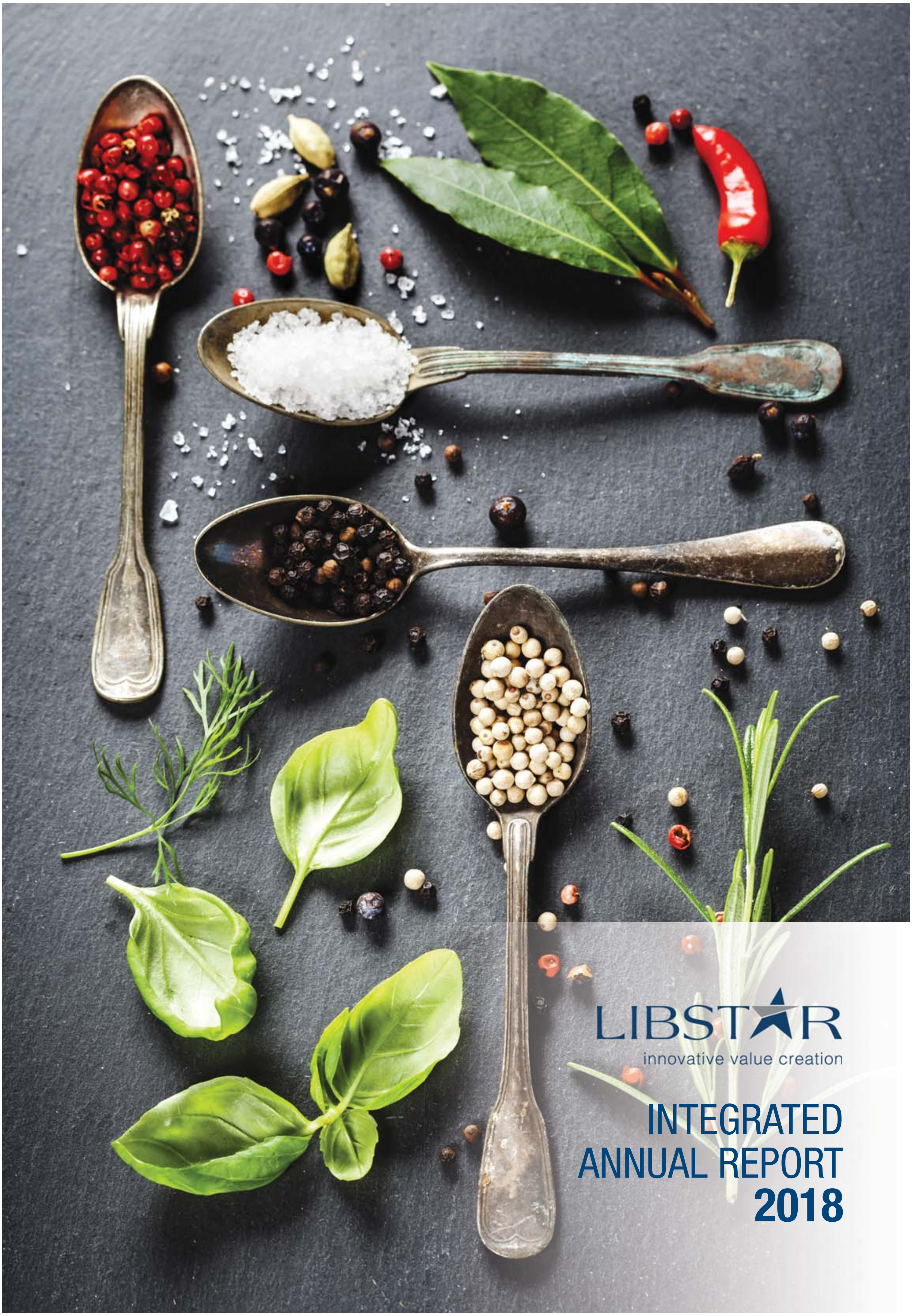

LIBSTAR

innovative value creation

INTEGRATED ANNUAL REPORT 2018

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This icon indicates where further information can be found in this report.

LIBSTAR WAS FOUNDED IN 2005 TO ACQUIRE AND GROW OPERATIONS IN THE CONSUMER PACKAGED GOODS (CPG) INDUSTRY.

THE GROUP IS A PRODUCER AND MARKETER OF QUALITY PRODUCTS TO SOUTH AFRICAN AND GLOBAL MARKETS.

Libstar has a significant portfolio of more than 9 000 products, with 89% of revenue generated from food. These products range from fresh produce to pre-packaged meals.

3 DISTINCT PRODUCT OFFERINGS

- Brand solutions
- Outsourced manufactured solutions
- Food service solutions

Pages 4 – 5

7 PRODUCT CATEGORIES

- Perishables
- Ambient Groceries
- Baking and Baking Aids
- Snacks and Confectionery
- Niche Beverages
- Household and Personal Care
- Specialised Food Packaging

Pages 6 – 7

4 CHANNELS

- Retail and wholesale
- Food service
- Industrial
- Exports

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OUR PERFORMANCE

FOR THE YEAR ENDED 31 DECEMBER 2018

Listed on the JSE Limited on 9 May 2018, raising

R3 billion

primary and secondary capital

Revenue increased by

12.5%

to **R9 892 million** from R8 796 million, with organic revenue increasing by 5.1%

Normalised earnings before interest and taxation (EBIT) increased by

1.4%

to **R819 million** from R807 million

Maiden cash dividend declaration of **22 cents** per share

Normalised earnings before interest, tax, depreciation and amortisation (EBITDA) increased by **4.6%** to R984 million

This was in line with Libstar's historic seasonal trend of an approximate 40:60 ratio between H1 and H2. Certain once-off and non-operating items should be taken into account when calculating normalised earnings:

- Impairment of goodwill and intangible assets of **R42 million** (F2017: R50 million);
- Unrealised foreign exchange translation losses of **R46 million** (F2017: gain of R40 million);
- Amortisation of customer relationships of **R141 million** (F2017: R132 million); and
- A reversal of the share appreciation rights provision of **R13 million** (F2017: expense of R27 million).

Profit after taxation increased by 1.1% to **R236 million**

Net indebtedness reduced from R1.9 billion to **R1.2 billion**

R505.0 million cash flow generated from operating activities

Invested **R348.8 million** in capital expenditure, representing 3.5% of revenue

Libstar adopted new financial performance measures this year, namely normalised earnings per share (EPS) and normalised headline earnings per share (HEPS)

These will adjust basic and diluted earnings from continuing operations for the after-tax impact of the adjustments included in the group's existing accounting policy relating to normalised EBITDA.

- Normalised basic and diluted EPS decreased by **11.8%** from 76 cents to 67 cents; and
- Normalised basic and diluted HEPS decreased by **16.1%** from 87 cents to 73 cents.
- The weighted average number of shares increased from 468.2 million to **566.4 million**.

WHAT WE DO

BRAND SOLUTIONS – 83% of group revenue

31%*

LIBSTAR BRANDS AND LICENSED BRANDS

Many Libstar brands, including Lancewood, Denny, Goldcrest and Cook 'n Bake, are well-recognised brands in South Africa. These are produced by the group and marketed and sold under labels and trademarks that are proprietary to us or produced, supplied and marketed by us under licence agreements with a brand owner.

44%*

DEALER-OWN BRANDS AND PRIVATE LABEL

Dealer-own brand (DOB) products are differentiated in terms of quality, packaging, specifications, appearances and product benefits. DOBs are often positioned as the best offering to the customer. Private label products are a more cost-effective alternative to branded products.

* *Contribution to group revenue.*

8%*

PRINCIPAL BRANDS

We represent several well-known international brands in South Africa. We source, import, market and distribute principal brands under a purchase or distributorship arrangement between us and the owner of the brand.

Principal brands allow us to offer premium international brands to the South African market, as many of these are imported, marketed and distributed from European, Asian and American food manufacturers.

OUTSOURCED MANUFACTURING SOLUTIONS

7%*

Outsourced manufacturing solutions are considered as “business-to-business” services. We manufacture a range of quality products for other businesses which, in turn, on-sell those products to retailers and consumers.

FOOD SERVICE SOLUTIONS

10%*

We focus on product innovation through world-class manufacturing of custom-made products for leading companies in the food service industry. These include quick service restaurant chains and South African family restaurants.

OUR PRODUCT CATEGORIES

We manage and report Libstar's operations in seven categories.

1 PERISHABLES

46% of group revenue

43% of group normalised EBITDA

This category offers products that are refrigerated.

DAIRY PRODUCTS

Hard and soft cheeses, yoghurts, milk, butters, dips, spreads, creams and sauces.

MEAT AND CHICKEN PRODUCTS

Beef patties and premium charcuterie. Fresh and frozen formed, crumbed and par-fried value-added chicken products and chicken burger patties.

FRESH MUSHROOMS

Whole and sliced mushrooms, formed and crumbed fresh and frozen mushroom products.

PREPARED MEALS

Ready to eat and ready to heat meals and desserts.

2 AMBIENT GROCERIES

25% of group revenue

32% of group normalised EBITDA

This category supplies foods that can be stored and preserved at room temperature.

WET CONDIMENTS

Chutneys, table sauces, vinegars, tomato pastes, salad dressings, mayonnaise and marinades.

DRY CONDIMENTS

Salt, pepper, herbs and spices, curry powder and seasoning mixes.

PASTAS AND NOODLES

Dry and filled pasta and noodle products.

MEAL PREPARATIONS

Pasta sauces and cook-in-sauces.

CANS AND JARS

Soups and canned vegetables, legumes, beans, antipasti and olives.

SPREADS

Honey, jams, peanut and nut butters.

3 SNACKS AND CONFECTIONERY

5% of group revenue

7% of group normalised EBITDA

This category offers premium snacks and confectionery.

CEREALS

Granolas and breakfast cereals.

NUTS

Nuts and related snack products.

SNACK BARS

Nut, seed, cereal and energy bars.

CONFECTIONERY

A range of sweet products, such as nougat, fudge, turkish delight and brittles.

4 BAKING AND BAKING AIDS

6% of group revenue

9% of group normalised EBITDA

This category consists of baked goods, specialised gluten-free products and baking aids.

BAKED GOODS

Flour tortilla wraps, buns, rolls, rusks, imported sweet and savoury biscuits, speciality breads and gluten-free baked products.

BAKING AIDS

Products that assist in the baking process, such as speciality flours, baking sodas, essences, colourants, baking powders and bicarbonate of soda.

5 NICHE BEVERAGES

7% of group revenue

5% of group normalised EBITDA

This category consists of beverages that do not fall within the mainstream beverage market.

FRUIT BEVERAGES

Concentrated and ready to drink fruit juices, dairy blends and squashes.

WATERS AND MIXERS

Natural and flavoured waters, carbonated soft drinks and bar mixes.

TEAS

Bulk tea exports and packaged tea products.

6 HOUSEHOLD AND PERSONAL CARE

9% of group revenue

3% of group normalised EBITDA

This category includes cleaning products and products for personal care.

HOUSEHOLD CLEANING PRODUCTS

Dishwashing liquids, all-purpose cleaners, bleach, cleaning sponges, steel wool and a selection of organic, eco-friendly and biodegradable products.

LAUNDRY CARE

Laundry detergents, fabric softeners and related products.

PERSONAL CARE

Cotton wool, cotton buds, cosmetic facial pads, beauty soaps and bath additions.

7 SPECIALISED FOOD PACKAGING

2% of group revenue

1% of group normalised EBITDA

This category consists of custom-made, disposable packaging solutions for various food and drink products sold largely to the food service industry.

CUPS

Disposable paper cups for hot and cold beverages to quick service restaurants. The group has introduced a new range of compostable cups to meet the requirement for environmentally-friendly packaging.

CONTAINERS

Paper and plastic containers, plastic cutlery, polystyrene trays and cups.

ACCESSORIES

Food service accessories, aluminium dishes, cling film, foil sheets, serviettes and related products.

OUR SALES CHANNELS

We target a diverse market across different countries, sales channels and customers.

We have a comprehensive strategy that determines how our products reach the market and how they are presented at the point of purchase or where the shopper makes a final purchase or consumption decision. Our objective is to always get our products to where the shopper wants to buy them, when they want to buy them.

1 RETAIL AND WHOLESALE CHANNEL
60% OF GROUP REVENUE*

2 FOOD SERVICE CHANNEL
17% OF GROUP REVENUE*

3 OUTSOURCED MANUFACTURING SOLUTIONS
11% OF GROUP REVENUE*

4 EXPORT CHANNEL
12% OF GROUP REVENUE*

* *Group gross revenue.*

1 RETAIL AND WHOLESALE CHANNEL

This is the largest contributor to our revenue on an annual basis.

We supply products across our seven product categories into the retail and wholesale sales channel.

Private and dealer-own brands represented 44% of group revenue in F2018, with 38% of our food sales being branded products and 62% private label.

Our multi-brand strategy, coupled with our long-standing and successful relationships with South Africa's large food retailers, allows us to strategically position our Libstar brands alongside dealer-own brands, private label products and principal brands on supermarket shelves. Not only does this balance profitability across product categories, but also ensures that there is a competitive range of products under our brand solutions product offering in each of the product categories. Refer to page 12.

This increases the share of the shopper wallet by providing products across critical price points and expands our categories on offer.

2 FOOD SERVICE CHANNEL

This channel proves the quality of our manufacturing operations, as leading companies choose us as their long-term partner to manufacture and supply perishables, such as beef patties, chicken patties and related meat products. This channel also includes products from the Ambient Groceries category, such as sauces and other wet condiments, and products from the Baking and Baking Aids category, such as flour tortilla wraps. In addition, certain products manufactured by Multi-cup in the Specialised Food Packaging category are sold through the food service channel. We are proud suppliers of value-added beef and chicken products to the quick service restaurant sector.

3 OUTSOURCED MANUFACTURING SOLUTIONS

The products that are manufactured and sold through this channel are supplied to trusted brands in South Africa. Products stretch across six of the seven product categories, namely Perishables (value-added chicken, meat and vegetable products and cheeses), Ambient Groceries (sauces, chutneys and other wet and dry condiments), Snacks and Confectionery (cereal and snack bars), Niche Beverages (juices and concentrates), Household and Personal Care (cleaning products) and Specialised Food Packaging (paper and plastic cups and lids).

4 EXPORT CHANNEL

We exported to 57 countries in F2018. Our main export countries are the United States, Germany, Australia, the United Arab Emirates, United Kingdom, Japan and several countries in the rest of Africa.

Exports currently contribute 12% of group revenue and are not anticipated to grow significantly larger than the group's imported raw material and finished products to maintain a relative balance.

The business unit responsible for the majority of the group's export revenue in F2018 was Cape Herb & Spice, which contributed 44% of the group's revenue derived from exports.

Certain of our large customers in the retail sales channel also export our products into neighbouring African countries and beyond.

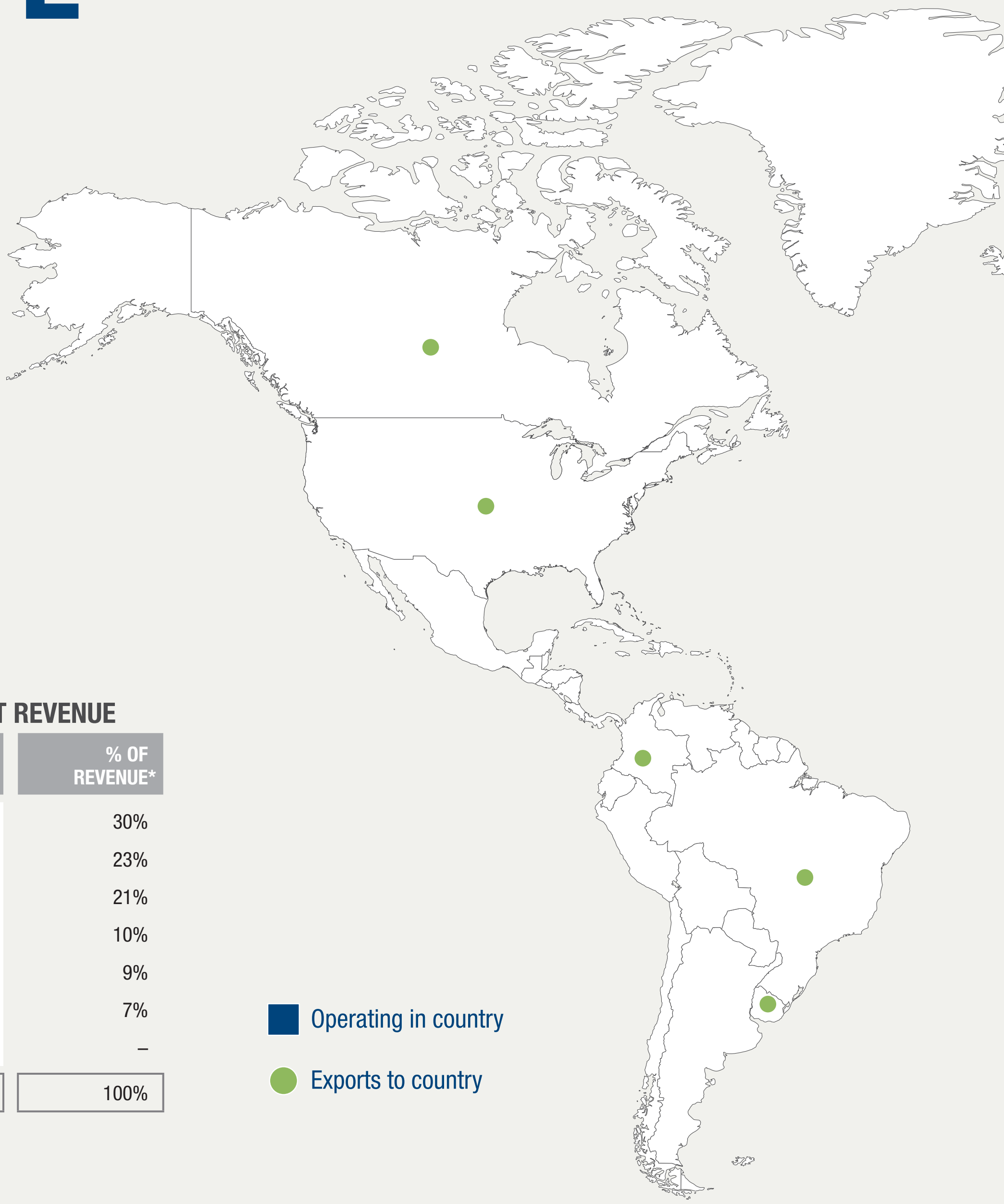
WHERE WE OPERATE

THE SOUTH AFRICAN BUSINESS CURRENTLY CONTRIBUTES

88%

OF THE GROUP REVENUE*, WITH EXPORTS AT

12%



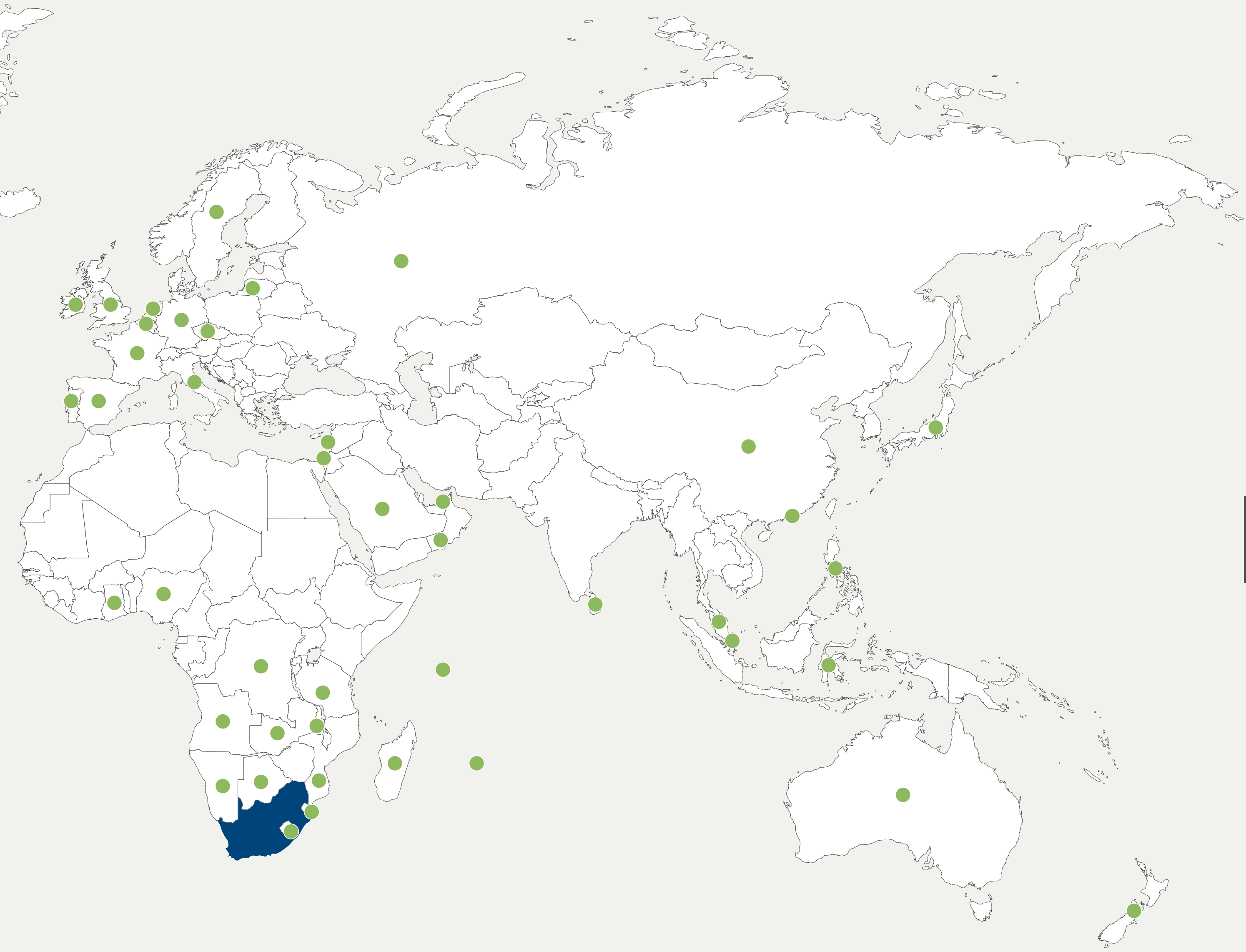
CONTRIBUTION TO GROUP EXPORT REVENUE

REGION	REVENUE* (Rm)	% OF REVENUE*
AFRICA	381	30%
NORTH AMERICA	287	23%
EUROPE	269	21%
OCEANIA	129	10%
MIDDLE EAST	115	9%
ASIA	87	7%
SOUTH AMERICA	2	–
	1 270	100%

* *Group gross revenue.*

NUMBER OF EMPLOYEES

5 808



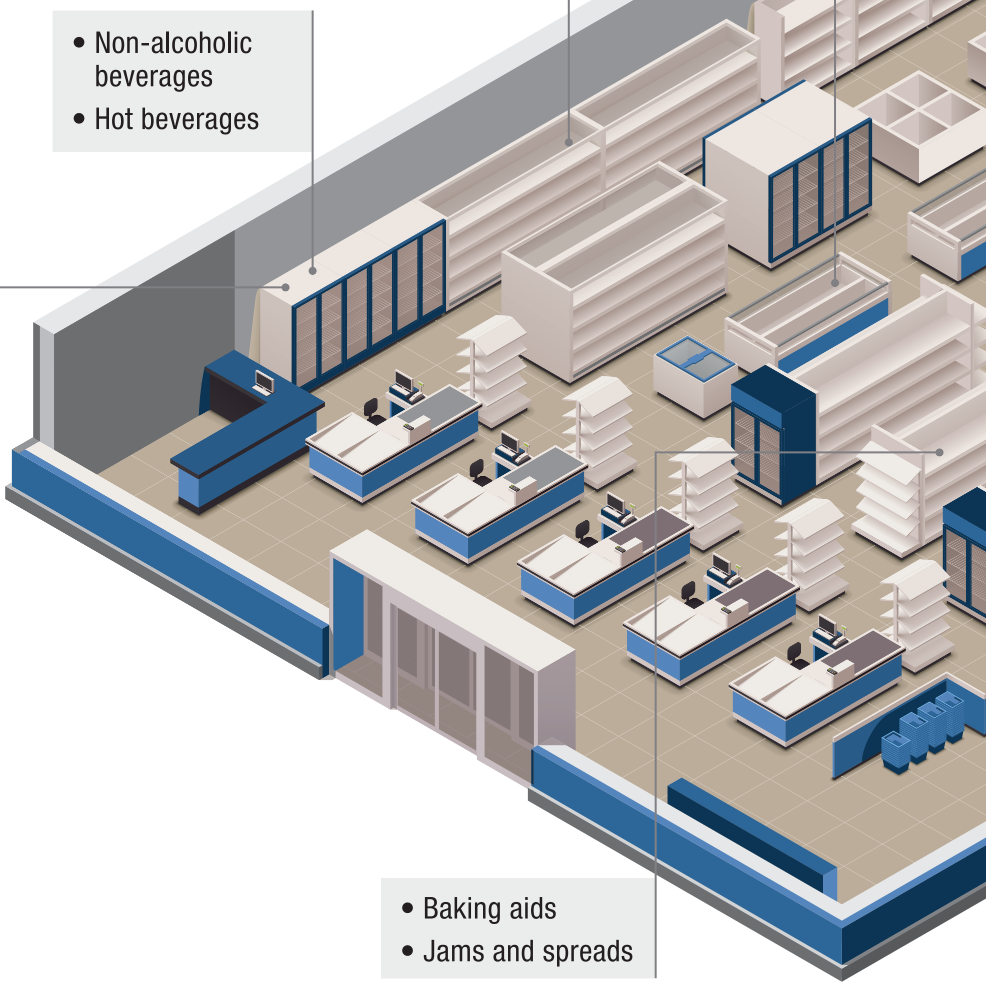
WHERE WE ARE IN THE STORE

- Milk, cream and butter
- Yoghurt
- Hard and soft cheese

- Meat and chicken

- Non-alcoholic beverages
- Hot beverages

- Speciality meat and cheese

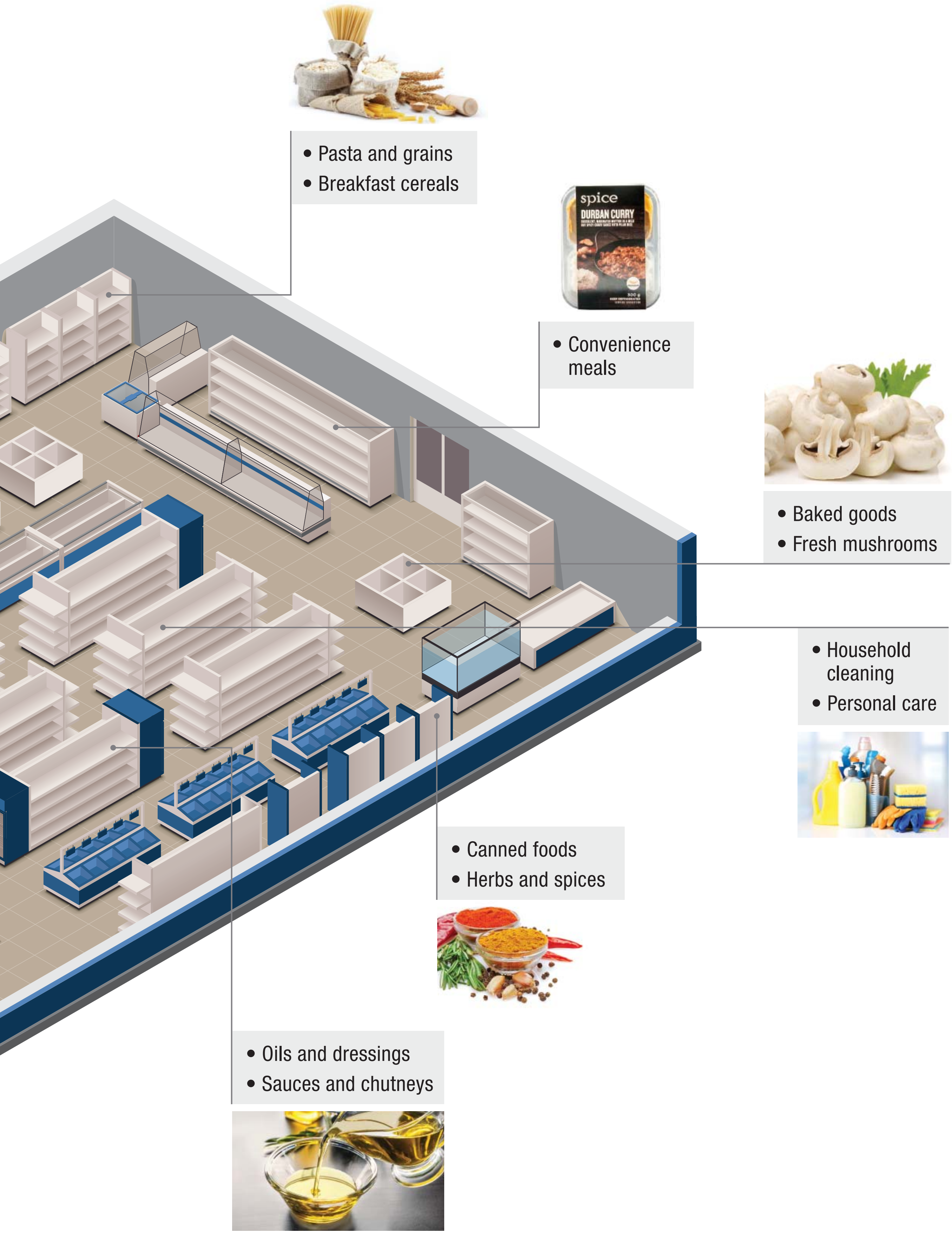


- Baking aids
- Jams and spreads

BRAND SOLUTIONS IN **36** SUB-CATEGORIES

9 159 SKUs*

* *Stock-keeping units.*


• Pasta and grains
• Breakfast cereals
spice
DURBAN CURRY
• Convenience meals
• Baked goods
• Fresh mushrooms
• Household cleaning
• Personal care
• Canned foods
• Herbs and spices
• Oils and dressings
• Sauces and chutneys

OUR HISTORY

Libstar was founded in 2005 to acquire and grow operations in the consumer packaged goods (CPG) industry.

Over the years, we have followed a strategy of acquiring controlling equity stakes in existing food and beverage and household and personal care businesses that demonstrate sound entrepreneurial management and high-growth potential.

2005

Acquired **Dickon Hall Foods**.

REVENUE **R704m**

2006

Acquired **Retailer Brands**, **Rialto Foods**, **Chet Industries** and **Chet Chemicals**.

REVENUE **R1 179m**

2007

Acquired **Noodle Master**, **Orley Foods** (sold to the Kerry Group in 2011), **Montagu Foods** and **Amaro Foods**.

REVENUE **R2 036m**

2008

Acquired **Cape Herb & Spice**, **Finlar Fine Foods**, **Finlar Brands** (sold to Dr Oetker in 2010), **The Blenders** (sold the private label business to Joekels and retained the Woolworths teas).

REVENUE **R2 637m**

2009

Acquired **Simply Cereal** (sold to Tiger Brands).

REVENUE **R2 733m**

2010

Acquired **La Femme** (sold to **Premier Foods**) and **Cotton King** (incorporated into Contactim).

REVENUE **R2 879m**

2011

Acquired **Ambassador Foods**.

REVENUE
R3 495m
2012
Acquired **Elvin**, **Glenmor Soap**, **Contactim**, **Cani Rusks**, **Michaels & Michaels** (incorporated into Ambassador Foods) and **Multi-cup**.

REVENUE
R4 077m
2013
Established **Amaro Gluten Free**.

REVENUE
R4 752m
2014
Acquired **Hurters Honey**.

REVENUE
R6 176m
2015
Acquired **Berfin, Natural Herbs & Spices** (incorporated into Cape Herb & Spice, Denny Mushrooms, Cecil Vinegar, Patleys), **Pasta Nova** and **Chamonix**.

REVENUE
R8 021m
2016
Acquired **Roses Handmade Confectionery** (incorporated into Ambassador Foods) and **Kalk Bay Foods** (incorporated into Cape Herb & Spice).

REVENUE
R8 796m
2017
Acquired **Khoisan Gourmet**, **Sonnendal Dairies** (incorporated into Lancewood) and **Millennium Foods**.

REVENUE
R9 892m
2018
Listed on the JSE Limited with a **R7.6 billion market capitalisation** at listing. Achieved **strong year-end results** in challenging markets.

OUR STRUCTURE

Everything we create is used in homes and brings families together. We therefore aim to permeate a family culture throughout our group, with several of our companies having originated as, and still existing, as family-operated businesses.

This homegrown entrepreneurial spirit allows us to pursue perfection and insistent passion.

LIBSTAR HOLDINGS

82% OF GROUP REVENUE

18% OF GROUP REVENUE

Further information can be found on pages 52 to 69.

THE LIBSTAR FAMILY OF COMPANIES[1]

PERISHABLES

- LANCEWOOD
- FINLAR
- DENNY
- RIALTO

AMBIENT GROCERIES

- RIALTO
- Cecil Vinegar Works
- Hurters Honey
- DickonHallFoods
- CapeHerb&Spice
- Montagu Foods

SNACKS AND CONFECTIONERY

- Ambassador Foods

BAKING AND BAKING AIDS

- Amaro Foods
- Retailer Brands
- CANI Artisan Bakers

NICHE BEVERAGES

- CHAMONIX
- ELVIN
- khoisan tea

SPECIALISED FOOD PACKAGING

- multi-cup

HOUSEHOLD AND PERSONAL CARE

- Chet Chemicals
- CONTACTIM
- COTTONKING
- Glenmor Soap [2]

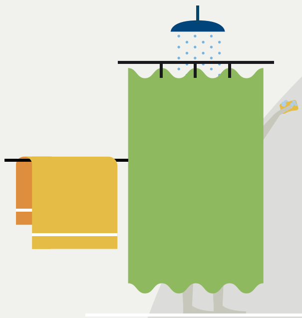
1 Libstar has a number of subsidiaries that are not represented in this organogram. One of these subsidiaries is Libstar Properties, a property company. Libstar owns 100% of the shares in Libstar Properties. Libstar also has a number of dormant subsidiaries, which will be liquidated or deregistered in due course, as tax laws permit.

2 Operating subsidiary of Libstar with minority shareholders.

OUR BRAND REACH

Libstar's brands have a wide reach and are regularly used in people's daily lives.

09:00



06:30

MORNING RUSH

Smoothie: Pick n Pay Low Fat Milk with Goldcrest Pure Honey

Quick load: W.Lab Auto Laundry Liquid 3-in-1

Shower: Spar Skin Beauty Soap

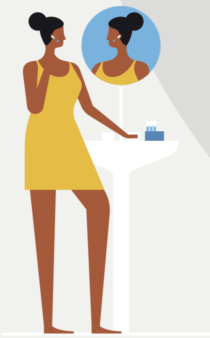
School lunch: Hamburger Buns, No Salt and Sugar Peanut Butter and Lancewood Double Cream Coconut Yoghurt

DURING THE DAY

For the meeting: Cani Buttermilk Rusks, Raw Almonds and Salami Bite Snack Pack

To drink: Still Water

Afternoon snack: Woolworths Multiseed Wrap, Chicken Schnitzel and Pick n Pay Sweet Chilli Sauce



22:00

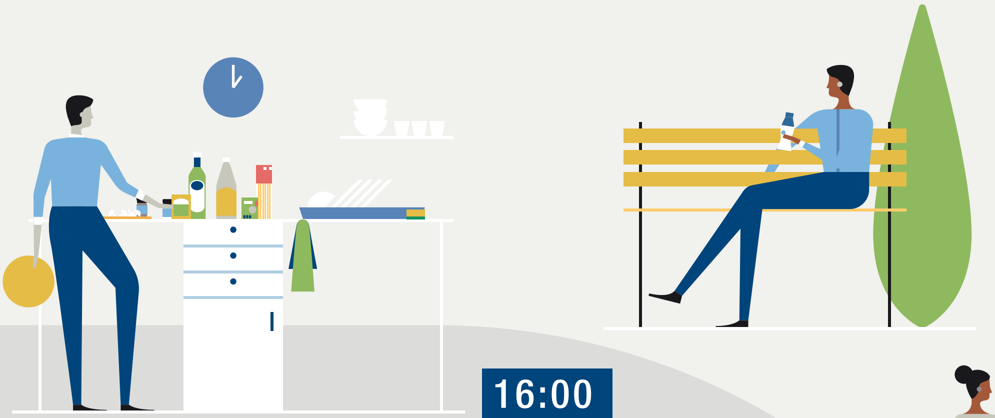
BEFORE BED

A bath: Sheer Magic Foam Bath

Cleaning: Cotton Puffs and Eco Cotton Earbuds

To drink: 100% Organic Pure Rooibos Tea

A treat: Macadamia and Cranberry Nougat Squares



16:00

QUICK SHOP

Thank you gift: Turkish Delight Enrobed in Milk Chocolate

For the house: Orange Squash, Cheddar Cheese, Denny Shiitake Mushrooms and Lancewood Full Cream Strawberry Yoghurt Shake

For weekend baking: Robertsons Vanilla Essence and NCP Yeast

18:00

FRIENDS FOR DINNER

To share: BellaVita Beef Cannelloni

For spice: Tabasco Sauce

For the kids: McDonald's Chicken McNuggets

For dessert: Gluten-Free Chocolate Brownies

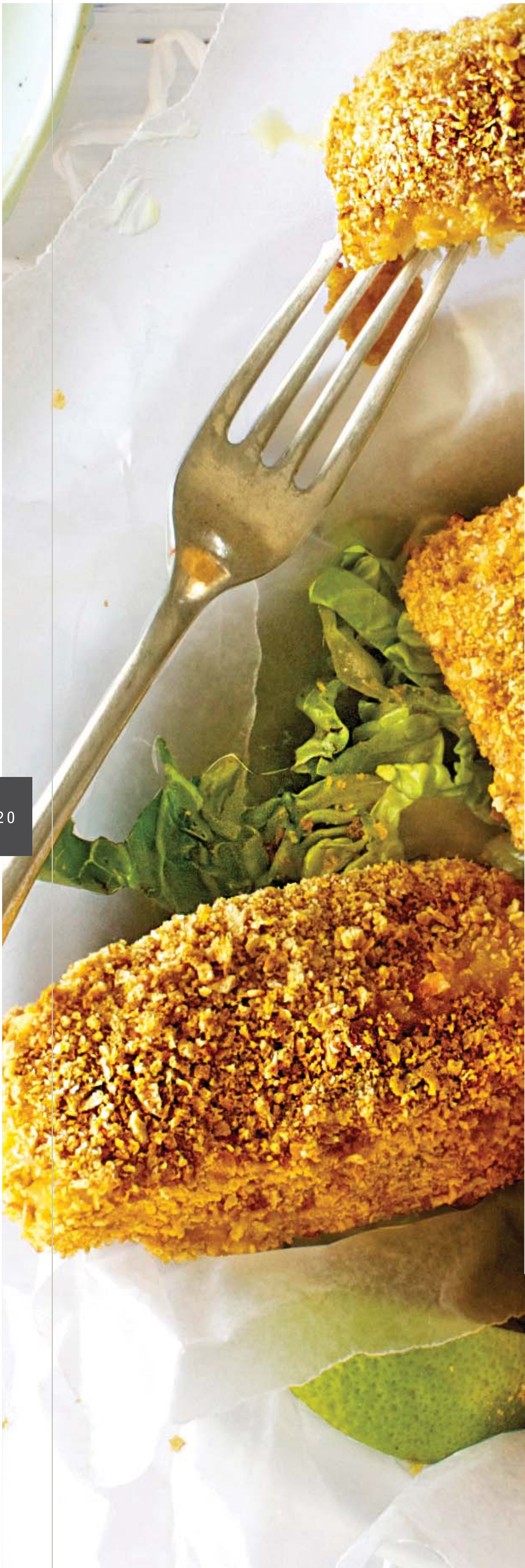
CLEANING AFTER DINNER

Dishes: BioCrystal Dishwashing Powder

Lounge: Ultra All Purpose Cleaner and 3-in-1 Citrus Splash Tile Cleaner

Bathroom: Easy Clean Sponge Scourers

21:00



OUR STRATEGY

We have a strategy of supplying innovative, value-added and cost-effective products to customers and consumers across the retail, wholesale, industrial and export channels. These markets have proven to be resilient, despite the ever-weakening economy.

Our strategy has three key focus areas:

1. GROW
2. EXPAND
3. ACQUIRE

GROW SELECTED CATEGORIES

One of our core strategies is product innovation. Through market, consumer, shopper and customer insights and by working together with our customers in the conception and development of new products, we aim to grow our product categories and increase our presence and visibility in customers' stores.

This strategy is supported by efficient manufacturing to produce products of a high quality, whilst ensuring production optimisation to result in lower costs and increased or maintained margins.

EXPAND OUR CAPABILITIES

We aim to increase our production capabilities, efficiencies and business unit capacity by strategically investing further capital in plant and equipment. We target total capital expenditure as a percentage of revenue to range between 2% and 3%.

Investment in market research and technical knowledge also provides us with greater insight into market data. The early understanding of consumer trends allows strategic investment in plant, equipment and marketing.

ACQUIRE RELEVANT BUSINESSES

The group was grown to scale through acquisitions in the early years. In more recent years, acquisitions have been undertaken with specific objectives in mind, including expanding skills, entering new, high-growth categories or investing in existing capabilities to expand our brands and product range.

We evaluate businesses that will address current and future trends in our categories and markets.

HOW WE DELIVER OUR STRATEGY

FOCUS AREAS

We have clear focus areas to sustainably grow our brands, categories and partnerships to consistently increase our revenue, gross profit and EBITDA. We also want our return on tangible invested capital to be more than 20%.

Refer to the case studies on pages 24 to 27 for more information.

1

Our demand creation programme

We recognise that managing consumer demand begins with understanding the consumers we target and how products within each of the product categories and sub-categories reach them. We have a demand creation programme in place to make our brands and other group products and stock-keeping units available wherever and whenever the consumer wishes to buy and consume them. We also provide business units with formal processes and procedures to execute on innovation and product development.

2

Innovate and enter growth categories and brands

We focus on health, wellness and convenience trends, accelerate new product development and speed to market, as well as take advantage of private label growth.

3

Drive business effectiveness, cost efficiency and higher returns

We implement cost reduction plans, ensure we have low-cost production facilities and invest in equipment that can improve efficiencies.

HOW WE WILL CONTINUE TO IMPLEMENT OUR STRATEGY

- Evaluate the most optimal business model that will ensure increased collaboration and consolidation.
- Further hone our category-led approach in selected channels, customers and brands.
- Invest in world-class accredited manufacturing assets to drive innovation, efficiencies and low-cost production.
- Continue to build an entrepreneurial ownership culture with a cohesive mindset to drive growth.
- Accelerate broad-based black economic transformation.
- Recruit, develop and retain the best people.
- Ensure effective reward strategies to drive growth, innovation and a group performance culture.
- Improve how we measure our success and progress by enhancing our information technology, tools, systems and processes.

4

Significantly enhance our go-to-market execution capabilities

We strive to be the best by being always available, visible and accessible to consumers and shoppers. We achieve this by improving our customer and sales management capabilities, as well as by seeking new channels, such as out of home, wholesale and independent customers.

5

Actively pursue value and earnings-enhancing acquisitions and key initiatives

We will continue to identify attractive categories and segments where we are not active and initiate a search for acquisitions, identify quick-return internal capital projects and build additional strategic alliances with international players.

6

Drive export growth

We target selected markets to extend our footprint. We develop export strategies by category and country.

HOW WE DELIVER OUR STRATEGY

CASE STUDIES

1 OUR DEMAND CREATION PROGRAMME

In today's competitive environment, anticipating the needs of consumers is critical to build loyalty to Libstar brands at the point of purchase and consumption.

Libstar has a demand management programme to ensure our brands and other group products and stock-keeping units are available wherever and whenever the consumer wishes to buy and consume them.

This programme also assists us to identify potential areas for brand growth, development and, if necessary, diversification to meet and capitalise on consumer trends.

Demand management is a critical part of the group's strategy of driving category growth and profitability.

Each Libstar demand management stream consists of a set of priority activities:

CONSUMER DEMAND:
delight consumers at the point of consumption

- Consumer insight
- Innovation
- Market segmentation
- Portfolio strategy
- Brand positioning, strategy, communication, activation, review and measurement

POP/POC* CHANNEL & CUSTOMER DEMAND:
grow in priority channels with focus customers

- POP/POC* channel and customer insight
- Channel definition, attractiveness and strategy
- Route to market strategy
- Customer attractiveness and strategy
- Joint business planning
- Customer activity and action plans
- Channel and customer key performance indicator (KPI) measurement

* *Point of purchase/point of consumption.*

SHOPPER DEMAND:
deliver great shopper experience, wherever they are

- Shopper insight, demand opportunity and KPI compliance
- Drivers for store, category and purchase

CATEGORY DEMAND:
grow the category for our customers and ourselves

- Category insight
- Know your customer
- Category ambition, definitions, opportunity assessment, vision, strategy, tactics, plans, review and measurement

2 INNOVATE AND ENTER GROWTH CATEGORIES AND BRANDS

In F2017, Lancewood identified an opportunity to increase its market share in yoghurt manufacturing and to grow the overall dairy market by introducing fresh dairy-based sauces and chilled dairy spreads.

With the change in consumer diets, and a strong focus on health and wellness, dairy is perfectly poised to meet consumers' lifestyle changes. We are seeing that consumers are increasingly focused on gut health, nutrition and high fat products, resulting in demand creation for these type of products. Consumers are also seeking products that offer convenience and fulfil their snacking needs.

As our existing production capacity was not able meet all of these trends, we evaluated the investment cost of building an additional factory or acquiring an existing business to deliver high quality products.

Following a rigorous process, Lancewood identified Sonnendal Dairies as a potential acquisition target, as they already produced high quality private label yoghurt. Its product mix was weighted towards the sale of bulk and commoditised milk, with lower gross profits and EBITDA margins.

Towards the end of F2017, Sonnendal Dairies was acquired with a strategic initiative to:

1. Utilise the production capacity of Sonnendal Dairies to manufacture Lancewood-developed new products.
2. Change the product mix of Sonnendal Dairies towards value-added and higher-margin dairy products.
3. Broaden the reach of Sonnendal Dairies to other retailers.

This acquisition demonstrates our ability to grow existing categories through new product development, expanding existing manufacturing capabilities and our ability to acquire relevant businesses that positions us to deliver our growth strategy.

It also highlights our ability to:

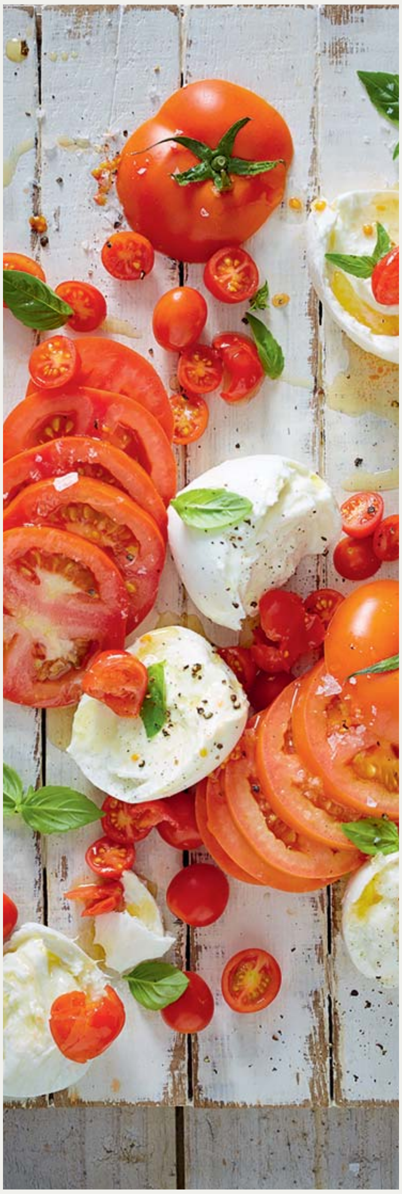
INNOVATE AND IMPROVE MARGINS	Launch high-margin quality fresh dairy sauces, chilled dairy spreads, and yoghurts.
DRIVE EFFICIENCIES	Improved manufacturing efficiencies and generation of higher returns in a business that had low margins before the acquisition.
INTRODUCE NEW PRODUCTS TO MARKET	Grew Lancewood's value share of the dairy category, as well as growing the overall dairy market.

Lancewood has been awarded three prestigious Qualité Awards at the 2019 South African Dairy Championships for Mascarpone, Medium Fat Plain Cream Cheese and Double Cream Vanilla Yoghurt. This is the second year in a row that this business received top awards for its yoghurt.

SINCE THE LAUNCH OF LANCEWOOD'S YOGHURT INNOVATION IN 2018, THE BRAND HAS GROWN ITS YOGHURT VALUE SHARE BY

85.6%

(Source: IRi South Africa, Defined Retailers, MAT Jan 2019)



3 DRIVE BUSINESS EFFECTIVENESS, COST EFFICIENCY AND HIGHER RETURNS

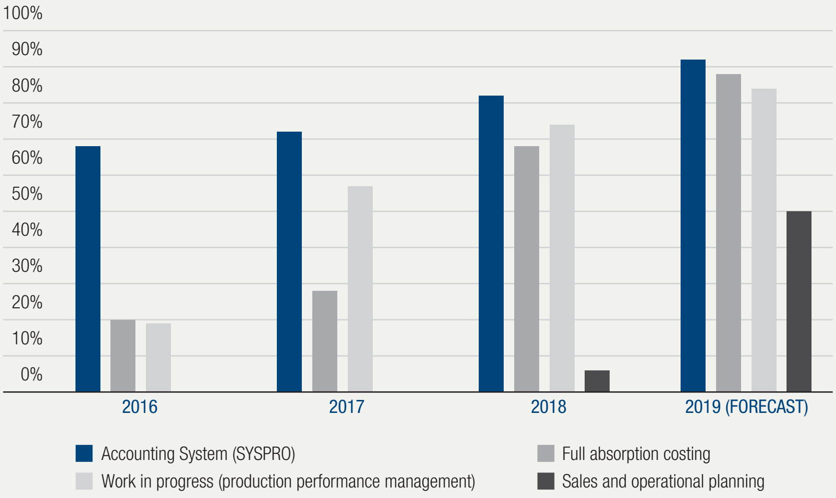
The group continues to drive business and cost efficiencies through the standardisation and integration of an enterprise resource planning (ERP) system across the group. In 2016, 68% of group revenues were on the group's ERP platform. By the end of F2017 and F2018, this grew to 72% and 82% respectively. The group is on track to have in excess of 90% of all group revenues on one platform by the end of F2019.

We have also adopted a system that provides management with the ability to perform a detailed manufacturing statement analysis and the effective management of gross margins. At the end of F2018, the majority of the group companies had adopted this system. This has improved procurement practices and inventory management.

During the year, we also developed a low-cost overall equipment effectiveness tool in a joint partnership. This identifies the percentage of planned production that will be highly productive. We have implemented the tool at several of our facilities and will continue to roll this out during 2019.

The standardisation of systems and implementation of fully absorbed costing methodologies assist us to determine the profitability of products at a stock-keeping unit level. This facilitates decision-making and drives higher overall returns.

Business information systems adoption



4 SIGNIFICANTLY ENHANCE OUR GO-TO-MARKET EXECUTION CAPABILITIES

Lancewood is a good example of how the group continued to enhance its go-to-market execution this year.

FORECASTING AND SERVICE DELIVERY

The group's scale allows it to ensure optimal delivery. We also have weekly forecasting to secure demand supply from our milk sources and procurement to finished goods. We manage our third-party distributors daily to result in excellent customer servicing.

POINT OF PURCHASE

We recently appointed a new sales operations manager and have a dedicated third-party perishables merchandising structure to ensure accountability. We have stringent measurement and reporting tools to monitor service providers.

CUSTOMER AND SALES MANAGEMENT CAPABILITIES

We have implemented consumer- and shopper-led demand creation, which profitably grew the dairy category with all our brands (including private label and principal brands). We also focus on executing well at the point of purchase and dealing with the best distributors in key regions. In addition, we have an efficient structure to supply into the wholesale and independent channels.

5 ACTIVELY PURSUE VALUE AND EARNINGS-ENHANCING ACQUISITIONS AND KEY INVESTMENT INITIATIVES

The group focuses on continuously improving earnings through acquisitions or internal capital investments.

For example, during the coming year, Amaro Foods will break into a key new market based on the international trend to freshly bake bread products in-store from par-baked frozen products rather than baking from raw at in-store bakeries. To date, Woolworths has been importing par-baked frozen products from Europe for limited stores only. However, they have seen an opportunity to expand their range and number of stores where this is offered by sourcing it locally in line with their Good Business Journey.

Amaro Foods has been a strategic partner of Woolworths in the baking category since 1976. To meet Woolworths' demand, we invested R37 million in expanding Amaro's facilities to become a local supplier of par-baked frozen products. We will also supply the food service industry and quick service restaurants.

6 DRIVE EXPORT GROWTH

The group has infrastructure in place to grow exports to existing customers in current markets, as well as seeking new markets and customers. Several business units export a range of their products. The group has been exporting products since Cape Herb & Spice was acquired in 2008.

Exports increased from 7% of group revenue in F2014 to 12% in F2018.

This growth was mainly spearheaded by:

- Lancewood exports to Southern Africa and the Indian Ocean islands;
- Finlar exports into sub-Saharan Africa;
- The acquisition of Khoisan Gourmet with exports of bulk and packaged tea to various countries in Europe and the Far East; and
- New markets for Cape Herb & Spice in the Far East and North America.

LIBSTAR AND THE CAPITALS

Recent developments in integrated reporting have been driven by the International Integrated Reporting Council (IIRC). At the heart of the new reporting drive is an integrated model, which demonstrates how six capitals represent the resources and relationships organisations use to create value.

We are at the start of our journey and will continue to improve our disclosure.

1 SOURCES OF CAPITAL

Financial capital
We rely on the financial resources given to us by our shareholders, debt financiers and retained profits.

Manufactured capital
We rely on our assets to deliver our operations in an efficient manner.

Intellectual capital
We rely on our vast knowledge, experience and industry insight to continuously find ways to innovate and provide solutions to our customers.

Human capital
We rely on a high calibre of talent that is key to differentiating ourselves with customers.

Social and relationship capital
We rely on the relationships we enjoy with our stakeholders and broader communities to create a reciprocal value-creation dynamic.

Natural capital
We rely on energy resources that are critical to our operations, particularly in the energy and fleet we use to deliver our operations.

2 WHAT WE OFFER

Libstar is a producer and supplier of quality and leading consumer packaged goods to South African and global markets.

3 MARKETS WE DELIVER VALUE TO

- **Food service markets**
- **Retail and wholesale markets**
- **Export markets**

OUR OUTCOMES

Our outcomes are the services and products we deliver to stakeholders.

We have a business model with flexibility and resilience, which allows us to supply innovative and value-added products. We focus on the low-cost manufacture of these products for discerning consumer markets. These consumers have proven to be more resilient in the ever-weakening economy. We also have long-standing relationships with our customers in the retail, wholesale, industrial and export channels to produce innovative products in partnership with them.

Financial capital

Our financial resources consist of funding from investors and financiers, as well as our retained profits. These are used to invest, develop and grow our business.

To execute on our strategy, we require capital. We continuously improve our manufacturing facilities, which requires maintenance and expansion capital expenditure.

INPUTS

- Revenue of R9 892 million.
- Normalised earnings before interest, tax, depreciation and amortisation (EBITDA) of R984 million.
- Normalised operating profit of R819 million.
- Cash from operating activities of R505 million.
- R1.5 billion equity raise through the listing.

MATERIAL ISSUES AND RISKS

- Integration of new acquisitions of Sonnendal Dairies, Millennium Foods and Khoisan Gourmet.
- Revenue and profitability growth in tough markets.
- Availability of capital in challenging economic conditions.

ACTIVITIES TO ADDRESS RISKS

- Focus on resilient target markets.
- Supply chain optimisation and procurement practices to maintain and improve margins.
- Disciplined working capital management.

OUTPUTS

- Revenue increased by 12.5%.
- Normalised EBITDA increased by 4.6%.
- Normalised operating profit increased by 1.4%.
- Successful integration of new acquisitions.
- 20.9% return on tangible invested capital (ROIC) on a target of >20%.
- 65% normalised free cash flow conversion*.
- Net working capital days maintained at 45 days.
- Net indebtedness following the IPO reduced from R1.9 billion to R1.2 billion.
- Net gearing down to 22%.
- Despite the first full-year impact of F2017's three acquisitions, total expenses increased by only 5.4%.

* *(Normalised EBITDA - Capex) ÷ EBITDA.*

Manufactured capital

We own and operate 42 manufacturing facilities. We also have manufacturing equipment that produces large volumes of products across multiple production lines and a team with strong technical and manufacturing competencies. All our facilities are accredited by recognised authorities.

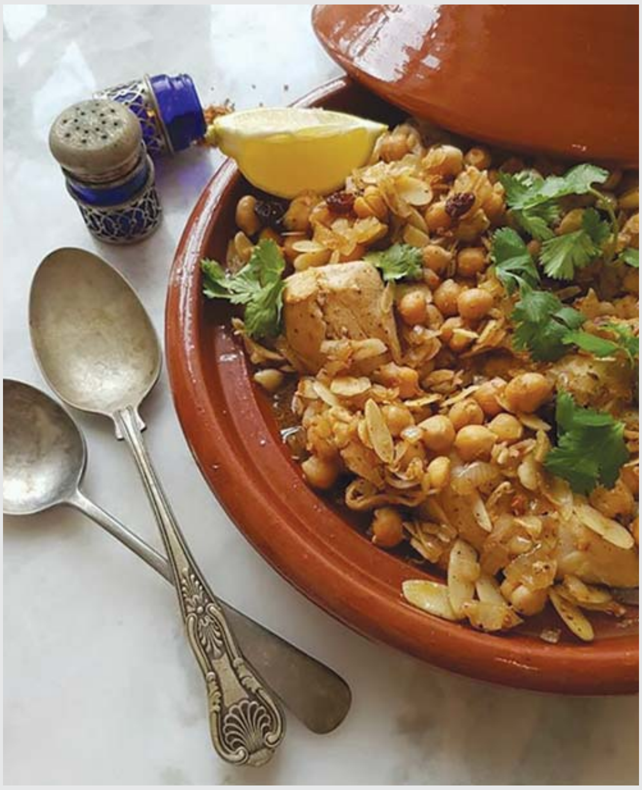
We have a capital investment strategy to increase the production capabilities and capacities of our business units by strategically investing further capital in plant and equipment. This increases our output and allows us to produce products for customers in a more efficient and cost-effective manner.

INPUTS

- 42 manufacturing facilities.
- 12 warehouse, storage, packing and distribution facilities.
- More than 200 production and packing lines.
- More than 75 unique manufacturing technologies across the business units.

MATERIAL ISSUES AND RISKS

- Increased sector focus on health and safety.
- Higher input costs across the board (raw materials and labour).
- Production inefficiencies (overall equipment effectiveness and waste).
- The design and construction of consumer goods facilities is complex, particularly the requirements relating to food safety against a necessity for low-cost production.



ACTIVITIES TO ADDRESS RISKS

- Increased internal and external health and safety audits.
- In-house plant engineering and construction project management team with a track record of successful project implementation, with more than 56 projects concluded in the last eight years, with a further 39 major projects identified to take advantage of new opportunities and internal growth.
- Ongoing review of production processes, manufacturing facility design and automation techniques.
- Nimble procurement practices which involves the substitution of imports for locally produced inputs.
- Ongoing investment in new facilities.
- Implementation of fully-absorbed costing methodologies in several facilities.
- Building of a procurement database to drill down into input costs, as well as IT/logistics systems that will aid product costing.

OUTPUTS

- All manufacturing facilities are ISO compliant.
- No major health and safety events.
- During F2018, we invested R349 million in capital expenditure. This included capacity-enhancing equipment and leasehold improvements at Lancewood, R37 million on a new par-baked frozen facility at Amaro Foods, R54 million for earnings-enhancing projects which include a new granola facility at Ambassador Foods, R33 million for leasehold improvements at Denny and a further R25 million relating to a chicken plant upgrade and other replacement capacity enhancements at Finlar Fine Foods.

Intellectual capital

We have an entrepreneurial culture that encourages product innovation across all business units. We work with our customers in the creation, development and production of new product lines. We also have a proven track record of identifying industry trends, and accessing innovative product categories. We have an experienced management team at strategic and operational levels and deep customer relationships, with certain relationships stretching as far back as 20 to 30 years.

INPUTS

- Our executive management team has collective experience of more than 150 years with the group.
- We have long-standing relationships across our various channels.

MATERIAL ISSUES AND RISKS

- Loss of key customer relationships.
- Inability to innovate and respond to customer needs.
- Non-participation in key growth categories due to a lack of relevant products.

ACTIVITIES TO ADDRESS RISKS

- Ongoing customer engagement and joint strategic planning in collaboration with key customers.
- Continuous innovation and new product development.
- Implementation of a central category management team.
- Ongoing investment in our teams and the group culture of entrepreneurship and innovation.
- Investment in market and shopper research and building a knowledge base of market share and key growth categories.

OUTPUTS

- The group has more than 9 000 products.
- 387 new products launched in F2018 and 336 products renovated, focusing on key growth market categories.
- Ongoing training to improve our team's skills, as outlined in human capital.

Human capital

Libstar has a human capital model that aims to align and build individual and organisational value. The model focuses on information sharing, involvement, innovation, reviewing performance and solving problems. The group has an entrepreneurial culture, with the "mind of a corporate and the heart of an entrepreneur". Teams are self-motivated and focused on creating sustainable competencies and intellectual capital to create value over an extended period.

EMPLOYEE AND ORGANISATIONAL VALUE CREATION

LIBSTAR
LIBSTAR HOLDINGS

INCREASE AND SUSTAIN VALUE CREATION THROUGH STRATEGIC INNOVATION AND CONTINUOUS IMPROVEMENT

CLEAR PURPOSE AND DIRECTION
Ensure that vision, direction, strategy and goals are clearly defined, communicated and understood by employees, both individually and in teams.

ALIGNMENT
Align the organisational culture, structure and design to value drivers for the successful implementation of strategy.

PERFORMANCE MANAGEMENT
A clear approach to performance management for the organisation, team and individual.

INSPIRING, CARING, EQUITABLE AND PROFESSIONAL CLIMATE
Create a climate within the organisation that will be conducive to self-motivation and inspiration of individual employees and teams.

SUSTAINABLE COMPETENCIES AND INTELLECTUAL CAPITAL
Build sustainable competencies and intellectual capital in the group to create value over an extended period.

RELEVANT TEAM FORUMS
Team forums are fundamental to this model, as they allow all the elements to be fully integrated.

INPUTS

- 5 808 permanent employees
  - 53% female employees.
  - 90% black* employees.
- Salaries and wages of R1 139 million in F2018.
- Transformation and diversity.

MATERIAL ISSUES AND RISKS

- Lack of skills of the required racial demographics with experience and qualifications in certain business units.
- Losing skilled employees.
- Labour unrest.

ACTIVITIES TO ADDRESS RISKS

- Increased training and development.
- Improved focus on culture development and transformation.
- The long-term incentive programme was restructured for qualifying and key employees.
- Ongoing communication with the employee base to improve relationships.

OUTPUTS

- Almost R8 million spent on training# in F2018.
- 1 802 employees externally trained#.
- Almost 500 bursaries, learnerships, apprenticeships and internships.
- The number of disabled employees doubled.
- Active socio-economic development and enterprise development programmes.
- A strike at Dickon Hall Foods successfully resolved.

* *African, coloured and Indian.*

\# *Permanent and contract employees.*

Social and relationship capital

We recognise that our growth and sustainability depend on effectively engaging with our people and the communities where we operate. We have manufacturing operations across the country, often in smaller towns where we employ people from the local areas. We also invest in a number of social programmes to improve the lives of people in surrounding communities. As our products are used by millions of South Africans and people across the world, we have a responsibility to ensure we provide value and cost-effective solutions.

INPUTS

- People employed from communities surrounding our operations.
- Libstar Academy.
- A youth development programme.
- Millions of shoppers engage with our more than 9 000 products.
- Social programmes.

MATERIAL ISSUES AND RISKS

- Community unrest impacting our operations.
- Not launching the right products.
- Poor engagement with our communities.

ACTIVITIES TO ADDRESS RISKS

- Continuous product innovation and evaluation of trends.
- Ongoing engagement with customers to create value-adding products.
- Social programme grants and contributions.
- Education programmes and training.
- Discounts in addition to normal business practices for our employees.
- Support of healthcare/ HIV-AIDS programmes.

OUTPUTS

- Several learnerships, such as 163 unemployed youth at Multi-cup.
- Youth development programme at Lancewood, with 20 learners.
- R24 million spent on social programmes, such as a R10 million noodle donation for disadvantaged communities.

Natural capital

As the group has several manufacturing facilities, it focuses on the careful management of natural capital. As South Africa experienced significant power interruptions and drought in certain provinces, the group increased its focus on water management and ensuring facilities have back-up power.

INPUTS

- 42 manufacturing facilities.
- R108 million electricity cost*.
- R60 million gas cost*.
- R22 million water cost*.

MATERIAL ISSUES AND RISKS

- Water shortages.
- Power interruptions at manufacturing facilities.
- High input costs.

ACTIVITIES TO ADDRESS RISKS

- Electricity and gas saving initiatives in place.
- Borehole installation in a number of areas.
- Most of the manufacturing facilities have generator power.
- Water resilience plan in the drought-stricken Western Cape. This involves a number of boreholes at several facilities, as well as stand-by water and transport contingency plans.
- We evaluate and negotiate price increases with customers periodically to pass through increases in the prices of raw materials and other input costs.

OUTPUTS

- Electricity cost up by 10%, gas by 50% and water by 22%.
- Invested in boreholes and grey water systems, such as a borehole and water treatment system at our Westlake facility.
- 45% water use reduction achieved, with further initiatives in place in the Western Cape.

* *In F2018*

YEAR UNDER REVIEW

KEY FOCUS AREAS

01

FINALISATION OF OUR JSE LISTING AND OPERATING AS A LISTED ENTITY

We listed in extremely challenging local and international markets, with a number of other listings terminated. Leading up to and since listing, we have improved our processes as a listed entity, which has included diversifying the board and adopting relevant governance protocols.

Refer to page 41.

02

OPERATING IN A TOUGH RETAIL AND CONSUMER ENVIRONMENT

We operated in the most difficult market conditions since our inception 14 years ago. We achieved strong results by continuing to focus on our strategy of supplying innovative and value-added products and the low-cost manufacture of quality products.

Refer to pages 40, 42 to 43.

03

TREASURY AND THE MANAGEMENT OF FOREIGN EXCHANGE CONTRACT EXPOSURE

Foreign exchange contracts and their impact on the income statement are key issues for the group. We are therefore implementing a number of actions to improve our cash flow forecasting and reduce the volatility on the income statement.

Refer to page 50.

04
INTEGRATION OF NEW ACQUISITIONS, EXISTING FACILITIES AND BRANDS

We did not make any new acquisitions this year, but focused on successfully integrating the three new businesses we acquired at the end of F2017. A number of facilities and brands were also successfully integrated. For example, the facilities of Denny Cannery and Montagu Foods were fully integrated, Cook 'n Bake and NCP Yeast were successfully transferred from Rialto Foods to Retailer Brands and Khoisan Gourmet is in the process of being transferred from Niche Beverages to Ambient Groceries.

Refer to page 44.

05
CAPACITY AND CAPABILITY EXPANSION

We continuously increase the production capabilities and capacities of our business units by strategically investing further capital in plant and equipment. In F2018, capex constituted 3.5% of group revenue, as we implemented mainly expansionary capex.

Refer to pages 43 and 51.

06
CONTINUED INNOVATION AND ENTERING NEW MARKETS

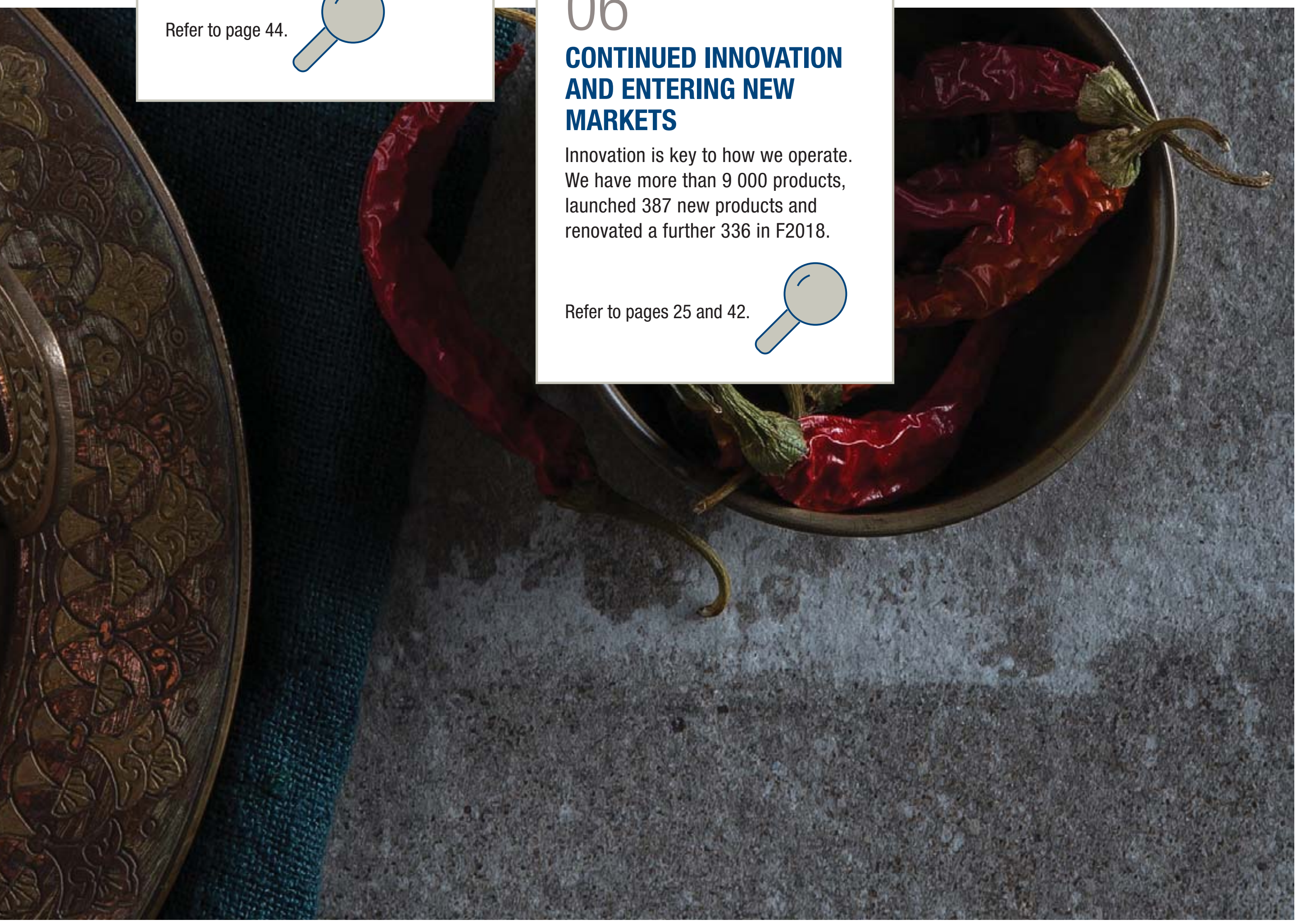
Innovation is key to how we operate. We have more than 9 000 products, launched 387 new products and renovated a further 336 in F2018.

Refer to pages 25 and 42.

07
MANAGING OUR EMPLOYEES

Industrial action at Dickon Hall Foods was successfully resolved and multiple trade negotiations completed across the group. We also continue to focus on our talent development and relevant incentivisation programmes.

Refer to pages 76 to 88.



OUR BOARD

WENDY LUHABE

Chairman – Independent non-executive director

BCom (University of Lesotho)

Management Advancement Programme (Wits Business School)

Date of appointment: March 2018

Wendy has been a serial social entrepreneur for 25 years, with a focus on the economic empowerment of women.

She has served on boards of diverse industries since 1992, including chairing Vodacom and the Industrial Development Corporation. She pioneered broad-based economic empowerment (B-BBEE) of women in 1993 through the creation of WIPHOLD before B-BBEE became legislation. WIPHOLD is an investment portfolio company that enabled thousands of women to become investors in South Africa's economy for the first time. In 2003, she established the Women Private Equity Fund to provide growth capital to female-owned enterprises. She is currently involved in mobilising women to participate in infrastructure opportunities through the establishment of Women in Infrastructure Development and Energy (WINDE).

Wendy is a BCom graduate and has attended many post-graduate leadership programmes over the years.

She currently serves on the Social Justice Initiative and Pepkor boards. Her previous board experience includes Telkom, Tiger Brands, JSE, BMW, International Institute for Management Development and World Rugby.

JP LANDMAN

Lead independent non-executive director

BA LLB (University of Stellenbosch)

MPhil in Future Studies (cum laude) (University of Stellenbosch)

Programme on Macroeconomic Policy Management (Harvard)

Continuing Education on the Economies of the BRICS countries (Oxford University, Continuing Education)

Date of appointment: March 2018

JP is an independent analyst on political-economic trends, focusing on trends in politics, economics, demographics and social capital. JP previously worked at an investment house operating on the JSE Limited where he was rated the number one analyst in his category. From 2006 to 2009, he served on President Mbeki's economic advisory panel. In 2015, he was appointed as a member of the National Planning Commission. He has board and audit committee experience as a non-executive director of different companies, including the Afrikaanse Taal en Kultuurvereniging (ATKV).

SIBONGILE MASINGA

Independent non-executive director

BCom (UNISA)

US-SA Leadership & Entrepreneurship Programme (Wharton School of Business)

Date of appointment: December 2018

Sibongile is a co-founder and shareholder of Afropulse Group, a women-led investment, corporate advisory and investor relations group. She holds a Bachelor of Commerce Degree and has completed the USA-SA Leadership and Entrepreneurship Programme at the Wharton School of Business. She has valuable industry-related experience as she currently serves on the board of Bidvest Holdings as a non-executive director and a member of the remuneration committee, risk committee and social and ethics committee. She also serves as an independent director on the Finance and Grant Committee of the Merseta (Manufacturing, engineering and related services sector). She was appointed to serve on the Council at Durban University of Technology by the Minister of Higher Education, The Honourable Naledi Pandor and also serves on the audit committee.

WAHID HAMID

Non-executive director

Bachelor of Science Elec Eng (California Institute of Technology)

Honorary PHD in Humane Letters (Occidental College)

MBA (Wharton School, University of Pennsylvania)

Date of appointment: December 2014

Wahid is a managing partner of the Abraaj Group. He is a member of Abraaj's global investment committee and leads the global operational value creation activities for the firm. Before joining Abraaj, Wahid was senior vice president of Corporate Strategy and Development at PepsiCo, a member of PepsiCo's executive management committee and a board member of PepsiCo Americas. He was also CFO for PepsiCo Americas Foods, which includes the Frito-Lay and Quaker brands. Before that, he spent 15 years with The Boston Consulting Group (BCG), where his last role was senior partner and managing director in New York. During his tenure at BCG, he led the firm's consumer goods and retail practice across Asia Pacific.

He also serves on the boards of Fan Milk International and KES Power.

SANDEEP KHANNA

Non-executive director

Chartered Global Management Accountant

Associate Member of the Chartered Institute of Management Accountants (UK)

Date of appointment: June 2014

Sandeep is a seasoned investor and pioneer of private equity with more than 20 years of experience in Africa. Sandeep has a track record of investing in Africa since 1995 through direct investing, investment committee membership and senior key leadership positions held at two leading emerging markets fund management firms over the investment cycle of several funds. Sandeep is a chartered management accountant in the United Kingdom.

EXECUTIVE DIRECTORS

ANDRIES VAN RENSBURG

Chief executive officer

BEng, MEng (University of Stellenbosch)

MBL (cum laude) (UNISA)

Date of appointment: June 2014

Andries joined Sasol in 1982 and was soon promoted to operations manager. In 1989, he acted on his passion for food businesses and took up a position with Tiger Brands, where he served as managing director of subsidiaries such as Oceana Fishing, Langeberg Foods and the Tiger Brands Culinary division. He brings a wealth of knowledge in the food sector, as well as management and leadership skills. Andries co-founded Libstar in 2005.

ROBIN SMITH

Group financial director

BCompt and BCompt Honours (UNISA)

CA(SA)

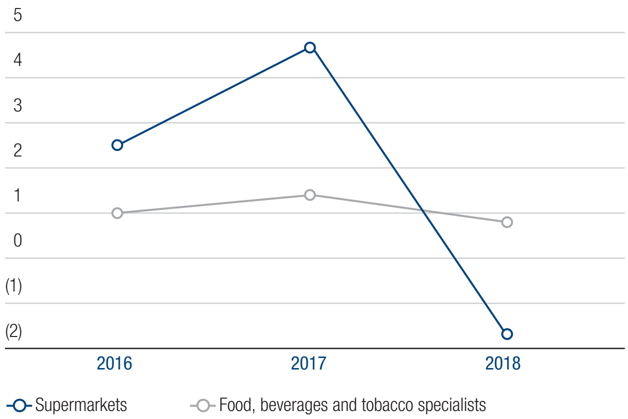
Date of appointment: October 2014

Robin is a chartered accountant who left the accounting profession for financial management positions in commerce and industry. Robin was a shareholder and the financial director of the Sherwood Export Group for ten years before joining South African Breweries as financial director of the African operations and later as commercial director for SAB International. Robin was a director of Brait South Africa and a shareholder and director of Metier Investment and Advisory Services Proprietary Limited before co-founding Libstar in 2005. Robin has in-depth experience in the areas of finance, administration, capital raising, mergers and acquisitions and general commercial management.

CHAIRMAN'S REVIEW

FOR THE YEAR ENDED 31 DECEMBER 2018

Retail volumes (%)



Libstar's maiden year as a listed company and my first year as the group's chairman took place against the backdrop of very challenging economic conditions, with the country being plunged into recession in the first half of 2018 for the first time since the global financial crisis of 2008/9.

ECONOMIC CONDITIONS

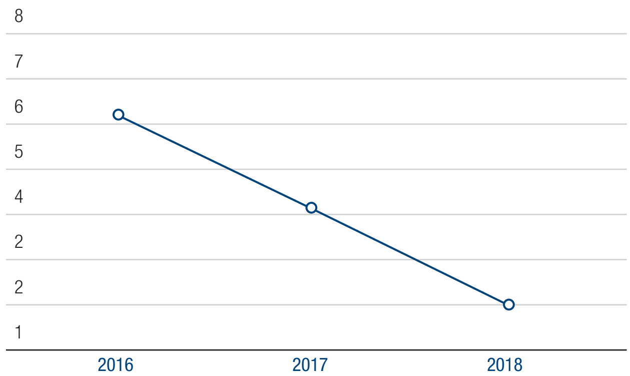
South Africa achieved GDP growth of only 0.8% in 2018, far off the ambitions of 3%. The Reserve Bank and the Treasury halved their growth forecasts during the course of 2018.

Unemployment is nearing the 30% mark, consumers are heavily constrained, we experienced a VAT increase for the first time in many years, fuel increases skyrocketed and load shedding has increased significantly.

The retail market in which we operate has been very constrained under these conditions, with supermarket volumes up by 0.8% and food, beverage and tobacco categories growth down by 1.7%. Consumer confidence has been eroded, as consumers have had to curb spending and are increasingly looking for value for money.

Retail inflation also continued to decline and remains below the consumer price index (CPI).

Retail inflation (%)



Source: STATS SA.

LIBSTAR'S OPERATING MODEL IN THESE MARKETS

As discussed in the chief executive officer's review, the diversity of the group's family of businesses and portfolio gives Libstar flexibility and resilience by reducing supplier and customer concentration risk. Libstar aims to deliver consistent stakeholder value by leveraging its entrepreneurial capital.

Although the bottom-line results during the year were impacted by non-trading items such as amortisation of customer relationships, the impact of foreign exchange movements and an impairment, the resilience of the group's operating model was proven through the 4.6% increase achieved in normalised EBITDA from continuing operations. We believe this is the most relevant measure of the group's performance and indicates a healthy achievement in very demanding market conditions, which enabled us to declare a maiden dividend of 22 cents per share.

On a strategic level, the group continued to drive growth in relevant product categories through category management initiatives. This included a focus on value-added products in the consumer-packaged goods market and identifying global food trends.

One of the group's key focus areas is product innovation, which is a main driver for the growth of product categories and product offerings. Through market, consumer, shopper and customer insights and by working together with its customers in the conception and development of new products, Libstar aims to grow its product categories and increase its presence and visibility in its customers' stores. Coupled with product innovation is the pursuit of manufacturing excellence to ensure that the group continuously produces products of a high quality. In this way, the group seeks to foster close relationships with its customers and to produce products that are trusted and respected by consumers.

During the year, this focus assisted us to improve our performance in the second half of the year through the launch of new, branded dairy products, an improved performance in dry condiments and an increase in production efficiencies. As we committed during our listing, gross profit margins improved considerably during the second half of F2018, in line with the higher trading levels and seasonal factory utilisation.

MATURING INTO A LISTED GROUP

The investment markets into which the group listed in May 2018 were very unstable, with other listings at the time having been withdrawn. This resulted in a lower than anticipated listing price for Libstar. Although share buybacks have since improved the share price performance, Libstar still trades at a marked discount to its peers. The board agrees with management that as a group we have to focus on running the business, implementing its strategy and letting the share price find its own levels.

Leading up to and since listing, we have improved our processes as a listed entity, which has included diversifying the board with three new independent non-executive directors and the adoption of relevant governance protocols.

As a board, our key focus areas leading up to and following the listing included:

- Adequately structuring the business for the listing;
- Diversity and succession planning;
- Focusing on talent and development;
- Enhancing the integrity of reporting systems;
- Establishing a corporate identity and enhancing the brand;
- Appointing an independent non-executive chairman and independent lead director;
- Adopting a governance policy, a policy on managing and disclosing price sensitive information and an insider trading policy; and
- Ensuring compliance with relevant guidelines, including King IV and the JSE Listings Requirements;
- Leveraging the six sources of capital to create value for all our stakeholders.

In addition, the group has set itself race and gender targets at board, group and business unit level. As a board, we have set a voluntary target of 30% female representation by the end of F2020. The group currently has two female directors at main board level, which represents 28.6% female representation. Our intention is to also ensure race and gender diversity at executive level over time.

TRANSFORMATION

The group is committed to transformation and aims to implement a scheme that focuses on benefiting certain categories of permanent employees of the group. The goal of the Employee Share Scheme is to incentivise and motivate the beneficiaries of the scheme to remain in the employ of the group and to contribute to the profitability, growth and success of the group. This will also contribute towards the broad-based economic empowerment (B-BBEE) credentials of Libstar and promote the objectives of the B-BBEE Act and BEE Codes by affording black employees the opportunity to participate in the economic benefits arising from the scheme. Regrettably, the registration process has been delayed and the unfavourable listing issue price compared to the current market price has not been helpful.

The board and management are currently evaluating different options and are in the process of consulting with stakeholders. For now, there is no IFRS 2 charge or dilutive impact on the weighted average number of shares until the units are allocated.

We have a number of strategies in place to improve transformation and B-BBEE compliance. This is also a key performance metric at business unit level. During the year, the group contributed to a variety of programmes, which included:

- Contributions made towards transport and housing;
- Interest-free loans;
- Grants and related contributions; and
- Donations made in support of healthcare and HIV/AIDS initiatives.

Refer to page 33.

OUTLOOK

The group is conscious that markets will continue to be challenging, which will require us as a board and management to remain focused on innovation and capturing growth opportunities and looking after our partnerships.

The South African economy is poised for modest growth off a low base. A number of risks remain, which could impact exchange rates and labour stability. A load shedding programme will add to the risks.

Consumers will remain under pressure, with the first half of F2019 likely to continue showing constrained consumer spending.

Against this market, the group will focus on continued investment in new capabilities, building on the entrepreneurial spirit of the group and the maintenance of a high rate of innovation. This will ensure that we continue to provide products that meet and exceed consumer expectations.

APPRECIATION

I am confident that Libstar will grow from strength to strength. Appreciation is extended to the management team for their leadership, dedication and hard work this year.

I am indebted to my fellow board members who worked tirelessly during the listing and post listing to assist management with life as a public entity. A special word of appreciation to the previous chairman of the audit committee, Phumzile Langeni, for her valued contribution. Phumzile resigned due to her recent appointment as the President's Special Investment Envoy.

We welcome Sibongile Masinga as chairman of the audit committee and look forward to her contribution and working with her.

Without our employees, customers and shoppers we do not have a reason to exist. We are grateful for your confidence in our company and our products.

Although the year ahead will remain demanding and the economic prospects uncertain, I am confident that the group has a motivated and passionate team in place to grow the business and establish Libstar as an exciting player in the sector.

W Luhabe

WENDY LUHABE

Chairman

4 April 2019

CHIEF EXECUTIVE OFFICER'S REVIEW

FOR THE YEAR ENDED 31 DECEMBER 2018

Against the backdrop of the toughest market conditions since our inception 14 years ago, we are pleased with our revenue and EBITDA performance over the past year.

Organic revenue grew by

5.1%

Normalised EBITDA improved by

4.6%

We delivered on our commitment to compensate for the weaker trading performance in the first half of the year.

Whilst it has been a challenging year, I am confident that we are on the right track as we continue to pursue our strategy of supplying innovative, value-added products to customers and consumers. The group focuses on the low-cost manufacture of these products for discerning consumers across retail, wholesale, food service, industrial and export channels. Our markets have proven to be resilient, despite the ever-weakening economy.

Having successfully navigated an extremely demanding first year as a listed entity, we hope to continue to improve the value we deliver to shareholders in the year ahead.

ADDRESSING TOUGH CONSUMER MARKETS

Libstar operates under an umbrella of innovation, which assisted the group to grow despite trying economic conditions in F2018.

1. Category and channel development

Our in-depth customer relationships and market insights assist us with detailed analysis of product categories, highlighting growth opportunities. These include new product innovation, increasing our market share and growing the overall size of the market. Category analysis also enables us to identify and target channel development opportunities in new market segments.

During the year, we grew our market by developing 387 new stock-keeping units and renovating 336 stock-keeping units. This included the launch of new dairy products, gluten-free products and ready-made meals to serve current market demands.

We introduced a new yoghurt range at Lancewood, which was one of the most notable successes. Having aimed for a 5% share of this market over the short to medium term, Lancewood has already achieved significant market penetration in only the first year of manufacturing and marketing these products. This success story has been outlined in more detail on page 25.

We continued to adopt a comprehensive route to market strategy that determines how our products reach the market and how they are presented at the point of purchase or the point of consumption. This includes smart strategies to ensure our products attract customer attention in-store, as outlined on page 12.

2. Investment

As an outcome of our long-term view to improve shareholder value, Libstar has continued to invest in its operating capabilities despite the weaker macroeconomic climate. This investment involves significant capital allocation to new technologies, efficiency improvements and capacity expansion in key categories.

The group now has 42 production facilities, more than 200 production and packing lines and more than 75 unique manufacturing technologies across the business units, positioning us well for future growth.

To achieve growth beyond what is achievable on an organic basis, Libstar acquires high-quality, small to medium businesses that demonstrate strong management drive. The group affords a platform for these businesses to grow through the provision of working capital and investment in infrastructure to strengthen manufacturing capability and capacity.

In addition, our investment in market research and technical knowledge positions us strategically to capitalise on areas of product innovation and development, enhancing our position as a leading provider of brand solutions to customers. Greater insight into market data and early understanding of consumer trends also allow us to strategically invest in plant and equipment to meet growing consumer demands.

The design and construction of consumer goods facilities is complex, particularly the requirements relating to food safety. Our in-house capability to engineer and manage the building of new capabilities, all whilst balancing compliance requirements with cost-saving measures, provides a key competitive advantage and assists us to deliver more cost-effective food solutions to customers.

As manufacturing technology constantly changes to adapt to modern requirements, we have taken steps to ensure we remain ahead of the curve. We make use of the latest software and technologies to design ideas, visualise concepts, and simulate how these designs will perform to optimise plant sizing and layouts. The in-house plant engineering and construction project management team has a track record of successful project implementation, having concluded more than 56 projects in the last eight years, with a further 39 major projects identified to take advantage of new opportunities and bolster internal growth.

Our capital expenditure strategy aims to ensure operational efficiency in maintaining and replacing assets, to comply with environmental laws, and to build capacity for growth. Our guideline for F2019 is 35% to 40% replacement capex and 60% to 65% expansion capex, representing the group's strong focus on growth and following on from a similar trend during F2018.

During the year, key group investments included:

- R64 million in capacity-enhancing equipment and leasehold improvements at Lancewood;
- R37 million on a new par-baked frozen facility at Amaro Foods;
- R54 million for capital-enhancing projects, including a new granola facility at Ambassador Foods;
- R33 million for leasehold improvements at Denny Mushrooms; and
- R25 million relating to a chicken plant upgrade and other replacement capacity enhancements at Finlar Fine Foods.

3. Systems and technology

Whilst technology can be an enabler for business growth, it can also be a limiting factor when not managed holistically and in line with organisational objectives. The information technology systems within the group have been disparate following historic acquisitions of new businesses operating diverse systems. Following a comprehensive evaluation in 2016, we took the decision to evolve the business unit information technology systems and processes towards a standardised operation. Significant upgrades were also undertaken. The software and hardware used by each of the business units were standardised, and the group's operating systems and office applications unified, establishing cloud architecture throughout the group.

The standardisation of systems is expected to be fully implemented this year, which will reduce production costs due to improved operational efficiencies and increased ability to measure overall equipment effectiveness.

The systems will improve our ability to accurately cost our products, track shipments with freight-forwarders, and assist with the faster identification of underperforming stock-keeping units.

4. Exploiting market trends

Developing market trends provide opportunities for product innovation. Our competitiveness depends on our ability to predict and quickly adapt to consumer trends, as well as exploiting profitable opportunities for new product development without alienating our existing consumer base or focusing excessive resources or attention on unprofitable or short-lived trends.

We have a proven track record of anticipating local and global consumer trends. Global food trends that continue to grow include an emphasis on convenience, a focus on consumer health and wellness and a need to provide value for money. In addition, we have identified a number of region-specific opportunities, resulting in the production of new products in a particular jurisdiction based on an identified demand.

Current, fast-growing trends in our markets include:

- On-the-go eating and convenience
  - We have focused on creating products that capitalise on the consumer demand for greater convenience, such as the flour tortilla wraps produced by Amaro Foods. These are supplied on a national scale to KFC, amongst others.
  - We are also meeting the consumer requirement to dine out of home through supplying a range of products to quick service restaurants, such as McDonald's, KFC and Nando's, and to family restaurant chains such as Panarotti's, Mugg & Bean and Spur Steak Ranches.
  - Finlar Fine Foods' development of a Cajun chicken burger patty for McDonald's, which has been introduced to several regions elsewhere in the world.

- Healthier eating and wellness
  - Ambassador Foods' production of healthy nut snacks and Amaro Foods' production of gluten-free baked goods are two examples of how we are exploiting the trend towards a preference for health and wellness amongst consumers.
- Dealer-own brands and private label products
  - Our dealer-own brand (DOB) and private label products accounted for approximately 44% of total revenue for the year ended 31 December 2018. There is significant additional scope for growth in private label and DOB products, as they provide consumers with value for money, quality, availability, choice and innovative new products. They also drive loyalty, differentiation, a unique promise and higher margins for retailers.
  - Examples of Libstar's innovation is these markets include:
    - Ambassador Foods' development of a range of health bars for Woolworths.
    - Montagu Foods' production of a range of condiments for Pick n Pay and Shoprite Checkers to provide consumers with value-added products.

ENSURING GROWTH

Libstar has a very clear growth strategy, comprising three levers: organic growth, capacity growth and acquisitive growth.

1. Organic growth

During the year, we experienced market share growth in a number of key businesses through focusing on our product strategy.

Whilst food inflation is expected to remain constrained, with growth likely to be more volume-related, we will focus on new technologies and efficiencies to achieve improved margins. We also see scope to grow our penetration of independents, wholesalers and exports.

Volume growth will be underpinned by further innovation. We have a track record of innovation within existing categories and plan to build on this through new product development initiatives, understanding and catering to consumer trends, and the implementation of new technologies.

2. Capacity growth

We increase the production capabilities and capacities of our business units by strategically investing further capital in plant and equipment. This increases our output and allows us to produce products for customers in a more efficient and cost-effective manner.

> We target total capital expenditure as a percentage of group revenue to range between 2.5% to 3.0%. In F2018, capex constituted 3.5% of group revenue, as we implemented mainly expansionary capex.

During F2018, we invested in various new manufacturing facilities to grow our market:

- We increased the group's hard cheese manufacturing capabilities and reduced dependency on third-party manufacturers;
- We built a new granola plant and expanded our health bar capacity based on the trend for more health-conscious snacks;
- We built a meat-slicing plant to meet demand in a discerning market; and
- We focused on integrating Montagu Foods and Denny Mushroom's wet condiment factories to create a single, efficient point of manufacture for branded and private label products in this sub-category.

In the coming year, we will see the benefits of these initiatives flow through to the income statement.

F2019 initiatives include:

- The commissioning of a new par-baked frozen plant;
- A new tea plant for the local and export market;
- New plants to locally manufacture Pringles, Kiri and Laughing Cow cheeses; and
- The expansion of our prepared meal capacity to tap into the growing market of convenience foods.

3. Acquisitive growth

Libstar's growth is not acquisition-dependent. When we acquire, we focus on businesses that can scale or provide additional capacity, new capabilities or entry points to new high-growth categories.

Following an acquisition, new business units benefit from the group's platform and are able to achieve more rapid growth by utilising the advantages of our structure. These include:

- The provision of working and investment capital to fuel growth;
- The appointment of key people and assistance to drive growth;
- The adoption of systems and disciplines designed to maximise cost effectiveness;
- Efficiency and brand and product awareness;
- Technical input and assistance;
- Assistance with direction and strategy;
- Access to reporting and measurement tools;
- Entrenched supplier and customer relationships;
- People development and training; and
- Access to market data, trends and analysis and support in capitalising on current consumer needs.

For example, since its acquisition in 2006, Rialto Foods has capitalised on customer and consumer demand by expanding its product offering to sell a wide range of products from multiple product categories. These include Perishables (cured meats and premium charcuterie), Ambient Groceries (pasta, canned foods, condiments, sauces, noodles, etc.) and Baking Aids. Rialto Foods has also grown its principal brand product offering through building relationships with a wide range of brand owners.

We did not conclude any business acquisitions during F2018, but focused on the integration of the three acquisitions concluded late in F2017, namely Sonnendal Dairies, Millennium Foods and Khoisan Gourmet:

- Khoisan Gourmet is a packer and supplier of natural and organic speciality teas and a variety of spices, primarily for export markets (such as Germany and Sweden). The acquisition has therefore grown our export footprint;
- Millennium Foods is a manufacturer of prepared meals. The acquisition has allowed us to diversify our product offering in the perishables market whilst providing synergies of supply with existing businesses within the group; and
- Sonnendal Dairies is a manufacturer of dairy products, primarily yoghurts, and was acquired expressly to increase Lancewood's yoghurt manufacturing capacity. The acquisition has grown the group's footprint in the Perishables category and complemented the existing dairy category, as outlined in the case study on page 25.

In the coming year, we will continue to evaluate strategic acquisitions.

OUTLOOK

The economy is expected to remain sluggish. We will navigate this challenging environment by continuing to focus on our strategy of supplying innovative products and ensuring we remain a low-cost manufacturer of quality, value-added products.

As a management team, we will concentrate on the development of key channels and markets, supported by investment in group manufacturing capabilities and systems.

We are clear about which businesses will represent our core portfolio. Our overall strategy is to focus on value-added food-related businesses. These have been categorised effectively. We have exceptional brands and businesses in our stable, which provide a strong base for growth.

Our core stable of businesses represents approximately 96% of earnings. Perishables is the group's largest product category, where Lancewood is the anchor business. This business continues to successfully innovate and grow market share. Although Finlar Fine Foods experienced a difficult year, it remains a core growth business, as do Rialto Foods and Millennium Foods. We will further underpin Denny Mushroom's recovery by leveraging Lancewood's strong sales and distribution platform, which will assist Denny Mushroom to develop new sales channels.

Each of the businesses in Ambient Groceries offers growth opportunity through innovation. Cape Herb & Spice provides a particularly strong base for this category, with a number of product diversification and market growth opportunities.

In the Snacks and Confectionary category, Ambassador Foods that was acquired many years ago, is growing strongly and provides product diversification opportunities.

Baking and Baking Aids is a star performer. The growth opportunities for this category are significant, particularly in respect of products that cater for health and wellness trends.

The other businesses represented approximately 4% of the group's current earnings and form an important part of Libstar's product basket.

CORE GROWTH BUSINESS (96% OF EARNINGS)

1. PERISHABLES
2. AMBIENT GROCERIES
3. SNACKS AND CONFECTIONERY
4. BAKING AND BAKING AIDS

OTHER BUSINESSES

5. NICHE BEVERAGES
6. HOUSEHOLD AND PERSONAL CARE
7. SPECIALISED FOOD PACKAGING

APPRECIATION

Thank you to my management team, who worked hard to deliver results that indicate we can be resilient.

My appreciation extends to the board for supporting us through the listing and our first year as a listed company. It has not always been easy, but your guidance has been valuable.

To our consumers, thank you for continuing to support our business and products. We will remain focused on trying to exceed your expectations.

To our shareholders, we realise our listing journey and results in the first year were challenging. We are committed to showing you that you can trust us as a team and business. Thank you for staying the course with us.

Lastly, to each and every employee. Thank you for your dedication to build the brand of Libstar. You help us to continue to connect the dots between innovation and value creation, and make us who we are.

I look forward to continue working with you.

ANDRIES VAN RENSBURG

CEO

4 April 2019

FINANCIAL DIRECTOR'S REVIEW

FOR THE YEAR ENDED 31 DECEMBER 2018

During the year under review, Libstar achieved pleasing results in very demanding market conditions.

Revenue up by
12.5%

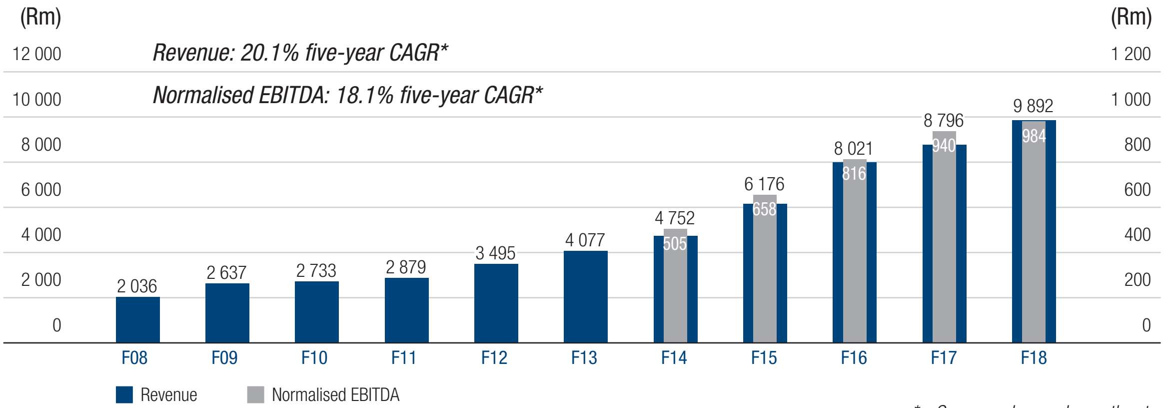
Organic revenue up by
5.1%

Organic volume growth of
3.8%
price and sales mix impact of
1.3%

REVENUE AND NORMALISED EBITDA

Revenue increased by 12.5% from F2017, with pleasing organic revenue and volume growth.

Normalised earnings before interest, tax, depreciation and amortisation (EBITDA), the measure we use to judge our operating performance, increased by 4.6% to R984 million. This was in line with our historic seasonal trend of an approximate 40:60 ratio between the first and second half of the year.



* *Compound annual growth rate.*

MATERIAL ISSUES IN F2018

- Operating in very demanding market conditions;
- Bedding down the three acquisitions in F2017;
- Managing a volatile foreign exchange, with unrealised foreign exchange translation losses of R46 million (F2917: gain of R40 million); and
- A R42 million impairment in the dairy-blend and fruit concentrate beverage operations of the group.

ACHIEVEMENTS DURING F2018

- Listed on the JSE Limited in very tough emerging market conditions;
- Raised R3 billion in primary and secondary capital, strengthening the balance sheet considerably;
- Reduced the group's net indebtedness from R1.9 billion to R1.2 billion; and
- Declared a maiden cash dividend of 22 cents per share, 3.3 times covered by normalised headline earnings per share.

A YEAR OF TWO HALVES

As committed, we improved our trading performance in the second half of the year through new product innovation, higher volume throughput in our factories, increased production and procurement efficiencies.

Y-o-y growth	H1		H2	
Revenue	+14.2% +3.7% organic	▪ Innovation and product launches	11.1% +6.2% organic	▪ Product innovation (yoghurts, dips, sauces and health bars) ▪ Stronger dry condiment shipments ▪ Return to full production at Dickon Hall Foods following the strike in the first half
Gross profit margin (absolute)	20.9%	▪ Lower first quarter mushroom price realisation ▪ Sonnendal Dairies acquisition benefits ▪ Strike at Dickon Hall Foods ▪ Montagu Foods/Denny Mushrooms integration benefits ▪ Operational efficiencies	23.4%	▪ Stronger despite challenging market conditions, supported by: – Lower average input prices in dairy and dry condiments – Higher volume throughput
Normalised EBITDA (absolute margin)	+4.3% (8.8%)		+4.8% (10.9%)	▪ Traditionally weighted to the fourth quarter, with around 35% of the annual earnings achieved in that time ▪ 40:60 ratio between first half and second half achieved
Non-trading items	R94.1m	▪ Customer amortisation, unrealised forex, share appreciation rights (SARs) provision	R149.9m	▪ Customer amortisation, unrealised forex, SARs provision, impairment in Niche Beverages

NEW FINANCIAL MEASURES

To supplement our disclosure of normalised EBITDA, we adopted new financial performance measures, namely normalised earnings per share (EPS) and normalised headline earnings per share (HEPS) this year, which adjusts basic and diluted earnings from continuing operations for the after-tax impact of the adjustments included in the group's existing accounting policy relating to normalised EBITDA. This was in response to investor requests and is designed to provide shareholders with a common base when comparing Libstar to other investment alternatives.

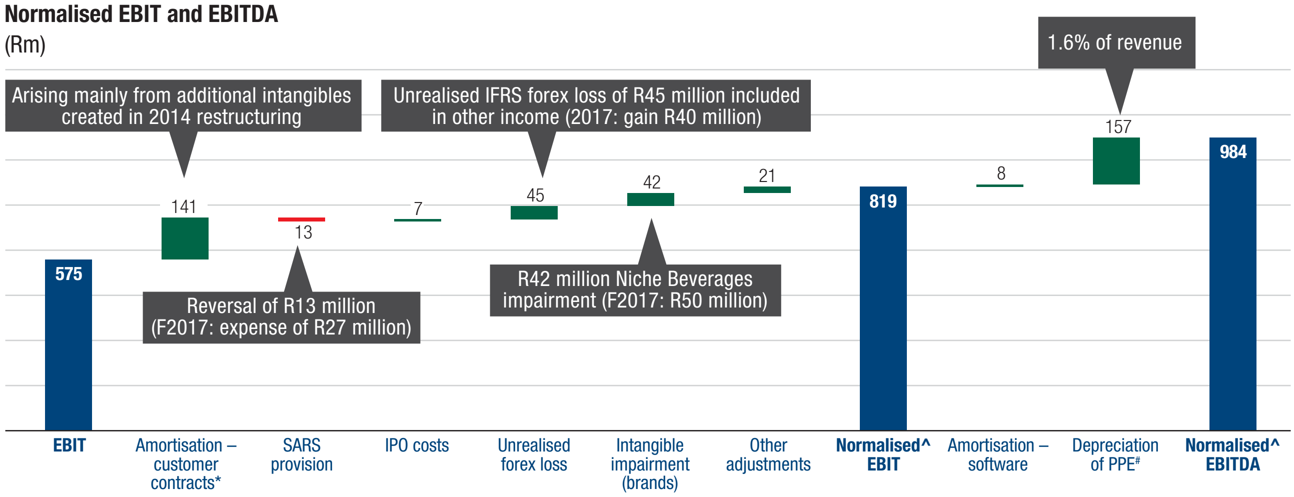
Normalised basic and diluted EPS decreased by 11.8% from 76 cents to 67 cents; and normalised basic and diluted HEPS decreased by 16.1% from 87 cents to 73 cents.

Certain once-off and non-operating items should be taken into account when calculating normalised earnings for the group. The impact of the largest of these items are outlined below:

- Impairment of intangible assets of R42 million (F2017: goodwill impairment of R50 million) in the Niche Beverages category;
- Unrealised foreign exchange translation losses of R46 million (F2017: gain of R40 million);
- Amortisation of customer relationships of R141 million (F2017: R132 million); and
- Reversal of the share appreciation rights provision of R13 million (F2017: expense of R27 million).

Normalised EBIT and EBITDA

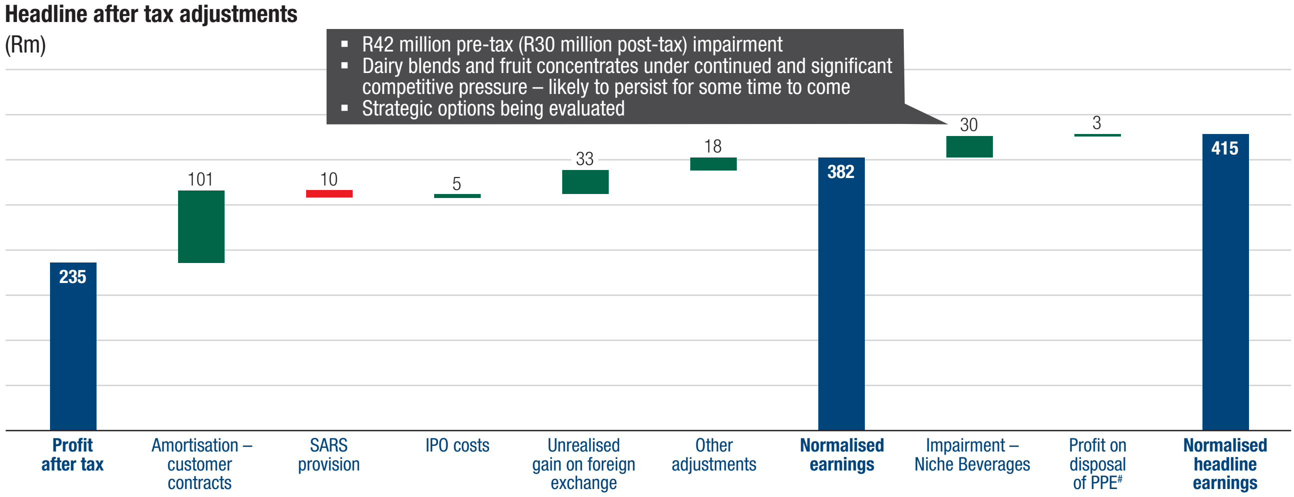
(Rm)



^ *Normalised for non-recurring, non-trading and non-cash items*
* *Amortised over five to 20 years.*
\# *Property, plant and equipment.*

Headline after tax adjustments

(Rm)



\# *Property, plant and equipment.*

GROSS PROFIT

Although gross profit margins recovered strongly during the second half of the year, mainly due to lower input costs in the dairy and dry condiment product categories, the group gross profit margin was 0.6 percentage points lower than the prior year at 22.2% (F2017: 22.8%).

Improvements in the group gross profit margin were driven by:

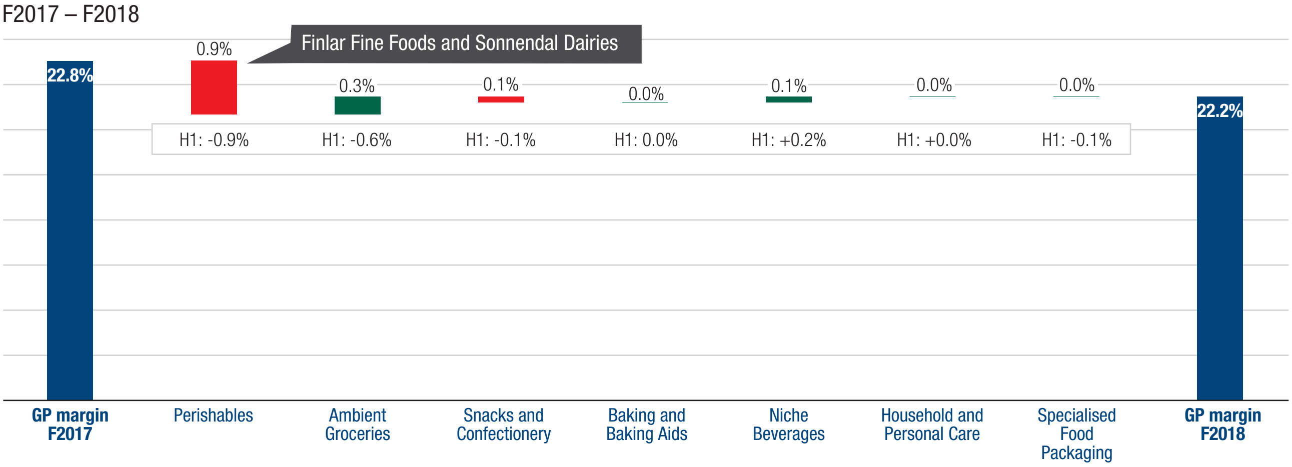
- An increase in dairy margins following improved procurement initiatives and the successful integration of Sonnendal Dairies with Lancewood;
- An increase in dry condiment margins as raw material costs declined in H2; and
- The relative resilience of consumer demand for value-added products.

The downward pressure on the group gross profit margins came from:

1. Factors at Finlar Fine Foods (sub-category of Perishables):
   - The increase in and prolonged promotional activity of value-added chicken products in retail and the under-utilisation of the newly-built chicken plant due to a delay in the launch of fully-cooked chicken products; and
   - Higher chicken and beef input prices for products manufactured for the quick-service retail channel.
2. The additional revenue from Sonnendal Dairies at a lower full-year gross profit margin. This was despite margins improving in the second half of the year in line with expectation following the launch of additional value-added products; and
3. The achievement of better margins on fresh mushrooms during the second half of the year, although margins were still down on F2017.

Group full-year gross profit margin evolution

F2017 – F2018



OPERATING EXPENSES

Operating expenses were well-controlled at 16.6% of net revenue (F2017: 17.7%). Following F2017's three acquisitions, salaries and wages increased by 9.7% to R1 139 million (F2017: R1 038 million). The operating expense increase was contained to 5.4%.

CASH FLOW

Cash generation

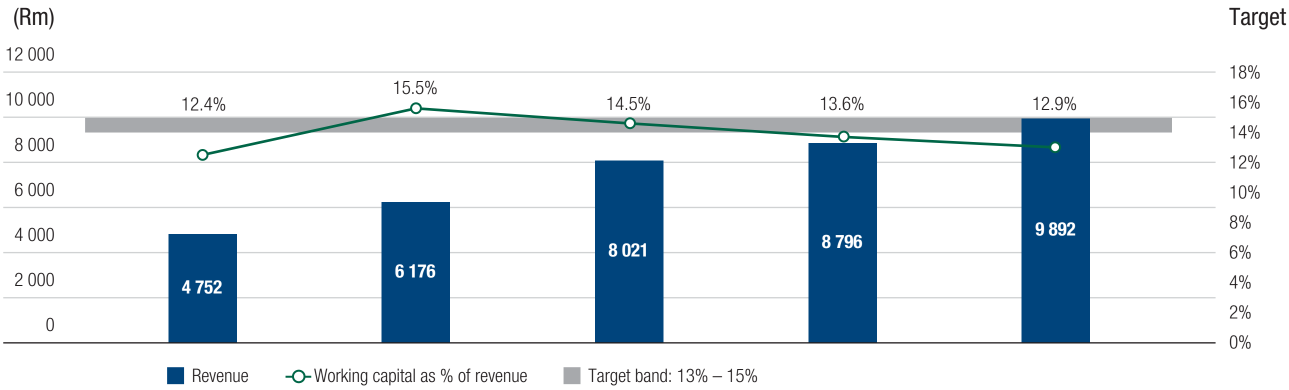
The group generated cash from operations of R961 million (F2017: R875 million) and cash from operating activities of R505.0 million (F2017: R572.6 million).

Net working capital at the close of the year remained at our target level of 45 days. This resulted in a net investment in working capital of R92 million (F2017: net reduction of R71 million), mainly driven by the impact of the three acquisitions made in F2017.

During the year under review, the group disposed of assets of R3 million (F2017: acquisitions of R291 million) and R349 million was invested in capital expenditure, representing 3.5% of revenue.

Net financing activities included the R1.5 billion proceeds from the issue of equity shares (F2017: R132 million), net debt outflow of R313 million, share repurchases of R8 million and a capital distribution of R800 million.

Cash flow – Working capital trend

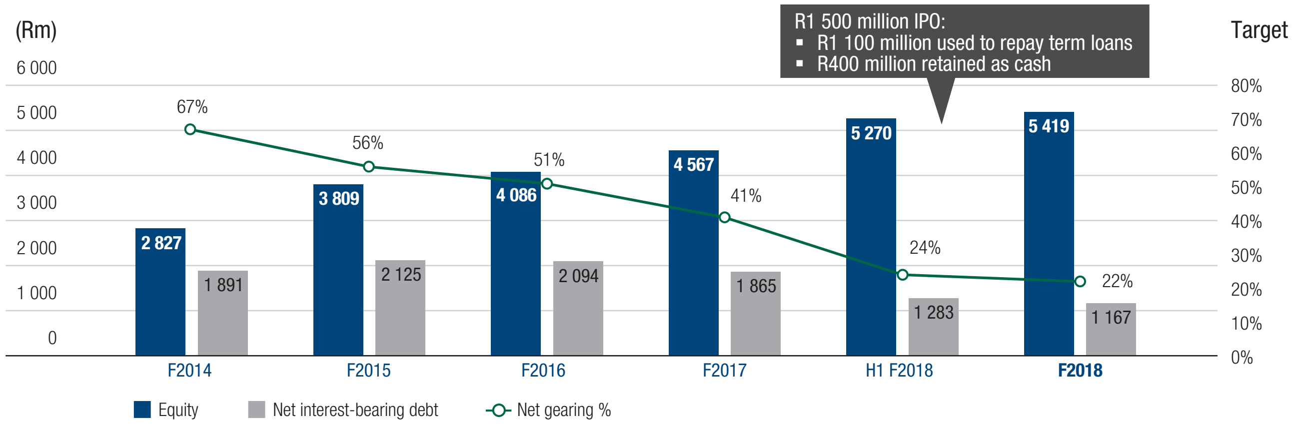


Working capital just below target band of 13% – 15%

Debt

Net indebtedness following the initial public offering reduced to R1.2 billion from R1.9 billion, decreasing the group's net debt-to-equity ratio to 22% at 31 December 2018. R1.1 billion of the R1.5 billion proceeds from the initial public offering was utilised to repay term loans and the remaining R400 million was retained as cash.

Five-year net debt trend



TREASURY AND FOREIGN EXCHANGE EXPOSURE

The impact of unrealised foreign exchange translation losses of R46 million on profit before taxation was significant, relative to the gain of R40 million for the year to 31 December 2017. This resulted in net realised and unrealised foreign exchange translation gains in the current year of R10 million relative to R129 million during F2017.

During the second half, we made significant progress in establishing group-wide visibility of open foreign exchange contracts (FECs) and the formalisation of hedging policies across key business units. To continue lowering the cost of manufacturing, the group invested in a logistics tracking IT system, which is being piloted at Rialto Foods. This is set to improve import and export product costing abilities during F2019. These measures will culminate in the adoption of hedge accounting as an accounting policy during the first half of F2019. This will ultimately assist to better match the volatility in FEC re-measurements to the transactions which they hedge and improve cash flow forecasting. Until such time as hedge accounting is fully implemented for an entire year of trading, and all FECs entered into prior to the adoption of the hedge accounting policy matures, the group may remain subject to further significant fluctuations in profitability caused by unrealised foreign exchange translation re-measurements.

IMPAIRMENT

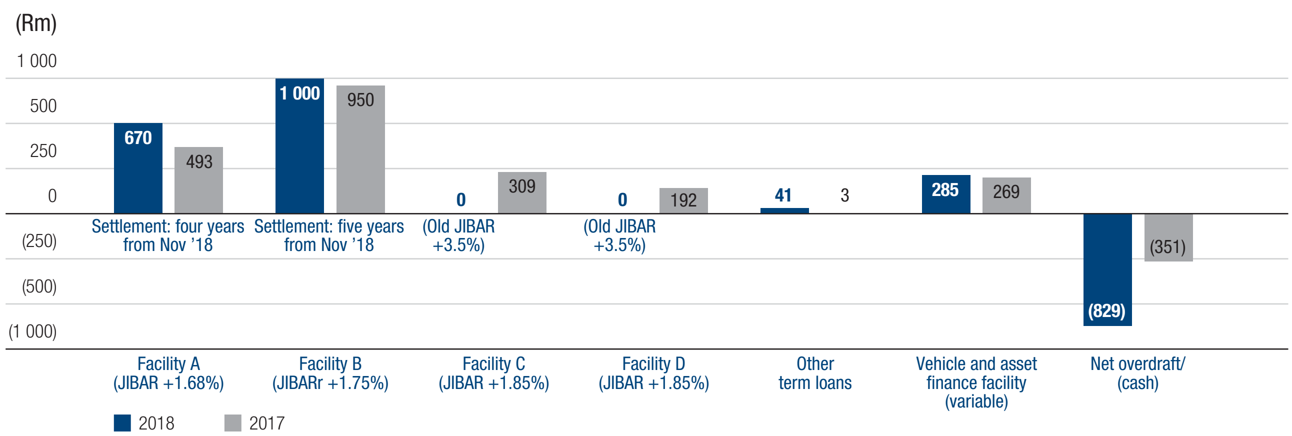
The dairy-blend and fruit concentrate beverage operations of the group remained under significant competitive pressure during F2018, which is likely to persist for some time to come.

To address this, a restructuring exercise was undertaken during H2 F2018, resulting in the decision to relocate the marketing and sales functions of non-beverage products into certain of the group's wet condiments facilities. This will yield future cost rationalisation benefits for the group. An impairment loss in the amount of R42 million was recorded in respect of the residual dairy-blend and fruit concentrate beverage operations, as the group deliberates its strategic options regarding this component of the business.

SHARE REPURCHASE PROGRAMME

The group commenced a share repurchase programme on 19 December 2018, with 9.8 million shares bought between then and 8 March 2019. The board is currently evaluating the best way forward following the release of its results.

Net debt structure



FINANCE COSTS

Finance costs decreased from the comparative period, despite additional finance charges related to working capital facilities. This was mainly due to the repayment of facilities from capital raised during the initial public offering and the renegotiation of group facilities. The most expensive debt was reduced from R1.9 billion to R1.2 billion net post the capital raising at listing. The renegotiated debt package was implemented in November 2018, with the group average weighted cost of debt reducing to 8.97% from November 2018 (F2017: 9.77%).

DECLARATION OF CASH DIVIDEND

The board of Libstar has approved and declared a maiden final cash dividend of 22 cents per ordinary share (gross) in respect of the year ended 31 December 2018.

PROPERTY, PLANT AND EQUIPMENT

During the year, the group acquired plant, equipment and computer software of R346 million (F2017: R315 million), net of the disposal of select items of plant and equipment. These include major capital expenditure of R64 million in respect of capacity-enhancing equipment and leasehold improvements at Lancewood, R37 million in respect of a new par-baked frozen facility at Amaro Foods, R54 million for capital-enhancing projects which include a new granola facility at Ambassador Foods, R33 million for leasehold improvements at Denny Mushrooms and R25 million relating to a chicken plant upgrade and other replacement capacity at Finlar Fine Foods.

KEY F2019 FOCUS AREAS

F2019 focus areas for the financial team include:

- The continued management of exchange gains and losses from foreign exchange contract exposure, assisted by treasury experts.
- Implementation of a hedge accounting policy during the first half of F2019.
- Ongoing focus on the containment of expenses and the management of cash and working capital as the group adopts an approach of continuous improvement.
- The group will also continue its efforts to standardise reporting and IT costing systems.

APPRECIATION

Thank you to my finance team for the long hours in finalising the listing and during the first year of being a listed entity.

I also wish to express my gratitude to the rest of the management team and the board for supporting me.

Thank you to our shareholders for working with us in our maiden year on the JSE Limited.

I look forward to ensuring that Libstar continues to prove its resilience in F2019.

ROBIN SMITH

Group financial director

4 April 2019

OPERATIONAL REVIEWS

1 PERISHABLES

FACT SHEET

Perishable products are products that are refrigerated. The Perishables category is currently our largest category and constituted:

46%
of group revenue

43%
of group normalised EBITDA

in F2018.

BUSINESS UNITS:

LANCEWOOD

PRODUCTS

Sonnendal Dairies was incorporated into Lancewood this year. Lancewood produces and supplies a range of award-winning cheeses, as well as butter and other dairy products. These include cheddar, gouda and mozzarella, cottage cheese, cream cheese, mascarpone and yoghurts, as well as milk, amasi, buttermilk, cream, dairy blends and fruit juices. It also produces a range of private label and dealer-own brands.

Lancewood also distributes a range of renowned international brands, including Kiri, Laughing Cow and Bel cheese products, Lurpak Butter and Castello Cheese.

KEY CUSTOMERS

Lancewood sells its products to South African retailers, such as Pick n Pay, Spar, Woolworths and Shoprite Checkers, as well as a number of customers in the food service industry.

FACILITIES

Lancewood has two production facilities, one in George, which is in the pasture-fed region for dairy farming and in close proximity to its milk suppliers, as well as a dairy facility in Athlone Industria in the Western Cape.

FINLAR

PRODUCTS

Finlar Fine Foods produces beef, chicken and other perishable food products. Its first plant was established in Cape Town in 1994. As national demand grew, a second operation was opened in Johannesburg in 1995.

Finlar Fine Foods' operations are centred around the requirements of its key customers. It has had long and profitable business relationships with them and produces meat and value-added crumbed chicken, as well as value-added vegetable products.

KEY CUSTOMERS

Finlar Fine Foods supplies its products to McDonald's in South Africa and Middle Eastern and African countries, as well as value-added beef and chicken products for County Fair and Woolworths.

FACILITIES

Finlar Fine Foods' operations are located in Bellville (Western Cape) and City Deep (Gauteng).

DENNY™

PRODUCTS

Denny Mushrooms is a producer of fresh mushrooms in South Africa, with a national footprint and key distribution centres. The products are supplied under the established Denny brand, as well as private label and dealer-own brands.

KEY CUSTOMERS

Denny Mushrooms' key customers are South African retailers, such as Shoprite Checkers, Pick n Pay, Spar and Woolworths. It also supplies to fresh produce retailers such as Fruit & Veg City and Fruitspot.

FACILITIES

Denny mushrooms are grown at three production facilities in Gauteng, KwaZulu-Natal, and the Western Cape.

Millennium Foods

PRODUCTS

Millennium Foods is a manufacturer of fresh, ready to heat/eat meals for the retail industry in South Africa. Millennium Foods' convenience meal offering includes meat, chicken, pasta, vegetables, salads and a range of desserts.

KEY CUSTOMERS

Millennium Foods' main customer is Shoprite Checkers.

FACILITIES

Millennium Foods' operations are in Killarney Gardens, Western Cape.

F2018 REVIEW

Libstar's largest product category is Perishables.

Lancewood and Finlar Fine Foods account for the bulk of the Perishables category EBITDA, contributing 73% of Perishables' revenue and 88% of the category's normalised EBITDA.

YEAR UNDER REVIEW

Organic revenue +11.9%

Normalised EBITDA +1.9%

Perishables contributed 46% of group revenue and 43% of normalised EBITDA during F2018. Category revenue increased by 22.5% to R4 570 million (F2017: R3 730 million), which was driven by a very strong performance in the dairy sub-category. This was bolstered by new product launches and the acquisition of Sonnendal Dairies.

The category achieved an 11.9% increase in organic revenue in F2018 (excluding the impact of the F2017 acquisition of Sonnendal Dairies and Millennium Foods) and a 1.9% improvement in normalised EBITDA to R455 million (F2017: R446 million). Normalised EBIT in this product category decreased by 4.0% to R395 million (F2017: R412 million).

LANCEWOOD

Lancewood is the largest contributor to the Perishables category and the biggest natural cheese producer in South Africa. This strong business continues to deliver good performance and above-average margins, even in the current trying economic conditions. Lancewood uses pasteurised milk to produce a range of cheese and dairy products that have won a number of local and international awards and earned us a reputation for superior quality and flavour.

Lancewood had an outstanding year. Sonnendal Dairies and Lancewood now operate as a single operation and will no longer be separately reported from F2019. As committed, Sonnendal Dairies' margins are steadily improving due to product diversification driven by the launch of new, value-added products.

Lancewood is a good example of how the innovation of new products, in this case higher-margin, quality, branded, taste-differentiated yoghurts, can counter the negative pressure of the cash-strapped consumer on a business. This yoghurt line, despite only being in operation for the latter part of F2018, has already captured substantial market share, well ahead of our forecasts. The full benefits of the launch will flow through in the first half of F2019.

During the year, cheese and butter revenues were up despite a very competitive market. Successful margin control initiatives and reduced input costs have bolstered gross profit margins.

FINLAR FINE FOODS

Finlar Fine Foods is the second largest contributor to revenue and EBITDA in Perishables. This business supplies quality food products to the food service and retail markets. Its business operations are centred around the requirements of its key customers and it produces all meat and chicken products for McDonald's South Africa, as well as value-added products for County Fair and Woolworths.

Higher-value sales of meat products contributed to this business' revenue growth, including the development of a Cajun chicken burger patty for McDonald's, which was also introduced to several regions elsewhere in the world.

However, gross profit margins were adversely impacted by prolonged promotional activity of value-added chicken products in retail and the under-utilisation of the newly-built chicken plant due to a delay in the launch of fully-cooked chicken products.

Initiatives are underway to develop and launch new value-added products into the retail, industrial and food service sales channels. These initiatives, together with a focus on developing the export market for fully-cooked chicken products, are expected to bolster F2019 performance.

DENNY MUSHROOMS

Denny Mushrooms is the third largest contributor to Perishables. This business experienced disappointing sales volumes and low price realisations during the first half of F2018. Although performance improved in the second half of the year, the full-year performance lagged that of the prior year.

We have seen a pleasing further improvement at the start of F2019, with better production yields and price realisations and some market share being regained.

In the new year, we plan to leverage the strong sales and distribution platform of Lancewood to develop and bolster Denny Mushroom's route to market, specifically within the retail and food service sales channels. The management team will also continue to prioritise production yield, price realisation, sales channel development and the growth of the Denny Mushrooms brand, as well as the overall market consumption of fresh mushrooms.

SONNENDAL DAIRIES

Sonnendal Dairies was successfully integrated into Lancewood during the first half of F2018, with a significant contribution from this business to the launch of new, branded and taste-differentiated Lancewood yoghurts. This acquisition has grown the group's footprint in the Perishables category and complemented the existing dairy offering.

MILLENNIUM FOODS

Millennium Foods specialises in the production of freshly prepared meal solutions, manufacturing products for a number of brands, including the Oh my Goodness! Kids range, Bella Vita and Street Food, which are available at Checkers and selected Shoprite stores in the Western Cape.

This business was also successfully integrated this year, with significant modernisation and capacity-enhancing projects. This will increase production capacity on existing lines and expand the capabilities of the facility to cater for the growing convenience trend within the retail sales channel.

OUTLOOK

DAIRY

We will remain focused on innovation and new product launches in this business to protect and grow market share. We will also continue to invest in capacity and efficiency improvements, with R100 million targeted for multiple facility upgrades at Lancewood in F2019.

MEAT

During the coming year, we will introduce new channels, such as fully-cooked chicken. Finalising the launch of these new, value-added products following F2018's delay will ensure improved utilisation in the coming year.

FRESH MUSHROOMS

The new management team in this business has already made an impact. Initiatives in the coming year include a new sales channel strategy, a focus on value-added and differentiated products and the continued implementation of international industry best practice. A targeted campaign will also be implemented to address consumer education and awareness and to build the brand, as well as a focus on value-adding products.

2 AMBIENT GROCERIES

FACT SHEET

Ambient groceries are foods that can be stored and preserved at room temperature. The Ambient Groceries category is our second largest category and constituted:

25% of group revenue

32% of group normalised EBITDA

in F2018.

BUSINESS UNITS:

Cape Herb & Spice™

PRODUCTS

Cape Herb & Spice procures, treats, blends and packs a wide range of innovative, non-irradiated herbs and spices for dealer-own brands, private label and Libstar brands to foreign and local retailers. The business specialises in products free from added MSG, artificial colours, flavours and preservatives.

Cape Herb & Spice also procures, blends and packs premium dealer-own teas to South African and international markets.

The business extends into fine food gifting, innovating around food trends, and the export of a wide range of third party and own brands to various markets.

All production facilities are accredited according to the highest food safety standards.

KEY CUSTOMERS

Cape Herb & Spice supplies products to a wide range of customers in the local and export markets, including Woolworths (South Africa), Trader Joes (USA), Spinneys (UAE), Loblaws (Canada), Globus (Switzerland), Woolworths Wow Select (Australia) and Overseas Group (Japan). More than 75% of the Cape Herb & Spice aggregate revenue is generated through exports, with the rest generated through sales to South African customers.

FACILITIES

Cape Herb & Spice operates from Westlake Business Park, Western Cape.

natural

PRODUCTS

Natural Herbs & Spices produces a full solution of herb and spice products which are sold both locally and abroad. It specialises in large production runs at high speed, which offers cost-effective solutions to high-volume customers.

KEY CUSTOMERS

Natural Herbs & Spices distributes its products internationally and across South Africa, with the most significant South African customers being Spar, Shoprite Checkers and Dischem. More than three quarters of Natural Herbs & Spices' aggregate revenue is generated through exports, with the remainder being generated through sales to South African customers.

FACILITIES

Natural Herbs & Spices operates from Maitland in the Western Cape.

DickonHallFoods

PRODUCTS

Dickon Hall Foods has 25 years' operating experience in the ambient groceries industry, where it provides outsourced manufacturing solutions for leading food manufacturers.

It produces wet condiments, such as chutneys, salad dressings, sauces, marinades and mayonnaise, as well as spreads and savoury dips in both bulk and retail pack sizes.

KEY CUSTOMERS

Dickon Hall Foods produces for brand owners such as Tiger Brands, Unilever, Nando's and Nestlé, as well as for food service companies such as McDonald's and Taste Holdings.

FACILITIES

Dickon Hall Foods operates its facility from Southdale and Turffontein, Gauteng.

Cecil Vinegar Works

PRODUCTS

Cecil Vinegar has been producing naturally fermented vinegar since 1936. It has a range of locally produced vinegars, and imports speciality vinegars. It produces products under private label and dealer-own brands. It also produces vinegar products under the "Safari" licenced brand in terms of a licence agreement with Pioneer Foods. In addition, it sells locally produced apple cider and wine vinegars, together with quality balsamic vinegar imported from Italy, under the Cecil Vinegar brand. All vinegars are produced from natural ingredients using submerged fermentation technology.

KEY CUSTOMERS

Cecil Vinegar's products are sold to retailers in South Africa, including Shoprite Checkers, Pick n Pay, Spar and Woolworths. It also supplies the food service channel through customers such as Bidvest Foodservice and Freddy Hirsch, as well as high strength vinegar to industrial customers, such as Tiger Brands and Peppadew to limited export markets.

FACILITIES

Cecil Vinegar operates from its facilities in Strand (Western Cape) and Alrode (Gauteng).

Montagu Foods

PRODUCTS

Montagu Foods produces a wide range of chutneys, as well as other wet condiments such as sweet chilli sauce, tomato sauces and salad dressings to customers under dealer-own brands and private label.

Montagu Foods also produces a range of long-life products such as soups, cook-in-sauces, pasta sauces and mustards, other condiments under the Denny Mushrooms brand and dealer-own brands for Woolworths.

KEY CUSTOMERS

Montagu Foods' key South African customers include Shoprite Checkers, Woolworths, Pick n Pay and Spar.

FACILITIES

Montagu Foods operates from a facility in Montagu in the Western Cape.

Rialto

PRODUCTS

Rialto Foods is the official South African importer of several recognised principal brands, including Granoro, Olitalia, Zanetti, Kikkoman, Villani, San Benedetto, Tabasco and Act II.

Rialto Foods sources, imports, packs and sells both perishable and long-life food products from a number of European, Asian and American food manufacturers and is the preferred supplier to Woolworths for a wide range of products.

Rialto Foods also has a value-adding high-care production facility for products, such as sliced and grated cheese and premium charcuterie. Rialto Foods' products include condiments, sauces, noodles, pasta, balsamic vinegars, biscuits, coconut milk, coffee, curry pastes, mineral water, olive oil and speciality meats and cheeses, as well as other canned foods, spreads, marinades and baby foods.

KEY CUSTOMERS

Rialto Foods' major customer is Woolworths. It also supplies principal brands to Pick n Pay, Shoprite Checkers and Spar.

FACILITIES

Rialto Foods operates from facilities in Montague Gardens (Western Cape) and Linbro Park (Gauteng).

Hurters Honey

PRODUCTS

Hurters Honey's core business is the sourcing and processing of pure "non-irradiated" honey.

Nectar is harvested from beehives all over South Africa, allowing them to produce a variety of origin and varietal honeys, such as Orange Blossom, Fynbos, Blue Gum and Wild Blossom.

The honey is endorsed as badger friendly and Hurters Honey actively takes part in, and supports, responsible beekeeping practices.

KEY CUSTOMERS

Hurters Honey's key customer is Woolworths to which it supplies honey as a dealer-own brand. Hurters also packs Goldcrest honey for Montagu Foods and provides honey to the food service industry.

FACILITIES

Hurters Honey operates from its facility in Langebaan, Western Cape.

AMBIENT GROCERIES *continued*

F2018 REVIEW

Ambient Groceries contributed 25% of group organic revenue and 32% of group normalised EBITDA in F2018.

Organic revenue	-6.6%
Normalised EBITDA	-3.4%

Cape Herb & Spice, Rialto Foods and Dickon Hall Foods contribute 75% of revenue and 86% of normalised EBITDA in this category. Khoisan Gourmet will be included in Ambient Groceries in F2019 to exploit the distribution efficiencies with the dry condiment cluster of companies.

YEAR UNDER REVIEW

Ambient Groceries revenue decreased by 5.5% to R2 472 million (F2017: R2 615 million), impacted by weak international demand for dry condiments, as well as integration delays and industrial action experienced within the wet condiment sub-category during the first half of the year.

The Ambient Groceries gross profit margin exceeded that of the prior year, mainly due to lower input costs of dry condiments. Normalised EBITDA decreased by 3.4% to R338 million (F2017: R350 million) and normalised EBIT by 6.5% to R292 million (F2017: R312 million.

CAPE HERB & SPICE

This business offers solutions for spices and seasonings across every available packaging format. Private label constitutes the bulk of this business.

Following some shipment delays and lower international demand from select markets during the first half of the year, the business experienced a stronger second-half performance. Gross profit margins were bolstered by a significant second-half reduction in the input cost of dry condiments.

Management will focus on the expansion of its dealer-own brand and private label offering to local and international markets during F2019.

DICKON HALL FOODS

Dickon Hall Foods produces wet condiments for a range of customers.

Industrial action at this business adversely impacted first-half revenues by approximately R63 million. The industrial action was fully resolved, and second-half production and sales met management expectations. The facility is well positioned to take advantage of growth in private label wet condiments during F2019.

CECIL VINEGAR

Cecil Vinegar specialises in the production of dealer-own branded and private label vinegar for both the domestic and export markets.

Cecil Vinegar experienced a strong performance in F2018 in industrial, food service and export channels, with branded vinegar sales bolstered by new products.

From F2019, the non-beverage operations of Elvin will be consolidated with those of Cecil Vinegar, which will leverage the existing sales and distribution channels of Cecil Vinegar whilst reducing the incremental manufacturing costs.

HURTERS HONEY

This business was impacted by the severe shortage of honey due to the drought in the Western Cape during F2018.

During F2019, management will focus on the implementation of a revised, sustainable procurement programme to meet the growing retail demand for its high-quality products.

MONTAGU FOODS

Montagu Foods produces a range of chutneys and other wet condiments.

Integration challenges, involving the combination of some Denny Mushrooms production lines into the Montagu Foods facility, continued through to year-end. This business excludes fresh mushrooms and represents less than 5% of group revenue. A revised sales demand planning programme will address these issues during F2019.

RIALTO FOODS

Rialto Foods offers private label and dealer-own products and leading brands from around the world for retail customers in South Africa.

This business experienced slow sales due to a poorer performance in branded products and food service. Value-added groceries performed strongly, highlighting the resilience of the segment in the current economic climate.

The rationalisation of our product lines continued to ensure we only focus on products with strong prospects and leverage the existing sales and distribution channels of other business units within the group.

OUTLOOK

DRY CONDIMENTS

We expect a recovery and ongoing growth in key export markets. We will focus on value-added products in local and export markets, such as dealer-own and private label herbs and spices.

WET CONDIMENTS

We have seen some improvement of branded product sales in the new year and stronger private label growth.

HONEY

We have implemented an improved, sustainable sourcing plan which will assist with the increase of volumes in the coming year.

3 SNACKS AND CONFECTIONERY

FACT SHEET

Our snacks and confectionery products respond to the consumer's demand for convenience and "on-the-go" snacking. This category constituted:

5%
of group revenue

7%
of group normalised EBITDA

in F2018.

BUSINESS UNIT:

AMBASSADOR FOODS

PRODUCTS

Ambassador Foods is a processor of a wide variety of edible nuts, seeds and related snack products. Its product range includes fruit and nut mixes, granolas, cereal, health and energy bars, nut and protein bars, as well as a variety of roasted and flavoured nuts.

Ambassador Confectionery, a division of Ambassador Foods, manufactures sweet treats such as nougat, fudge, turkish delight and brittles.

KEY CUSTOMERS

Ambassador Foods has been a strategic supplier of nuts, seeds and related snack products to Woolworths for more than 20 years.

Ambassador Foods also produces cereal bars for Kellogg's as part of its outsourced manufacturing solutions. It also exports to Spinneys in the United Arab Emirates.

FACILITIES

Ambassador Foods' production facilities are based in White River, Mpumalanga.
The operations of Ambassador Confectionery are located in Paarl in the Western Cape.

F2018 REVIEW

Ambassador Foods contributed 100% of revenue and normalised EBITDA in this category.

Ambassador Foods capitalises on the growing trend towards health and wellness, with many opportunities existing for product innovation in its snacks and health bar offerings.

Organic revenue +11.4% ↑

Normalised EBITDA +2.1% ↑

YEAR UNDER REVIEW

Snacks and Confectionery revenue increased by 11.4% to R477 million (F2017: R429 million).

Gross profit margins were held constant in the face of slower than expected third quarter F2018 sales in some grocery products and significant promotional activity in granolas. Normalised EBITDA therefore increased by 2.1% to R73 million (F2017: R72 million) and normalised EBIT by 2.0% to R63 million (F2017: R62 million).

AMBASSADOR FOODS

The improved performance was mainly driven by the introduction of new products, as well as significant bulk volume sales of peanuts and raisins. The production of healthy nut snacks is a good example of how Libstar is exploiting the trend towards health and wellness preferences amongst consumers.

OUTLOOK

This business will continue to innovate through tapping into the consumer requirement for snacking. In the coming year, we will increase our capacity and efficiencies in our health bar facility.

4 BAKING AND BAKING AIDS

FACT SHEET

We sell a range of baking products to large retailers in South Africa and abroad, as well as to businesses operating in the food service industry. This category constituted:

6%
of group revenue

9%
of group normalised EBITDA

in F2018.

BUSINESS UNITS:

AMARO FOODS

PRODUCTS

Amaro Foods is an award-winning bakery that produces an extensive range of baked products for Woolworths and food service customers. Amaro Foods' products include soft white and brown rolls, speciality breads, baguettes, croissants, flapjacks, flour tortilla wraps, hot cross buns, par-baked breads and rolls and naan bread.

KEY CUSTOMERS

Amaro Foods' key customer in the retail channel is Woolworths. It also supplies Nando's, Famous Brands and KFC.

FACILITIES

The four production facilities are situated in the Western Cape.

AMARO FOODS GLUTEN-FREE

PRODUCTS

Amaro Foods Gluten-Free produces a range of gluten-free bakery products, such as breads, confectionery and crackers for Woolworths. Amaro Foods Gluten-Free is managed by the same team as Amaro Foods.

KEY CUSTOMERS

Amaro Gluten Free is a preferred supplier to Woolworths.

FACILITIES

The bakery's production facilities are based in Epping in the Western Cape.

RETAILER BRANDS QUALITY ASSURED

PRODUCTS

Retailer Brands produces food products under private label, Libstar brands and licensed brands for the retail and wholesale trade in South Africa. Retailer Brands produces a wide range of baking aids (including essences and colourants) and dry food products, including soups, jellies, spices, custard powder, sauces, meal kits and spices for the retail and wholesale trade in South Africa.

Retailer Brands produces and sells baking aids under the Robertsons licensed brand, as well as under the Libstar brands of Cartwrights, Sheridans, Cook 'n Bake and NCP Yeast.

KEY CUSTOMERS

Retailer Brands' key customers include South African retailers such as Shoprite Checkers, Pick n Pay and Spar, as well as wholesalers.

FACILITIES

Retailer Brands' production facility is based in West Turffontein in Gauteng.

ARTISAN BAKERS QUALITY INGREDIENTS CANI

PRODUCTS

Cani produces home styled rusks, crunchies and shortbread made from high quality natural ingredients.

KEY CUSTOMERS

Cani produces rusks under the Libstar Brand *"Cani"*, as well as under dealer-own and private labels of Spar and Shoprite Checkers.

FACILITIES

Cani's facility is located in Blackheath in the Western Cape.

F2018 REVIEW

Amaro Foods and Retailer Brands contributed 92% of revenue and 93% of normalised EBITDA in this category.

Organic revenue +21.8%

Normalised EBITDA +20.1%

YEAR UNDER REVIEW

Baking and Baking Aids experienced strong growth in revenue and EBITDA in F2018.

Revenue increased by 21.8% to R628 million (F2017: R515 million), mainly due to the incorporation of NCP Yeast and Cook 'n Bake into the Retailer Brands business unit from April F2018, as well as growth in the baking sub-category.

Normalised EBITDA and normalised EBIT increased by 20.1% and 23.9% to R93 million (F2017: R77 million) and R74 million (F2017: R60 million) respectively.

AMARO FOODS

Rolls and speciality breads performed strongly. This was driven by new product development within the retail channel, whilst some recovery was experienced in sales to the quick-service retail industry.

Amaro Foods' production of gluten-free baked goods is a good example of the group exploiting the trend towards health and wellness preferences amongst consumers. Amaro's flour tortilla wraps are also now supplied on a national scale to food service customers, eg KFC.

RETAILER BRANDS

Growth during the year was driven by Cash & Carry wholesalers, independents, distributors and direct exports, as well as NCP Yeast's sales in the retail and wholesale channels.

CANI

This business experienced a strong performance in the retail channel, bolstered by new products and new listings.

OUTLOOK

The launch of new private label baking aids in the retail channel and the commissioning of a par-baked speciality bread facility during the first quarter of F2019, with production to start from April F2019, are expected to support the category's growth trajectory in F2019.

Innovation in artisanal breads and specialised products, such as rolls, will also assist the performance.

We will also remain focused on the further development of independent, wholesale channels in baking aids.

5 NICHE BEVERAGES

FACT SHEET

The Niche Beverages category consists of beverages that do not fall within the mainstream beverage. This category constituted:

7%
of group revenue

5%
of group normalised EBITDA

in F2018.

BUSINESS UNITS:

ELVIN EST 1964

PRODUCTS

Elvin produces a wide range of fruit nectar concentrates, including ready to drink nectars. It also offers dairy fruit blends and lemon juice under a number of Libstar brands (including Elvin, Slimsy and Delicious), as well as under dealer-own brands and private label.

KEY CUSTOMERS

Elvin sells its products to South African retailers Shoprite Checkers, Pick n Pay, Spar and several independent wholesalers.

FACILITIES

Elvin's production facilities are located in East London in the Eastern Cape.

khoisan gourmet

PRODUCTS

Khoisan Gourmet procures, treats, blends and packs a range of teas in bulk and individual tea bags. These teas include rooibos, honeybush, black tea blends and other blends.

Khoisan Gourmet's offering also includes natural vanilla pods, natural vanilla essence and other spices in bulk, as well as retail ready packs.

This business will be moved to Ambient Groceries from F2019.

KEY CUSTOMERS

Khoisan Gourmet's key customers are V-Sell Ekologiska Produketer AB, Lyon GmbH and Gerbruder Wollenhaupt GmbH.

FACILITIES

This business operates from premises in Ysterplaat and Clanwilliam in the Western Cape.

CHAMONIX

PRODUCTS

Chamonix spring water sells still and sparkling bottled water products, as well as a range of flavoured and enhanced waters and carbonated soft drinks.

KEY CUSTOMERS

Products are provided to Woolworths and Shoprite Checkers, as well as to customers in the food service industry.

FACILITIES

Chamonix spring water operates from a farm on the outskirts of Franschhoek in the Western Cape.

F2018 REVIEW

Elvin and Khoisan Gourmet contributed 88% of revenue and 94% of normalised EBITDA in this category in F2018.

Organic revenue +0.3%

Normalised EBITDA >100%

YEAR UNDER REVIEW

Niche Beverages revenue increased by 51.9% to R650 million (F2017: R428 million), driven by a strong full-year performance from the newly-acquired Khoisan Gourmet range. Whilst dairy blends and related products remain under pricing pressure, this sub-category showed an improved full-year performance.

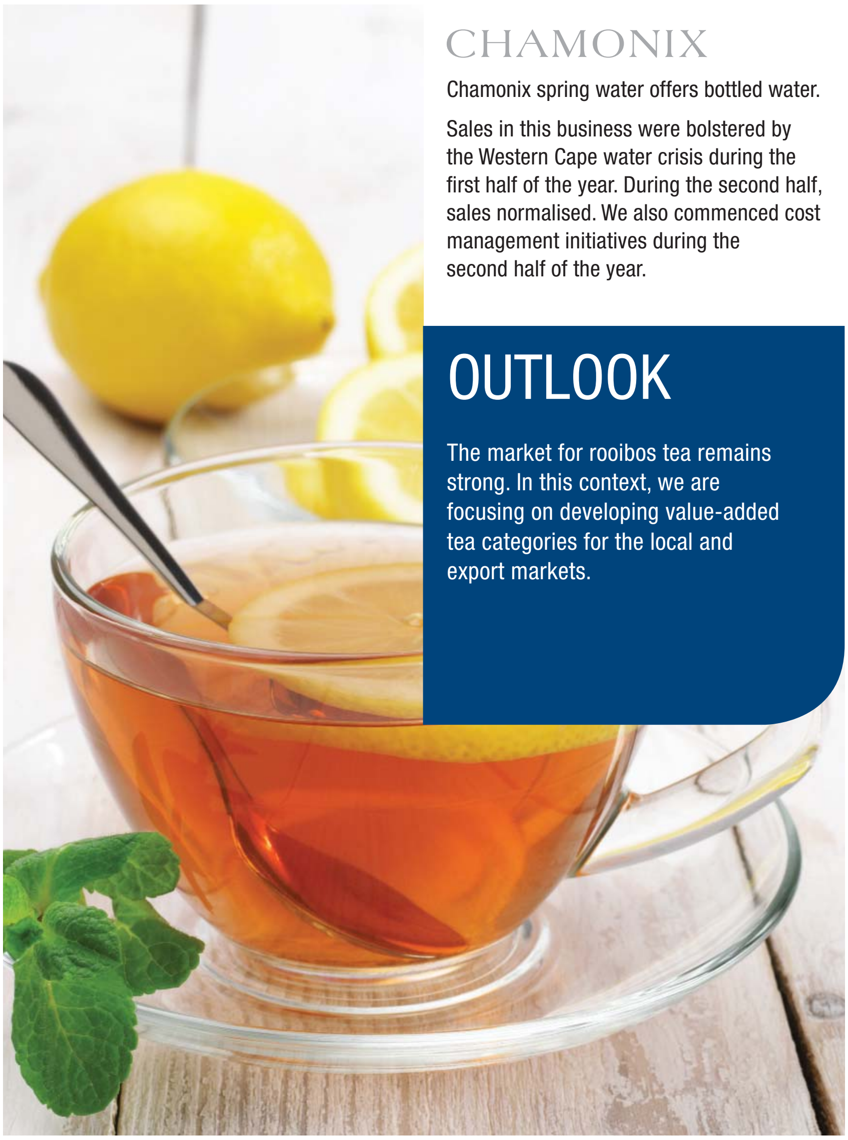
Normalised EBITDA and normalised EBIT increased by more than 17-fold to R55 million (F2017: R3 million) and R46 million (F2017: -R3 million) respectively.

The dairy-blend and fruit concentrate beverage operations of the group remained under significant competitive pressure during F2018, which is likely to persist for some time to come.

To address this, a restructuring exercise was undertaken during H2 F2018, resulting in the decision to relocate the marketing and sales functions of non-beverage products into certain of the group's wet condiments facilities. This will yield future cost rationalisation benefits for the group. An impairment loss in the amount of R42 million was recorded in respect of the residual dairy-blend and fruit concentrate beverage operations, as the group deliberates its strategic options regarding this component of the business.

ELVIN EST 1964

Although some pricing increases were achieved, the category pressures continued. A restructuring exercise was undertaken during the second half of F2018, resulting in the decision to relocate the manufacturing, marketing and sales functions of non-beverage products into certain of the group's wet condiments facilities. This will yield future cost rationalisation benefits.



khoisan gourmet

Khoisan Gourmet was acquired in November 2017 and offers a range of tea products. From F2019, this business will be included in the Ambient Groceries category.

During the year, we experienced a good annual crop and high tea prices, which resulted in a strong performance in line with expectations.

CHAMONIX

Chamonix spring water offers bottled water.

Sales in this business were bolstered by the Western Cape water crisis during the first half of the year. During the second half, sales normalised. We also commenced cost management initiatives during the second half of the year.

OUTLOOK

The market for rooibos tea remains strong. In this context, we are focusing on developing value-added tea categories for the local and export markets.

6 HOUSEHOLD AND PERSONAL CARE

FACT SHEET

9%
of group revenue

3%
of group normalised EBITDA

in F2018.

BUSINESS UNITS:

Chet Chemicals

PRODUCTS

Chet Chemicals produces a range of conventional laundry care, household cleaning and dishwashing products under dealer-own brands, private label and Libstar brands for major retailers and wholesalers.

KEY CUSTOMERS

Chet Chemicals' key customers include South African retailers Pick n Pay, Shoprite Checkers, Spar and Woolworths. Chet Chemicals also provides outsourced manufacturing solutions to Unilever, SC Johnson and Tiger Brands.

FACILITIES

Chet Chemicals' production facility is based in Kempton Park, Gauteng.

Glenmor Soap

PRODUCTS

Glenmor Soap produces a range of affordable, quality soap products. Glenmor Soap also offers a range of hygiene and beauty soaps.

This business manufactures products under the Libstar brands, Preem and Astra, and also provides private label products to a number of its retail customers.

KEY CUSTOMERS

Glenmor Soap produces its soaps for a number of independent wholesalers, mainly in the Eastern Cape in South Africa, as well as for Shoprite Checkers and Spar.

FACILITIES

Glenmor Soap's premises are situated in East London in the Eastern Cape.

CONTACTIM

PRODUCTS

Contactim produces cleaning products, such as brass and stainless steel scourers, sponge scourers and steel wool and flexible waste traps and fittings. It also produces cotton buds and cosmetic facial pads, cotton balls and cotton rolls.

KEY CUSTOMERS

Contactim's key customers include South African retailers such as Pick n Pay, Shoprite Checkers, Spar, Clicks and Makro.

FACILITIES

Contactim's facility is located in Pietermaritzburg in KwaZulu-Natal.

F2018 REVIEW

Organic revenue +2.3%

Normalised EBITDA -16.9%

Contactim and Chet Chemicals contributed 91% of category revenue and 82% of normalised EBITDA in this category.

YEAR UNDER REVIEW

Household and Personal Care revenue increased by 2.3% to R846 million (F2017: R827 million). Normalised EBITDA decreased by 16.9% to R36 million (F2017: R44 million) and normalised EBIT by 3.4% to R21 million (F2017: R22 million).

This was a disappointing performance due to competitive pressures and an adverse change in product mix towards lower-margin products.

Chet Chemicals

Chet Chemicals offers a range of cleaning products for laundry, the house and dishwashing.

Cost-saving initiatives continued from last year, which resulted in improved margins. Growth during the year was driven by private label retail channels.

Glenmor Soap

Glenmor Soap offers soap products.

The improved performance was mainly driven by cost rationalisation, as the retail channel lagged due to competitor activity.

CONTACTIM

Contactim produces cleaning products.

Although cleaning product sales were slow, cotton products showed good growth. Margins were impacted by unfavourable exchange rates on imported products and an adverse change in sales mix.

Further cost-saving initiatives were initiated during the second half of F2018 which will reduce the production and administrative cost base of operations during F2019.

OUTLOOK

Looking forward, we will continue with cost rationalisation initiatives in mainly Contactim, focusing also on the combination of certain sales and marketing functions where identified synergies exist.

7 SPECIALISED FOOD PACKAGING

FACT SHEET

The Specialised Food category comprises custom-made, disposable packaging solutions for various food and drink products sold largely in the food service industry. This category constituted:

2%
of group revenue

1%
of group normalised EBITDA

in F2018.

BUSINESS UNIT:

multi-cup

PRODUCTS
Multi-cup is a supplier of generic and branded hot and cold beverage cups and allied packaging, cup holders and stirrers, cup lids and assorted paper and plastic containers to the food service and vending market segments in Southern Africa. Multi-cup has a strategic alliance with Pelican and Plus, a Korean paper cup and packaging manufacturer.

KEY CUSTOMERS
Multi-cup supplies products to KFC, Coca-Cola, Ciro, Famous Brands and Ster Kinekor.

FACILITIES
Multi-cup operates its business from a warehousing and packing facility in Kempton Park in Gauteng.

F2018 REVIEW

Multi-cup contributed 100% of revenue and normalised EBITDA in this category.

Organic revenue	-1.6%	↓
Normalised EBITDA	-19.2%	↓

YEAR UNDER REVIEW

Specialised Food Packaging revenue decreased by 1.6% to R249 million (F2017: R253 million) and normalised EBIT decreased by 20.9% to R13 million (F2017: R16 million). Normalised EBITDA decreased by 19.2% to R14 million (F2017: R17 million).

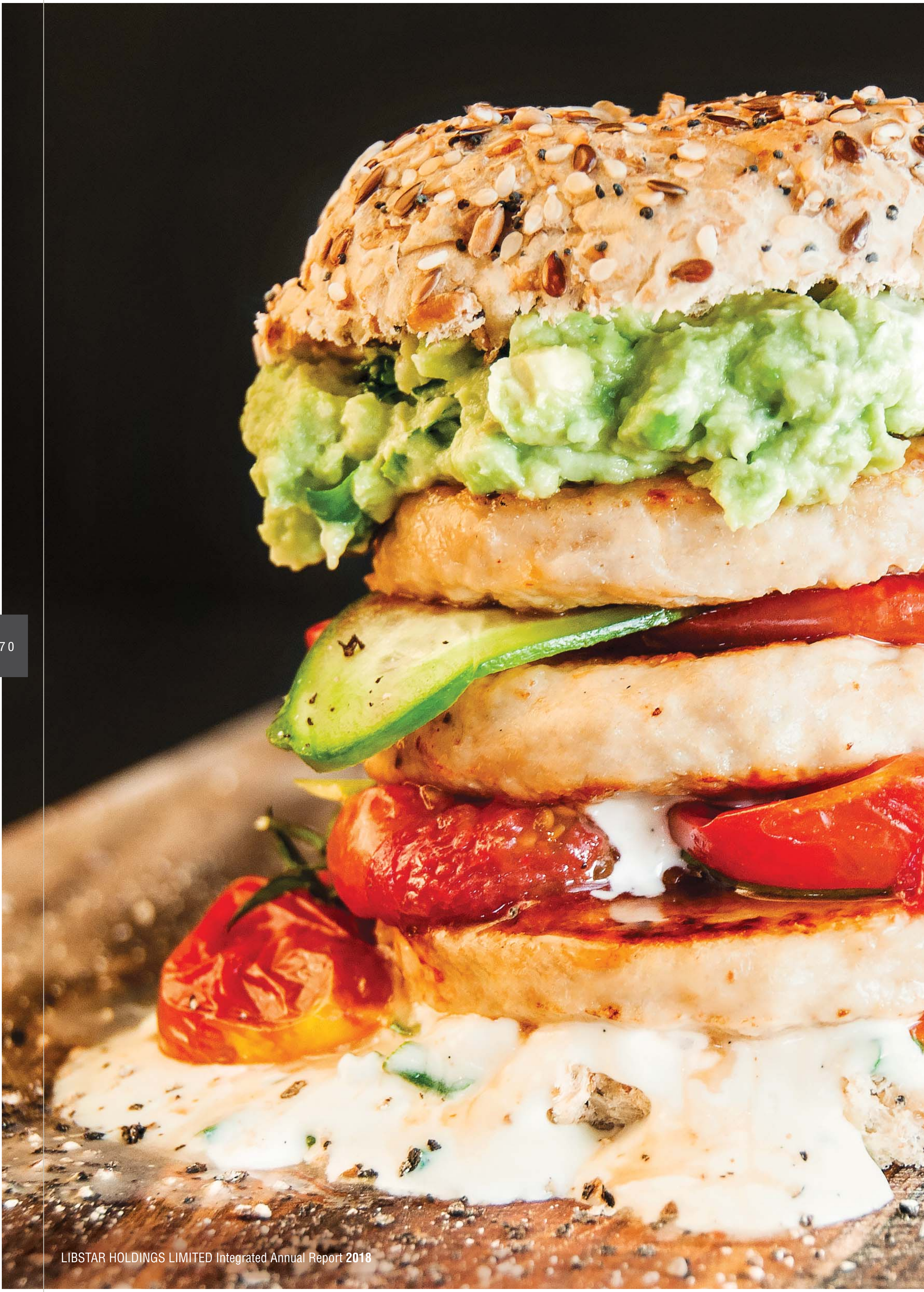
Multi-cup offers cups and other packaging.

The margin pressure from unfavourable exchange rates had a negative effect on Multi-cup's performance in F2018.

However, as expected, the launch of new eco-friendly products during the second half of F2018 resulted in an improved performance. This is expected to bolster F2019's performance.

OUTLOOK

The local manufacturing of paper straws and cups will commence in the second quarter of F2019, with a continued focus on environmentally-friendly packaging trends.



MEASURES, COMPLIANCE AND REMUNERATION

ABOUT THIS REPORT

THIS INTEGRATED ANNUAL REPORT COVERS THE ACTIVITIES OF LIBSTAR FOR THE YEAR ENDED 31 DECEMBER 2018.

THE BOARD OF DIRECTORS APPROVED THIS REPORT ON 4 APRIL 2019.

SCOPE AND BOUNDARY

The group operates mainly in South Africa, with exports to a number of other countries. Refer to page 10.

This integrated annual report was compiled whilst considering the recommendations of the King Report on Corporate Governance (King IV) for South African reports and the International Integrated Reporting Council. We have documented our assessment of the King IV principles in a register. Refer to the detailed governance review on our website, www.libstar.co.za.

The audited consolidated annual financial statements comply with International Financial Reporting Standards (IFRS), JSE Listings Requirements and the South African Companies Act.

An unqualified audit opinion was issued by the external auditors supporting the fair presentation of the financial results. Refer to page 75.

FOCUS AREAS

We identified focus areas which represent the most current material challenges for our business. These were identified by the executive management team through a review of key risks and from engagement with external stakeholders.

We outline our focus areas during the year on page 36 and discuss these, as well as other issues we had to address, throughout the report.

STAKEHOLDER ENGAGEMENT

Against the backdrop of the toughest market conditions since our inception 14 years ago, we are pleased with our performance over the past year. Whilst it has been a challenging year, we are confident that we are on the right track as we continue to pursue our strategy of supplying innovative, value-added products to customers and consumers. The group focuses on the low-cost manufacture of these products for discerning consumers across the retail, wholesale, industrial and export channels. Our markets have proven to be resilient, despite the ever-weakening economy. We conduct ongoing market research to identify trends and address customer and shopper concerns and requirements.

We also conduct employee surveys to identify issues to be addressed.

Having successfully navigated an extremely demanding first year as a listed entity, we hope to continue improving the value we deliver to shareholders in the coming year.

During the year, we focused on improving financial stakeholder communications, with a detailed evaluation completed to better understand their concerns.

HOW WE REPORT TO OUR STAKEHOLDERS

In addition to our integrated annual report, stakeholders can also refer to our other communications tools, which provide additional information on the group.

ANNUAL FINANCIAL RESULTS PRESENTATIONS

http://www.libstar.co.za/assets/img/documents/libstar_results_presentation_31_december_2018.pdf

ANNUAL FINANCIAL STATEMENTS

http://www.libstar.co.za/assets/img/documents/libstar_annual_financial_statements_31_december%202018.pdf

GOVERNANCE AND COMPLIANCE

We include a summarised governance section in this report, with a more detailed report on our website. This report also includes our compliance with King IV.

http://www.libstar.co.za/assets/img/documents/detailed-corporate-governance-review.pdf

APPROVALS

The audit and risk committee is responsible for overseeing the content of the integrated annual report. This report was approved on 4 April 2019.

Our independent auditors, Moore Stephens, issued an unqualified audit opinion, supporting the fair presentation of the financial results.

References to future financial performance in the integrated annual report have not been reviewed or reported on by our auditors.

ASSURANCE MEASURES

Libstar's operations are independently assured by external assurance providers on a variety of aspects each year.

The table outlines the material ones.

Assured business processes	Assurance/verification provided	Assurance providers
Financial position and performance of the group	Fair representation in all material aspects.	Moore Stephens
Food safety and compliance	To ensure processes meet a range of requirements. These include: ▪ Halaal or Kosher ▪ Organic ▪ FSSC 22000 ▪ HACCP (SANS 10330) ▪ IFS ▪ BRC ▪ FSA ▪ Certificate of acceptability	Muslim Judicial Council Halaal Trust South African National Halaal Authority (SANHA) National Independent Halaal Trust Islamic Council of South Africa Halaal Fund Beth-Din COFRAC Several South African municipalities Lacon Institute Japanese Agricultural Standard ProCert SABS TUV NORD CERT GmbH NSF SGS Control Union Certification Intertek Sappi
Ethical, fair trade and responsible processes	To assure processes are ethical, fair and responsible.	SMETA IBL Intertek Enviroscientific Ministry of agriculture, forestry and fisheries Flocert Africert Globus-Ethical
Quality and hygiene processes	To assure quality processes, which include audits in terms of: ISO 9001: 2008 ISO 9001: 2015 Woolworths PPC Unilever SHQ Tiger Brands audit Shoprite-Checkers Clicks audit Pick n Pay quality BSN quality Nestlé FSMS McDonald's SQMSA Kellogg's MQFS	SHEQ national certification ProCert SGS Guardian Independent Certification IBL FCS Tiger Brands Unilever Clicks Group Limited Pick n Pay BSN Medical Nestlé SAI Global LTL Consultants Kellogg's
Health and safety	All our manufacturing plants comply with ISO 4500 and are independently assessed.	TUV NORD CERT GmbH IBL
Environmental aspects	Our environmental impact is measured in line with ISO 14000.	Guardian Independent Certification TUV NORD CERT GmbH IBL
Employee processes	Employment/equity compliance audit.	Employment Concepts
Empowerment	B-BBEE verification.	AQRate Verification Agency

INDEPENDENT AUDITOR'S REPORT

On the condensed consolidated financial statements

to the Shareholders of Libstar Holdings Limited

OPINION

The condensed consolidated financial statements of Libstar Holdings Limited, which comprise the condensed consolidated statement of financial position as at 31 December 2018, the condensed consolidated income statement, statement of other comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Libstar Holdings Limited for the year ended 31 December 2018.

In our opinion, the accompanying condensed consolidated financial statements as set out on pages 98 to 114 are consistent, in all material respects, with the audited consolidated financial statements of Libstar Holdings Limited, with the requirements of International Accounting Standard 34: Interim Financial Reporting and the requirements of the Companies Act of South Africa as applicable to condensed financial statements.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the condensed consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND OUR REPORT THEREON

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 12 March 2019. That report also includes communication of 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.

DIRECTOR'S RESPONSIBILITY FOR THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the condensed consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for summarised reports, set out in note 2 to the condensed consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to condensed financial statements, and for such internal control as the directors determine is necessary to enable the preparation of the condensed consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The Listings Requirements require summarised reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, and to also, as a minimum, contain the information required by IAS 34, Interim Financial Reporting.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on whether the condensed consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on Summarised Financial Statements.

Moore Stephens Cape Town Inc.

MOORE STEPHENS CAPE TOWN INC.

Chartered Accountants (SA)

Registered Auditor
Per: Alan Billson
Director

4 April 2019

2nd Floor Block 2
Northgate Park
Paarden Eiland
7406

REMUNERATION COMMITTEE CHAIRMAN'S REVIEW

Libstar aims to deliver consistent shareholder value through an entrepreneurial culture.

As highlighted in our values, Libstar operates on a collaborative basis built on transparency, trust and integrity and aims to respect the dignity of our people.

In this context, our remuneration policy is focused on recognising the relative contribution that each employee makes to the performance of the group as a whole. We place a high value on entrepreneurship by adopting remuneration strategies that encourage senior employees to challenge boundaries and to incentivise our people for thinking innovatively.

OUR REMUNERATION STRUCTURE

The board is ultimately responsible for the remuneration policy. To assist the board in fulfilling its responsibilities, it has appointed and mandated the remuneration committee (remco). The remco is a sub-committee of the board and consists of non-executive directors.

The remco takes an active role in reviewing the remuneration policy, the remuneration philosophy, strategy and practices to align to industry best practice, as well as to the goals and strategic objectives of the group.

KEY FOCUS AREAS DURING THE YEAR

The committee's focus areas during the year included:

	Focus areas	What this means
1	Revision of the short-term incentive (STI) scheme's performance measures for eligible employees in F2018.	Return on net assets (RONA) was reintroduced and the level of broad-based black economic empowerment (B-BBEE) compliance was included in the performance measures. This is in addition to the existing measures of normalised earnings before interest, tax, depreciation and amortisation (EBITDA), improvement in net working capital days and personal key performance indicators.
2	Revision of the financial components, as well as different weighting thereof for purposes of the STI scheme's performance measures.	The financial component was previously determined by divisional business unit level performance. From F2019, one part will be determined by the financial performance of the group and the balance will continue to be determined by the divisional business unit level performance.
3	Implementation of job grading across all Libstar operations, group office and business units.	All levels of jobs, from unskilled to top management, were graded using the Paterson job grading system.
4	Development of the Libstar Long Term Incentive Scheme (LTIS), comprised of the Libstar Share Plan and long-term incentive plan (LTIP), in F2019.	The new Libstar Share Plan and LTIP were designed to include the following components: ▪ Share-based allocations for executive and senior management levels; and ▪ Share appreciation rights scheme awards to middle management and key members of operations.
5	Final awards offered under the previous LTI scheme.	A total of 91 employees, ranging from executive directors to senior management level and members of key operations, were offered final awards under the previous LTI scheme.

REMUNERATION BASED ON F2017 RESULTS

1. Executive directors (CEO and financial director) – at 31 December 2017

SALARIES	Based on external benchmarking of listed companies in the consumer packaged goods sector, increases in total guaranteed pay (TGP) of between 17.6% and 20.0% were approved with effect from 1 January 2018.
SHORT-TERM INCENTIVES	Based on the strong improvement in F2017 results, the average bonuses paid amounted to 39% of TGP.
LONG-TERM INCENTIVES	A final award under the existing Share Appreciation Rights Scheme (SARS) was made in F2018, based on a multiple of actual STI payments in respect of F2017. No further awards will be made under this scheme, as it will be wound down, with the final vesting in F2021. As outlined on pages 84 to 85, a new Libstar Share Plan and LTIP will be implemented in F2019, following shareholder approval.

2. Executives (which include exco members and CEOs of business units) – at 31 December 2017

SALARIES	Salary increases for this group of employees averaged 7.1% of TGP.
SHORT-TERM INCENTIVES	Based on the strong performance in F2017 results, average bonuses paid were 27.1% of TGP.
LONG-TERM INCENTIVES	A final award under the existing SARS was made in F2018, based on a multiple of actual STI payments in respect of F2017. No further awards will be made under this scheme, as it will be wound down, with the final vesting in F2021. As outlined on pages 84 to 85, a new Libstar Share Plan and LTIP will be implemented in F2019, following shareholder approval.

Please refer to the Notice of Annual General Meeting for additional remuneration information.

REMUNERATION BASED ON F2018 RESULTS

1. Executive directors (CEO and financial director) – 31 December 2018

SALARIES	No increases were approved for executive directors in January 2019.
SHORT-TERM INCENTIVES	Bonuses of 15% of TGP were approved by the remco.
LONG-TERM INCENTIVES	Awards will be made in terms of the proposed Libstar Share Plan and LTIP subject to shareholder approval of the scheme.

2. Executives (which include exco members and CEOs of business units) – at 31 December 2018

SALARIES	Salary increases for this group of employees averaged 4.5% of TGP.
SHORT-TERM INCENTIVES	No STI payments were made to employees at the group office. Bonuses were limited to business units who qualified in terms of the rules of the scheme.
LONG-TERM INCENTIVES	Awards will be made in terms of the proposed Libstar Share Plan and LTIP subject to shareholder approval of the scheme.

LOOKING AHEAD

Key focus areas for the committee in the coming year will include:

	Focus areas	What this means
1	Approval and implementation of the Libstar Share Plan and LTIP.	The board presents the approved Libstar Share Plan and LTIP to shareholders in the integrated annual report for approval at the annual general meeting on 20 May 2019. Refer to pages 84 to 85.
2	Monitor talent pool and leadership development initiatives.	Attend modular training and development interventions, supported by external coaching.
3	Finalisation of performance measures for the Libstar Share Plan and LTIP.	STI performance measures are reviewed on an annual basis for relevance. LTI performance measures will be implemented as part of the Libstar Share Plan and LTIP.
4	Review fee levels for non-executive directors.	Benchmark the fee levels against companies of similar sizes on the JSE Limited.
5	Review governance standards to ensure relevance.	Review benchmarking and salary increase guidelines for management. Align with the requirements of King IV, where appropriate.

APPRECIATION

I want to extend my appreciation to my fellow remuneration committee members for their valuable support and input, and also to the human resources team and our remuneration consultant for their efforts in finalising the new remuneration policy and share plan for submission to shareholders.

I look forward to continue working with the teams in the coming year.

Wahid Hamid

Chairman of remuneration committee

REMUNERATION REVIEW

In line with King IV, shareholders will have the opportunity to approve the group's remuneration policy at the annual general meeting in May 2019. The approval will focus on:

- A non-binding advisory vote on part 2 of this report.
- A non-binding advisory vote on part 3 of this report (excluding recommended fees for directors).
- The recommended fees for directors (included in part 3 of this report).

In the event that there are 25% or more votes against the approval of the remuneration policy and its implementation, the group undertakes to do the following:

- Shareholders who voted against the policy and implementation will be consulted to ascertain the nature of their dissatisfaction. Amendments will be considered by the remco.
- An official response will be drafted to shareholders that will outline actions to be taken on the issues raised.

SECTION 1: BACKGROUND

THE REMUNERATION COMMITTEE

The remuneration committee members have the relevant skills and experience to perform their duties. The members have no business or other relationships that could materially affect their independent judgement. Executive directors are neither allowed to participate in discussions regarding their own remuneration, nor are they entitled to a vote at such meetings.

Meetings held during F2018:

	2 October	5 December
Wahid Hamid (Chairman)	✓	✓
Wendy Luhabe	✓	✓
Sandeep Khanna	✓	✓
Attending by invitation:		
Chief executive officer	✓	✓
Chief financial officer	✓	✓
HR executive	✓	✓
Remco external adviser	✓	✓

ADVICE SOUGHT

Libstar used the services of an external remuneration consultant to advise on and implement the following:

- Annual benchmarking, as well as individual benchmarking for appointments and internal transfers;
- Best practice in terms of remuneration structuring and variable pay;
- Share plan design;
- Administration of the STI and LTI schemes; and
- Administration of the annual remuneration review.

SECTION 2: OVERVIEW OF REMUNERATION POLICY

REMUNERATION PRINCIPLES

The group's key remuneration principles are to:

- Ensure that Libstar's approach to remuneration is fair, equitable, transparent and market-related, taking into account both the requirements and performance of the group;
- Recognise the contribution of employees in the performance of the group;
- To maintain the value of entrepreneurship by adopting remuneration strategies that encourage senior employees to challenge boundaries; and
- Ensure compliance with legislation and regulations relating to remuneration of employees (including their benefits and incentives) and the reporting thereon.

REMUNERATION GOVERNANCE

The board is ultimately responsible for the implementation of the remuneration policy. To assist the board in fulfilling its responsibilities, it has appointed and mandated the remuneration committee (remco). The remco is a sub-committee of the board and consists of non-executive directors.

The remco takes an active role in reviewing the remuneration policy, the remuneration philosophy, strategy and practices to align to industry best practice, as well as to the goals and strategic objectives of the group.

The operations of the remco are regulated by specific terms of reference in line with King IV. The composition of the remco is compliant with the requirements of the JSE Listings Requirements and all statutory laws. The remco consists of directors of Libstar Holdings Limited, with the majority being independent non-executive directors. The chairman of the board serves as a member of the remco, but is not the chairman thereof.

The remco is responsible for:

- Monitoring, reviewing and implementing the remuneration policy;
- Monitoring leadership development and succession planning;
- Ensuring compliance with latest governance standards;
- Ensuring that Libstar's remuneration policy meets its strategic objectives;
- Advice regarding non-executive directors' remuneration;
- Reviewing and approving all short- and long-term incentive structures;
- Reviewing and approving annual salary increase parameters;
- Reviewing and approving the total quantum, vesting criteria and director allocations in the share and share appreciation rights schemes; and
- Reviewing total remuneration packages for executive management.

REMUNERATION STRUCTURE

The remuneration policy covers the following reward elements:

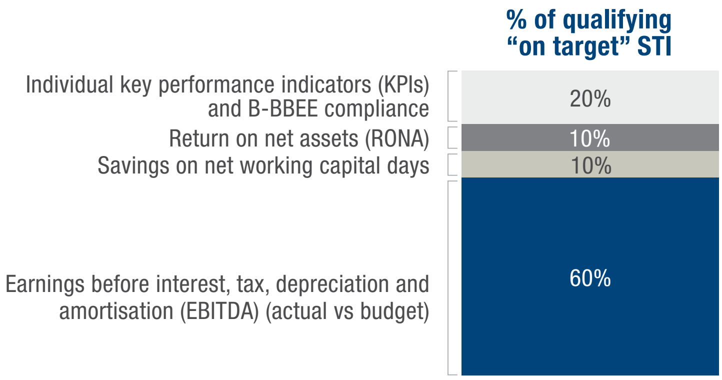
			Reward element	Who is eligible?	What is the objective	How is the pay level set?
Total reward	Total remuneration	Variable pay	LONG-TERM INCENTIVE SCHEME (Share Plan and LTIP)	Executive directors, executives, senior management, other key employees	Rewards individual and company performance, attraction/retention, recognition of individual contribution to operating business success	Allocation based on TGP and/or STI achievement, subject to financial performance
			SHORT-TERM INCENTIVES (STI) (annual cash bonus)	Executive directors, executives, senior management, other key employees	Rewards individual and company performance, attraction/retention	Business unit required to achieve 90% of EBITDA target
			13^{th} CHEQUE (at levels where applicable)	Employees not participating in STI	Motivation	Aligned with divisional business unit financial performance
		Total guaranteed pay (TGP)	BENEFITS (pension/provident fund, medical aid, death benefits)	Facilitated by business units	Motivation	Market-linked practices
			ALLOWANCES (car, phones)	Where appropriate	Attraction/ Motivation	Linked to market practices
			BASIC (monthly salary, weekly/ hourly wage)	All employees		
	Non-financial benefits		RECOGNITION	All employees	Motivation	Provided for in budgets
			PERSONAL GROWTH			
			POSITIVE WORKPLACE			
			CAREER PROGRESSION			

* *Consumer packaged goods.*

OUR EXECUTIVE REMUNERATION

Executives are defined as employees from CEO level to executives of operating business units.

Executive remuneration elements are captured in this section:

Remuneration elements	Description	Link to business strategy
TOTAL GUARANTEED PAY (TGP)	▪ A TGP approach is followed, which may include items such as car and phone allowances. ▪ An annual review of the TGP, effective on 1 January each year, taking into account the size and complexity of business units. ▪ Increases are considered against factors such as projected annual increases in CPI, company performance and affordability, performance of businesses in the consumer packaged goods sector, external market conditions, internal equity and the performance of the individual. ▪ The company uses the Paterson job grading system, as well as external benchmarking. ▪ The company facilitates the following plans: – Pension and provident funds for permanent employees; – Insured risk benefits; and – Medical aid benefits.	▪ Attraction/retention of key employees
STI	The STI is a performance bonus that is designed to incentivise participants to improve business performance. The “on target” achievement levels as a percentage of annual TGP are: ▪ Group CEO: 50%. ▪ Group central office executives and CEOs of business units: 35% to 45%. ▪ Senior management: 20% to 35%. Bonuses are based on a percentage of the annual TGP and are dependent on the achievement of the following performance measures:  ▪ A modifying factor is applied to the KPI component when business units are not B-BBEE compliant. ▪ Payments are made in two tranches to obviate a clawback provision in the rules: – 70% of the bonus is payable in December, based on October business forecasts; and – 30% of the bonus is payable in the following April based on the audited results. ▪ All STI payments are subject to approval by the remco.	▪ Attraction/retention ▪ Reward for individual and company performance
LTI	▪ A share appreciation rights scheme was introduced for selected executives, senior managers, middle managers and specialist employees during F2016. Final awards under this scheme were made in F2018. ▪ A proposed Libstar Share Plan will be presented to shareholders for approval at the annual general meeting.	▪ Reward for individual and company performance ▪ Recognition of individual contribution to company success

PROPOSED LIBSTAR SHARE PLAN AND LONG-TERM INCENTIVE PLAN (LTIP)

Prior to the group listing, the long-term incentives comprised a share appreciation rights scheme (SARS), based on an unlisted market valuation, with a three-year vesting period that was introduced during F2016. These rights were awarded to executive directors and 90 executives. The final awards in terms of this scheme were made in F2018. The scheme will run its course and unit awards will vest in terms of the rules of the scheme up to F2021.

It is proposed that the SARS participants will now participate in one or both of the long-term (share-based) incentive schemes, both based on the Libstar share price and with a similar design architecture and implementation policy, but with differing methodologies of settlement.

1. The Libstar Group Share Plan (Share Plan) will be offered to key strategic executive talent, settled in shares and focused on group performance; and
2. A once-off Libstar Long-Term Incentive Plan (LTIP) will be offered to key operational executive and senior management talent, settled in cash and focused predominantly on operational performance.

The Share Plan and LTIP were designed due to a pressing need to secure the commitment and motivation of key executives across the group, following the failure of the previous ratchet scheme to reward key executives.

Under both schemes, executives and senior employees may be offered the following on an annual basis:

- Allocations of share appreciation rights;
- Awards of performance shares/units; or
- Grants of forfeitable shares/units.

The fundamental difference between the two schemes is that the Share Plan will settle in equity (transfer of shares) whereas the LTIP will settle through a cash payment equal to equity value. Both are supported by shares in the company.

A summary of the proposed Libstar Share Plan and LTIP scheme is set out below:

Libstar Share Plan and LTIP architecture	Eligibility	Grant basis	Appreciation basis	Performance conditions on vesting	Vesting period	Settlement	Termination
PERFORMANCE SHARES	Executives, senior managers and selected other managers, with allocations of each element appropriate to the level of employee	% of annual TGP	Full value	Comparative TSR versus peer group Targeted ROIC* versus WACC# Other conditions as board may deem appropriate	Third anniversary	Share Plan: shares issued or acquired in the market LTIP: cash	**No fault termination:** shares and LTIP cash vest to the extent of performance; settled soon after exit **Termination:** shares not vested will be cancelled
FORFEITABLE SHARES		% of STI	Full value	Achievement of group weighted scorecard of sustainability measures			**No fault termination:** shares vest; settled soon after exit, unless board decides otherwise **Termination:** shares not vested will be cancelled
SHARE APPRECIATION RIGHTS		% of annual TGP	Appreciation only	Earnings performance a pre-requisite for vesting			**No fault termination:** allocation vests; settled soon after exit, unless board decides otherwise **Termination:** SAR units not vested will be cancelled

TSR: Total shareholder return
ROIC: Return on invested capital
WACC: Weighted average cost of capital

The salient features of the proposed Libstar Share Plan and LTIP schemes are:

1

Share appreciation rights

Allocations of appreciation rights will be made to executives and selected managers. They will vest (be available to be settled), subject to the fulfilment of specified performance criteria, no earlier than the third anniversary of their allocation. They need not be exercised until the seventh anniversary, at which time they must be exercised or they will lapse. On settlement, the value accruing to participants will be the positive appreciation of Libstar's share price. Settlement will be through the payment of cash of an equivalent value to the appreciation of the underlying Libstar share price at the time of exercise.

The performance criteria to govern the vesting of appreciation rights are a minimum of real growth of normalised headline earnings per share (HEPS).

2

Performance shares

A conditional award of performance units will be made to key executives. They will vest on the third anniversary of their award, to the extent that certain specified performance criteria have been met over the intervening period. The value of performance units that vests is the full value of the underlying share (there is no strike price). The number of performance units that will vest will depend on whether performance over the intervening three-year period, in relation to target(s) set at award date has been on target, an under-performance, or an over-performance,

The performance criteria to govern the vesting of performance units will be determined in terms of a weighted combination of a targeted return on ROIC in relation to the WACC, and the company's comparative total shareholder return in relation to a comparator group.

No re-testing against the performance criteria will be allowed in the plan. Any performance units which do not vest at the end of the three-year period will be forfeited.

3

Forfeitable shares

In contrast to performance units which are governed by forward-looking performance criteria governing vesting and provide for both reduced and enhanced vesting, forfeitable units are similar to deferred bonus payments. Although already "earned", they are still restricted and forfeitable on the basis of performance criteria that reduce the extent of vesting for under-performance.

The value of forfeitable units granted will be linked to the annual cash bonus scheme, by matching the on target (in this initial, once-off F2019 offer) annual cash incentive of the executive according to a specified ratio. Standard matching ratios will be set for each grade. The units will be supported by the Libstar share price.

Libstar intends that the vesting of the forfeitable units after three years will be subject to the acceptable achievement of a group and/or divisional sustainability index based on an environmental, social and governance (ESG) scorecard.

DILUTION LIMIT

The maximum number of shares to be acquired by participants under the Plan and any other plan will not exceed 6 820 000 shares, currently representing 1% of issued share capital. The allocation for any participant in terms of the Plan and any other plan will not exceed 1 364 000 shares, currently representing 0.20% of issued share capital. In the application of the above limits, shares which have been acquired through the market on behalf of participants will not be taken into account. Any shares which are not subsequently issued or transferred to any participant, for example as a result of a forfeiture, shall revert back to the Plan.

The proposed Share Plan and LTIP were created due to a pressing need to secure the commitment and motivation of key executives across the group.

EMPLOYEE AND EXECUTIVE CONTRACTS

All permanent employees are issued employment contracts that comply with statutory requirements. Notice of termination is one month, unless longer periods are agreed. The notice period for executive directors and exco members is three months.

PAYMENTS ON TERMINATION OF OFFICE

There is no provision for ex-gratia payments on termination of office, save for payments that are due under existing long-term incentive schemes.

SIGN-ON, RETENTION AND RESTRAINT OF TRADE PAYMENTS

There is no provision for sign-on, retention or restraint of trade payments. Should a payment of this nature be made, this would be approved by the remco and disclosed.

NON-EXECUTIVE DIRECTORS

Non-executive directors receive meeting attendance fees for their participation on the board and board committees. Non-executive directors do not receive annual incentive awards. The board representatives of our major shareholder do not receive any fees.

The remco reviews the fees paid to non-executive directors annually, taking into consideration the individuals' responsibilities and board committee membership.

The chairman is not present when her remuneration is reviewed. Recommendations are made to the board for consideration and presented at the AGM for shareholder approval.

The chairman receives meeting attendance fees for her participation on the board and board committees. She does not receive annual incentive awards.

Fees are reviewed annually against a peer group of comparable companies.

SECTION 3: IMPLEMENTATION OF THE REMUNERATION POLICY

HISTORIC PAYMENTS FOR ALL LEVELS OF EMPLOYEES

Increases granted (awarded in December of the prior year) %	F2017	F2018	F2019
CPI#	5.3	4.8	**5.1**
Increases			
Executive directors	7.8	19.0	**0**
Group office executives and CEOs of business units	5.8	7.1	**4.5**
Divisional business unit executives and group office senior management	5.6	7.0	**4.3**

STI payments*	F2016	F2017	F2018
% of TGP			
Executive directors	39.2	39.2	**15.0****
Group office executives and CEOs of business units	30.0	27.1	**11.9**
Divisional business unit executives and group office senior management	26.1	23.7	**11.1**
Rand value R'000			
Executive directors	2 998	3 235	**1 473**
Group office executives and CEOs of business units	16 399	18 961	**7 433**
Divisional business unit executives and group office senior management	34 135	32 568	**15 880**

* *Bonuses are expressed as a percentage of TGP for each of the sub-groups.*
** *Discretionary remco payments due to the significant hours spent to prepare the group for listing. This payment will be made in F2019.*
\# *Stats SA.*

EXPLANATION OF THESE PAYMENTS

Salary increases

EXECUTIVE DIRECTORS

Salary increases of 7.8% were awarded in respect of F2017, taking into account CPI and external benchmarks for unlisted companies of similar sizes and complexity. In F2018 the remco approved special adjustments to the salaries of the executive directors to be consistent with the peer group prior to listing. There were no salary increases for executive directors between F2018 and F2019.

LTI awards

During F2016 the group introduced a long-term incentive scheme (LTI) that amounted to a share appreciation rights scheme (SARS). During the period F2016 to F2018, awards were made to a select group of executives that included operating unit executives and senior managers. Awards were based on business unit performance and expressed in relation to the quantum of STI achieved by recipients in the prior year.

Certain key executives also participated in the Libstar ratchet scheme with effect from F2014. This was intended to incentivise key executives based on the ultimate value achieved by shareholders at the time of the initial public offering (IPO). The latter group of executives did not benefit from the ratchet scheme since the performance criteria for payment were not met. As a result, during F2018 LTI awards were made to the members of the ratchet scheme who did not participate in the initial LTI scheme awards made during F2016 and F2017. The group was therefore compelled to revise and update its long-term incentive scheme as there had been a pressing need to secure the commitment and motivation of key executives over the last four years.

The details of these schemes can be found in the group's pre-listing statement and are recorded here for ease of reference.

LTI AWARDS (SARS) MADE – F2016-F2018

	Number of awards	Rand value of awards R'000	Number forfeited/ lapsed	Number exercised/ settled	Closing number on 31 Dec	Closing fair value at 31 Dec Rm
F2018						
Executive directors	**663 526**	**8 572**	**–**	**–**	**663 526**	**–**
Exco members, senior group managers and CEOs of business units	**3 356 830**	**43 370**	**–**	**–**	**3 356 830**	**–**
Divisional business unit executives and group office senior management	**3 127 567**	**40 408**	**33 843**	**–**	**3 093 724**	**–**
TOTAL	**7 147 923**	**92 351**	**33 843**	**–**	**7 114 080**	**–**
F2017						
Executive directors	–					
Exco members, senior group managers and CEOs of business units	1 380 143	16 382	–	–	1 380 143	–
Divisional business unit executives and group office senior management	3 205 554	38 049	37 060	–	3 168 494	–
TOTAL	4 585 697	54 432	37 060	–	4 548 637	–
F2016						
Executive directors	–					
Exco members, senior group managers and CEOs of business units	1 512 869	14 810	–	–	1 512 869	–
Divisional business unit executives and group office senior management	2 856 644	27 966	195 028	63 868	2 597 748	–
TOTAL	4 369 513	42 777	195 028	63 868	4 110 617	–

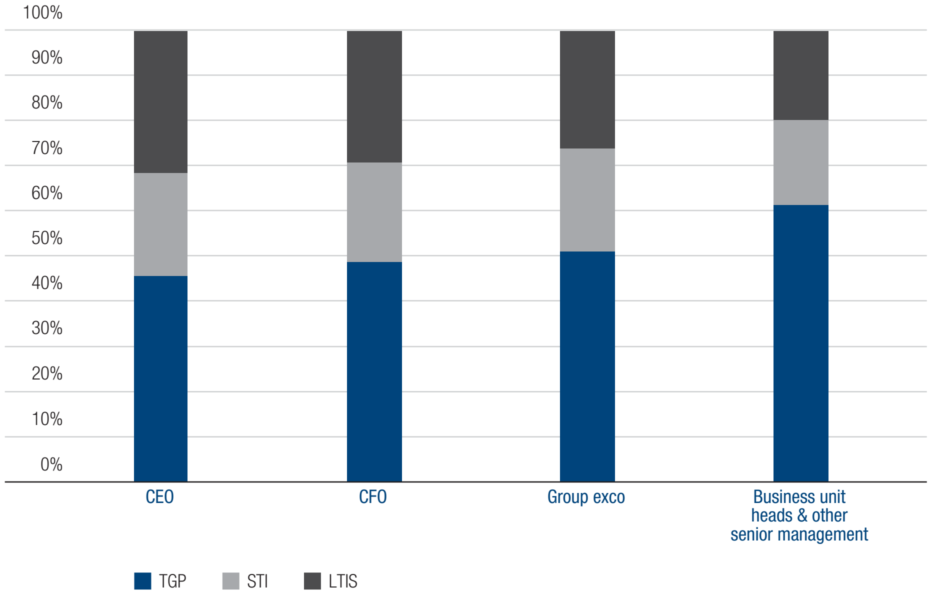
BREAKDOWN OF REMUNERATION

Executive directors

	Basic salary R'000	Travel allowance R'000	Bonuses and incentives R'000	Retirement fund contributions R'000	Gains on exercise of share options R'000	Total remuneration R'000
31 December 2018						
A van Rensburg	**5 820**	**–**	**873**	**–**	**–**	**6 693**
R Smith	**4 000**	**–**	**600**	**–**	**–**	**4 600**
31 December 2017						
A van Rensburg	4 850	–	2 005	–	–	6 855
R Smith	3 400	–	1 230	–	–	4 630
31 December 2016						
A van Rensburg	4 450	–	1 840	–	–	6 290
R Smith	3 200	–	1 158	–	–	4 358

PROPOSED REMUNERATION STRUCTURE FOR F2019

The group's remuneration structure and mix for executive and senior management, comprised of TGP, STI and LTI, are summarised below. The remuneration components assume "on target" performance at the vesting date.



GOVERNANCE REVIEW

This report is a summary of the full governance report that can be accessed on the group's website at http://www.libstar.co.za/assets/img/documents/detailed-corporate-governance-review.pdf

SECTION 1: CORPORATE GOVERNANCE

Libstar's values are aimed at building and maintaining a culture that promotes professional conduct, commitment, and open and honest communication. The board endorses the King IV report on governance for South Africa 2016 (King IV) and recognises the need to conduct its business with integrity and in accordance with generally accepted corporate practices.

OUR VALUES AND BEHAVIOURS

Integrity We value team collaboration based on transparency, trust and integrity.

Commitment We are consumer- and shopper-led, focusing on our customers to grow brands and categories.

Collaborative teamwork We are one company with common goals.

Respect Respecting, valuing and treating people with dignity.

Passion A passionate, committed, enthusiastic winning team that celebrates success.

Innovative sustainability Innovative and sustainable value creation across our value chain.

Following the conversion of the company from a private to a public company listed on the JSE Limited, the group continues to proactively take steps to ensure full compliance with the JSE Listings Requirements and the principles of King IV.

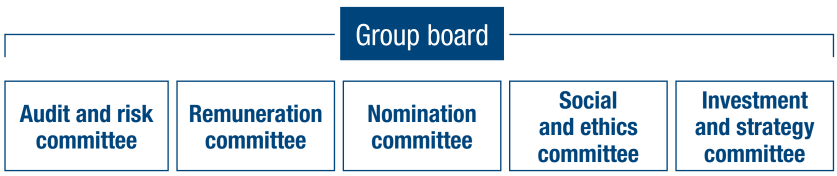
KEY FOCUS AREAS

Focus areas during the year for the board included:

- Preparation of the group for listing on the JSE Limited, including corporate and governance structures and procedures;
- Focusing on talent and development;
- Enhancing the capabilities and integrity of reporting systems; and
- Establishing a corporate identity and enhancing the brand.

GOVERNANCE STRUCTURE

The board has five committees in place.



THE BOARD

Libstar has had a board in place since 2005. To align with best practice and King IV compliance, the board was restructured in March 2018 to comprise two executive directors, three independent non-executive directors and two non-executive directors. The board is considering increasing its size to further strengthen the skills sets.

The board is responsible for ensuring that the company complies with its statutory obligations specified in the memorandum of incorporation of the company, the SA Companies Act, the JSE Listings Requirements and other regulatory requirements. An effective compliance framework is in place, with the board ensuring the integrity of its financial reporting and risk management, together with timely and transparent disclosure to shareholders.

The board has a framework in place for the delegation of authority to management. It remains cognisant that delegating authority to committees or management does not in any way impact or dissipate the discharge by the board and its members of its duties and responsibilities. The board also ensures that the positions of the CEO and board chairperson are separate, with a clearly-defined division of responsibilities in both offices to create a balance of authority and power. The chairperson does not interfere in the day-to day running of the business, but has access to group information, including internal reports, to enable her to remain up to date with the operations of the group and industry.

The board has a minimum of four scheduled meetings per financial year, excluding any ad hoc meetings held to consider special business.

The board has a board charter in place, regulating, amongst other things, the role and responsibilities of the chairperson, the lead independent director and the board as a whole.

Directors are appointed by the board in a formal and transparent manner.

Please refer to our detailed governance review and the annual financial statements on the group's website, which contain the relevant committee reports.

Independence of directors

Three of the non-executive directors, including the chairperson, are classified as independent in terms of King IV and the JSE Listings Requirements. Wahid Hamid and Sandeep Khanna represent APEF Pacific Mauritius on the board and are not considered to be independent as they manage APEF Pacific Mauritius, a significant investor in the group. However, these directors continue to exercise independent judgement at board level.

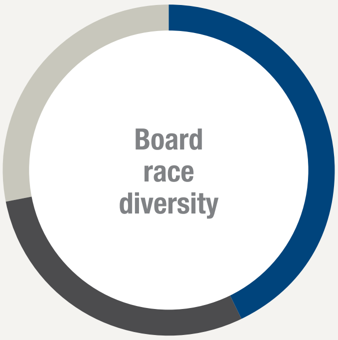
Appointment and rotation of directors

No director is appointed for a period longer than three years. At the first AGM of the group as a listed entity, all directors will retire from office. At each subsequent AGM, at least one third, or the closest number to a third, of the non-executive directors will retire from office. The non-executive directors who will retire every year will be those who have been in office the longest since their election.

Gender and race diversity

We recognise and embrace the benefits of having a diverse board, and believe increasing gender and racial diversity at board level is an essential element in maintaining a competitive advantage.

All appointments are made on merit, in the context of skills, experience, independence and knowledge which the board as a whole requires to be effective. Due regard is given to diversity in respect of Libstar's transformation initiatives, specifically those of gender and race, an appropriate mix of qualifications, skills and experience across the board.



White **43%**

Black **28%**

Indian **29%**

Male **71%**

Female **29%**

The board has set itself a voluntary target of 30% female representation on the board by the end of F2020. The group currently has two female directors at main board level, which represents 28.6% female representation.

APPLICATION OF KING IV

Libstar has evaluated its compliance with King IV's principles and recommended practices. Since listing, the board has focused on ensuring that the corporate documents of Libstar are aligned to achieve both technical and practical compliance with the outcomes of King IV, as well as to facilitate its implementation.

Please refer to our detailed governance review on the group's website, where the application of the 17 King IV corporate governance principles are outlined.

INTERNAL CONTROL SYSTEMS

We have implemented systems of internal control which are designed to detect and minimise the risk of fraud, potential liability, loss and material misstatement. These systems also provide reasonable, but not absolute, assurance regarding compliance with statutory laws and regulations and the maintenance of proper accounting records. The group makes use of various third-party software systems to manage a range of operational and management systems and to identify, amongst other things, health and safety and technical risks in the production facilities of the divisional business units.

The purpose of the systems of internal control is to maintain a sound system of risk management and sustain an effective internal control environment, ensuring that the financial statements are honest and reliable, as well as to safeguard the group's assets.

We also have certain cost control measures in place, including an independent internal audit function which reports directly to the board. An internal audit plan is agreed on an annual basis and adopts a risk-based approach to key financial aspects impacting the group.

CONFLICTS OF INTEREST

We are committed to the highest standards of ethical, moral and legal business conduct. A conflict of interest policy has been established.

DEALING IN SECURITIES

We have a formal policy, established by the board and implemented by the company secretary, prohibiting dealing in securities by directors, officers and other selected employees for a designated period preceding the announcement of our financial results or in any other period considered sensitive.

The closed financial period starts at the interim and year-end period ends and is completed upon publication of results on SENS. The policy on dealing in securities is circulated prior to a closed period to remind the affected people.

ASSURANCE OF INDEPENDENCE

Libstar operates a combined assurance framework which coordinates the efforts of management, internal assurance providers and external assurance providers in a manner that ensures collaboration and assists in providing a profile of the risks.

First line of defence – management.

Second line of defence – external assurance providers – attorneys, customers, external audit.

Third line of defence – internal audit.

Fourth line of defence – oversight bodies (the board and sub-committees).

KEY FOCUS AREAS FOR F2019

The board's key focus areas for the coming year include:

- Improvement of transformation. The group is measured against the Agri BEE sector codes. Due to the onerous targets contained in these sector codes, the company has appointed AQrate as its verification agency for F2019 to ensure an improvement in its rating. Increased emphasis will be placed on elements of management control and employment equity, skills development and preferential procurement.
- Enhancement of information technology processes, including the implementation of new systems focused on ensuring effective group-wide reporting and accounting systems.
- Finalisation of policies, including the corporate social responsibility and the shareholder relationship policy.
- Review of the board diversity policy to ensure that objectives and targets are on track.
- Working with management on:
  - The effective implementation of the group's strategy;
  - Enhancement of the corporate brand positioning;
  - Continuing to build the entrepreneurial/ownership culture;
  - Creating a strong and cohesive management team that can work together to drive growth;
  - Enhancing investor and media relations;
  - Improving manufacturing efficiencies and yields;
  - Maintaining accreditations from local and international bodies;
  - Developing leadership and talent; and
  - Operating an employee and organisational value creation process that aims to build employee and organisational value.

SECTION 2: COMPLIANCE AND REGULATORY

The board ensures that Libstar complies with its statutory obligations specified in the memorandum of incorporation of the company, the South African Companies Act, the JSE Listings Requirements and other regulatory requirements.

Relevant legislation	Responsibility
• COMPANIES ACT • JSE LISTINGS REQUIREMENTS • KING IV REQUIREMENTS	Group company secretary
• TAX ADMINISTRATION	Group finance
• BASIC CONDITIONS OF EMPLOYMENT • LABOUR RELATIONS ACT • EMPLOYMENT EQUITY ACT	Group human resources
• BROAD-BASED BLACK ECONOMIC EMPOWERMENT (B-BBEE ACT AND AMENDMENT ACT)	Group human resources
• PRIVACY LAWS	Group commercial and risk
• CORPORATE AND COMMERCIAL PROCUREMENT LEGISLATION	Group commercial, supply chain and risk
• ANTI-BRIBERY AND ANTI-CORRUPTION LEGISLATION • COMPETITION LAW	Group commercial, supply chain and risk
• SAFETY, HEALTH AND ENVIRONMENTAL LEGISLATION	Group commercial, supply chain and risk

COMPLIANCE

Mandatory compliance with internationally-accepted public standards is required by each of the divisional business units. These include a range of standards that are certified by relevant assurance providers. Refer to page 74.

Legislative and regulatory compliance

Libstar manages its business responsibly and in compliance with statutory and regulatory requirements. Regulatory legislation and compliance relevant to the group is presented to the board. An external consultancy has been appointed to evaluate the group's employment equity and transformation initiatives to achieve compliance and align the group to best practice.

STAKEHOLDER RELATIONS

The group has consultants who advise management on its stakeholder strategy and activities.

We aim to implement proactive and timely communication with all stakeholders, whilst protecting the rights of shareholders. We do this by providing equal access to information, with the simultaneous release of information and no selective disclosure of information.

ANTI-BRIBERY AND ANTI-CORRUPTION LEGISLATION

Libstar's values encompass integrity and transparency. We have developed a specific programme for preventing bribery, which involves the adoption of an anti-bribery policy.

Libstar is committed to:

- Conduct its business fairly, honestly and transparently;
- Not making or offering bribes, whether directly or indirectly, to gain or give business advantages; and
- A zero tolerance towards bribery.

The corporate code of conduct and ethics policy sets out the guidelines that define acceptable and responsible behaviour for the group and all employees.

The code prohibits:

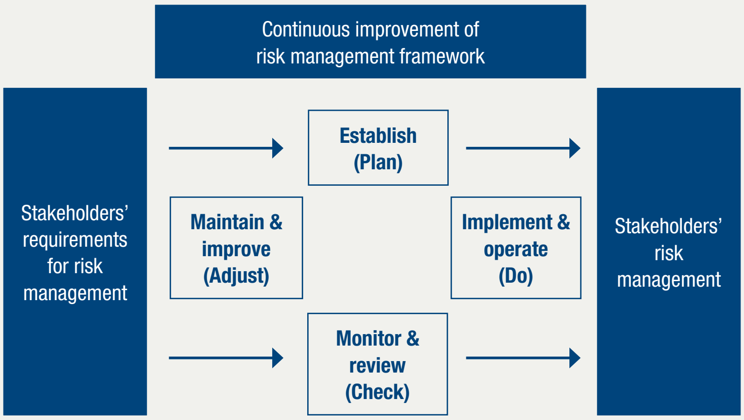
- Cash gifts;
- The giving or receiving of gifts, loans, favours or any other benefit which may be regarded as influencing business, labour or government decisions;
- Donations or contributions to a political party; and
- Engaging in activities which may involve a conflict of interest with the group's employment position.

The board recognises the need for a confidential reporting mechanism (a whistle-blowing hotline) covering fraud and other risks. The board is in the process of establishing this.

SECTION 3: RISK MANAGEMENT

The board recognises that risk management is a key component of good governance, which involves a consideration of risks and opportunities. In this context, Libstar is required to not only mitigate negative consequences of actions, but to also identify opportunities.

Libstar has implemented the following risk management framework and standards:



Plan : Establish the risk management framework
Do : Implement and operate it
Check : Monitor and review its effectiveness
Adjust (Act) : Maintain and continuously improve it

The board has responsibilities across multiple lines of defence. These include the executive leadership team, management and the rest of the workforce.

The group has established a risk management framework, focusing on:

- Defining an operating model, along with strategic and operational objectives;
- Defining external and internal factors that give rise to the risk that the group might not meet its objectives;
- Determining externally-imposed risk parameters (including regulatory, legal, social and contractual); and
- Application of the risk management process and definition of internal parameters.

Risks have been categorised as follows:

- **Ethics:** Ethics-related opportunities, uncertainties, threats or barriers.
- **External and financial:** Uncertainty regarding the management and control of the finances of the group.
- **Environmental:** Losses arising from damage to property, which typically includes the perils covered by insurance.
- **Human resources:** Uncertainty related to compliance with human resource management policies and procedures, employee morale and organisational culture.
- **Legal/regulatory compliance:** Uncertainty related to laws, statutes, and administrative regulations that govern how an organisation operates.
- **Reputational:** Uncertainty related to brand, perceived value, organisational status and public perception and trust.
- **Strategic:** Uncertainty related to long-term policy directions of the organisation (big-picture risk or material risk).

The risk assessment process consists of risk identification, analysis and evaluation.

We have sound management processes to manage risks. The key financial risk management aspects are outlined in more detail.

Financial risk management

The individual companies within the group provide services to the business, coordinate access to domestic and international financial markets and monitor and manage the financial risks relating to the operations of the group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

We seek to minimise the effects of these 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, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity.

Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Capital risk management

We manage our capital to ensure that entities in the group will be able to continue operating as going concerns whilst maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the group consists of net debt (bank loans and asset-based finance offset by cash and bank balances) and equity of the group (comprising issued capital, reserves, retained earnings and non-controlling interests). The group is not subject to any externally-imposed capital requirements.

Foreign currency risk management

As the group undertakes transactions denominated in foreign currencies, exposure to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

Interest rate risk management

We are exposed to interest rate risk, as entities in the group borrow funds at floating interest rates.

Credit risk management

Credit risk arises if a counterparty defaults or does not meet its obligations timeously. We limit our counterparty exposure arising from financial instruments by only dealing with well-established institutions of high credit standing. The group does not expect any counterparties to fail to meet their obligations given their high credit ratings.

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

Our credit exposure in respect of financial assets are not considered to be material.

Credit risk in respect of our customer base is controlled by the application of credit limits and credit monitoring procedures. Certain significant receivables are monitored on a daily basis.

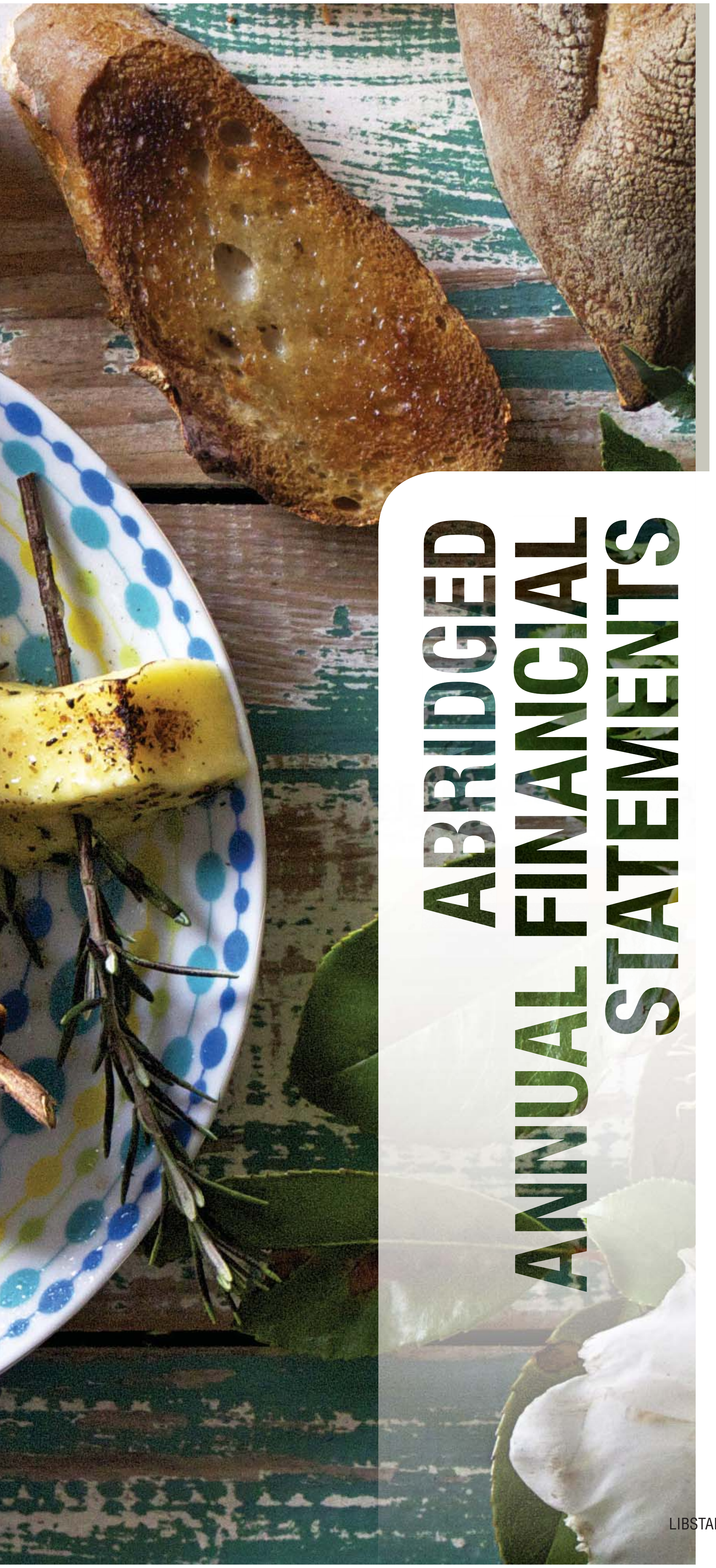
Where appropriate, credit guarantee insurance is obtained. We do not hold any collateral in respect of our customers.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board, 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.

The following key risks were identified during the year:

Issues	Risks	Mitigation
FOREIGN EXCHANGE	Exposure to fluctuations in exchange rates could impact profitability.	The group has formalised foreign exchange hedging policies designed to mitigate the impact of foreign currency fluctuations. Outsourced treasury consultants assist the group to ensure that these policies are appropriately implemented. As outlined on page 50, the group has been improving systems to address the impact it has experienced to date.
COMPETITION FROM LOCAL AND MULTI-NATIONAL COMPANIES	Stringent competition could impact profitability.	The group does not produce commoditised products, but rather focuses on the low-cost manufacture of quality, value-added products. The group leverages the long-standing relationships with customers in the retail, wholesale, industrial and export channels to produce products which are marketed to consumers under the group's own and dealer-own or private label brands which are developed in partnership with the group's customers. The group maintains relevance through its ability to produce innovative products which cater to changing consumer trends, and by developing new products which grow existing categories.
SUPPLY CHAIN BUSINESS INTERRUPTION	Disruption to the sourcing of raw materials and packaging goods could impact overall profitability.	The group's divisional business units maintain contingency plans which cater for the sourcing of key inputs from at least two alternative suppliers, when required.
INFORMATION SYSTEMS AND RELATED INTEGRATION	Failure in the information systems or system integrations may compromise the integrity of financial and non-financial information.	The group employs information technology and integration specialists who design, implement and project manage system implementation or integrations across all divisional business units in conjunction with external software design teams. Standard software applications are maintained across the group to ensure integrity and compatibility of information. Appropriate procedures for failure and effective backup are implemented to ensure data continuity.
LABOUR	Protracted industrial action could impact business continuity.	Wage negotiations are decentralised and planned in advance to mitigate any related risk to business continuity. Where appropriate, wage agreements are locked in for more than a year to promote labour force stability. Employees are included in the business unit level strategy formation to ensure alignment.



ABRIDGED ANNUAL FINANCIAL STATEMENTS

Contents

AUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2018

	Notes	2018 Audited R'000	2017 Audited R'000
CONTINUING OPERATIONS			
Revenue		**9 892 294**	8 796 450
Cost of sales		**(7 693 591)**	(6 788 632)
Gross profit		**2 198 703**	2 007 818
Other income	5	**18 538**	146 653
Operating expenses		**(1 642 244)**	(1 558 640)
Operating profit	6	**574 997**	595 831
Investment income		**47 676**	25 754
Finance costs		**(272 890)**	(254 431)
Profit before tax		**349 783**	367 154
Income tax expense		**(114 147)**	(134 174)
Profit for the year from continuing operations		**235 636**	232 980
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations		**(12 623)**	(43 283)
Profit for the year		**223 013**	189 697
Other comprehensive income for the year, net of tax		**(417)**	(459)
Items that will never be classified to profit or loss			
Defined benefit plan actuarial losses		**(417)**	(459)
Total comprehensive profit for the year		**222 596**	189 238
Profit attributable to:			
Equity holders of the parent		**222 224**	188 354
Non-controlling interest		**789**	1 343
		223 013	189 697
Total comprehensive income attributable to:			
Equity holders of the parent		**221 807**	187 895
Non-controlling interest		**789**	1 343
		222 596	189 238
Basic and diluted earnings per share (cents)			
From continuing operations	7	**41**	49
From continuing and discontinued operations	7	**39**	40
Headline earnings per share (cents)			
From continuing operations	8	**47**	60
From continuing and discontinued operations	8	**46**	57

AUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2018

	Notes	2018 Audited R'000	2017 Audited R'000
ASSETS			
Non-current assets		**6 009 716**	6 033 319
Property, plant and equipment	9	**1 205 921**	1 041 225
Goodwill		**2 521 058**	2 521 058
Intangible assets		**2 269 199**	2 449 507
Other financial assets		**8 018**	9 600
Operating lease asset		**5 418**	5 439
Deferred tax assets		**102**	6 490
Current assets		**3 784 159**	3 459 378
Inventories		**1 121 330**	1 137 107
Trade and other receivables		**1 628 038**	1 618 108
Biological assets		**26 662**	26 162
Other financial assets		**17 921**	115 647
Current tax receivable		**2 796**	11 646
Cash and bank balances		**987 412**	550 708
Total assets		**9 793 875**	9 492 697
EQUITY AND LIABILITIES			
Capital and reserves attributable to equity holders of the parent		**5 410 079**	4 559 272
Share capital	10	**4 818 884**	4 187 177
Defined benefit plan reserve		**(1 757)**	(1 340)
Retained earnings		**668 120**	445 895
Premium on acquisition of non-controlling interests		**(75 168)**	(63 624)
Put options exercisable by non-controlling interests and executive management		**–**	(8 836)
Non-controlling interests		**8 661**	7 696
Total equity		**5 418 740**	4 566 968
Non-current liabilities		**2 734 401**	2 878 889
Other financial liabilities		**1 921 591**	2 014 548
Deferred tax liabilities		**769 960**	815 948
Employee benefits		**8 919**	8 372
Share appreciation rights	12	**20 811**	34 019
Operating lease liability		**13 120**	6 002
Current liabilities		**1 640 734**	2 046 840
Trade and other payables		**1 401 337**	1 498 818
Other financial liabilities		**77 086**	348 146
Current tax payable		**4 239**	495
Bank overdraft		**158 072**	199 381
Total liabilities		**4 375 135**	4 925 729
Total equity and liabilities		**9 793 875**	9 492 697

AUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018

	Share capital R'000	Defined benefit plan reserve[1] R'000	Premium on acquisition of non-controlling interests[2] R'000	Retained earnings R'000	Put options exercisable by non-controlling interests and executive management[3] R'000	Non-controlling interests R'000	Total R'000
Balance at 1 January 2017	3 886 410	(881)	(18 390)	264 052	(55 129)	9 523	4 085 585
Total comprehensive income for the year	–	(459)	–	188 354	–	1 343	189 238
Profit or loss for the year	–	–	–	188 354	–	1 343	189 697
Other comprehensive income for the year	–	(459)	–	–	–	–	(459)
Transactions with owners of the Company							
Contributions and distributions	300 767	–	–	(33 816)	–	–	266 951
Share buyback	(25 530)	–	–	(33 816)	–	–	(59 346)
Issue of shares	326 297	–		–	–	–	326 297
Changes in ownership interests	–	–	(45 234)	–	–	(3 170)	(48 404)
Purchase of non-controlling interest in subsidiary	–	–	(45 234)	–	–	(3 170)	(48 404)
Movement in put options	–	–	–	27 306	46 293	–	73 599
Put options exercised	–	–	–	–	97 458	–	97 458
Fair value adjustment taken through equity	–	–	–	–	(18 049)	–	(18 049)
Transfer from retained earnings on exercise of put options by executive management	–	–	–	27 306	(33 116)	–	(5 810)
Balance at 1 January 2018	**4 187 177**	**(1 340)**	**(63 624)**	**445 896**	**(8 836)**	**7 696**	**4 566 969**
Total comprehensive income for the year	**–**	**(417)**	**–**	**222 224**		**789**	**222 596**
Profit or loss for the year	**–**	**–**	**–**	**222 224**	**–**	**789**	**223 013**
Other comprehensive income for the year	**–**	**(417)**	**–**	**–**		**–**	**(417)**
Transactions with owners of the company							
Contributions and distributions	**631 707**	**–**	**–**	**–**	**–**	**–**	**631 707**
Capital distribution	**(800 000)**	**–**	**–**	**–**	**–**	**–**	**(800 000)**
Issue of shares	**1 500 730**	**–**	**–**	**–**	**–**	**–**	**1 500 730**
Held as treasury shares	**(730)**	**–**	**–**	**–**	**–**	**–**	**(730)**
Share buyback	**(7 964)**	**–**	**–**	**–**	**–**	**–**	**(7 964)**
Capitalisation of costs directly attributable to issue of shares	**(60 329)**	**–**		**–**	**–**	**–**	**(60 329)**
Changes in ownership interests	**–**	**–**	**(11 544)**	**–**	**–**	**176**	**(11 368)**
Purchase of non-controlling interest in subsidiary	**–**	**–**	**(11 544)**	**–**	**–**	**176**	**(11 368)**
Movement in put options	**–**	**–**	**–**	**–**	**8 836**	**–**	**8 836**
Fair value adjustment taken through equity	**–**	**–**	**–**	**–**	**8 836**	**–**	**8 836**
Balance at 31 December 2018	**4 818 884**	**(1 757)**	**(75 168)**	**668 120**	**–**	**8 661**	**5 418 740**
Notes	10						

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

AUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2018

	2018 Audited R'000	2017 Audited R'000
NET CASH FLOW FROM OPERATING ACTIVITIES	**505 044**	572 614
Cash generated from continuing operations	**875 396**	955 204
Finance income received	**47 676**	25 754
Finance costs paid	**(272 890)**	(254 431)
Taxation paid	**(139 341)**	(145 191)
Cash utilised by discontinued operations	**(5 797)**	(8 722)
NET CASH FLOW FROM INVESTMENT ACTIVITIES	**(345 979)**	(605 779)
Purchase of property, plant and equipment and computer software	**(348 745)**	(315 115)
Sale of property, plant and equipment and computer software	**3 505**	(6 914)
Proceeds from sale of discontinued operations	**1 000**	–
Other financial assets advanced	**(1 739)**	–
Acquisition of businesses (net of cash acquired)	**–**	(283 750)
NET CASH FLOW FROM FINANCING ACTIVITIES	**318 948**	266 608
Proceeds from issue of equity shares	**1 500 000**	132 151
Capital distribution	**(800 000)**	–
Share issue costs	**(60 329)**	–
Share buyback	**(7 964)**	(39 961)
Loans (repaid to)/advanced by shareholders	**(17 267)**	19 384
Loans repaid by/(advanced to) shareholders	**39 648**	(43 059)
Proceeds from other financial liabilities	**(34 462)**	35 040
Repayment of loans from non-controlling interests	**(28 592)**	(6 518)
Purchase of non-controlling interests	**(11 368)**	–
Proceeds from term loans and asset-based financing	**2 584 364**	300 274
Repayment of term loans and asset-based financing	**(2 845 082)**	(130 703)
Net increase in cash and cash equivalents	**478 013**	233 444
Cash and cash equivalents at the beginning of the year	**351 327**	117 883
Cash and cash equivalents at the end of the year	**829 340**	351 327
Continuing operations	**829 340**	351 327

AUDITED CONDENSED CONSOLIDATED SEGMENTAL INFORMATION

for the year ended 31 December 2018

	Year ended 31 December 2018 R'000	Year ended 31 December 2017 R'000

BASIS OF SEGMENTATION

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

The following summary describes each segment:

Perishables
Perishable products are products that are refrigerated.

Ambient Groceries
Ambient Groceries (also known as "shelf-stable" groceries) is a category of foods that can be stored and preserved at room temperature.

Snacks and Confectionery
Premium snacks and confectionery products.

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

Niche Beverages
The Niche Beverages product category consists of beverages that do not fall within the mainstream beverage market.

Household and Personal Care
Detergents and household cleaning products.

Specialised Food Packaging
The Specialised Food Packaging product category is made up of custom-made packaging solutions for various food and drink products sold largely in the food service industry.

INFORMATION ABOUT REPORTABLE SEGMENTS

	Year ended 31 December 2018 R'000	Year ended 31 December 2017 R'000
Revenue		
Perishables	**4 569 593**	3 729 670
Ambient Groceries	**2 471 896**	2 614 824
Snacks and Confectionery	**477 391**	428 505
Baking and Baking Aids	**627 839**	515 406
Niche Beverages	**650 353**	428 278
Household and Personal Care	**846 313**	826 887
Specialised Food Packaging	**248 909**	252 879
	9 892 294	8 796 450
Revenue comprised as follows:		
Total revenue for reportable segments	**9 956 788**	8 823 656
Elimination of inter-segment revenue	**(64 494)**	(27 206)
Perishables	**(5 663)**	(2 215)
Ambient Groceries	**(36 694)**	(15 156)
Snacks and Confectionery	**(94)**	(214)
Baking and Baking Aids	**(11 599)**	(4 360)
Niche Beverages	**(8 598)**	(2 413)
Household and Personal Care	**(284)**	(2 592)
Specialised Food Packaging	**(1 562)**	(256)
	9 892 294	8 796 450

	Year ended 31 December 2018 R'000	Year ended 31 December 2017 R'000
Operating profit (EBIT)		
Perishables	**338 943**	371 759
Ambient Groceries	**184 788**	284 270
Snacks and Confectionery	**58 723**	51 569
Baking and Baking Aids	**64 731**	52 383
Niche Beverages	**(2 312)**	(57 057)
Household and Personal Care	**5 492**	4 847
Specialised Food Packaging	**10 402**	13 872
Corporate	**(85 770)**	(125 812)
	547 997	595 831
Reconciliation of operating profit per segment to profit before tax		
Operating profit	**547 997**	595 831
Investment income	**47 676**	25 754
Finance costs	**(272 890)**	(254 431)
Profit before tax	**349 783**	367 154

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

NORMALISED EBIT AND EBITDA

	Year ended 31 December 2018 R'000	Year ended 31 December 2017 R'000
Group – continuing operations		
Operating profit	**574 997**	595 831
Amortisation of customer contracts	**140 841**	131 486
Due diligence costs	**3 319**	4 428
Expenses relating to share appreciation rights granted	**(13 208)**	26 660
Fair value adjustment to put options	**–**	(1 436)
Government grants	**(46)**	(256)
Impairment losses	**42 556**	50 000
Gain on disposal of property, plant and equipment	**3 121**	959
Costs and fees attributable to the initial public offering	**5 007**	22 583
Retrenchment and settlement costs	**7 050**	15 193
Securities transfer tax	**66**	275
Straight-lining of operating leases	**3 694**	(459)
Strategic advisory fees	**43**	2 291
Unrealised loss/(gain) on foreign exchange	**45 494**	(40 211)
Donation	**6 000**	–
Normalised EBIT	**818 933**	807 344
Amortisation of software	**8 017**	8 120
Depreciation of property, plant and equipment	**156 714**	124 901
Normalised EBITDA	**983 665**	940 365
Perishables		
Operating profit	**338 942**	371 759
Amortisation of customer contracts	**44 676**	37 873
Due diligence costs	**–**	17
Impairment losses	**243**	–
Loss/(gain) on disposal of property, plant and equipment	**365**	(425)
Retrenchment and settlement costs	**2 024**	3 807
Straight-lining of operating leases	**3 530**	511
Unrealised loss/(gain) on foreign exchange	**5 455**	(1 633)
Normalised EBIT	**395 237**	411 909
Amortisation of software	**306**	87
Depreciation of property, plant and equipment	**59 109**	34 284
Normalised EBITDA	**454 652**	446 280

	Year ended 31 December 2018 R'000	Year ended 31 December 2017 R'000
Ambient Groceries		
Operating profit	184 788	284 270
Amortisation of customer contracts	61 151	60 408
Government grants	–	(137)
Impairment losses	313	–
Loss on disposal of property, plant and equipment	2 144	1 102
Retrenchment and settlement costs	2 201	7 704
Straight-lining of operating leases	257	72
Strategic advisory fees	–	1 716
Unrealised loss/(gain) on foreign exchange	40 818	(43 217)
Normalised EBIT	291 672	311 918
Amortisation of software	4 286	582
Depreciation of property, plant and equipment	42 467	37 763
Normalised EBITDA	338 425	350 263
Snacks and Confectionery		
Operating profit	58 723	51 569
Amortisation of customer contracts	4 402	4 402
Government grants	–	(24)
Loss on disposal of property, plant and equipment	44	124
Retrenchment and settlement costs	–	354
Straight-lining of operating leases	(112)	448
Strategic advisory fees	–	–
Unrealised (gain)/loss on foreign exchange	(116)	4 831
Normalised EBIT	62 941	61 704
Amortisation of software	809	257
Depreciation of property, plant and equipment	9 301	9 590
Normalised EBITDA	73 051	71 551
Baking and Baking Aids		
Operating profit	64 731	52 383
Amortisation of customer contracts	9 406	9 406
Loss/(gain) on disposal of property, plant and equipment	59	(51)
Retrenchment and settlement costs	280	306
Straight-lining of operating leases	(666)	(2 268)
Unrealised loss on foreign exchange	258	21
Normalised EBIT	74 067	59 797
Amortisation of software	794	669
Depreciation of property, plant and equipment	17 774	16 659
Normalised EBITDA	92 635	77 125
Specialised Food Packaging		
Operating profit	10 402	13 872
Amortisation of customer contracts	2 267	2 267
Government grants	(46)	(95)
Gain on disposal of property, plant and equipment	(65)	(141)
Unrealised loss on foreign exchange	23	–
Normalised EBIT	12 581	15 903
Amortisation of software	108	155
Depreciation of property, plant and equipment	1 225	1 162
Normalised EBITDA	13 914	17 220

	Year ended 31 December 2018 R'000	Year ended 31 December 2017 R'000
Household and Personal Care		
Operating profit	5 492	4 847
Amortisation of customer contracts	12 183	12 183
Loss on disposal of property, plant and equipment	407	994
Retrenchment and settlement costs	1 946	2 118
Straight-lining of operating leases	685	653
Strategic advisory fees	42	212
Unrealised (gain)/loss on foreign exchange	(8)	468
Normalised EBIT	20 748	21 475
Amortisation of software	(569)	4 052
Depreciation of property, plant and equipment	16 179	18 202
Normalised EBITDA	36 358	43 729
Niche Beverages		
Operating loss	(2 312)	(57 057)
Amortisation of customer contracts	6 755	4 948
Impairment losses	42 000	50 000
Loss/(gain) on disposal of property, plant and equipment	128	(651)
Retrenchment and settlement costs	105	527
Straight-lining of operating leases	–	125
Unrealised gain on foreign exchange	(937)	(681)
Normalised EBIT	45 739	(2 789)
Amortisation of software	91	21
Depreciation of property, plant and equipment	8 946	5 894
Normalised EBITDA	54 776	3 126
Corporate		
Operating profit	(85 770)	(125 812)
Due diligence costs	3 319	4 411
Expenses relating to share appreciation rights granted	(13 208)	26 660
Fair value adjustment to put options	–	(1 436)
Loss on disposal of property, plant and equipment	40	7
Costs and fees attributable to the initial public offering	5 007	22 583
Retrenchment and settlement costs	494	377
Straight-lining of operating leases	–	–
Securities transfer tax	66	275
Strategic advisory fees	–	363
Unrealised gain on foreign exchange	–	–
Donation	6 000	–
Normalised EBIT	(84 053)	(72 572)
Amortisation of software	2 193	2 297
Depreciation of property, plant and equipment	1 712	1 347
Normalised EBITDA	(80 147)	(68 928)
Export revenue		
The group mainly operates in South Africa. Revenue derived from customers domiciled within South Africa is classified as revenue from South Africa. Revenue from customers domiciled outside of South Africa is classified as export revenue.		
Export revenue for the year	1 270 480	1 004 528
Major customers		
During the period under review, revenue from certain customers exceeded 10% of total revenue.		
Customer A	18%	18%
Customer B	14%	14%
Customer C	11%	10%

NOTES TO THE AUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2018

1. REPORTING ENTITY

Libstar is a leading producer and supplier of high-quality products in the CPG industry and markets a wide range of products in South Africa and globally. The group provides a multi-product offering in multiple categories across multiple channels, whilst strategically positioning itself within the food and beverage and HPC sectors and maintaining the flexibility to capitalise on growth areas in the CPG industry.

2. BASIS OF PREPARATION AND REPORT OF THE INDEPENDENT AUDITOR

These audited condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), including the disclosure requirements of IAS 34 Interim Financial Reporting (IAS 34) and comply with the Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, as well as the JSE Listings Requirements and the Companies Act, No 71 of 2008.

These financial statements have been prepared by P Makate CA(SA) under the supervision of RW Smith CA(SA), the group financial and commercial director, and CB de Villiers CA(SA). The results were approved by the board of directors on 12 March 2019 and the directors take full responsibility for the preparation thereof.

The financial results presented have been audited by the group's independent external auditors, Moore Stephens, which expressed an unmodified audit conclusion. The auditor also expressed an unmodified opinion on the annual consolidated financial statements from which these condensed consolidated financial statements were derived.

The auditor's report on the condensed consolidated financial statements does not necessarily report on all of the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report on the abridged summarised consolidated financial statements and of the auditor's report on the annual consolidated financial statements which are available for inspection at the company registered office, together with the accompanying financial statements identified in the respective auditor's report.

3. ACCOUNTING POLICIES

The accounting policies applied by the group in these financial statements are consistent with those applied in the consolidated annual financial statements for the year ended 31 December 2017 except as detailed below:

- IFRS 15 Revenue from Contracts with Customers

  The new standard features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The new standard has not had any effect on the timing or quantum of revenue recognition for the group. The group predominantly and materially generates revenue by selling goods in accordance with terms which contain no material element of accrued or deferred revenue.

- IFRS 9 Financial Instruments

  In the current year, the group applied IFRS 9 Financial Instruments and the related consequential amendments to other IFRS standards that are effective for the annual period that begins on or after 1 January 2018. The transitional provisions of IFRS 9 allow an entity to not restate comparatives. Accordingly, no comparatives have been restated for purposes of these consolidated financial statements.

  The amendments introduced by IFRS 9 have not materially impacted the consolidated financial statements as presented.

- Normalised EPS and normalised HEPS

  To arrive at normalised EPS, the after-tax earnings from continuing operations (as disclosed in the financial statements), is adjusted for the after-tax impact of the normalised EBIT adjustments shown above, excluding the after-tax impact of separately identifiable re-measurements as defined in accordance with IAS 33 Earnings per Share read with circular 4 of 2018 Headline Earnings ("Headline Earnings Re-measurements").

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

  The following standards, amendments and interpretations are not yet effective and have not been early adopted by the group (the effective dates stated below refer to periods beginning on or after the stated dates):

- IFRS 16 – Leases (effective from 1 January 2019)

  IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ("lessee") and the supplier ("lessor"). IFRS 16 replaces the previous leases standard, IAS 17 Leases, and related Interpretations. IFRS 16 includes a single model for lessees which will result in almost all leases being included in the statement of financial position. No significant changes have been included for lessors. IFRS 16 also includes extensive new disclosure requirements for both lessees and lessors.

  This new standard will most likely have a significant impact on the group. Had the new standard been implemented in the current financial year, a lease asset and lease liability of approximately R301 million would have been recognised in the statement of financial position. The group has started a detailed assessment to determine the extent of the impact of IFRS 16 and will disclose more detailed information in future financial statements.

  The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted. The group will apply IFRS 16 for the first time in its financial statements for the year ending 31 December 2019.

4. ACCOUNTING JUDGEMENTS AND ESTIMATES

Management is required to make estimates and assumptions that affect the amounts presented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates.

In preparing these condensed consolidated financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated annual financial statements for the year ended 31 December 2017, save as noted above.

	2018 R'000	2017 R'000
5. OTHER INCOME		
Bad debts recovered	**23**	173
Commissions received	**35**	39
Gain on foreign exchange	**10 337**	129 337
Realised gain on foreign exchange	**55 831**	89 126
Unrealised (loss)/gain on foreign exchange	**(45 494)**	40 211
Fair value adjustment to put options exercisable by executive management	**–**	1 436
Government grants	**137**	684
Insurance claims received	**2 020**	552
Rebates received	**67**	–
Recoveries	**–**	11
Rental income	**454**	4 311
Sundry income	**5 465**	10 110
	18 538	146 653
6. OPERATING PROFIT		
Depreciation of property, plant and equipment	**156 715**	125 400
Amortisation of computer software	**8 017**	8 120
Amortisation of customer relationships	**140 841**	132 462
Impairment loss on goodwill	**–**	50 000
Impairment loss on intangible assets	**42 000**	–
Loss on disposal of property, plant and equipment	**3 121**	959
Employee benefits	**1 139 027**	1 038 333
Salaries and wages	**1 132 805**	1 022 457
Retrenchment and settlement costs	**6 222**	15 876
Strategic advisory fees	**43**	2 291
Due diligence costs	**8 326**	4 428
Charges relating to share appreciation rights granted	**13 203**	26 660
Securities transfer tax	**66**	275
Operating lease charges	**143 912**	91 479
Premises	**113 823**	80 534
Straight-lining of operating leases	**3 694**	(459)
Motor vehicles and equipment	**26 393**	11 403
Research and development costs expensed as incurred	**430**	832
Auditors' remuneration	**7 874**	6 007

	2018 R'000	2017 R'000
7. 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	222 224	188 354
From continuing operations	234 847	231 637
From discontinued operations	(12 623)	(43 283)
Weighted average number of ordinary shares for the purposes of basic earnings per share ('000)	566 445	468 189
Basic earnings per share in cents		
From continuing operations	41	49
From discontinued operations	(2)	(9)
From continuing and discontinued operations	39	40
To arrive at normalised EPS, the after-tax earnings from continuing operations is adjusted for the after-tax impact of the following:		
Profit for the year from continuing operations	234 847	231 637
Normalised for:	147 176	123 407
Amortisation of customer contracts	101 406	94 670
Due diligence costs	3 319	4 428
Provision for share appreciation rights	(9 510)	19 195
Fair value adjustments to put options		(1 436)
Government grants	(46)	(256)
IPO costs	5 007	22 583
Retrenchment costs	5 076	10 939
Securities transfer tax	66	275
Straight-lining of operating leases	2 659	(330)
Strategic advisory fees	43	2 291
Impairment	401	
Donation	6 000	
Unrealised forex gains/losses	32 755	(28 952)
Normalised earnings used in the calculation of basic earnings per share	382 023	355 044
Weighted average number of ordinary shares for the purposes of basic earnings per share ('000)	566 445	468 189
Normalised basic earnings per share in cents	67	76

DILUTED EARNINGS PER SHARE

There are no convertible shares, share options, warrants or any other instruments in issue that have a potential dilutive effect on the earnings per share.

8. HEADLINE EARNINGS PER SHARE

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

2018	Gross R'000	Net of tax R'000
Basic earnings from continuing operations	234 847	234 847
Adjustments	45 121	32 662
Impairment of brands	42 000	30 240
Loss on disposal of property, plant and equipment	3 121	2 422
Headline earnings from continuing operations	279 968	267 509

2017	Gross R'000	Net of tax R'000
Basic earnings from continuing operations	231 637	231 637
Adjustments	50 959	50 744
Impairment of goodwill	50 000	50 000
Gain on disposal of property, plant and equipment	959	744
Headline earnings from continuing operations	282 596	282 381
Basic earnings from discontinued operations	(12 623)	(43 283)
Adjustments (net of tax):	5 064	28 659
Loss on disposal of property, plant and equipment and customer contracts	5 064	5 825
Impairment of customer contracts	–	5 990
Impairment of goodwill	–	16 844
Headline earnings from discontinued operations	(7 559)	(14 624)
Headline earnings from continuing and discontinued operations	259 950	267 757
Headline earnings per share (cents)		
From continuing operations	47	60
From discontinued operations	(1)	(3)
From continuing and discontinued operations	46	57

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

2018	Net
Normalised basic earnings from continuing operations	382 023
Adjusted for:	32 674
Impairment losses on goodwill and customer relationships	30 240
Loss on disposal of PPE	2 434
Normalised headline earnings from continuing operations	414 697
Normalised headline earnings per share from continuing operations (cents)	73

2017	Net
Normalised basic earnings from continuing operations	355 044
Adjusted for:	50 744
Impairment losses on goodwill and customer relationships	50 000
Loss on disposal of PPE	744
Normalised headline earnings from continuing operations	405 787
Normalised headline earnings per share from continuing operations (cents)	87

9. PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2018, the group acquired plant, equipment and computer software in the amount of R346 million (2017: R315 million). These include major capex of R64 million in respect of capacity enhancing-equipment and leasehold improvements at Lancewood, R37 million in respect of a new par-baked frozen facility at Amaro Foods, R54 million in respect of capital-enhancing projects which include a new granola facility at Ambassador Foods, R33 million in respect of leasehold improvements at Denny, R25 million relating to a chicken plant upgrade and other replacement capacity at Finlar Fine Foods.

There has been no major change in the nature of property, plant and equipment, the policy regarding the use thereof, or the encumbrances over the property, plant and equipment as disclosed in the audited financial statements for the year ended 31 December 2017.

10. SHARE CAPITAL

	2018 R'000	2017 R'000
Share capital	**4 818 884**	4 187 177
Share premium	**–**	–
	4 818 884	4 187 177
Authorised capital comprises:		
10 000 000 ,000 ordinary shares of no par value		
1 ,000 000 preference shares		
Issued capital comprises:		
607 759 505 (2017: 3 910 973) fully paid ordinary shares of no par value	**4 818 884**	4 187 177
1 preference share	**–**	–
	4 818 884	4 187 177

10.1 Fully paid ordinary shares

	Number of shares	Share capital R'000
Balance at 1 January 2017	**3 751 321**	3 886 410
Share buyback	**(25 530)**	(25 530)
Share issue	**185 182**	326 297
Balance at 1 January 2018	**3 910 973**	4 187 177
Share split	**484 960 644**	–
Share issue	**193 049 783**	1 500 730
Capital distribution	**–**	(800 000)
Treasury shares	**(73 049 783)**	(730)
Share buyback	**(1 112 112)**	(7 964)
Capitalisation of costs directly attributable to issue of shares	**–**	(60 329)
Balance at 31 December 2018	**607 759 505**	4 818 884

Alterations to authorised and issued shares

- the shareholders of the company approved the sub-division of each ordinary share into 125 ordinary shares such that, following the subdivision, the company had an authorised ordinary share capital consisting of 1 250 000 000 ordinary shares and an issued ordinary share capital consisting of 488 871 625 ordinary shares; and
- the shareholders of the company approved an increase in the number of authorised ordinary shares by 8 750 000 000 ordinary shares such that the number of authorised ordinary shares is 10 000 000 000 ordinary shares.

10.2 Shares issued for business acquisitions

During 2017, the group entered into an arrangement relating to the purchase of the business operations of Millennium Foods. The details of the arrangement are as follows:

Date of issue of shares	31 December 2017
Number of shares issued	39 160
Fair value of shares issued (R'000)	69 000

The fair value of the shares was determined based on the valuation approved by the board of directors.

The fair value is determined with reference to the group's enterprise value and the audited EBITDA for the year ended 31 December 2016.

11. SHAREHOLDER ANALYSIS

ORDINARY SHARES AS AT 31 DECEMBER 2018

Directors' interests

Ordinary share capital	December 2018				December 2017			
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[1]	**5 954 592**	**–**	**5 954 592**	**0.87**	5 483 500	932 631	6 416 131	1.14
RW Smith[2]	**3 947 915**	**–**	**3 947 915**	**0.58**	4 477 000	866 498	5 343 498	0.95
WS Hamid	**–**	**–**	**–**	**0.00**	–	–	–	0.00
S Khanna	**–**	**–**	**–**	**0.00**	–	–	–	0.00
JP Landman[3]	**–**	**60 000**	**60 000**	**0.01**	–	–	–	0.00
W Luhabe	**–**	**–**	**–**	**0.00**	–	–	–	0.00
P Langeni*	**–**	**–**	**–**	**0.00**	–	–	–	0.00
S Masinga^	**–**	**–**	**–**	**0.00**	–	–	–	0.00
TF Judge*[4]	**–**	**–**	**–**	**0.00**	546 750	137 509	684 259	0.12
TW Millar*[5]	**–**	**–**	**–**	**0.00**	–	16 373	16 373	0.00

* *Resignations: P Langeni; TF Judge; TW Millar.*
^ *Appointments: S Masinga.*
1 *Indirect shares held by Amazing Stars Proprietary Limited, an associate of AV van Rensburg.*
2 *Indirect shares held by Amazing Stars Proprietary Limited, an associate of RW Smith.*
3 *Indirect shares held by Ruland Trust, an associate of JP Landman.*
4 *Indirect shares held by Amazing Stars Proprietary Limited, an associate of TF Judge.*
5 *Indirect shares held by Terry Millar Family Trust, an associate of TW Millar.*

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 30 June 2018 and to the date of this report.

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 shares):

- Van Rensburg held 12.9 units at the close of the current and prior period;
- Smith held 11.1 units at the close of the current and prior period;
- Judge held 8.4 units at the close of the prior period and resigned during the current period; and
- Millar held 4.4 units at the close of the prior period and resigned during the current period.

Ordinary shareholder spread	Number of shareholders	Number of shares	% of shares in issue
Public	1 320	251 041 321	36.81
Non-public	8	430 880 087	63.19
▪ Directors	2	9 902 507	1.5
▪ Associates of directors	1	60 000	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	1 112 112	0.2
▪ Persons interested in 10% or more (other than directors or associates of directors)	2	346 755 685	50.8
Total issued shares	**1 328**	**681 921 408**	**100.0**

^ *Libstar Operations Proprietary Limited, a subsidiary of Libstar Holdings Limited, purchased 1 111 112 treasury shares at an average price of R7,19 per share and these shares reverted to authorised but unissued.*

11. SHAREHOLDER ANALYSIS continued

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 of the company.

Major ordinary shareholders	Number of shares	% of shares in issue
Apef Pacific Mauritius Limited	252 463 077	37.02
Government Employees Pension Fund	94 292 608	13.83
Business Venture Investments 2071*	39 334 499	5.77

* *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.*

Ordinary shareholder spread	Number of shareholders	% of shareholders	Number of shares	% of shares in issue
1 – 1 000 000 shares	1 247	93.90	76 082 636	11.16
1 000 001 – 3 000 000 shares	58	4.37	99 819 733	14.64
3 000 001 – 6 000 000 shares	15	1.13	57 346 367	8.41
6 000 001 – 40 000 000 shares	6	0.45	101 916 987	14.95
More than 40 000 000 shares	2	0.15	346 755 685	50.85
	1 328		**681 921 408**	

12. SHARE APPRECIATION RIGHTS

Share appreciation rights	20 811	34 019
	20 811	**34 019**

12.1 Details of the employee share appreciation rights scheme of the company

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

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

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

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

The following share-based payment arrangements were awarded during the current financial year:

Unit series	Number	Vesting date	Issue price
(1) Granted on 01 January 2016	4 086 513	31/12/2018	R9,79
(2) Granted on 01 January 2017	4 593 946	31/12/2019	R11,87
(3) Granted on 01 January 2018	7 150 161	31/12/2020	R12,92

12. SHARE APPRECIATION RIGHTS continued

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

The total movement of the share appreciation rights during the financial year is a decrease of R13.2 million (2017: R27 million increase). Units were priced using the Economic Value Added model. Expected volatility is based on the historical share price volatility over the past three years.

Inputs into the model

	2018	2017
Issue date share price	**R12,92**	R11,87
Expected vesting date share price	**R13,84**	R13,05
Expected volatility	**15.0%**	15.0%
Vesting period	**3 years**	3 years
Dividend yield	**0%**	0%
Risk-free interest rate	**8.9%**	8.7%

12.3 Movements in share appreciation rights during the year

The following table reconciles the share appreciation rights outstanding:

	Number of units issued	Weighted average issue price R	Number vested	Value R'000
Balance at 01 January 2017	4 086 513	–	–	7 360
Movement in fair value of units issued in 2017	–	–	–	11 646
Allocated during the year	4 593 946	11,87	–	15 013
Balance at 01 January 2018	8 680 459	11,87	–	34 019
Movement in fair value of units issued in 2018	–	–	–	(18 945)
Allocated during the year	7 150 161	12,92	4 086 513	5 737
Balance at 31 December 2018	**15 830 619**	**12,92**	**4 086 513**	**20 811**

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

On the assumption that all awards are fully vested and based on the most recent valuation, the liability in respect of the share appreciation rights increases to R33.85 million.

13. FINANCIAL INSTRUMENTS

At the reporting dates, the financial assets and liabilities of the group that are classified at fair value through profit and loss comprise forward exchange contracts. These are classified at a Level 2 in terms of the fair value hierarchy.

14. SUBSEQUENT EVENTS

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 2018.

15. DIRECTORS' REMUNERATION

Name/designation	Basic salary R'000	Bonuses R'000	Total remuneration and benefits R'000
2018			
Mr AV van Rensburg (Executive director)	**5 820**	**873**	**6 693**
Mr RW Smith (Executive director)	**4 000**	**600**	**4 600**
Mr TF Judge (Executive director)* Resigned in April 2018	**700**	**–**	**700**
Mr TW Millar (Executive director)* Resigned in April 2018	**436**	**–**	**436**
Total – 2018	**10 956**	**1 473**	**12 429**
2017			
Mr AV van Rensburg (Executive director)	4 850	2 005	6 855
Mr RW Smith (Executive director)	3 400	1 230	4 630
Mr TF Judge (Executive director)	2 520	955	3 475
Mr TW Millar (Executive director)	1 617	669	2 286
Total – 2017	12 387	4 859	17 246

16. COMMITMENTS

Minimum lease payments due on operating leases – as lessee (expense)		
– within one year	111 312	102 352
– in second to fifth year inclusive	281 616	238 228
– later than five years	104 847	87 965
	497 775	**428 545**

CORPORATE INFORMATION

Address

1st Floor, 62 Hume Road, Dunkeld, Johannesburg, 2196, South Africa
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Website

www.libstar.co.za

Directors

Wendy Yvonne Nomathemba Luhabe (Chairman)
Johannes Petrus (JP) Landman (Lead independent non-executive director)
Sibongile Masinga (Independent non-executive director)
Wahid Suleiman Hamid (Non-executive director)
Sandeep Khanna (Independent non-executive director)
Andries Vlok van Rensburg (Chief executive officer)
Robin Walter Smith (Financial director)

Company secretary

Solach Pather
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Sponsor

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Transfer secretaries

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