 10 May 2022 (2021: 20 April 2021). Libstar Holdings repurchased the same number of Nominal BEE shares at R0.01 per share on the respective dates.

During the current year Business Venture Investments No 2071 (Pty) Ltd subscribed for 567 104 (2021: 614 807) subscription shares at a subscription price of R17.38 (2021: R16.02) per share on 10 May 2022 (2021: 20 April 2021). Libstar Holdings repurchased the same number of Nominal BEE shares at R0.01 per share on the respective dates.

Notes to the consolidated annual financial statements continued

	2022 R'000	2021 R'000
21 Employee benefits		
Post-retirement medical aid contribution liability		
Actuarially determined present value of unfunded obligations	**8 618**	8 650
Movement in present value of the defined benefit obligation		
Balance at 1 January	**8 650**	8 400
Transfer from statement of comprehensive income – operating profit	**913**	914
Current service costs	**30**	32
Interest cost	**883**	882
Contributions paid	**(640)**	(633)
Actuarial gain recognised in other comprehensive income (arising from changes in financial assumptions)	**(305)**	(31)
	8 618	**8 650**

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 2022.

	2022 R'000	2021 R'000
Expense recognised in profit or loss		
Current service costs	**30**	32
Interest on obligation	**883**	882
Actuarial losses recognised in other comprehensive income (pre-tax)		
Amount accumulated in retained earnings at 1 January	**1 251**	1 282
Recognised during the year	**(305)**	(31)
Amount accumulated in retained earnings at 31 December	**946**	1 251
Net actuarial losses recognised in other comprehensive income (post-tax)	**690**	**901**
Actuarial assumptions		
The following are the principal actuarial assumptions at the reporting date:		
Discount rate	**11.6%**	10.9%
Medical inflation	**7.5%**	7.5%
Average duration of the obligation	**9.25 years**	9.75 years
Last actuarial valuation – South Africa		31 December 2022
Full/interim valuation		Full
Valuation method adopted		Projected Unit Credit

Notes to the consolidated annual financial statements continued

21 Employee benefits continued

HEALTHCARE COST INFLATION RISK

Medical aid contribution increases have outpaced price inflation, therefore 1.5% was added to the price inflation of 6% in the prior year to calculate the assumption for medical aid contribution increases. 7.5% medical inflation rate was considered an accurate reflection of medical inflation in the current year. An increase in healthcare cost inflation will increase the obligation of the plan.

SENSITIVITY ANALYSIS

The sensitivity analysis considers the effect of deviations in the actuarial valuation assumptions and other implicit valuation assumptions. The most important aspect of the financial assumptions is the relationships between the difference in the rate of discount and the medical aid contribution increase rate (the real interest rate). The sensitivity of the financial assumptions by both increasing and decreasing the real rate of discount assumption by 1.0% per annum (all other assumptions remaining unchanged) have the following effects:

	Increase R'000	Decrease R'000
Effect on the aggregate service and interest cost	**8 738**	8 779
Effect on defined benefit obligation	**980**	926

	2022 R'000	2021 R'000
22 Share-based payments		
Non-current liabilities:		
Cash settled share-based payments (LTIP)	**11 014**	15 787
Equity:		
Equity settled share-based payments (GSP)	**3 328**	6 554

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

In the 2019 year the Group developed a 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. 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.

22.1.1 Share Appreciation Rights (SARs)

On 4 April 2019, 8 April 2020 and 8 April 2021 eligible employees were allocated conditional and notional awards, at an allocation price of R8.08, R6.33 and R6,75 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; between the vesting date of 8 April 2023 and the maturity date of 8 April 2027 for the 2020 grant; between the vesting date of 8 April 2024 and the maturity date of 8 April 2028 for the 2021 grant.

22 Share-based payments continued

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

22.1.1 Share Appreciation Rights (SARs) continued

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.

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 22.1.4 for the inputs and assumptions used in the measurement of the fair values at grant date and reporting date.

Refer to 22.1.5 for number of awards outstanding at the end of the current and prior year. None of 2019 awards met the required vesting conditions and the outstanding 2019 awards were forfeited during the current year.

22.1.2 Performance Share Plan (PSP)

On 4 April 2019, 8 April 2020, 8 April 2021 and 2 December 2022, 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 and mature 3 years after allocation, from which point the rights may be exercised to the extent that certain performance conditions, 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 which is also the maturity date.

The PSP is subject to the following performance conditions in the proportions stated:
1. NHE vs. CPI performance condition (as described in section 22.1.1) – 30%;
2. ROAA vs. WACC performance condition (as described below) – 30%; and
3. TSR performance condition (as described below) – 40%.

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

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

Vesting is further contingent on the award holder remaining employed by the Group.
Refer to 22.1.5 for number of awards issued and vested during the current and prior year.

22.1.3 Forfeitable Share Plan (FSP)

On 4 April 2019, 8 April 2020 and 8 April 2021, 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 and mature 3 years after allocation 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. The awards mature on 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 22.1.5 for number of awards issued and vested during the current and prior year.

22 Share-based payments continued

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

22.1.4 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 the information 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 following inputs were used as at 31 December 2022 to calculate a fair value for the three components of the LTIP. The fair value per unit was then multiplied by the number of awards expected to vest to arrive at a total value. Service and non-market performance conditions attached to the arrangements were not taken into account in measuring fair values.

	2022 Grant	2021 Grant	2020 Grant	2019 Grant
Valuation date	**31 December 2022**			
Grant date	**2 December 2022**	8 April 2021	8 April 2020	4 April 2019
Vesting date	**2 December 2025**	8 April 2024	8 April 2023	4 April 2022
Maturity date*	**2 December 2025**	8 April 2028	8 April 2027	4 April 2026
Share price at valuation date	**R5.80**			
Awards issued remaining – SARs	–	8 665 787	8 294 506	–
Awards issued remaining – PSP	**492 534**	1 039 410	937 867	–
Awards issued remaining – FSP	–	259 878	234 582	–
Forfeiture rate p.a	**10%**	20%	20%	
Dividend yield p.a	**See Table below**			
Risk-Free interest rate	**BESA Swap Curve**			
Volatility	**See Table below**			
Exercise Multiple	**1.8**			
Non-Market performance conditions vesting percentages	**See Table below**			

* The maturity date only applies to the SARs. The units under the PSP and FSP do not have a maturity date and it is assumed that settlement occurs at the above respective vesting dates.

22 Share-based payments continued

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

22.1.4 Fair value of the LTIP continued

Expected Dividend Yields	**2022**
Scenario	
Lower Bound	**2.50%**
Mid Estimate	**2.75%**
Upper Bound	**3.00%**
Volatility Range	
Scenario	
Lower Bound	**41.22%**
Mid Estimate	**43.72%**
Upper Bound	**46.22%**

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 2022 was considered to arrive at a range which is deemed to be reasonable.

Non-Market Performance Conditions Vesting Percentages at 31 December 2022

	Expected Vesting Percentage – 2022 Grant	**Expected Vesting Percentage – 2021 Grant**	**Expected Vesting Percentage – 2020 Grant**
NHE vs. CPI Performance Condition Vesting Percentages			
Scenario			
Lower Bound	**60.00%**	**55.00%**	**0.00%**
Mid Estimate	**65.00%**	**60.00%**	**0.00%**
Upper Bound	**70.00%**	**65.00%**	**0.00%**
ROAA vs. WACC Performance Condition Vesting Percentages			
Scenario			
Lower Bound	**70.00%**	**65.00%**	**0.00%**
Mid Estimate	**75.00%**	**70.00%**	**0.00%**
Upper Bound	**80.00%**	**75.00%**	**0.00%**
B-BBEE Performance Condition Vesting Percentages			
Scenario			
Lower Bound	**75.00%**	**70.00%**	**80.00%**
Mid Estimate	**80.00%**	**75.00%**	**85.00%**
Upper Bound	**85.00%**	**80.00%**	**90.00%**

Notes to the consolidated annual financial statements continued

22 Share-based payments continued

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

22.1.5 Movements in LTIP components

The following table reconciles the three LTIP components outstanding:

	Number of awards Units ('000)	Value R'000
Share Appreciation Rights (SARs)		
Balance at 1 January 2021	16 322	6 406
2019 Awards forfeited	(785)	–
Movement in fair value of 2019 units (including forfeiture)	–	(3 402)
2020 Awards forfeited	(670)	–
Movement in fair value of 2020 units (including forfeiture)	–	(1 629)
2021 Awards issued – 8 April 2021	10 623	–
2021 Awards forfeited	(1 071)	–
Movement in fair value of 2021 units (including forfeiture)	–	1 837
Good leaver share-based payments	(630)	(28)
Balance at 31 December 2021	**23 789**	**3 184**
2019 Awards forfeited	**(5 371)**	**–**
2020 Awards forfeited	**(571)**	**–**
Movement in fair value of 2020 units (including forfeiture)	**–**	**(1 333)**
2021 Awards forfeited	**(886)**	**–**
Movement in fair value of 2021 units (including forfeiture)	**–**	**1 975**
Balance at 31 December 2022	**16 961**	**3 826**
Performance Share Plan (PSP)		
Balance at 1 January 2021	2 766	6 560
2019 Awards forfeited	(96)	–
Movement in fair value of 2019 units (including forfeiture)	–	1 531
2020 Awards forfeited	146	–
Movement in fair value of 2020 units (including forfeiture)	–	2 372
2021 Awards issued – 8 April 2021	1 598	–
2021 Awards forfeited	(167)	–
Movement in fair value of 2021 units (including forfeiture)	–	1 688
Good leaver share-based payments	(470)	(1 734)
Balance at 31 December 2021	**3 777**	**10 417**
2019 Awards forfeited	**(311)**	**–**
Share-based payments	**(695)**	**(4 370)**
2020 Awards forfeited	**(403)**	**–**
Movement in fair value of 2020 units (including forfeiture)	**–**	**(1 831)**
2021 Awards forfeited	**(391)**	**–**
Movement in fair value of 2021 units (including forfeiture)	**–**	**669**
2022 Awards issued – 2 December 2022	**493**	**–**
Movement in fair value of 2022 units (including forfeiture)	**–**	**1 088**
Balance at 31 December 2022	**2 470**	**5 973**

22 Share-based payments continued

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

22.1.5 Movements in LTIP components continued

	Number of awards Units ('000)	Value R'000
Forfeitable Share Plan (FSP)		
Balance at 1 January 2021	691	969
2019 Awards forfeited	(24)	–
Movement in fair value of 2019 units (including forfeiture)	–	901
2020 Awards forfeited	37	–
Movement in fair value of 2020 units (including forfeiture)	–	586
2021 Awards issued – 8 April 2021	399	–
2021 Awards forfeited	(42)	–
Movement in fair value of 2021 units (including forfeiture)	–	500
Good leaver share-based payments	(117)	(770)
Balance at 31 December 2021	**944**	**2 186**
2019 Awards forfeited	(26)	(872)
Share-based payments	(226)	(1 451)
Good leaver share-based payments	(47)	(223)
2020 Awards forfeited	(77)	–
Movement in fair value of 2020 units (including forfeiture)	–	858
2021 Awards forfeited	(74)	–
Movement in fair value of 2021 units (including forfeiture)	–	717
Balance at 31 December 2022	**494**	**1 215**
Total balance of the LTIP at 31 December 2021	**28 510**	**15 787**
Total balance of the LTIP at 31 December 2022	**19 925**	**11 014**

22.2 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 the LTIP scheme components above. Refer to section 22.1.1 – 22.1.3.

22.2.1 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 22.1.4 for further details.

The following inputs were used as at 31 December 2022 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 Grant	2019 Grant
Valuation date	8 April 2020	31 July 2019
Grant date	8 April 2020	31 July 2019
Vesting date	8 April 2023	31 July 2022
Maturity date	8 April 2027	31 July 2026
Share price at grant date	R6.20	R8.65
Awards issued remaining – SARs	1 495 600	–
Awards issued remaining – PSP	937 867	–
Awards issued remaining – FSP	234 582	–
Forfeiture rate p.a	20.00%	20.00%
Dividend yield p.a		See Table in section 22.1.4
Risk-Free interest rate		BESA Swap Curve
Volatility		See Table in section 22.1.4
Exercise Multiple		1.8
Non-Market performance conditions vesting percentages		See Table in section 22.1.4

Notes to the consolidated annual financial statements continued

22 Share-based payments continued

22.2 Details of the Group Share Plan – GSP continued

22.2.2 Movements in GSP components before tax

The following table reconciles the three GSP components as at 31 December 2022:

	Number of awards Units ('000)	Value R'000
Share Appreciation Rights (SARs)		
Balance at 1 January 2021	5 094	2 628
Recognition of fair value of 2019 awards over vesting period	–	(1 820)
2019 Awards forfeited	(887)	–
Recognition of fair value of 2020 awards over vesting period	–	(488)
2020 Awards forfeited	(451)	–
Good leaver share-based payments	(390)	(28)
Balance at 31 December 2021	**3 366**	**292**
Recognition of fair value of 2020 awards over vesting period	–	(292)
2020 Awards forfeited	(1 383)	–
2020 Awards forfeited	(487)	–
Balance at 31 December 2022	**1 496**	–
Performance Share Plan (PSP)		
Balance at 1 January 2021	3 172	7 115
Recognition of fair value of 2019 awards over vesting period	–	(276)
2019 Awards forfeited	(436)	–
Recognition of fair value of 2020 awards over vesting period	–	1 740
2020 Awards forfeited	(265)	–
Good leaver share-based payments	(291)	(1 414)
Balance at 31 December 2021	**2 180**	**7 165**
Recognition of fair value of 2020 awards over vesting period	–	181
2019 Awards forfeited	(839)	–
2020 Awards forfeited	(403)	–
Balance at 31 December 2022	**938**	**7 346**
Forfeitable Share Plan (FSP)		
Balance at 1 January 2021	793	1 087
Recognition of fair value of 2019 awards over vesting period	–	538
2019 Awards forfeited	(109)	–
Recognition of fair value of 2020 awards over vesting period	–	490
2020 Awards forfeited	(66)	–
Good leaver share-based payments	(73)	(470)
Balance at 31 December 2021	**545**	**1 645**
2019 Awards forfeited	–	(2 601)
Recognition of fair value of 2020 awards over vesting period	–	920
2020 Awards forfeited	(101)	–
Share-based payments	(186)	(2 608)
Good leaver share-based payments	(24)	(143)
Balance at 31 December 2022	**234**	**(2 787)**
Total balance of the GSP at 31 December 2021	**6 091**	**9 102**
Total balance of the GSP at 31 December 2022	**1 717**	**4 559**

22 Share-based payments continued

22.2 Details of the Group Share Plan – GSP continued

22.2.2 Movements in GSP components before tax continued

Weighted average remaining contractual life of the GSP outstanding at end of period:

2019 GSP	Nil years – vested
2020 GSP	0,27 years

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

2019 GSP	Lower Bound Value (price per unit)	Mid Estimate Value (price per unit)	Upper Bound Value (price per unit)
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**

During the current year the 2019 awards vested as at 31 July 2022.

22.3 Expenses arising from share-based payment transactions

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

	2022	2021
Charges relating to long-term incentive scheme (LTIP)	**1 271**	4 384
Charges relating to share based payments (GSP)	**809**	184
	2 080	**4 568**

Notes to the consolidated annual financial statements continued

	Notes	2022 R'000	2021 R'000
23 Other financial liabilities and hedging instruments			
Financial liabilities carried at amortised cost			
Bank loans	23.1	**1 270 205**	1 350 000
Asset based finance	23.2	**332 983**	335 129
Loans payable to non-controlling shareholders	23.3	**–**	9 566
Other financial liabilities	23.4	**177**	–
Hedging instruments			
Foreign exchange contracts – cash flow hedges	33.2	**3 683**	25 452
		1 607 048	**1 720 147**
Non-current		**1 508 651**	1 579 495
Current		**98 397**	140 652
		1 607 048	**1 720 147**

23.1 Bank loans

	2022 R'000	2021 R'000
Senior Facility Term Loan A		
Nedbank Ltd	**500 000**	500 000
Standard Bank of South Africa Ltd	**200 000**	200 000
Rand Merchant Bank Holdings Ltd	**300 000**	300 000
	1 000 000	**1 000 000**

A portion of the loans, R470m, was voluntarily repaid during the prior year prior to the refinancing. During December 2021, the Group refinanced the Senior Facility Term Loan A through Nedbank Ltd, Standard Bank of South Africa Ltd and Rand Merchant Bank Holdings Ltd.

The loans bear interest at the prevailing JIBAR rate plus 1.70% (2021: 1.70%). The loans are payable in a single bullet payment in December 2026 (2021: December 2026).

	2022 R'000	2021 R'000
Senior Facility Term Loan B		
Nedbank Ltd	**75 000**	75 000
Standard Bank of South Africa Ltd	**30 000**	30 000
Rand Merchant Bank Holdings Ltd	**45 000**	45 000
	150 000	**150 000**

During December 2021, the Group refinanced the Senior Facility Term Loan B with Nedbank Ltd, Standard Bank of South Africa Ltd and Rand Merchant Bank Holdings Ltd.

The loans bear interest at the prevailing JIBAR rate plus 1.60% (2021: 1.60%). The loans are repayable in a single bullet payment in December 2024 (2021: December 2024).

	2022 R'000	2021 R'000
Senior Facility Term Loan C		
Nedbank Ltd	**60 000**	100 000
Standard Bank of South Africa Ltd	**24 000**	40 000
Rand Merchant Bank Holdings Ltd	**36 000**	60 000
	120 000	**200 000**

During December 2021, the Group refinanced the Senior Facility Term Loan C with Nedbank Ltd, Standard Bank of South Africa Ltd and Rand Merchant Bank Holdings Ltd.

The loans bear interest at the prevailing JIBAR rate plus 1.65% (2021: 1.65%). The loans are repayable in a single bullet payment in December 2025 (2021: December 2025).

Notes to the consolidated annual financial statements continued

	2022 R'000	2021 R'000
23 Other financial liabilities and hedging instruments continued		
23.1 Bank loans continued		
First Rand Bank Limited Long term loan		
The loan was acquired during the year ended December 2022 on acquisition of Umatie. The loan bears interest at prime. The loan is repayable in monthly instalments of R6,158.	**205**	–
	1 270 205	**1 350 000**
The above loans are secured as detailed in note 33.7.		
23.2 Asset based finance		
Standard Bank of South Africa Ltd	**124 786**	151 201
Nedbank Ltd	**205 265**	181 787
Other	**2 932**	2 141
	332 983	335 129
Non-current	**238 506**	219 929
Current	**94 477**	115 200
	332 983	**335 129**
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 prime per annum.		
The above asset based financial liabilities are secured as detailed in Note 33.7.		
23.3 Loans payable to non-controlling shareholders		
Mark Pollock Investments (Pty) Ltd[1]	–	4 783
ARH Investments (Pty) Ltd[1]	–	4 783
	–	**9 566**
The above balances represent amounts payable to minority interest shareholders of Glenmor.		
1 The loans were unsecured and bore interest at the prime interest rate. Refer to Note 7.2 for details of the sale of Glenmor which included the above loans in the sale of Glenmor.		
23.4 Other financial liabilities		
Loans from management of subsidiary (Umatie)	**177**	–

The management loans are unsecured, bear interest at prime less 2%, and have no repayment terms.

Notes to the consolidated annual financial statements continued

	2022 R'000	2021 R'000
24 Trade and other payables		
Trade payables	**1 267 185**	1 143 137
Accrued expenses	**322 648**	272 039
Value-added tax payable	**66 305**	42 481
Income received in advance	**1 503**	1 229
Other payables	**23 426**	17 810
	1 681 067	**1 476 696**
Categories of financial and non-financial liabilities		
Financial liabilities	**1 614 762**	1 434 215
Non-financial liabilities	**66 305**	42 481
	1 681 067	**1 476 696**

	Notes	2022 R'000	2021 R'000
25 Cash generated from operations			
Profit before tax from:		**69 582**	189 080
From continuing operations		**71 038**	272 424
From discontinued operations		**(1 456)**	(83 344)
Adjustments for:		**938 229**	839 267
Depreciation and amortisation		**476 304**	497 091
Loss on disposal of property, plant and equipment		**1 173**	5 881
Scrapping loss on property, plant and equipment		**261**	–
Write-off of assets destroyed by fire		**11 345**	–
Impairment loss on goodwill	13.3 & 7.3	**236 224**	36 706
Impairment loss on intangible assets	13.3 & 7.3	**55 964**	65 851
Impairment loss on property, plant and equipment	10	**3 837**	–
Impairment loss on discontinued operations	7.2	**–**	73 253
Expected credit loss allowance movement on trade and other receivables		**4 203**	(1 956)
Expected credit loss allowance movement on other financial assets		**4 100**	–
Non-cash lease modifications, additions and terminations		**(25 718)**	(903)
Gain on sale of Glenmor	7.2	**(3 598)**	–
Investment income		**(9 771)**	(26 245)
Finance costs		**176 313**	191 968
Fair value adjustment on forward exchange contracts		**(4 070)**	(2 784)
Unrealised loss on foreign exchange		**17 334**	–
Movements in employee benefits – medical aid plan		**273**	281
Employee benefits contributions paid		**(640)**	(633)
Other non-cash movements in employee benefits		**913**	914
Movements in share-based payments		**(5 945)**	124
Share-based payments		**(8 025)**	(4 444)
Other non-cash movements in share-based payments		**2 080**	4 568

	2022 R'000	2021 R'000
25 Cash generated from operations continued		
Changes in working capital:	**(276 784)**	6 693
Increase in inventories*	**(185 234)**	(170 943)
(Increase)/decrease in trade and other receivables*	**(167 422)**	39 293
Increase in biological assets**	**(2 323)**	(1 920)
Increase in trade and other payables*	**78 195**	140 263
	731 027	1 035 040

* Included in the changes in working capital are non-cash transfers to and from disposal groups classified as held for sale.

** Refer to note 17 for the reconciliation of the opening and closing carrying value of biological assets.

Refer to Note 7.2 for the current year net assets held for sale and sold and to Note 7.3 for the prior year net assets held for sale and transferred from net assets held for sale in the current year.

The consolidated statement of cash flows represents both continued and discontinued operations combined cash flows.

25.1 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 – refer to Note 22
- Acquisition of property, plant and equipment through asset based financing – refer to Note 25.2

	2022 R'000	2021 R'000
25.2 Net debt reconciliation		
This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.		
Bank loans, asset based finance and loans payable	**1 603 365**	1 694 695
Lease liabilities	**694 671**	659 776
Less: Cash and cash equivalents (including overdraft)	**(249 171)**	(592 602)
Net debt (including IFRS 16 Lease liabilities)*	**2 048 865**	1 761 869
Net debt (excluding IFRS 16 Lease liabilities)	**1 354 194**	1 102 093

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

** Refer to note 17 for the reconciliation of the opening and closing carrying value of biological assets.

Notes to the consolidated annual financial statements continued

25 Cash generated from operations continued

25.2 Net debt reconciliation continued

	Liabilities from financing activities			Less: Cash and cash equivalents (including overdraft)	
	Borrowings	Leases	Subtotal		Total
Net debt as at 1 January 2021	2 222 858	782 968	3 005 826	(936 028)	2 069 798
Cash flows	(604 779)	(155 990)	(760 769)	343 426	(417 343)
Lease modifications	–	21 049	21 049	–	21 049
Additions and derecognitions	76 616	28 255	104 871	–	104 871
Reclassified as held for sale	–	(78 679)	(78 679)	–	(78 679)
Finance cost amortised	–	62 173	62 173	–	62 173
Net debt as at 31 December 2021	**1 694 695**	**659 776**	**2 354 471**	**(592 602)**	**1 761 869**
Cash flows	**(178 540)**	**(156 237)**	**(334 777)**	**343 431**	**8 654**
Lease modifications	**–**	**(31 098)**	**(31 098)**	**–**	**(31 098)**
Additions and derecognitions	**96 323**	**43 179**	**139 502**	**–**	**139 502**
Acquisition through business combination	**453**	**46 980**	**47 433**	**–**	**47 433**
Reclassified as held for sale	**(9 566)**	**(2 114)**	**(11 680)**	**–**	**(11 680)**
Transfer from disposal group held for sale		**78 679**	**78 679**	**–**	**78 679**
Finance cost amortised	**–**	**55 506**	**55 506**	**–**	**55 506**
Net debt as at 31 December 2022	**1 603 365**	**694 671**	**2 298 036**	**(249 171)**	**2 048 865**

	Notes	2022 R'000	2021 R'000
26 Tax paid			
Balance at 1 January		**38 808**	14 472
Current tax for the year recognised in profit or loss	6	**(122 920)**	(122 162)
Current tax from discontinued operations	7.2	**–**	14 556
Current tax receivable reclassified as held for sale	7.2	**(354)**	–
Acquisition through business combination	27	**890**	–
Balance at 31 December		**(8 063)**	(38 808)
		(91 639)	(146 498)

27 Acquisition of business

There were two business acquisitions in the current year and no business acquisitions in the prior year. The acquisitions in the current year were accounted for using the acquisition method where the Group performed purchase price allocations. The business acquisitions are summarised as follows:

27.1 Summary of acquisition of Umatie (Pty) Ltd

On 1 January 2022, the Group acquired a 60% shareholding in Umatie (Pty) Ltd for a consideration of R1.2m which was paid on 31 December 2021. Umatie (Pty) Ltd is a local baby food manufacturer and distributor. The acquisition of the Umatie brand, is expected to expand the Group's category footprint within the Perishables segment.

	2022 R'000
The fair value of the total purchase consideration:	
Cash paid	**1 200**
The fair values of the assets and liabilities recognised as a result of the acquisition:	
Plant and equipment	**95**
Intangibles	**47**
Inventories	**357**
Trade and other receivables	**296**
Cash and cash equivalents	**224**
Deferred tax	**6**
Tax payable	**(66)**
Trade and other payables	**(340)**
Other financial liabilities	**(453)**
Net identifiable assets acquired	**166**
Less: non-controlling interests	**(66)**
Add: Goodwill	**1 100**
Net assets acquired	**1 200**
Purchase consideration – cash outflow	
Outflow of cash to acquire subsidiary	
Cash consideration	**1 200**
Less: Cash balances acquired	**224**
Net outflow of cash – investing activities	**976**

27 Acquisition of business continued

27.2 Summary of acquisition of business acquired of Cape Foods (Pty) Ltd

On 10 November 2022, the Group acquired 100% of the issued share capital of Cape Foods (Pty) Ltd for a consideration of R120m. Cape Foods (Pty) Ltd is a producer and distributor of a wide variety of condiments and related products. The acquisition of Cape Foods (Pty) Ltd is expected to expand the Group's geographical footprint for herbs, spices and seasonings. The acquisition has further increased the Group's export footprint within the Groceries segment. Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	R'000
The fair value of the total purchase consideration:	
Cash paid	**120 000**
The fair values of the assets and liabilities recognised as a result of the acquisition:	
Plant and equipment	**11 076**
Right-of-use assets	**27 524**
Intangible assets	**23 353**
Inventories	**15 242**
Trade and other receivables*	**24 338**
Tax receivable	**956**
Cash and cash equivalents	**18 892**
Deferred tax	**(2 014)**
Lease liability	**(46 980)**
Trade and other payables	**(9 011)**
Bank overdraft	**(14)**
Net identifiable assets acquired	**63 362**
Add: Goodwill	**56 638**
Net assets acquired	**120 000**

The goodwill is attributable to the profitability of the acquired business. It will not be deductible for tax purposes.

* The gross contractual amounts for receivables is considered to approximate fair value of the receivables. The Group expects to collect all outstanding contractual cash flows.

From the date of acquisition, the business contributed R26.3m to Group revenue and R1.9m to the profit before income tax of the Group.

Purchase consideration – cash outflow

	R'000
Outflow of cash to acquire subsidiary	
Cash consideration	**120 000**
Less: Balances acquired	**18 878**
Cash in bank	**18 892**
Bank overdraft	**(14)**
Net outflow of cash – investing activities	**101 122**

28 Government grants

During the year, the Group was awarded a government grant of R1.9m (2021: R2.1m). 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 year have been classified as income and all conditions relating to these grants have been fulfilled.

29 Related party disclosures

29.1 Related party relationships

Shareholders of ordinary share capital

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 capital:

APEF Pacific Mauritius Ltd

Government Employees Pension Fund

Business Venture Investments No 2071 (RF) (Pty) Ltd*

Business Venture Investments No 2072 (RF) (Pty) Ltd^

Shareholders of preference share capital

The Ratchet Trust owns 100% of the preference share capital. Refer to Annexure 1 to the consolidated annual financial statements for director's interests in the Ratchet Trust.

Directors

The directors in office during the current year and at the date of this report are as follows:

Name:	Position:
W Luhabe	Chairman
JP Landman	Lead independent director
S Masinga	Independent non-executive director
S Khanna	Independent non-executive director
A Andrews	Independent non-executive director
AV van Rensburg	CEO (Resigned 31 December 2022)
CB De Villiers	CFO (Appointed CEO 1 January 2023)
TL Ladbrooke	CFO (Appointed Interim CFO 1 January 2023, appointed CFO 15 March 2023)
Mr C Lodewyks	Executive director (Appointed 1 January 2023)

* Business Venture Investments No 2071 (RF) Proprietary Limited (BDT 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 established for the benefit of employees of the Group.

29.2 Related party balances

Refer to note 23.3 and 23.4.

29.3 Related party transactions

Directors' remuneration
Refer to note 9.

Dividends paid to shareholders
Refer to consolidated statement of changes in equity.

Dealings in securities by directors:
In the current year, Ruland Trust (an associate of JP Landman) purchased 50 000 (2021: 10 000) ordinary shares in one tranche of 50 000 at R6.00 per share (2021: two tranches of 5 000 each at R6.75 and R6.60 per share, respectively), and TL Ladbrooke purchased 1 000 (2021: Nil) ordinary shares in one tranche of 1 000 at R5.85 per share.

29.4 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 0.7% (2021: 0,7%) of the net revenue of the Group.

30 Subsequent Events

Dividend declared

The Board of Libstar has approved and declared a final cash dividend of 22 cents per ordinary share (gross) in respect of the year ended 31 December 2022.

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

31 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.

32 Contingent asset – Denny Mushrooms fire

On 9 September 2022 a fire broke out at Denny Mushrooms Shongweni farm in KwaZulu-Natal and destroyed the Denny Mushrooms' Shongweni facility. The damage gave rise to multiple insurance claims. The insurance claims noted below are still pending at reporting date and management consider the realisation of these claims to be probable:

1. Biological assets and inventory raw materials were damaged during the fire and the estimated value of the insurance claim is R11m.
2. Plant and buildings were also damaged during the fire and management estimates a total claim of R74m to flow to the Group after reporting date.

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 and fair value interest rate risk), credit risk and liquidity risk.

The Group seeks to minimise the effects of market risk related to currency risk 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 consolidated statement of financial position:

	2022 R'000	2021 R'000
Current assets		
Other financial assets		
Foreign exchange contracts – cash flow hedges	**5 738**	3 134
Current liabilities		
Other financial liabilities		
Foreign exchange contracts – cash flow hedges	**(3 683)**	(25 452)

Classification of derivatives

Derivatives are only used for economic hedging purposes and not as speculative investments. Where derivatives do not meet the hedge accounting criteria, they are classified and 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 is provided in this Note.

Fair value measurement

For information about the methods and assumptions used in determining the fair value of derivatives refer to Note 33.4.

Hedging reserves

	Cash flow hedging reserves
Opening balance 1 January 2021	10 241
Pre-tax change in fair value of hedging instrument recognised in other comprehensive income	(23 271)
Reclassified from other comprehensive income to profit or loss – hedged item affected profit or loss	(10 241)
Deferred tax	6 516
Closing balance 31 December 2021	**(16 755)**
Pre-tax change in fair value of hedging instrument recognised in other comprehensive income	**2 542**
Reclassified from other comprehensive income to profit or loss – hedged item affected profit or loss	**18 933**
Deferred tax	**(686)**
Closing balance 31 December 2022	**4 034**

The reclassifications from the cash flow hedging reserve to profit or loss in the current and prior year was recognised in (losses)/gains on foreign exchange and disposal of property, plant and equipment within profit or loss.

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 Risk management continued

33.3 Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see Note 33.4) and interest rates (see Note 33.5). 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, Asia, 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.

33.4 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

	Foreign currency 2022 R'000	Foreign currency 2021 R'000	2022 R'000	2021 R'000
Assets				
Trade debtors in USD	**6 509**	6 659	**105 306**	104 432
Trade debtors in EUR	**2 320**	1 507	**38 355**	27 130
Trade debtors in GBP	**736**	532	**15 124**	10 944
Trade debtors in AUD	**2 675**	2 672	**31 501**	30 003
Trade debtors in NZD	**33**	110	**347**	1 176
Trade debtors in CAD	**57**	29	**756**	345
Trade debtors in SGD	**87**	101	**1 106**	1 188
Trade debtors in YEN	**22 478**	7 583	**2 856**	1 049
Trade debtors in THB	**1 695**	4 893	**830**	2 341
Liabilities				
Trade creditors in USD	**2 148**	2 869	**36 525**	45 514
Trade creditors in EUR	**3 929**	1 408	**71 398**	25 416
Trade creditors in GBP	**5**	5	**97**	97
Trade creditors in AUD	**–**	5	**–**	63
Trade creditors in SGD	**184**	47	**2 331**	558
Trade creditors in YEN	**–**	861	**–**	119
Trade creditors in AED	**–**	4	**–**	18
Exchange rates used for conversion of foreign items				
US Dollar (USD)			**16.18**	15.68
Euro (EUR)			**16.53**	18.01
Pound Sterling (GBP)			**20.55**	20.56
Australian Dollar (AUD)			**11.77**	11.23
New Zealand Dollar (NZD)			**10.63**	10.66
Thai Baht (THB)			**0.49**	0.48
Singapore Dollar (SGD)			**12.66**	11.80
Japanese Yen (YEN)			**0.13**	0.14
United Arab Emirates Dirham (AED)			**–**	4.34
Canadian dollar (CAD)			**13.37**	11.81

33 Risk management continued

33.4 Foreign currency risk management continued

Forward exchange contracts which relate to future firm commitments

31 December 2022	Foreign amount '000	Rand amount R'000	Fair value R'000
US Dollar	**(27 564)**	**(475 762)**	**(13)**
Euro	**(429)**	**(8 585)**	**(1 116)**
Pound Sterling	**(2 116)**	**(45 000)**	**1 454**
Australian Dollar	**(9 074)**	**(107 969)**	**1 730**
New Zealand Dollar	**(33)**	**(354)**	**–**
	(39 216)	**(637 670)**	**2 055**
31 December 2021			
US Dollar	(31 325)	(491 240)	(19 586)
Euro	91	(2 203)	954
Pound Sterling	(2 080)	(44 286)	(1 470)
Australian Dollar	(6 919)	(79 594)	(2 190)
New Zealand Dollar	(110)	(1 200)	(11)
Canadian Dollar	(29)	(352)	(15)
	(40 372)	**(618 875)**	**(22 318)**

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

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 and sales.

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 and sales. 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.

33 Risk management continued

33.4 Foreign currency risk management continued

Instruments used by the Group continued

	2022 R'000	2021 R'000
Foreign currency forwards		
Foreign exchange contracts – cash flow hedges (included in other financial assets)	**5 738**	3 134
Foreign exchange contracts – cash flow hedges (included in other financial liabilities)	**(3 683)**	(25 452)
Notional amount (exposure to the ZAR)		
FECs used for hedging imports		
US Dollar	**73 581**	78 241
Euro	**92 510**	143 953
New Zealand Dollar	–	414
Pound Sterling	–	2 979
FECs used for hedging exports		
US Dollar	**549 342**	569 481
Euro	**101 095**	146 156
Pound Sterling	**45 000**	47 265
Australian Dollar	**107 969**	79 594
New Zealand Dollar	**354**	1 614
Canadian Dollar	–	352
Maturity date	**1 January 2023 – 29 December 2023**	1 January 2022– 18 November 2022
Hedge ratio*	**1:1**	1:1
Loss/(gain) in discounted pre-tax spot value of outstanding hedging instruments since inception of the hedge	**2 542**	(23 270)
Weighted average hedged rate for outstanding hedging instruments (including forward points)		
FECs used for hedging imports		
US Dollar	**17.64**	15.51
Euro	**18.07**	17.90
United Arab Emirates Dirham	–	10.82
New Zealand Dollar	–	10.82
Pound Sterling	–	21.28
FECs used for hedging exports		
US Dollar	**17.31**	15.66
Euro	**18.22**	18.38
Pound Sterling	**21.27**	21.29
Australian Dollar	**11.90**	11.50
New Zealand Dollar	**10.83**	10.86
Canadian Dollar	–	12.03

* 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

33.4 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. 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.

	2022 R'000	2021 R'000
Impact on profit and equity		
US Dollar	**111 271**	92 383
Euro	**(54 627)**	3 087
Pound Sterling	**30 880**	22 301
Australian Dollar	**37 089**	33 623
New Zealand Dollar	**369**	1 254
Thai Baht	**41**	112
Singapore dollar	**(1 551)**	743
United Arab Emirates Dirham	**–**	(8)
Japanese Yen	**37**	13
Canadian dollar	**1 011**	407

33.5 Interest rate risk management

The Group is exposed to interest rate risk because entities in the Group borrow funds at floating interest rates. The interest rates of the loans are linked to either the prevailing prime rate or JIBAR over the period of the loan. Refer to Note 23 for the terms of the respective loans.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this Note (section 33.7).

Interest rate sensitivity analysis

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

If interest rates had been 1% per annum higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2022 would decrease/increase by R18.0m (2021: R16.9m). 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 Risk management continued

33.6 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.

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 . 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 bucket 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 the light of the current economic environment, management increased the risk-to-default factor per each aged bucket in the current and prior year.

Security of trade receivables

For a portion of trade receivables, the Group obtained security in the form of insurance contracts which can be called upon if the trade debtor is in default under the terms of agreement.

Impairment matrix

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

2022	Gross R'000	Impairment loss allowance R'000	Expected credit loss rate %
Specifically identified sundry debtors	–	–	–
Not past due	1 077 599	1 724	0.16%
Past due 0 – 30 days	625 902	5 226	0.83%
Past due 31 – 60 days	55 171	1 564	2.83%
Past due 61 days – 90 year	25 070	1 463	5.83%
Past due 121 days and greater	44 094	5 761	13.06%
Total	**1 827 836**	**15 738**	**0.86%**

33 Risk management continued

33.6 Credit risk management continued

2021	Gross R'000	Impairment loss allowance R'000	Expected credit loss rate %
Specifically identified sundry debtors	27 855	7 287	26.16%
Not past due	1 114 028	1 625	0.15%
Past due 0 – 30 days	279 958	2 321	0.83%
Past due 31 – 60 days	74 522	2 109	2.83%
Past due 61 days – 90 year	40 958	2 388	5.83%
Past due 121 days and greater	42 831	4 210	9.83%
Total	**1 580 152**	**19 940**	**1.26%**

Despite the overall increase in trade and other receivables from the prior year to the current year, the expected credit loss allowance decreased in the current year as a result of no specific debtors being identified for impairment and the ageing profile of trade and other receivables improved from the prior year to current year.

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.

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 and other parties. The credit ratings of these assets are monitored for credit deterioration. During the current year management identified a significant increase in credit risk in the loan to Astratek (Pty) Ltd and recognised a lifetime expected credit loss allowance of R4.1m. 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. Except for this exception, the counter parties have not defaulted on their credit before and they have a strong capacity to meet their contractual cash flow obligations in the near term.

Favourable derivative financial instruments

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

33 Risk management continued

33.7 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 amounts disclosed in the table are 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 2022									
Trade and other payables[1]		**1 614 762**	**1 614 762**	–	–	–	–	–	**1 614 762**
Bank overdraft		**200 045**	**200 045**	–	–	–	–	–	**200 045**
Other financial liabilities[2]	**8.51%**	**1 603 365**	**244 484**	**370 365**	**294 861**	**1 129 374**	**27 065**	**3 435**	**2 069 584**
Lease liabilities	**8.97%**	**694 671**	**148 594**	**135 873**	**124 168**	**115 128**	**111 363**	**293 489**	**928 615**
		4 112 843	**2 207 885**	**506 238**	**419 029**	**1 244 502**	**138 428**	**296 924**	**4 813 006**
31 December 2021									
Trade and other payables[1]		1 434 180	1 434 180	–	–	–	–	–	1 434 180
Other financial liabilities[2]	5,92%	1 694 695	107 372	78 126	208 979	234 935	1 005 606	27 158	1 662 176
Lease liabilities	8,97%	659 776	155 641	152 502	140 875	113 743	100 404	358 997	1 022 162
		3 788 651	**1 697 193**	**230 628**	**349 854**	**348 678**	**1 106 010**	**386 155**	**4 118 518**

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

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

Liquidity risk

The following table indicates the periods in which the cash flows associated with derivatives 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 2022				
FECs used for hedging				
– Imports	**(1 233)**	**(161 683)**	**(3 603)**	**(165 286)**
– Exports	**3 288**	**490 592**	**311 020**	**801 612**
	2 055	**328 909**	**307 417**	**636 326**
31 December 2021				
FECs used for hedging				
– Imports	(25 452)	(222 483)	(9 867)	(232 350)
– Exports	3 134	495 880	380 179	876 059
	(22 318)	**273 397**	**370 312**	**643 709**

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.

33 Risk management continued

33.7 Liquidity risk management continued

Financing facilities

Collective financing facilities provided to the Group are as follows:

- Senior facility A of R1 000 000 000 with a 5 year bullet profile – fully utilised;
- Senior facility B of R150 000 000 with a 3 year bullet profile – fully utilised;
- Senior facility C of R200 000 000 with a 4 year bullet profile – R120m utilised;
- Senior facility D of R350 000 000 with a 5 year bullet profile – unutilised facility;
- An asset based finance facility of R650 000 000; and
- A general banking facility of R650 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 (Pty) Ltd.

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

- Libstar Operations (Pty) Ltd and its respective divisions being Amaro Foods, Cape Herb and Spice, Chamonix, Chet Chemicals, Dickon Hall Foods, Finlar Fine Foods, Lancewood, Millennium Foods, Montagu Foods, Retailer Brands, Rialto, Ambassador Foods, Cecil Vinegar, Contactim, Denny Mushrooms, Cape Coastal Honey, Khoisan Gourmet.
- Berfin Worldwide (Pty) Ltd
- Libstar Properties (Pty) Ltd
- Libstar Nova (Pty) Ltd
- Cape Foods (Pty) Ltd

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.

Financing facilities

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

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

33.8 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 35.2.

34 Capital risk management

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

The capital structure of the Group consists of net debt (bank loans and asset based finance as detailed in Note 23 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 the consolidated statement of changes in equity and in Note 20).

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:

	2022 R'000	2021 R'000
Bank loans, asset based finance and loans payable	**1 603 365**	1 694 695
Lease liabilities	**694 671**	659 776
Less: Cash and cash equivalents (including overdraft)	**(249 171)**	(592 602)
Net debt (including IFRS 16 Lease liabilities)	**2 048 865**	1 761 869
Net debt (excluding IFRS 16 Lease liabilities)	**1 354 194**	1 102 093
Total equity	**5 202 369**	5 343 927
Net debt to equity ratio (including IFRS 16 Lease liabilities)	**0.39**	0.33

During the current year, the Group's strategy, which was unchanged from prior year, was to maintain a net debt to equity ratio below 0.5.

As at 31 December 2022, the Group's leverage ratio (Senior Borrowings to EBITDA) was 1.6 (2021: 1.2) against a covenant of no more than 2.5. EBITDA to senior interest cover ratio was 7.7 (2021: 8.9) against a covenant of at least 3.5.

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

35 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.

35.1 Categorisation of financial assets and liabilities

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

	Hedging instruments* R'000	Financial assets/liabilities Amortised cost R'000
31 December 2022		
Other financial assets	**5 738**	**4 971**
Trade and other receivables	**–**	**1 812 099**
Cash and bank balances	**–**	**449 216**
Total assets	**5 738**	**2 266 286**
Other financial liabilities	**3 683**	**1 603 365**
Trade and other payables	**–**	**1 432 986**
Lease liabilities	**–**	**694 671**
Total liabilities	**3 683**	**3 931 067**
31 December 2021		
Other financial assets	3 134	9 062
Trade and other receivables	–	1 560 212
Cash and bank balances	–	592 602
Total assets	**3 134**	**2 161 876**
Other financial liabilities	25 452	1 694 695
Trade and other payables	–	1 434 180
Lease liabilities	–	659 776
Total liabilities	**25 452**	**3 788 651**

* 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.

35 Financial Instruments continued

35.2 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 2022 or 2021.

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

ANNEXURE 1

Libstar Shareholder Analysis 2022

ORDINARY SHARES AS AT 31 DECEMBER 2022

Directors' interests

Ordinary share capital	Dec 2022				Dec 2021			
Director	Direct shares held	Held indirectly or by an associate	Total shares held	Total % held	Direct shares held	Held indirectly or by an associate	Total shares held	Total % held
AV van Rensburg^	–	–	–	0.00%	–	–	–	0.00%
CB de Villiers	7 742	–	7 742	0.00%	7 742	–	7 742	0.00%
TL Ladbrooke[2]	–	–	–	0.00%	–	–	–	0.00%
W Luhabe	–	–	–	0.00%	–	–	–	0.00%
JP Landman[1]	–	155 000	155 000	0.02%	–	105 000	105 000	0.02%
S Masinga	–	–	–	0.00%	–	–	–	0.00%
S Khanna	–	–	–	0.00%	–	–	–	0.00%
A Andrews	–	–	–	0.00%	–	–	–	0.00%
C Lodewyks[2]	–	–	–	0.00%	–	–	–	0.00%

^ Resignations in the current period: AV van Rensburg

1 Indirect shares held by Ruland Trust, an associate of JP Landman

2 Appointments effective 2023: TL Ladbrooke and C Lodewyks

Where directors have resigned in the current financial period, the table above shows nil values in respect of the current period and the direct and indirect shareholding held at the end of the prior period. Where directors have been appointed in the year under review, the table above shows nil values in respect of the prior period.

There has been no change in directors' interests or any share dealings by directors in the ordinary shares of the Company subsequent to 31 December 2022 and to the date of this report.

Notes to the consolidated annual financial statements continued

PREFERENCE SHARE CAPITAL

No directors held a direct interest in preference share capital during the current or prior periods.

The following directors held an indirect interest in preference share capital due to their participation in the Ratchet Trust (100% shareholder of preference share):

– CB de Villiers held 1.5 units and C Lodewyks 3.5 units at the close of the current and prior period.

Ordinary shareholder spread	Number of shareholders	Number of shares	% Of shares in issue
Public	2 912	261 595 571	38.4%
Non-public	7	420 325 837	61.6%
■ Directors	1	7 742	0.0%
■ Associates of directors	1	155 000	0.0%
■ The trustees of any employees' share scheme or pension fund established for the benefit of any directors or employees of the applicant and its subsidiaries;	2	73 049 783	10.7%
■ Treasury shares^	1	13 059 362	1.9%
■ Persons interested in 10% or more (other than directors or associates of directors)	2	334 053 950	49.0%
Total issued shares	**2 919**	**681 921 408**	**100.0%**

^ Libstar Operations Proprietary Limited a subsidiary of Libstar Holdings Limited, purchased 13,059,362 treasury shares during the 2018 and 2019 financial years at an average price of R7,62 per share and these shares reverted to authorised but unissued.

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

Major ordinary shareholders	Number Of shares	% Of shares In issue
APEF Pacific Mauritius Limited	252 463 077	37%
Government Employees Pension Fund	81 590 873	12%
Business Venture Investments 2071*	39 334 499	6%
Business Venture Investments 2072^	33 715 284	5%

* 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 established for the benefit of employees of the Group.

Ordinary shareholder spread	Number of shareholders	% Of shareholders	Number of shares	% Of shares in issue
1 – 1 000 000 shares	2 852	97.7%	67 878 144	10.0%
1 000 001 – 3 000 000 shares	37	1.3%	65 030 837	9.5%
3 000 001 – 6 000 000 shares	15	0.5%	66 544 011	9.8%
6 000 001 – 40 000 000 shares	13	0.4%	177 451 946	26.0%
More than 40 000 000 shares	2	0.1%	305 016 470	44.7%
	2 919	**100.0%**	**681 921 408**	**100.0%**

CORPORATE INFORMATION

COMPANY AND REGISTERED OFFICE

Libstar Holdings Limited
Registration Number: 2014/032444/06
Libstar House, 43 Bloulelie Crescent,
Plattekloof, Western Cape, 7500
South Africa
(PO Box 15285, Panorama, Western Cape, 7506)

WEBSITE

www.libstar.co.za

DIRECTORS

Wendy Yvonne Nomathemba Luhabe
(chairman – independent non-executive director

Johannes Petrus (JP) Landman
(lead independent non-executive director)

Aneke Andrews
(independent non-executive director)

Sandeep Khanna
(independent non-executive director)

Sibongile Masinga
(independent non-executive director)

Charl Benjamin de Villiers
(CEO)

Terri Lee Ladbrooke
(CFO)

Cornél Lodewyks
(Executive Director)

COMPANY SECRETARY

Ntokozo Makomba
43 Bloulelie Crescent,
Plattekloof, Western Cape 7500

SPONSOR

The Standard Bank of South Africa Limited
30 Baker Street, Rosebank,
Johannesburg, 2196, South Africa
(PO Box 61344, Marshalltown, Johannesburg, 2107)

AUDITORS

Moore Cape Town Inc.
Block 2, Northgate Park, Corner Section Street
and Koeberg Road, Paarden Eiland
Cape Town, 7405, South Africa
(PO Box 1955, Cape Town, 8000)

TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Biermann Avenue,
Rosebank, Johannesburg, 2196, South Africa
(PO Box 61051, Marshalltown, Johannesburg, 2107)

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