From our Home to Yours

Integrated annual report 2021

Libstar is a producer and distributor of quality products and brands for the Consumer Packaged Goods industry in South Africa and internationally.

Our extensive product portfolio features many well-loved household staples. 99% of Group revenue is generated from food, which includes dairy and value-added meat products, fresh produce, convenience food, groceries, baking and baking aids and snacks and confectionery.

Contents

VIEWING THIS REPORT

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NAVIGATING THIS REPORT

Navigation tools are provided at the top of every page and within the content:

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More information in this report

More information at www.libstar.co.za

About this report

This integrated annual report addresses the activities of Libstar for the year ended 31 December 2021, as well as plans for the future.

We actively engaged with stakeholders this year to gather their views on the Group and to identify their reporting requirements.

In line with this objective, we have included a range of frequently asked questions regularly posed to management. These can be found in the leadership review section of the report.

We also introduce our five-year environmental, social and governance (ESG) strategy.

Refer to pages 21 to 24.

SCOPE AND BOUNDARY

The Group's manufacturing facilities are situated in South Africa. We produce a wide variety of products consumed locally and in a number of foreign countries.

This integrated annual report was compiled with due consideration of the recommendations contained in the King Report on Corporate Governance for South Africa (King IV) and the standards set by the International Integrated Reporting Council. We have documented our assessment of the King IV principles in a register.

Refer to the detailed governance review.

The audited consolidated annual financial statements comply with International Financial Reporting Standards (IFRS), the 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.

https://www.libstar.co.za/wp-content/uploads/2021/09/Annual-Financial-Statements-2021.pdf

FOCUS AREAS

This integrated annual report has distilled the Group's key strategic areas and other priorities.

Our key priorities

Refer to page 20.

Our strategic priorities

Refer to page 19.

Our stakeholders

https://www.libstar.co.za/investors/publications-and-presentations/2021-2/

HOW WE REPORT TO OUR STAKEHOLDERS

In addition to this main section of the integrated annual report, we provide a number of additional reports:

Annual financial results

AFR https://www.libstar.co.za/wp-content/uploads/2021/09/SENS-Booklet-FY21.pdf

Annual financial statements

AFS https://www.libstar.co.za/wp-content/uploads/2021/09/Annual-Financial-Statements-2021.pdf

How we create value

https://www.libstar.co.za/investors/publications-and-presentations/2021-2/

How we reward our teams

https://www.libstar.co.za/investors/publications-and-presentations/2021-2/

How we manage governance

https://www.libstar.co.za/investors/governance/

How we engage our stakeholders

https://www.libstar.co.za/investors/publications-and-presentations/2021-2/

Notice of the annual general meeting

https://www.libstar.co.za/investors/stakeholder-notices-and-announcements/

NAVIGATING THE VALUE WE CREATE

Throughout the report, we use icons to indicate where we address aspects relating to capitals and priorities.

Our use of capitals

- FC Financial capital
- IC Intellectual capital
- SRC Social and relationship capital
- MC Manufactured capital
- HC Human capital
- NC Natural capital

Refer to the supplementary reviews for information on our use of capitals.

Our key priorities

- KP1 Key priority 1
- KP3 Key priority 3
- KP2 Key priority 2
- KP4 Key priority 4

Refer to page 20 for our key priorities.

Our strategic priorities

- SP1 Strategic priority 1
- SP3 Strategic priority 3
- SP2 Strategic priority 2

Refer to page 19 for our strategic priorities.

About us


LANCEWOOD
DOUBLE CREAM
STRAWBERRIES & CREAM
YOGHURT


SAFARI
organic
APPLE
CIDER
VINEGAR
with honey and ginger
500 ml

Our use of capitals: IC FC HC MF

Our strategic priorities: SP1 SP2

Our investment case

We have a platform of diverse channels, brand solutions and geographic exposure. This not only diversifies our risk, but also allows us to service each customer through multiple offerings. We create lasting partnerships with our customers, with many relationships spanning more than 20 years.

Libstar's core enabling competencies include our ability to leverage our depth of talent and culture of entrepreneurship. Our low-cost manufacturing solutions to customers are supported by customised category expertise.

Financial
Strong balance sheet and cash generation

M&A opportunities
Investing in talent and competencies in new, complementary sub-categories

Focus on high-growth food product categories
Through a decentralised holding company

Value-added diversification
Higher-margin food categories

Multiple channels

Diversified product mix

Entrenched culture of innovation
Product innovation and agility enable proactive response to changing consumer needs

Partnerships
Valuable, quality relationships with long-standing customers

Category expertise
Category and market insights derived through entrenched customer relationships

Marketplace advantages
Brand positioning experience and expertise in private label solutions, own brands and principal brands

Strong exposure to growing private label markets

Culture
Focus on talent management, with depth of talent and diversity

Entrepreneurial, nimble management style

Manufacturing
An efficient, world-class and low-cost manufacturer

Leading category management expertise

Exposure
More than 9 000 products distributed in South Africa and exported to more than 50 countries

Poised for growth
Real returns increasing as capital is applied to high-growth areas

Our use of capitals: IC HC SRC

Our strategic priorities: SP1 SP2

Our brand solutions reach

Everything we do is underpinned by our core purpose of ***Enriching People's Daily Lives.*** Our more than **9 000 products** have a wide reach and are used every day in homes. This spread provides a glimpse of a few products that are delivered from "Our Home to Yours".

LIGHT MEALS

- Woolworths breads/wraps
- Safari balsamic vinegar
- Denny soups
- Lancewood cheddar cheese
- Pick 'n Pay glazes

BREAKFAST

- CANI rusks
- Goldcrest honey
- Lancewood yoghurt
- Khoisan Tea
- Denny fresh mushrooms

SPECIAL OCCASIONS

- Cape Herb & Spice 'The art of tea' gift set
- Lancewood cream cheese
- Cook 'n Bake sugars
- Goldcrest coulis
- Robertsons dessert topping

BRAAI

- Jan Braai marinade
- Denny plant-based burger patties
- Checkers house brand chutney
- Cape Herb & Spice Texan Rub
- Precious Planet compositable plates

MAIN MEALS

- Woolworths schnitzels
- Bella Vita readymade meal
- Ritebrand curry powder
- Tabasco
- Cape Herb & Spice meal solutions

How our brand solutions are presented

We deliver our brand solutions through private label, dealer-own, Libstar and principal brands.

Our use of capitals: IC FC SRC

Our strategic priorities: SP1 SP2

52%
SKUs*
5 288

PRIVATE LABEL AND DEALER-OWN BRANDS

Private label brands are owned and sold by a specific retailer and bear the retailer's name. Dealer-own brands often have a unique name and are available exclusively at the retailer that owns them. Retailers have their own private label/dealer-own brand strategy, designed through an understanding of their shoppers' requirements and their own retail positioning.

38%
SKUs*
2 415

LIBSTAR BRANDS

Many Libstar brands are recognised in South Africa. These are produced and distributed by Libstar and sold under labels and trademarks that are proprietary to us or produced and distributed by us under licence agreements with a brand owner.

* Licenced

10%
SKUs*
1 350

PRINCIPAL BRANDS

We represent several well-known international brands in South Africa – sourcing, importing, marketing and distributing these under a purchase or distributorship arrangement between Libstar and the owner of the brand. Principal brands allow us to offer premium international brands to the local market, as many of these are imported, marketed and distributed from European, Asian and American food manufacturers. The endorsement from world-famous labels demonstrates the trust in our marketing and distribution capabilities.

* Licenced

* Stock-keeping units/products of total 9 053 group products

How our brand solutions are distributed – categories

Our use of capitals: IC FC SRC

Our strategic priorities: SP1 SP2

LIBSTAR BRAND SOLUTIONS

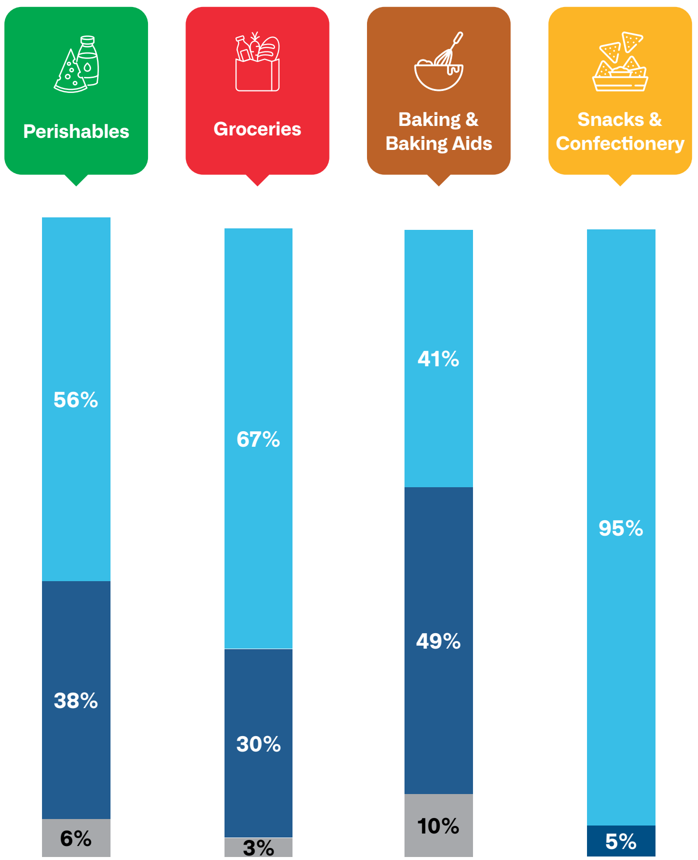
80% of Group revenue

52% Private brand solutions

38% Libstar brands

10% Principal brands

Our brand solutions are distributed through our four food categories.



Private brand solutions
Libstar brands
Principal brands

Our product range is diversified across three brand channels, with private label the largest.

Private label penetration continues to grow in the South African market, as perceptions of value evolve. It now has a 24.3% share of the total market value.

Source: NielsenIQ May 2021

WE ALSO HAVE A STRONG LIBSTAR BRAND MARKET POSITION

LANCEWOOD: The **number 1** brand in hard cheese, cottage cheese, cream cheese, mascarpone and cultured cream

Robertsons baking aids* **number 1** brand in baking aids

cook'n bake: The **number 1** spray oil brand by volume and value

SAFARI: The **number 1** vinegar brand*

GOLDCREST: The **2nd** largest honey brand

DENNY: The **2nd** largest cook-in-sauce brand

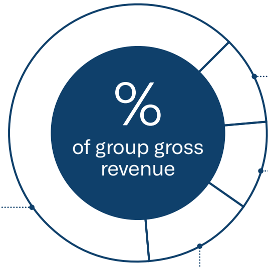
* Under licence

How our brand solutions are distributed – sector channels

Our brand solutions are distributed through four channels.

Our business capitals: FC IC SRC

Our strategic priorities: SP1



57.0%

RETAIL AND WHOLESALE

This is the largest contributor to our revenue on an annual basis. We supply products across our product categories into the retail and wholesale sales channel. Our brand solutions, combined with long-standing and successful relationships with South Africa's largest food retailers, allow us to strategically position our Libstar brands alongside dealer-own, private label and principal brands on retail shelves. Not only does this balance profitability across product categories, it also ensures a competitive range of products within our offering in each of the product categories. By growing our categories, we also increase our share of the shopper's wallet by providing a variety of products across critical price points.

12.2%

The products that are manufactured and sold through this channel are supplied to trusted brand owners in South Africa and globally. These products span four of the five product categories, namely Perishables (value-added chicken, meat and cheeses), Groceries (table sauces and food packaging), Snacks & Confectionery (granolas, nuts, snack bars and Pringles potato snacks) and Household & Personal Care* (cleaning and personal care products).

* This category is currently held for sale. Refer to page 47.

INDUSTRIAL AND CONTRACT MANUFACTURING

12.1%

EXPORT

We exported to more than 50 countries in 2021. Our main export markets are the United States, Germany, Hong Kong, the United Arab Emirates, the United Kingdom, Australia, Japan and several countries in the rest of Africa. Cape Herb & Spice was responsible for the majority of the Group's export revenue in 2021, contributing 54.8%. Some of our large customers in the retail sales channel also export our products into neighbouring African countries and beyond.

18.7%

Leading companies in the food service industry, including quick service restaurants and South African family restaurants, choose us as their long-term partner to manufacture and supply perishables, groceries, baked goods and packaging. This channel confirms the quality of our manufacturing operations. Products include beef, chicken and related meat products, soft and hard cheeses, and mushrooms. In addition, we supply food packaging, table sauces, and other wet condiments from the Groceries category, as well as value-added beef and chicken products and tortilla wraps sold in the quick-service restaurant sector.

FOOD SERVICE

How our brand solutions are distributed – retail channels

Our use of capitals
IC FC HC MF

Our strategic priorities
SP1 SP2

RETAIL AND WHOLESALE

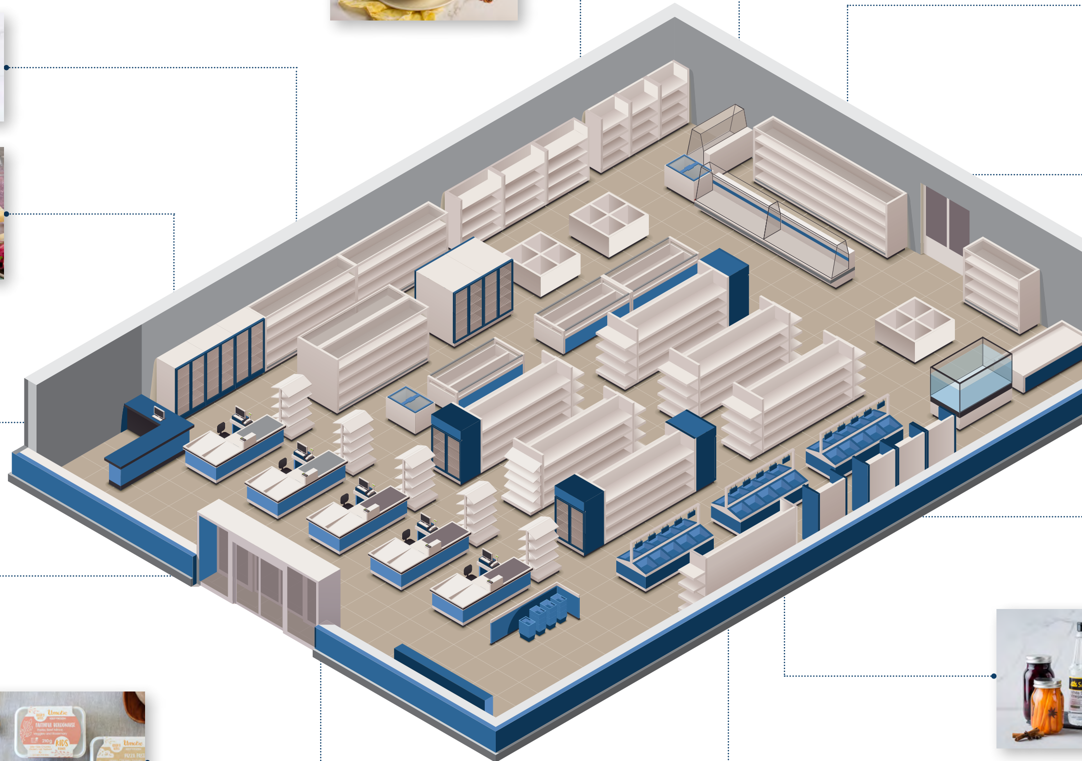
Pastas and grains
Breakfast cereals
Baked goods

Fresh mushrooms

Convenience meals

Milk, cream and butter
Yoghurt
Hard and soft cheese

Meat and chicken



Household cleaning
Personal care
Flammables

Rusks
Nut bars
Dried fruit

Non-alcoholic beverages
Hot beverages

Canned food
Herbs and spices

Oils and dressings
Sauces and chutneys
Vinegars

Specialty meat and cheese

Baby food
Baby cleaning products

Baking aids
Jams and spreads

How our brand solutions are distributed – other channels

INDUSTRIAL AND CONTRACT MANUFACTURING

Contribution from food categories

Groceries	Perishables	Snacks & Confectionery	Baking & Baking Aids
57%	35%	7%	1%

EXPORT

Contribution to group export revenue

North America	Africa	Europe	Asia	Oceana	Middle east
32%	22%	17%	12%	9%	8%

FOOD SERVICE

Contribution to group revenue

Quick service restaurants	Distributors	Full service restaurants	Hospitality	Industrial
50%	36%	10%	2%	2%

Our business capitals: HC IC MF
Our strategic priorities: SP1 SP2
Our key priorities: KP1 KP2

Meeting consumers' need for product innovation

We continue to launch new products on an ongoing basis to meet consumers' needs for product innovation. Since our listing in 2018, we have launched and renovated 2 282 products.

PRODUCT DIVERSITY AND INNOVATION

537 new products in 2021
Since 2018: 1 503

219 renovated products in 2021
Since 2018: 779

756 Total 2021
Since 2018: 2 282

LIBSTAR BRANDS

PRINCIPAL/ LICENCED BRANDS

PRIVATE LABEL/ DEALER-OWN BRAND

Our performance

Performance summary

FINANCIAL

Revenue
+7.1%↑
(volumes up 0.5%; price/mix up 6.6%)

Gross profit margin
-1.4pp↓

Normalised EBITDA
+2.4%↑

Normalised EPS
+112.0%↑

Normalised HEPS
+18.8%↑

Dividend maintained at
25.0
cents
per share

Cash flows and net debt
R305
million
Invested in capacity or capability-enhancing projects

Net interest-bearing debt of
R1.1
billion
to normalised EBITDA remains at 1.2 times

Cash generated from operations
R1 035.0
million
Operating cash conversion ratio up to **96%**

Return on tangible invested capital (ROIC) of
12.5%

STRATEGY

Actively repositioning the portfolio of businesses

Exiting the Household & Personal Care category

Taking active steps to increase the exposure to higher-growth food categories.

A 60% interest was acquired in Umatie, a baby food manufacturer and distributor.

This was the first acquisition made by Libstar Nova, a wholly-owned subsidiary of Libstar established in the second half of the year to act as a dedicated business incubator.

PEOPLE AND CULTURE

91%
black* employees

53%
female employees, from the shop floor to divisional management

6 948
total** employees

474
bursaries, learnerships, apprenticeships and internships

* Black, Indian and Coloured.
** Permanent and contract

ENVIRONMENT

Launched our five-year environmental, social and governance strategy

Ongoing focus on **environmentally-friendly offerings, including Denny Mushrooms' fully compostable punnets and an extensive Precious Planet range of compostable packaging.**

Carbon tax of
R1.9 million

FACILITIES AND PRODUCTS

40
accredited manufacturing facilities

10
warehouses and storage, packing and distribution facilities

More than
200
production and packing lines

More than
75
manufacturing technologies

537
new products launched

219
products renovated

Our use of capitals: FC IC HC SRC
Our key priorities: KP1 KP2 KP3
Our strategic priorities: SP1 SP2

How we measure our performance

Libstar monitors a range of financial and non-financial ratios to ensure it tracks its progress.

GROUP SCORECARD

The table outlines certain of our key measures.

Continuing operations (R'000)	2021	Change	2020
FINANCIAL MEASURES			
Total revenue	**10 001 375**	+7.1%	9 339 423
Normalised EBITDA	**1 068 688**	+2.4%	1 043 621
Normalised EBITDA (margin)	**10.7%**	+2.4%	11.2%
Normalised EPS (cents)	**70.4**	+112.0%	33.2
Normalised HEPS (cents)	**80.4**	+18.8%	67.7

Group Normalised EBITDA increased by 2.4% at a margin of 10.7% (2020: 11.2%), supported by strong revenue growth and margin and cost controls.

Return on tangible invested capital (ROIC)	**12.5%**		12.3%

The return on invested capital increased to 12.5%.

Net gearing	**1.2x**		1.4x Normalised EBITDA

Gearing remains low at 1.2x normalised EBITDA. Net interest cover to EBITDA improved to 9.1x from 7.6x and compares favourably to the Group's minimum stated target of 3.5x.

STRATEGIC MEASURES

The Group has taken active steps to reposition its portfolio of businesses towards valued-added and higher-margin food categories. The exit of its Household & Personal Care category will amplify Libstar's strategic intent to focus and grow its existing food categories whilst transitioning its non-food operations to a sustainable, standalone business.

Libstar's own incubator, Libstar Nova, was launched to invest in new businesses in targeted growth categories.

Private label gained ground in eight out of ten categories*, especially in the frozen food category where the biggest incremental sales was seen (+R2 billion).

Libstar's own brands grew by 8%.

* NielsenIQ.

EMPLOYEE MEASURES

	2021	Change	2020
Number of employees*	**6 099**	-5.4%	6 445
Revenue per employee (R'000)	**1 640**	+13.2%	1 449
Normalised EBITDA per employee (R'000)	**175**	+8.0%	162

* Permanent employees.

How we measure our performance (continued)

Business process | Assurance/verification

Our use of capitals: FC IC HC SRC NC

ASSURANCE MEASURES

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

Financial position and performance of the group

Fair representation in all material aspects

Assurance providers
Moore Cape Town Inc

Health and safety

Manufacturing plants follow OSH Act guidelines and several comply with ISO 45000. Plants are also independently assessed

Assurance providers
TUV NORD CERT GmbH
IBL
SHEQ National Certification

Environmental aspects

Our environmental impact is measured in line with ISO 14000

Assurance provider
TUV NORD CERT GmbH

Empowerment

B-BBEE verification

Assurance provider
AQRate Verification Agency

Employee processes

Employment/equity compliance audit

Assurance provider
Employment Concepts

Our use of capitals

Business process | Assurance/verification

FC IC HC SRC NC

ASSURANCE MEASURES (continued)

Food safety, quality and compliance

To ensure processes meet a range of requirements. These include:

- Halaal or Kosher
- Organic
- FSSC 22000
- JAS organic
- ISO 22000
- HACCP (SANS 10330)
- IFS
- BRC
- FSA
- ZA export/PPECB
- Approved EST (certificate of veterinary approved establishment)
- Global Gap
- FSQ
- AIB
- Costco USA GFSI
- VC9100 – Processed Meats
- ISO 9001: 2015
- Woolworths PPC
- Unilever SHQ
- Tiger Brands audit
- Shoprite Checkers compliance audit
- Pick n Pay quality
- Nestlé FSMS
- McDonald's SQMSA and SWA
- Kellogg's MQFS
- Cipla quality
- SANBWA Bottled Water
- Shoprite Checkers compliance
- YUM Q & FSA (FSQ)
- Clicks Quality
- FDA Registrations
- E-mark
- WW Australia WQA

Assurance providers

Muslim Judicial Council Halaal Trust
South African National Halaal Authority (SANHA)
National Independent Halaal Trust
Islamic Council of South Africa Halaal Fund
Beth-Din
Several South African municipalities
ProCert
SABS
TUV NORD CERT GmbH
NSF
SGS
Control Union Certification
Intertek
Ecocert
Union of Orthodox Synagogues of South Africa
Tiger Brands
NDA, DAFF, Export
Control and Vet Services
Food Safety Services International
SHEQ national certification
SGS
IBL
Tiger Brands
Unilever
Pick n Pay
Nestlé
SAI Global
LTL Consultants
Kellogg's
AIB
NSF
FDA
CIPLA
NRCS

Ethical, fair trade and responsible processes

To ensure that processes are ethical, fair and responsible

Assurance providers

SMETA
Intertek
Enviroscientific
Globus – Ethical
SAI Global
FSSINT
Canada – Ethical
ProCert
AIB Aldi UK/Aldis Australia
NSF
Woolworth Farming for the Future
Ecocert
Organic EU/NOP (Ecocert)
Organic JAS
UTZ
Woolworths – Ethical
SEDEX
Flocert
Africert
Lacon
Organic Konkuk
(RSPO) BM Trada

Our priorities

Our business capitals
FC HC SRC IC MC

Our strategic priorities
SP1 SP2 SP3

Strategic priorities – our journey

Libstar started in 2005 as a private label and brand aggregator built through acquisitions. Since then, the Group has intensified its efforts on being an efficient operator. As we look ahead, our goal is to become a focused category leader in the Consumer Packaged Goods food sector.

Pre-2017

Private label and brand aggregator

Where we come from

Decentralised holding company focused on driving growth through M&A to broaden our portfolio.

2018–2021

World-class manufacturer

What we've accomplished

Becoming an efficient, low-cost and world-class manufacturer. We focused on growing organically, establishing category management expertise and investing in our capabilities.

2022 onwards

Focused category leader

Where we're headed

Repositioning portfolio towards high value-add categories. We will focus on branded, dealer-own and private label brand growth plans, strategic partnerships and incubatory projects.

Strategic priorities

Although we focused on our key priorities during the year, we did not lose sight of continuing to deliver on our overall Group strategic priorities.

Priority	Focus area	Actions	How did we address this priority this year?
1 Grow our categories	**Commercial excellence**	▪ Accelerated product development, innovation and speed-to-market. ▪ A focus on lifestyle trends, such as health, wellness, convenience and environmentally-friendly products. ▪ Innovating in fast-growing categories through private label, dealer-own brand and branded solutions. ▪ Unlocking value through functional category consolidation.	Refer to pages 5, 7 and 11.
	Operational excellence	▪ Cost-reduction plans, equipment upgrades and low-cost facilities. ▪ Creating resource-sharing opportunities. ▪ Supporting underperforming divisions and streamlining supply chains.	Refer to pages 44 and 48 to 62.
2 Build our competencies	**Transformation**	▪ Further improve transformation through a focus on procurement and skills development.	Refer to pages 29 and 36. https://www.libstar.co.za/investors/governance/
	Talent management	▪ Ongoing talent management through targeted skills development programmes.	Refer to pages 23, 28 to 29, 33 to 34 and 60.
	Manufacturing capabilities	▪ Investment in manufacturing capabilities to enhance efficiencies, build capacity and drive innovation.	Refer to pages 45 and 46 to 62.
	Unlock value through market insight	▪ Increase speed to market through agile innovation.	Refer to pages 38 to 40.
3 Acquire	**Develop Libstar Nova**	▪ Continue to acquire smaller entrepreneurial businesses that can augment the Libstar offering.	Refer to pages 28 and 40.
	Invest in bolt-on acquisitions	▪ Invest in acquisitions that can bolt on to existing divisions and assist with ongoing development of categories, expanding capacity and creating new growth markets.	Refer to pages 28, 37 and 45.

ENTREPRENEURIAL CULTURE

Our key priorities

Management's key priorities during the year were:

1 Address the continued demand and supply impact since the onset of the COVID-19 pandemic

- Protect our people
- Ensure the financial stability of the Group
- Guarantee product availability and service levels

Refer to pages 41 and 43.

2 Manage the impact of a weak economic environment and its ongoing effect on consumers

Refer to pages 28 to 29, 38 to 40.

3 Buffer the impact of rising input and manufacturing costs

Refer to pages 43 to 45 and 48 to 62.

4 Finalise our approach to environmental, social and governance (ESG) and outlining our five-year strategy

Refer to pages 21 to 24 and 35 to 36.

Our key risks

The leadership team actively manages ongoing risks. We outline a few of the key current risks.

RISKS	MITIGATING ACTIONS*
Loss of a material customer Although our product portfolio and sales channel exposure is diverse, the loss of a material customer can have a significant impact on the Group.	Refer to pages 4, 11 and 39.
Impact of volatile macro-economic environment We operate in a macro-economic environment which is subject to significant fluctuation, instability and challenges. This leads to increased cost and limited availability of critical manufacturing inputs and infrastructure for us, as well as reduced disposable income for consumers.	Refer to pages 28 to 29, 38 to 40.
Business interruption We rely on the efficient operation of multiple supply chains to ensure that our divisions operate without interruption. Business interruption caused by the failure of supply chains and/or socio-political events or Acts of God pose a significant risk to the Group.	Refer to pages 48 to 62.
Manipulation or interruption to IT systems We rely on a number of automated enterprise resource planning, banking, business intelligence and similar electronic systems to operate (ICT). Manipulation and/or interruption of ICT employed by the Group poses a risk to the integrity of information processed and the continuity of operations.	Refer to page 31.
Loss of skills We rely on a workforce which comprises a variety of specialist skills. The inability to attract, motivate and retain key skills has a direct impact on business continuity.	Refer to pages 28 to 29, 33 to 34.
Food quality and safety Effective management of food quality and safety is paramount to the sustainability of Libstar.	Refer to pages 21 to 23, 36 and 55.

* Refer to the compliance and regulatory review in the governance review at **https://www.libstar.co.za/investors/governance/** for more information on the risk register and mitigating actions.

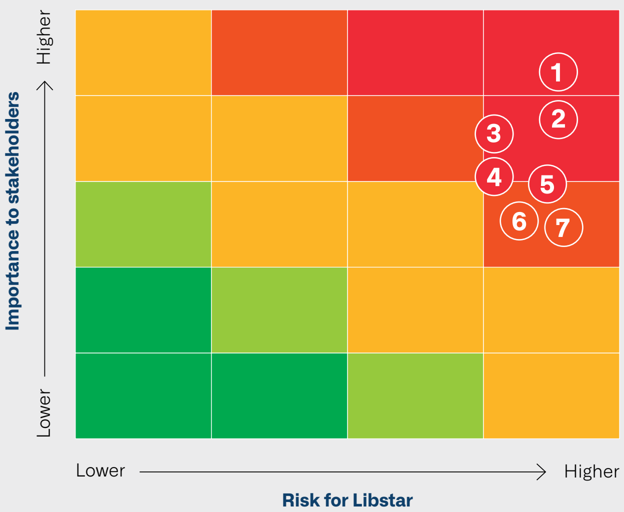
Our use of capitals
HC SRC NC

Our key priorities
KP4

Our environmental, social and governance priorities

Libstar conducted a detailed materiality assessment in terms of environmental, social and governance (ESG) aspects of its business during the year. Significant time was spent identifying, interrogating and categorising ESG risks, which has been incorporated in the group's risk framework. This process led to the definition of a clear five-year strategy, with action plans and measurement criteria. The board has signed off the plan and has now moved to the implementation stage.

Refer to pages 35 to 36 for the social and ethics committee chairman's review.



LIBSTAR ESG MATERIAL RISKS

1. Water
2. Climate change
3. Sustainable and responsible sourcing
4. Waste management
5. Employee health, safety and wellbeing
6. Data and IT security
7. Positive nutrition

MEASURES

Measures were defined for each risk area. Several of these measures are already entrenched at the Group, with monitoring and reporting. These include measures around the social aspects of ESG, health and safety, food safety and governance. Although we measure a number of other outputs, such as water, waste and energy for our carbon tax calculations, we will now further refine these processes to also include clear risk minimising strategies.

Our environmental, social and governance strategy (continued)

- Material risks - tier one
- Material risks - tier two

Environment

We are generating science-based targets and performance improvements in environmental aspects, including energy use, water management, waste reduction, food production and sustainable procurement and biodiversity.

Carbon tax

Libstar implemented systems to formally start measuring carbon emissions on 1 June 2019.

Taxpayers in the food processing, beverages and tobacco industry are required to exceed a threshold of 10MW before they become liable for registration in terms of the Carbon Tax Act. Once the threshold is exceeded, the CO^2 equivalent of the GHG emissions of the taxpayer is calculated by combining the emissions resultant from fuel combustion, fugitive emissions and industrial emissions.

While Libstar does not emit GHG from fugitive emissions from its manufacturing processes, it is liable for carbon tax based on fuel combustion and industrial emissions.

A carbon tax of R1.9 million was levied relating to 1 January 2020 to 31 December 2020. This was the most recently assessed period at the time of finalisation of the integrated annual report.

WATER MANAGEMENT

Commitments

- Determine the Group's water usage baseline
- Reduce total water consumption
- Influence the Group's supply chain on water intensity

Measure

Reduction in total use of water (m^3 per year)

WASTE MANAGEMENT

Waste streams

Commitments

- Measure baseline data for waste streams
- Reduce waste sent to landfill by being efficient in the use of resources and through reusing and recycling unwanted materials, where possible

Measures

- Reduction in total amount of various waste sent for recycling compared to waste going to general landfill (tons per year)
- Total waste produced by type (tons)
- Total waste to landfill

Packaging

Commitments

- Reduce single-use plastics and minimise total packaging material
- Undertake a packaging baseline assessment
- Monitor and report packaging material usage in line with extended producer responsibility requirements
- Develop a packaging waste strategy and implement this across the Group over the next five years
- Engage customers regarding eco-friendly packaging options
- Measure volumes and increase percentage of sustainable packaging options used

Measures

- Packaging waste strategy
- Packaging baseline assessment
- Increased use of sustainable packaging
- Total packaging used (metric tons)
- Total sustainable packaging used (metric tons)
- Percentage sustainable packaging used (%)

CLIMATE CHANGE

Commitments

- Use the Task Force on Climate-Related Financial Disclosures (TCFD) framework to report back
- Conduct a climate risk assessment
- Continue to assess the financial implications of Carbon Tax and associated emerging legislation
- Engage with suppliers and value chain partners to reduce emissions in their operations and supply chains

Measure

Science-based emissions targets

ENERGY USE

Commitments

- Measure the Group's baseline energy consumption
- Reduce total Scope 1 and 2 carbon emissions arising from energy consumption
- Assess the options available to increase on-site renewable energy generation
- Establish science-based targets to be used across all divisions
- Develop a roadmap towards a low carbon business (to meet the internal targets set)
- Become more efficient in our energy consumption across all operations
- Improve data collection and reporting on energy use

Measures

Reduction in total carbon emissions from energy use:

- Absolute (tons CO_2e)
- Intensity emissions per revenue (tonnes CO_2e/R)
- Intensity emissions per building area (tonnes CO_2e/m^2)

Our environmental, social and governance strategy (continued)

- Material risks - tier one
- Material risks - tier two

Social

Libstar is a major employer in communities where we operate. We offer direct employment through permanent and seasonal jobs across our activities. The Group's human resource philosophy is based on equal opportunity, irrespective of race, religion or gender. We focus on educating employees on health and wellness to create a healthy and productive workforce.

POSITIVE NUTRITION

Commitments

- Define what positive nutrition means for Libstar as a Group.
- Consider Libstar's response, particularly in relation to its own-brand portfolio, with respect to positive nutrition.
- Engage with customers regarding positive nutrition.
- Investigate consumer education related to positive nutrition.

Measures

- Implementation of positive nutrition initiatives across Group, where appropriate, as a percentage of total group revenue.

EMPLOYEE HEALTH, SAFETY AND WELLBEING

Human rights

Commitments

- Develop and implement a Human Rights Policy.
- Develop and deliver basic human rights training for employees in line with the Human Rights Policy.
- Assess options for influencing the supply chain with respect to human rights.

Measures

- Successful implementation of Group Human Rights Policy
- Implementation of human rights training for all employees (including new hires)
- Zero human rights incidents

Occupational health and safety

Commitments

- Implement health and safety management systems across the Group and drive continuous improvement.
- Train employees.
- Roll out a health and safety assurance programme.

Measures

- Zero fatalities and permanent disablement
- Reduced number of incidents
- Reduced Lost Time Injury Frequency Rate
- Limit significant findings in audits

FOOD SAFETY

Commitments

- Continue to:
  - implement food safety management protocols and processes.
  - audit compliance with food safety management protocols and processes.
- Train employees and contractors on food safety requirements.

Measures

- Zero food safety-related product recalls
- Zero food safety incidents
- Food safety training courses conducted
- Number of employees trained on food safety requirements

HUMAN CAPITAL

Commitments

- Measure employees' performance based on their contribution to the achievement of business goals and against behavioural expectations.
- Continue to:
  - Integrate diversity and inclusion with the business strategy.
  - Focus on increasing female representation in the workplace.
  - Increase the representation and advancement of black talent.
  - Continued focus on talent management for effective succession.
  - Invest in mentoring and training programmes.

Measures

- Employment of people with disabilities
- Increase in the number of female employees
- Increase in the number of black employees
- Performance appraisals completed
- Training hours per employee
- Number of participants in instructor-led training courses
- Number of participants in e-learning courses
- Number of employees covered by collective bargaining agreements

LOCAL COMMUNITIES

Commitments

- Develop a standardised approach to communities and socio-economic development.
- Develop a Group-wide community upliftment programme which will coordinate community contributions and measure impact.
- Monitor and evaluate social investment initiatives.
- Define and measure social change for community upliftment projects.

Measures

- Reduced complaint and grievance incidents
- Total community investment categorised by type and project
- Social change from community investment projects

- Material risks – tier one
- Material risks – tier two

Governance

The role of the board is to exercise leadership and sound judgement in steering the Group to achieve sustainable growth and maintain good relationships with stakeholders.

The Libstar board has delegated responsibility for the Group's ESG performance to the Group social and ethics committee.

Refer to the social and ethics committee chairman's review on pages 35 to 36.

Refer to the governance review at https://www.libstar.co.za/investors/governance/

DATA AND IT SECURITY

Commitments

- Implement an IT and data security strategy.
- Develop and implement policies, governance structures and processes that are effective at reducing the occurrence and impact of cyber threats.
- Train employees on cyber security threats and associated Libstar policies.

Measures

- IT and data security strategy developed and implemented
- Zero cybersecurity breaches

ANTI-BRIBERY AND CORRUPTION

Commitments

- Develop an anti-bribery and corruption policy and associated procedures.
- Train employees on anti-bribery and corruption policies and applicable procedures.

Measures

- Anti-bribery and corruption policy and associated procedures developed and implemented
- Number of employees trained on anti-bribery and corruption policy and associated procedures
- Zero bribery and corruption incidents

SUSTAINABLE AND RESPONSIBLE SOURCING (SUPPLY CHAIN MANAGEMENT)

Libstar is committed to reducing its impact on the planet's resources. It will do this by securing a sustainable supply chain which integrates social, ethical and environmental performance with the process of selecting suppliers.

Commitments

- Understand what sustainable and responsible sourcing means for the Group.
- Develop a responsible sourcing strategy.
- Investigate and support local suppliers wherever possible.
- Develop raw material traceability and supply chain map.

Measures

- Responsible sourcing strategy developed
  - Percentage of strategy implemented
- Increased procurement from local suppliers
  - Percentage of total revenue procured from local suppliers

Leadership reviews

Our board

Wendy Luhabe (64)

Chairperson and independent non-executive director

BCom – University of Lesotho

Management Advancement Programme – Wits Business School

Date of board appointment: 2018

Wendy has been a pioneer and a thought leader in the economic empowerment of women in South Africa for more than 27 years. She is a serial social entrepreneur in diverse sectors of the economy, including Smart BioTech, human capital development and the mentorship of younger generations to realise their potential and fulfil their aspirations.

She has received four Honorary Doctorate degrees for her work with women, including from the Universities of Fort Hare and Stellenbosch. In 1993, Wendy pioneered the founding of WIPHOLD, South Africa's first investment company aimed at inspiring women to drive their involvement in South Africa's economy. In 2013, she founded Women Private Equity Fund, South Africa's first venture capital company that invests in companies owned by women. She has served as a non-executive director and chairman on the boards of diverse industries since 1992.

She was the chairman of Vodacom and Industrial Development Corporation and served as non-executive director on various boards, including Tiger Brands and Telkom. Wendy currently serves as the chairman of Pepkor Holdings, as a non-executive director of Compagnie Financière Richemont SA, and as a board member of the Social Justice Initiative.

Her entrepreneurial skills and significant board experience are extremely valuable to the board and management team.

JP Landman (66)

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

The Economies of the BRICS Countries – Oxford University, Continuing Education

Date of board appointment: 2018

JP is an independent analyst, focusing on trends in politics, economics, demographics and social capital. His experience as a top-rated analyst in the listed environment gives him a good understanding of listed entities and relevant market forces.

JP has previously served on President Thabo Mbeki's economic advisory panel and was a member of the National Planning Commission. With this in-depth knowledge of the economy and market environment, he provides key input to the board and management, especially as Libstar's strategy is built on identifying market trends and implementing a strategy that withstands economic cycles.

The remuneration and nomination committees were combined in November 2020. JP is the chairman overseeing nomination-related matters of the combined committee.

Sibongile Masinga (55)

Independent non-executive director

BCom – Unisa

US-SA Leadership & Entrepreneurship Programme – Wharton School of Business

Date of board appointment: 2018

Sibongile is a co-founder and shareholder of Afropulse Group, a women-led investment, corporate advisory and investor relations group. She has served as a non-executive director of several JSE-listed companies. She currently serves on the boards of Bidvest Limited and Botshilu Private Hospitals and their related sub-committees. She acted as the interim CEO of Delta Property Fund Limited and is currently overseeing a hand-over as an executive. She serves as a member of the Council of the Durban University of Technology, and serves on related board sub-committees.

Her past directorship of the finance and grant committee of the Manufacturing, Engineering and Related Services Sector (merSETA) has given her the relevant knowledge to assist Libstar as a manufacturer.

As the previous chairman and now a member of the audit and risk committee, Sibongile has provided valuable advice on the formulation of Libstar's risk management framework.

Sandeep Khanna (48)

Independent non-executive director

Chartered Global Management Accountant

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

Date of board appointment: 2014

Sandeep is a seasoned investor and pioneer of private equity, with more than 25 years of investing and fund management experience in Africa. This experience ranges from venture capital and early-stage investing to management buyouts and building of companies in sub-Saharan Africa across several sectors.

His track record of investing in Africa through direct investment, investment committee membership and senior key leadership positions held at two leading emerging market fund management firms provides relevant experience to Libstar as an African group that continues to evaluate acquisitions that will ensure growth.

As a chartered management accountant in the United Kingdom, Sandeep's understanding of the global markets to which Libstar exports has allowed him to provide critical input as member of the investment committee.

The remuneration and nomination committees were combined in November 2020. Sandeep is the chairman overseeing remuneration-related matters of the combined committee.

Anneke Andrews (53)

Independent non-executive director

BCom Accounting (cum laude) – University of Pretoria

BCom Accounting Honours – University of Pretoria

Date of board appointment: 2020

Anneke is a chartered accountant who served as a partner and director for 19 of her 28 years at Deloitte, where she held several leadership roles and served as a lead client services director on a number of key clients. Her diverse experience spans audit, risk and governance, finance, human capital, business management and leadership across a wide spectrum of industries.

She has extensive experience in assisting management in achieving their goals by mobilising the appropriate strategies and allocating the required resources in a prioritised manner. Her ability to find creative solutions, coupled with innovative thinking and a keen interest in the opportunities that future trends and technologies offer, are particularly valuable to Libstar in challenging existing paradigms.

ARC Audit and risk committee | RNC Remuneration and nomination committee | SEC Social and ethics committee | IC Investment committee | Chairman

Our board (continued)

Andries van Rensburg (67)

Chief executive officer

BEng, MEng – University of Stellenbosch
MBL (cum laude) – Unisa

Date of board appointment: 2014

Andries has an accomplished track record of almost 40 years with a range of senior positions held at several companies. This has included Sasol and Tiger Brands, where he successfully grew market shares and established key brands, and Premier Foods, where he fulfilled the role of chief executive officer from 2001 to 2005.

Andries co-founded Libstar in 2005 with a vision to create a leading Consumer Packaged Goods (CPG) Group. His CPG industry knowledge has been instrumental in the growth of Libstar's own brand, dealer-own brand and private label strategies. His entrepreneurial flair has enabled the identification of leading businesses to include in the stable. His management style of creating an ownership culture at Libstar has ensured the retention of the founders of the acquired businesses within the Group. His established track record in the food sector has played a critical role in Libstar identifying future trends and creating differentiated product offerings.

Charl de Villiers (37)

Chief financial officer

BAcc LLB (cum laude) – University of Stellenbosch
BAcc (Honours) – University of Stellenbosch
CA(SA)

Date of board appointment: 2020

Charl has more than ten years' finance experience, which includes an extensive track record in corporate finance, and as a senior financial executive of companies operating in the South African listed environment. He has a unique combination of legal and financial qualifications, which provides a breadth of technical competence, creative and strategic problem solving and attention to detail. Charl's experience has been particularly valuable during Libstar's transition from a private company to a JSE-listed company. His achievements include the pre-listing restructuring of multiple legal entities into a single entity and the post-listing establishment of Group visibility of foreign exchange contracts and a central Group treasury function.

Since his appointment as chief financial officer, Charl has been closely involved in the finalisation of the repositioning of the Group, as well as ensuring its continued solid performance.

Our use of capitals: FC IC HC NC SRC
Our key priorities: KP1 KP2 KP4
Our strategic priorities: SP 1 SP 2 SP 3

Chairman's review

Over the last two years, the world has experienced severe shocks on every front, from human health to climate change, geopolitical disruptions, accelerated digital transformation, and arguably the biggest supply chain disruptions the modern economy has ever seen.

Wendy Luhabe

INTRODUCTION

COVID-19 absorbed our thoughts and energy in the last two years, with 2020 a year that for most of us will forever be linked to huge instability. By this year, the world was hoping to move forward. Unfortunately, as a global nation we still have to work hard to find a way through the uncertainty and volatility.

In South Africa, on a macroeconomic level, commodity prices helped to protect the economy somewhat, but our mammoth challenges of poverty and unemployment remain.

Despite the challenging climate, Libstar navigated the year successfully. I am enormously proud of the management team for the way in which they have risen to the challenge and to every member of the Libstar team for the positive results we have been able to deliver. I am also thankful to all our stakeholders for their continued support as we have focused not only on managing the challenges of supply chain disruptions, inflation and the economic pressures experienced by our consumers, but also on maximising available opportunities.

SOLID FOUNDATIONS

In a world in flux, the strong foundations we have built, coupled with our entrepreneurial culture and commitment to talent development, are proving useful tools in resiliently moving forward. We have been working to reposition our portfolio towards high value-add categories, supplying innovative products, and – very exciting to me as a social entrepreneur – launching our incubation initiative, Libstar Nova.

We have taken important steps in our continuing evolution. Having started as a branded and private label aggregator built on mergers and acquisitions, Libstar then progressed to become an efficient, low-cost manufacturer. Between 2018 and 2021, we focused on establishing our category management expertise and investing in the Group's capabilities. Having created this sturdy base, we are now embarking on a strategy that will see us repositioning towards becoming a focused category leader.

At the same time as we are embarking on these new strategies, we continue to protect what we have worked so hard to create. As always, we are ensuring we manage our risk exposure and enable growth. In 2021, this meant moving towards disposing of our non-performing assets in Household & Personal Care, and investing in our high-growth food product categories. We also continue to cultivate our partnerships with our long-standing customers and suppliers (some whom have been with us for more than 20 years).

STAKEHOLDER Q&A

Q What is the Group's current approach to mergers and acquisitions and consolidation in the industry?

The consolidation of the South Africa food producer space has been ongoing for quite some time and, in all likelihood, is set to continue. However, the Group continues to primarily focus on its organic growth strategy whilst it investigates various value-unlocking strategies. The opportunity to acquire sizeable non-distressed businesses in our food categories at reasonable valuations have been limited given the performance of the sector since our listing. However, we have now launched Libstar Nova, an incubator which will see Libstar return to its roots in terms of acquiring smaller, growing businesses run by people with skills and talent, which we will bring onto the Libstar platform to grow them into category leaders.

Q With the recent retirement of one of your founding partners, what is your overall strategy in terms of succession planning? How are you approaching succession planning for the CEO position?

Over the last two years, as a board and as a Group, we have placed significant emphasis on the development of a robust talent management framework, which includes our succession plan for mission-critical roles. In relation to the position of the CEO, the board is able to leverage this framework to identify suitable candidates from senior, experienced management teams within the Group's various divisions, as well as within the broader industry. It remains the board's primary objective to ensure stability and continuity of the Group's growth strategy. This is centred around growing its existing categories, investing in new capabilities and continuing to explore value-adding and strategic acquisitions.

Chairman's review (continued)

A BIGGER VISION

While our actions taken are aimed at delivering shareholder value, they are also part of a much bigger vision. I firmly believe that as leaders and directors, our board – and the boards of all listed companies – have a broader social responsibility, particularly in the South African context.

In its Poverty and Shared Prosperity 2020 report, the World Bank notes that the Gini coefficient generally increases about 1.5 points in the five years following major epidemics. We cannot afford to see this happen in South Africa, where inequality is already a pressing problem, with the highest Gini coefficient and unemployment rates in the world.

President Cyril Ramaphosa has been clear in saying that it is business's responsibility to create employment. We take our responsibility to provide quality jobs, support skills development and contribute to the South African growth story very seriously.

We employ more than 6 000 people, many from local communities, and export our products to more than 50 countries globally, with 89% of our Group revenue being generated from South Africa. We offer bursaries, learnerships and internships and 91% pf our employees are black and 53% are female. We have identified improving the Group's broad-based black economic empowerment rating as a board priority for 2022, and further developing our succession planning to ensure business sustainability in the long term. Libstar Nova is further evidence of our commitment to innovation and talent development.

When Libstar was first formed, it was through a pioneering spirit of calculated risk-taking and a willingness to put our trust in people to support the Group's vision. I see Libstar Nova as a renewed spark of this same spirit, and I look forward to seeing the fruits of our investments in the coming months and years, not just in terms of tapping into new markets and building market share, but in changing people's lives in the process.

In the words of Abraham Lincoln, "You cannot escape the responsibility of tomorrow by evading it today."

At Libstar, we are choosing to embrace our responsibility now with the understanding that it will play a role in improving South Africa in the coming year.

OUTLOOK

In my mind, 2021 stood out as a year of change and revaluating the status quo. I look forward to pursuing our reinvigorated vision together with our stakeholders in 2022 and beyond.

As a board, we will support management on continuing to ensure the creation of shareholder value, the improvement of returns on capital expenditure and investments, and implementing the environmental, social and governance (ESG) strategy. As outlined on page 21, as a team we spent significant time defining and categorising ESG risks, which has now been incorporated in the Group's risk framework and signed off by the board for implementation.

We are also committed to regular board strategy reviews to ensure we remain on track in steering Libstar successfully into the future.

While there are challenges ahead for the world, South Africa and the Group, our brand promise of *Enriching People's Daily Lives* remains relevant and will guide us as we navigate our way forward in 2022 and beyond.

APPRECIATION

I would like to close my report with a word of gratitude to my fellow board members for their input, guidance, wisdom and oversight over the past year, to the Group management team for the diligent stewarding of resources and progress made on the strategy front, and to every Libstar employee who has contributed to the company's success. It is only through working together that we have come so far. To our valued customers and suppliers, we thank you for your continuing partnership and we look forward to what the future holds.

Our purpose of *Enriching People's Daily Lives* remains relevant and will guide us as we navigate our way forward in 2022 and beyond.

Our use of capitals: FC | Our key priorities: KP1 KP2

ARC

Audit and risk committee chairman's review

During the year, the committee continued to focus on the preservation of the Group's financial health in continued difficult and volatile market conditions. The Group has managed to deliver solid results and successfully navigated many unprecedented challenges amidst significant global macro-economic turmoil.

Anneke Andrews

It is my pleasure to present a review on behalf of the audit and risk committee.

INTRODUCTION

The audit and risk committee (ARC) serves in an advisory capacity to the board and assists the directors to discharge their duties relating to the safeguarding of assets, the operation of adequate financial systems, financial risk management and controls, the review of financial information, and the preparation of annual financial statements and other matters incorporated in the integrated annual report.

The committee comprises four independent non-executive directors. Meetings are held quarterly, with an additional joint meeting with the board focusing on the integrated annual report. The chairman of the board, chief executive officer and chief financial officer are standing invitees to all audit and risk committee meetings. Meetings are held through a combination of in-person attendance and through Microsoft Teams.

In addition to its legislated duties, the committee also works with management and the board in the support of the creation of value for stakeholders in line with the group's purpose and commitment to *Enrich People's Daily Lives.*

The committee members interact with the management team outside of the official committee meetings. I meet with external and internal audit at regular intervals and meet with the leaders of key departments, such as ICT and human resources, as appropriate. I also have the pleasure of visiting various operations and interacting with the divisional leadership.

As a board member and chairperson of the committee, I have been particularly impressed by the passion, sense of ownership and dedication of Libstar's people, the spirit of innovation and the entrepreneurial culture.

For the statutory audit and risk committee review, refer to pages 9 to 10 of the annual financial statements.

The Group's risk register can be found in the governance review at https://www.libstar.co.za/investors/governance/

KEY FOCUS AREAS DURING THE YEAR

The key focus areas of the audit and risk committee during the year are outlined below:

Focus areas	What this means
Risk management and internal control.	Reviewed the Group risk register and made recommendations. Assessed the internal control systems to manage risk.
Areas of significant judgement and key sources of estimation uncertainty.	The committee placed specific focus on areas which require significant judgement.
Cash preservation in light of the ongoing impact of COVID-19.	One of the Group's key strategic focus areas is to preserve cash flow and financial health. This was appropriately managed, as outlined in the chief financial officer's review.
Financial reporting.	The committee reviewed the interim and full-year results, as well as the integrated annual report.
External and internal audit reports and key audit matters.	Reviewed and assessed external and internal audit reports and key audit matters raised.
Refinancing arrangements.	The committee engaged with management on the renewal of refinance arrangements to ensure that the Group has an appropriate level of funding for the future.
Finalisation of the 2022 budget.	The committee reviewed the budget, including the assumptions and risks presented by management, and recommended the 2022 budget to the board for approval.

Audit and risk committee chairman's review (continued)

Other actions taken include:

Finance matters

- Reviewed and recommended the 2021 annual results and annual financial statements, the final dividend declaration, and the interim results for the half year to 30 June 2021, for approval by the board.
- In a joint board and ARC meeting, considered and recommended the integrated annual report for 2021 for formal approval by the board.
- Considered the quarterly chief financial officer reports, management accounts, forecasts and other relevant matters presented.
- Reviewed and assessed the expertise, experience and performance of the chief financial officer and finance function.
- Reviewed and considered the Group's tax update reports.
- Reviewed the JSE's report on the proactive monitoring of the consolidated annual financial statements.
- Reviewed the process and accounting treatment of the sale of a 70% interest in Libstar's Household & Personal Care cluster comprising the Contactim and Chet Chemicals divisions, as held for sale in the 2021 financial statements.

External audit

- Reviewed and approved the external audit plan, fees and annual engagement letter.
- Engaged directly with the external auditors.
- Assessed the suitability of the external auditor, in particular the lead engagement partner.
- Approved that Ms Adele Smit be appointed as lead engagement partner to replace Mr Alan Billson, who had completed his partner tenure in terms of the rotation requirements.
- Assessed the external auditor's independence.
- Approved non-audit service fees and ensured that these were permissible in terms of the Companies Act.

Internal audit

- Reviewed and approved the internal audit plan and monitored the execution thereof.
- Considered quarterly reports from internal audit, the internal control environment and the status of remedial actions implemented.
- Considered feedback received from calls to the anonymous ethics hotline.

Risk management

- Reviewed, made recommendations and approved the risk management policy and plan.
- Considered quarterly risk management reports and reviewed the risk registers for the Group and individual divisions, including the Group's environmental, social and governance (ESG) strategy.
- Considered the insurance renewal programme.
- Considered current and potential litigation matters.
- Discussed the impact and management of risks related to COVID-19.

Information and Communication Technology (ICT)

- Considered quarterly ICT reports from a risk and optimal business contribution perspective, including disaster recovery plans and improved business intelligence information.
- Considered the Group's approach and further actions taken in relation to cyber security, strategy and controls.

Governance

- Considered Libstar's approach to corporate governance and application of the King IV principles and recommended practices. The committee specifically considered combined assurance, as required by King IV, from the respective sources of assurance, including external and internal audit, management oversight and regulatory reviews.
- Reviewed, updated and recommended key policies to the board for sign off, including the approvals framework which sets out the delegation of authority to executive management.
- Reviewed and augmented the committee's work plan for the year ahead.
- Reviewed quarterly reporting on compliance with loan covenants and hedging policies.
- Reviewed quarterly reporting on compliance with financial assistance requirements of the Companies Act.
- Recommended minor changes to the committee's terms of reference to the board for approval.

LOOKING AHEAD

Focus areas	What this means
Refine the Group risk register to focus on key risks.	Prioritising key risks and considering mitigating strategies and controls.
From a risk perspective, consider the implementation of the ESG strategy, including metrics, reporting and disclosure.	Working with the board, the social and ethics committee and management on considering the implementation of the ESG strategy from a risk perspective.
Consider cyber security, strategy and controls.	Evaluate the current cyber environment and the Group's prevention and defense capabilities in this regard.
Address mandatory audit firm rotation.	Play a key role in the consideration of the appointment of external auditors in terms of mandatory audit firm rotation.
Monitor developments in respect of the new, updated or pertinent legislation, including the proposed Companies Amendment Bill.	Consider updates and the potential impact of any developments in the regulatory environment.
Conduct a committee effectiveness self-evaluation.	The last evaluation was done in 2020. The Group is planning an evaluation in 2022 in line with King IV recommendations.
Consider the process and accounting treatment related to the finalisation of the disposal of interests in the Household & Personal Care cluster.	Ensure that the process and accounting treatment are dealt with correctly and in accordance with IFRS and other legal requirements.

APPRECIATION

I express my sincere appreciation to Sibongile Masinga for the solid foundation laid before handing over to me as audit and risk committee chairman on 7 June 2021, as well as for her continued insights and input. I also thank my fellow committee members, invited board members and the executive management team of Libstar for their valuable contributions to the committee and their ongoing support. I wish to commend the finance team for their diligence and dedication, and the management team on the solid results and progressing the Group's evolution during what remains an extremely disrupted external environment.

RC

Our use of capitals: HC IC | Our key priorities: KP1 KP2 | Our strategic priorities: SP 2

Remuneration and nomination committee review

REMUNERATION CHAIRMAN'S REVIEW

The remuneration and nomination committees were combined in November 2020.

For remuneration-related matters Sandeep Khanna is the chairman.

It is my pleasure to present a review on the remuneration-related matters of the remuneration and nomination committee.

Sandeep Khana

During the ongoing impact of COVID-19 on the market and company and a continued focus on cost containment, the committee ensured the protection of employment as far as possible and uninterrupted payment of salaries and bonuses based on performance and affordability.

INTRODUCTION

The committee assists the board to consistently apply the remuneration policy throughout the Group, to ensure that directors and executives are fairly and responsibly remunerated and that the disclosure of the remuneration of directors and prescribed officers is accurate, complete and transparent.

For the remuneration policy, refer to https://www.libstar.co.za/wp-content/uploads/2022/04/Libstar-Remuneration-Policy-2021.pdf.

For the remuneration review, refer to https://www.libstar.co.za/wp-content/uploads/2022/04/Libstar-Remuneration-Review-2021.pdf

The committee comprises three independent non-executive directors.

AGM VOTES

Shareholders holding more than 25% of shares in issue did not vote in favour of the 2021 remuneration policy, as presented.

% vote in favour of	May 2021
Remuneration policy	**65.09%**
Remuneration implementation	**69.13%**

To identify and address shareholders' concerns, Libstar invited institutional shareholders, who included dissenting shareholders, and who collectively hold the majority of the company's shares in issue, to meet with the company to provide feedback. As a committee, we take shareholder comments into account to align our processes with their feedback. We thank those who engaged with us and shared their concerns.

Their main concerns were:

Using EBITDA as the main performance metric in the determination of short-term incentives, as it does not consider the efficiency of capital allocation.	In 2021, the EBITDA performance measure remained the main performance criteria. However, in line with shareholder feedback, EBIT was used as a moderating factor in case of significant deviation between the two metrics at year-end. Although there was not a significant difference between these measures this year, EBIT will replace EBITDA as the key measure from 2022.
Simplification of the long- term incentive scheme.	The committee conducted a structural review of the scheme and is proposing to update the design in 2022. Refer to the remuneration review.
Increasing the stretch target for top-end vesting of the LTIP and Group Share Plan.	The remuneration committee and board have considered the shareholder feedback and market incentive scheme structures and targets. The stretched targets will be reviewed following the finalisation of proposed changes to the long-term incentive scheme. Refer to the remuneration review.

TABLING OF REVIEW AT AGM

As required by King IV, the remuneration policy and implementation report detailed in the remuneration review will be tabled for separate non-binding advisory votes by shareholders at the upcoming AGM.

We do urge shareholders to provide feedback on the various voting requirements to ensure we can address issues of concern.

KEY FOCUS AREAS DURING THE YEAR

Focus areas	What this means
Engagement with shareholders on remuneration matters raised at the AGM held in June 2021.	The Group remains committed to working with shareholders to address their concerns.
Reviewed and approved executive salary increases for January 2022 and STI payments for 2021.	The committee reviewed executive and executive director salary increases. The executive increases averaged 2.5% and executive director increases were in line with CPI. The executive directors received STI payments in the amount of 13.6% of TGP compared to 17.6% in 2020.
Reviewed fee levels for non-executive directors.	After forfeiting increases last year in light of COVID-19 conditions, remco recommended a 5% increase in fees for the coming year.
Approved a malus and clawback policy.	The policy prescribes that all variable pay effective from July 2021 should be subject to malus and clawback should a trigger event occur.
Reviewed the 2018 LTI award and lapsing/forfeiting of awarded units at vesting date in 2021.	Awards made in 2018 in terms of the former long-term incentive plan to 82 employees vested on 1 January 2021. The awards were cancelled by the committee following no appreciation.
Revised the STI performance criteria.	Refer to the remuneration review.

LOOKING AHEAD

Focus areas	What this means
Ongoing shareholder engagement with regard to remuneration policy and related matters.	Discussions with shareholders to ensure our remuneration policies and disclosures are understood and supported, as well as aligned to changing trends in remuneration to address any ongoing concerns.
Review the structure of the long-term incentive scheme.	Review the incentive scheme structure to ensure it is achieving its objectives, delivering value for stakeholders and motivating and retaining employees.
Attract new talent by being an employer of choice.	Remain competitive through benchmarking against industry peers.

APPRECIATION

Thank you to the committee members for their valuable input. We had to focus on ensuring the appropriate approach to incentivising our teams while remaining conscious of the challenging market conditions and the requirement to protect the group's financial health. I extend my appreciation to the management and human resources team who assisted us during the year.

NC

Remuneration and nomination committee review

NOMINATION CHAIRMAN'S REVIEW

The remuneration and nomination committees were combined in November 2020.

For nomination-related matters JP Landman is the chairman.

It is my pleasure to present a review on the nomination-related matters of the remuneration and nomination committee.

JP Landman

The committee continued to focus on ensuring the management of leadership talent and succession during the year. We concentrated on the development of a robust talent management framework, which includes a succession plan for critical leadership roles.

The committee comprises three independent non-executive directors. The mandate of the committee is to regularly review the board structure, size and composition and to make recommendations to the board regarding any changes that are deemed necessary.

KEY FOCUS AREAS DURING THE YEAR

Focus areas	What this means
Considered succession planning.	The board and Group have placed significant emphasis on the development of a robust talent management framework. For example, the solid succession plan in place ensured the smooth transition from the previous CFO, Robin Smith, to the current CFO, Charl de Villers.
Approved a director induction and training policy.	Although directors have been inducted after joining the board, a formal policy was approved this year.
Recommended the terms of reference of the combined committee for approval by the board.	Formalisation of the combined committee's mandate.
Considered the composition of the board and the committees.	The board and committees were evaluated and found to be meeting legal and governance requirements.
Reviewed the roles and functions of the board chairman and lead independent director.	The roles and functions of the chairman and lead independent director were evaluated and found to be functioning well.

LOOKING AHEAD

Focus areas	What this means
Ongoing succession planning.	The committee will continue to evaluate the key leadership positions and ensure that effective processes are in place.

APPRECIATION

Thank you to the committee members for their support and guidance in our work during the year. In the coming year, we will continue to prioritise talent management and succession. I look forward to working with the committee and management in the coming year.

Our use of capitals: HC IC SRC NC

Our key priorities: KP4

SEC

Social and ethics committee chairman's review

The finalisation of Libstar's environmental, social and governance strategy during the year has created a single framework for sustainability that will be applied throughout the organisation and will shape Libstar's plans and activities at all levels and across divisions.

Sibongile Masinga

It is my pleasure to present a review on behalf of the social and ethics committee.

The Group's social and ethics committee, under authority of the board, provides oversight of the implementation of sound environmental, social and governance (ESG) principles throughout the Group.

In addition, the committee monitors Libstar's activities relating to:

- Social and economic development.
- Good corporate citizenship.
- Ethics, health and safety and wellness.
- Consumer relationships.
- Labour and employment.
- Reporting, through the chairman of the committee, to the shareholders at the company's annual general meeting on any part of the business that concerns the committee's functions.

The committee comprises two independent non-executive directors, one executive director and two invitees representing human resources.

INTRODUCTION

The committee's key activity during the year was working with management and the board to finalise Libstar's ESG strategy. This review therefore focuses on this aspect of the committee's responsibility.

For a detailed review of the committee's other responsibilities, refer to the formal social and ethics committee report in the governance review at https://www.libstar.co.za/investors/governance/

The committee, board and management conducted a detailed materiality assessment in the third quarter of 2021 to understand the Group's ESG landscape and to identify which aspects are material to create value and drive growth. As a committee and board, we probed the most pressing issues that impact Libstar in terms of growth, risk or opportunity and which shareholders consider important.

These issues have now been integrated into Libstar's risk management framework. This provides a single framework for sustainability throughout the organisation.

OUR ESG STRATEGY

Seven ESG risk areas have been prioritised.

1. Water
2. Climate change
3. Waste management
4. Employee health, safety and wellbeing
5. Positive nutrition
6. Data and IT security
7. Sustainable and responsible sourcing

For additional information on our ESG strategy, refer to pages 21 to 24.

Environment

The responsible management of resources is integral to Libstar's objective of ensuring a sustainable and successful business. During the year, science-based targets and performance improvements for aspects including energy use, water management, waste reduction and food production were finalised. These commitments have now been integrated into Libstar's strategy to ensure proactive implementation and monitoring.

The three top environmental risks we identified through our materiality assessment during the year are:

1 Water

Libstar is acutely aware of the critical role water plays in food production. The Group focuses on understanding water challenges at a local level and supports collaborative solutions that address the specific needs from a South African context.

2 Climate change

Libstar is committed to building climate resilience and aims to understand the climate change impacts on the business. The Task Force on Climate-Related Financial Disclosures framework has been chosen as our guide.

3 Waste management

The majority of the Group's waste is generated during manufacturing processes. Our ambition is to send no waste to landfill and to build a culture of waste recycling.

The Group is also committed to reducing packaging waste and controlling our packaging cycle to ensure we eliminate waste.

Social

Libstar's ability to deliver on its strategy depends on the skills, experience and behaviour of its employees. The Group's human resource philosophy is based on equal opportunity, irrespective of race, religion or gender where everyone is able to reach their full potential.

As a major source of employment for the communities in which it operates, the Group strives to provide fair working conditions, maintain a safe and healthy working environment and offer learning and development of human capital.

In addition, as food safety is at the core of everything Libstar does, it is fundamental to the success of the Group. The Group takes its responsibility to keep people safe at each step of the supply chain from illness or injury due to the handling or consumption of its products seriously.

The key social risks we identified through our materiality assessment during the year are:

4 Employee health, safety and wellbeing

The health and safety of employees, suppliers and customers is an important aspect of Libstar's business. Health and safety committees are in place across the Group to monitor the Group's approach.

5 Positive nutrition

The Group plays a central role in shaping a healthier future as it works to meet changing consumer needs. Libstar also recognises the link between diet and health and acknowledges the role it plays as a food producer in addressing malnutrition and the impact on the health of people.

Governance

Libstar has an entrenched functional governance structure that places significant reliance on ethical behaviour. The Libstar board's role is to exercise leadership and sound judgement in steering the Group to achieve sustainable growth and maintain good relationships with stakeholders. The board has placed emphasis on sustainability considerations, risks, opportunities, stakeholder relations, innovation and the creation of stakeholder value.

The social and ethics committee has direct oversight on the Libstar board for the Group's ESG strategy. Libstar subscribes to a transparent code of conduct, accountability and integrity and has an established ethics hotline.

The key governance risk we identified through our materiality assessment during the year is:

6 Data and IT security

Cyber attacks can compromise customer information, operational systems and sensitive business data. Libstar governs technology and information to ensure it supports the Group's strategic objectives. The Group is further developing its processes to safeguard information.

7 Sustainable and responsible sourcing

Underscoring all aspects of ESG, is ensuring sustainable and responsible sourcing. Libstar is committed to reducing its impact on the planet's resources by securing a sustainable supply chain which integrates social, ethical, and environmental performance factors into the process of selecting suppliers. To this end, it has embarked on a journey to understand what sustainable and responsible sourcing means for the Group.

LOOKING AHEAD

Libstar will undertake a detailed climate change impact and opportunity analysis to crystalise its impact and approach.

As the Group now moves into the implementation phase of its ESG strategy roll out, the committee will spend considerable time collaborating with the leadership team and monitoring the progress over the next five years.

APPRECIATION

2021 was one of the busiest years for us as a committee due to the significant work done on the finalisation of the ESG framework. Thank you to my committee members and the leadership team for the hard work this year, and the board through the chairman for their leadership and guidance.

Our use of capitals: HC IC
Our key priorities: KP1 KP2
Our strategic priorities: SP 2 SP 3

IC

Investment committee chairman's review

During the year under review, the committee worked closely with management to evaluate the Group's status quo and to interrogate opportunities to unlock value for shareholders in difficult market conditions.

JP Landman

It is my pleasure to present a review on behalf of the investment committee.

INTRODUCTION

The committee assists and advises executive management on the evaluation of merger and acquisition opportunities, investment transactions and commercial positioning of the Group. Based on its evaluation of these matters, the committee makes appropriate recommendations to the board.

The committee had five formal meetings during the year, as well as a few informal meetings to brainstorm relevant matters.

The committee comprises two independent non-executive directors and two executive directors as invitees.

For additional information on the repositioning of the Group during the year, refer to the reviews from the chief executive officer and chief financial officer.

KEY FOCUS AREAS DURING THE YEAR

During 2021, the investment committee continued to place emphasis on the Group's strategic response to changing market conditions, with the objective of defining growth pillars available to Libstar to unlock value for its stakeholders.

This rigorous process comprised a detailed review and discussion of Libstar's status quo as it relates to the investment market, its size and liquidity, its shareholder structure, its customer and channel exposure and its divisional challenges and opportunities.

Based on this review, various preliminary options were considered to unlock value for shareholders, including, but not limited, to:

1. Improving Libstar's broad-based black economic empowerment compliance rating.
2. Improving stakeholders' understanding of the Group's business model.
3. Revisiting the Group's portfolio composition.
4. Building the Group's profitability and size through various organic and inorganic strategies.
5. Evaluating merger possibilities to unlock value.

The investment committee played an instrumental role in evaluating and considering the options available to the Group to reposition its portfolio of businesses towards the four primary, value-added categories. This process culminated in the successful conclusion of a binding conditional offer to dispose of a 70% interest in the Group's Chet Chemicals and Contactim divisions within the Household & Personal Care category. It is our intention to also seek to exit the Glenmor Soap business by the end of the financial year.

LOOKING AHEAD

In the forthcoming year, the investment committee will continue to evaluate further value-unlocking alternatives arising from the 2021 review. This includes monitoring the Group's capital allocation to improve and optimise the Group's return on tangible invested capital in difficult market conditions.

APPRECIATION

I wish to thank members for their willingness to go the extra mile in considering and debating possibilities and coming to firm decisions. A particular word of thanks to the finance team for their diligence in preparing background documents for various decisions.

Chief executive officer's review

Our multi-channel and brand solution strategy have again helped us to respond swiftly during a volatile period, with resilient results, not only in weathering the challenges, but also embracing the opportunities afforded to us.

Andries van Rensburg

INTRODUCTION

In these turbulent times, our philosophy has always been to control what we can.

We congratulate our team on resiliently responding to volatility, with robust results. Our people-first practices have helped us embrace every opportunity and stay true to our overarching purpose and values.

Despite adverse conditions, our strong operational management teams have managed to grow market share through product and category diversification, and penetration in our growth areas. We thank you for your hard work, dedication, and accountability. It has been a testing time, but our culture of entrepreneurship and innovation has seen us weather the storm and emerge even stronger. Together, we will continue to build a future-fit business that creates true value for all our stakeholders. We are gearing up for a year of unprecedented growth and innovation.

MEETING CHANGING CONSUMER REQUIREMENTS

The pandemic has changed people. There has been sustained pressure on consumer spending, which has resulted in customers being very price sensitive and seeking value-for-money and promotions. We met our customers' evolving needs through our diversified brand solution strategy and multi-channel approach, which enabled us to shift attention to the fastest growing areas of the market.

Our private label and dealer-owned brand offering allowed us to increase our market share (aided by the reopening of the retail and food service sectors), as well as drive category demand in a particularly robust area of the market.

Our portfolio is geared to value-adding products that meet our customer's shifting lifestyle and dietary requirements. This meant that our brands performed well, despite the pandemic's long tail.

REFOCUSING OUR APPROACH

We focused on remaining competitive by identifying our key growth detractors and enablers, in order to mitigate risk and find opportunities.

The result? We achieved intensified discipline across our critical business functions and defined a detailed, robust growth path.

Armed with this knowledge, we took steps to:

- **Reposition and rightsize** our portfolio of businesses.
- **Reduce** controllable overheads.
- **Measure and improve** our manufacturing efficiencies.
- **Protect** our brand, private label and category positioning.
- **Sharpen** our focus on cost and margin management and its interplay with selling prices.
- **Maintain and improve** our service levels.
- **Launch** Libstar Nova as a special incubatory growth vehicle.

STAKEHOLDER Q&A

Q The Group's client-centric philosophy is core to its ability to innovate. How does Libstar build and maintain these long-term relationships?

Libstar has a track record of working closely with our customers, which empowers us to understand their needs at every touchpoint and create new products accordingly. In 2021, we launched 756 new and renovated products, including a Millennium Foods ready-meal range, and a selection of sauces endorsed by local braai champion, Jan Braai. These products have cemented our presence in the wet condiments category.

Above all, we want to create lasting connections with our customers, many of whom have been loyal to us for 20 years or longer. We never take that loyalty for granted. We know it needs to be earned. And we work hard to make sure we're there for our customers and listening to them – always.

Q What competencies do you believe enabled Libstar to produce a solid performance in a difficult year?

Our strong balance sheet and solid cash conversion record stem from a few factors: Our high performing people, culture of innovation, ability to deliver low-cost manufacturing solutions, and category expertise. We also diversify our risk through a platform of varied channels and brand solutions. These enable us to provide multiple offerings to each of our customers.

Refer to our investment case on page 4.

Q What impact did supply chain disruptions have on your business this year?

Demand has driven international shipping markets to unsustainably new highs and resulted in ongoing delays becoming the norm. We have experienced intermittent disruptions to our import and export logistics and the availability of critical raw materials. The impact on distribution costs has been significant. In some divisions, such as Cape Herb & Spice, we have elected to hold higher levels of raw material and finished goods inventories to mitigate the effects.

Q Can you expand on the opportunity private label growth in the South African market creates for you?

Private label products continue to grow in popularity globally and within the South African market. According to Nielsen, private label penetration increased from 22.8% of the market in 2019 to 24.3% in 2021. Covid-19 lockdowns, stockpiling, the unavailability of certain branded products, and the affordability and availability of private labels drove this growth.

Perceptions of private labels also positively shifted; they are now associated with improved quality and value for money, rather than just being seen as cheap alternatives to brand leaders. This has helped private label products to diversify and gain ground in eight out of ten categories, with notable growth in frozen products, like our Millennium and Finlar ranges.

We are well positioned to continue to take advantage of this trend, through our innovation and manufacturing expertise, across multiple food product categories.

Q Do you achieve better margins on private label or branded products?

It is no longer the case that branded products attract higher margins than private label products. Now, premium private label and dealer-owned offerings can sell at equivalent or superior margins, depending on the product category.

Q What is your target mix between branded and private label products?

We ensure that each food category benefits from a mix of branded and private label products, led by our consumer-centric market insights.

Q How are market trends and consumer preferences changing and how is Libstar placed to take advantage of these changes?

In a strained consumer environment, shopper baskets are changing, with a focus on value for money. Libstar's diverse product mix – with a number of new ranges across our categories – ensures we cater to all price points.

There has also been accelerated growth of in-home consumption, online sales and the reopening of hospitality venues, which have driven retail and food service growth. In this context, we are focused on improving Libstar's online presence by leveraging the various platforms which already exist within the group.

We will also be targeting further growth in the frozen category, focusing on retail and food service channels.

The wholesale channel is an important growth pillar for certain Libstar categories, which we will develop in the coming year. As announced, Libstar will also be entering other growth categories – like baby and pet food – through our Libstar Nova initiative.

Q Do you think you will be able to remain within your margin target band in Groceries?

To remain competitive, we sacrificed some margin on exported dry condiments during the year. In addition, our margin was impacted by the lower average rand value of export selling prices, relative to the comparative period.

Whilst our export volumes continue to grow, manufacturing and distribution cost inflation remains high. The headwinds experienced in our export-facing Groceries divisions were countered, to some extent, by the exceptional performance of our wet condiment divisions. This followed from robust demand, the relaunch of brands such as Safari, and new products, such as the Jan Braai condiments range.

Considering these factors, the Groceries category should continue to operate within our stated margin target band of 13% to 16%.

Chief executive officer's review (continued)

REPOSITIONING OUR PORTFOLIO

This year, we repositioned our portfolio towards our four value-added food categories. To become a category-led food player, we needed to define our growth pillars. To this end, we announced our intention to exit the Household & Personal Care (HPC) category (Chet, Contactim and Glenmor).

We have provisionally earmarked the proceeds of the disposal of the HPC category for various targeted acquisitions and incubation projects, through Libstar Nova. This includes the recently completed acquisition of Umatie, a value-added frozen baby food manufacturer, with a growing presence in retail.

Libstar Nova – meaning New Star – is our incubation vehicle to invest in new business and acquire top talent and competencies. It takes us back to our roots by building our capabilities through the acquisition of smaller, often owner-managed, businesses. It is tremendously exciting and will help to redouble our focus on growing our categories.

Going forward, our efforts will be centered on leveraging our brand solutions capability and strategic partnerships. To support our portfolio repositioning, we will look at clustering functions across the group to unlock extra value.

OUTLOOK

As we move into 2022, we anticipate certain headwinds. Global instability means that the challenges of rising input inflation, supply chain disruptions, currency volatility and margin maintenance remain top of mind. Timing delays between input cost price increases and selling price increases only exacerbate the situation. Higher food prices are also likely to place further pressure on consumer demand.

Despite this, we expect to see upper-end food service growth, continued private label uptake, and growth in frozen and value-add offerings. We are well positioned to take advantage of these opportunities. We also look forward to venturing into complementary sub-categories (like frozen baby food). We will continue to focus on robust cash generation, with reduced gearing.

Our strategy to exit the HPC category and reposition our group's focus should result in improved group margin, alongside our focus on innovation. Since 2018, Libstar has launched 2 282 new and renovated products. We will continue to create dynamic, relevant new products this year. We know our customers want value, especially in the private label space. Our emphasis on growing the wholesale sales channel, through our low-cost manufacturing expertise, will enable us to offer bespoke private label and branded offerings to targeted markets. This puts us in a strong position to meet growing demand.

The repositioning of our portfolio through Libstar Nova's investment in high-growth food categories to complement our existing offerings will become instrumental.

The food service channel should continue to recover, helped in part by our efforts to drive growth through new customers and products. Our strong quick service restaurant representation will improve our channel participation.

Our export offering also continues to be sound, providing price-competitive advantages in key markets. We will remain focused on partnering with local and multinational brand owners, across the industrial and contract manufacturing channel.

Libstar is taking a dual approach, through a defensive growth protection strategy that protects our customers, employees and financial health, and an offensive strategy that accelerates our key growth drivers. Our structural growth drivers remain intact, with our diversified product mix and channel participation presenting significant opportunities.

APPRECIATION

Thank you to the board and the management team for the support in a year where we implemented several changes and embarked on the next stage of our company's evolution. Having a supportive board has greatly assisted us in crystalising our strategy going forward. I also acknowledge our shareholders and funders, who continue to believe in our management and our business model. Lastly, to our Fearless Focused Family, your resilience has once again been extraordinary. It is our people who set our business apart. Thank you.

Chief financial officer's review

We are proud of our performance in adverse operating conditions. As a management team we continued to follow a strategy of protection – protecting the safety of our people, our customers and the financial stability of the Group.

Charl de Villiers

Libstar successfully delivered on its key focus areas during the year under review.

1 Delivered superior service levels

We continued to invest in business intelligence systems to improve our pioneering inventory optimisation and demand planning solutions for key customers. We invested in stock to ensure that customer delivery remained at superior levels.

2 Mitigated the adverse margin impact of supply chain disruptions and rising input costs

We mitigated the adverse impact of global supply chain disruptions and input cost inflation by reducing Group operating expenses by 6.7% and improving production efficiencies.

3 Protected the wellbeing of Libstar's employees

In line with the guidance provided at the completion of the 2020 year-end results, we continued to protect the wellbeing of our employees. The Group's extraordinary COVID expenses declined by R50 million to R15 million.

4 Preserved the Group's financial stability

Our cash generation profile remained strong during the year under review, with a solid performance from Libstar's food categories contributing to an improved cash conversion ratio of 96% in 2021 compared to 83% in 2020.

Due to strong cash generation from operating activities, net interest-bearing debt reduced to R1.1 billion compared to R1.3 billion in 2020. As such, the net interest-bearing debt to EBITDA ratio decreased to 1.2 times (2020: 1.4 times) and remains at the lower end of Libstar's stated optimal range of 1x-2x normalised EBITDA. The Group was fully compliant with lender financial covenants throughout the reporting period.

5 Actively repositioned our portfolio of businesses

As committed, we have taken active steps to reposition our portfolio of businesses toward valued-added and higher-margin food categories.

Refer to page 47.

STAKEHOLDER Q&A

A key focus for the group is optimal capital allocation and extracting the best performance from its asset portfolio. This page focuses on stakeholder questions concerning the creation of optimal returns on invested capital (ROIC).

Q Are you considering share buy-backs in the near future as an alternative to the allocation of capital to internal growth projects?

In line with the Group's strategy, capital has in the last few years been allocated predominantly to projects aimed at developing new production capabilities and the expansion of production capabilities in key growth areas, such as hard cheese packaging and production. Share buy-backs are considered on a regular basis. For example, since our listing, we have repurchased 13 059 362 shares at an average cost of R7,62 per share. Additional buybacks will be considered if we further de-gear closer to the lower end of our 1x-2x net debt to EBITDA leverage target ratio. However, we will not consider buy-backs at the expense of essential capital investment in key growth areas or that result in an increase to the Group's 1.2x gearing ratio.

Q The delivery of sound returns on invested capital is vital to the overall performance of the group. How do you make capital allocation decisions?

Based on our cash generation and in line with our strategy of investing in new or existing capabilities, we continued to allocate capital to high-growth categories, such as Perishables (mainly Lancewood and Millennium) and Baking & Baking Aids (mainly Amaro Foods). Each project is assessed in terms of its strategic importance in leveraging our category capabilities. The projected cash flow return profile of each major project is evaluated in the context of the Group's weighted average cost of capital. Smaller projects must deliver a simple cash flow payback period of three to five years to meet approval criteria, whilst a longer payback period may be approved for larger growth projects.

Q Group capital expenditure (capex) peaked at 4.1% of net revenue in 2019, reducing to 3.5% in 2020 and 3.1% in 2021, slightly above the Group's target of 2-3% of net revenue. Is capex likely to return to levels within the stated objective range in the next three years?

Yes, capex is likely to stabilise at around 3% of net revenue over the next three years while we focus on ensuring optimal returns on the higher levels of capex spent in 2019 and 2020.

Q Which businesses provided the divisional highlights of 2021 and why? And which businesses provided the divisional challenges?

Within the Perishables category, Lancewood maintained its number one market position in hard and soft cheese, achieving double-digit EBITDA growth through margin management and cost controls. In the Groceries category, the combination of Multicup and Rialto during the year assisted the Group in delivering an expanded and focused basket of food service channel products to the market. Despite contending with ongoing supply chain disruption, the Rialto retail business delivered a pleasing performance. In Dickon Hall Foods, the Group recorded improved capacity utilisation, driven by the manufacture of a new range of salad dressing for a local brand owner.

In terms of challenges, the Group's EBITDA margin in the Perishables category was adversely impacted by rising input costs and lower cost recoveries from quick-service market customers in Finlar. Cost and margin management remain a key priority for this division in the coming year, as well as the development of the retail and food service channel to improve margins.

The Group's main export-facing unit, Cape Herb & Spice, contended with significant currency volatility whilst customers localised a component of supply and implemented dual-sourcing strategies. This is a theme we are seeing across the globe. Despite this, the business remains sound and focused on developing existing and new markets in the forthcoming year.

In Retailer Brands, the prior year sales mix was weighted towards baking aids products that are higher value and margin. Demand for these products, particularly yeast, normalised during the reporting year. This, in combination with significant cost push inflation of raw materials used in the production of these products, resulted in a weaker margin and EBITDA performance from this unit. Notwithstanding, the Robertsons and Cook n Bake branded baking aids continue to maintain a strong brand market position.

Q What are the levers you can pull to protect and grow your margins and which categories will play a role in future growth?

Innovation remains key to protecting and growing our market positioning. Evaluating changing trends and preferred pack sizing forms a critical part of this as we aim to ensure we cater to changing consumer behaviours and remain a ow-cost producer.

Another critical element to the improvement of margins is increasing plant utilisation and overall equipment effectiveness through sound manufacturing procedures. This, complemented by new product innovation, remains important to achieving price competitiveness on shelf.

Currently, the two strongest prospects are the dairy sub-category of Perishables where Lancewood continues to grow market share as South Africa's leading natural cheese manufacturer, and the wet condiment sub-category of Groceries where there is a growing demand for flavour-enhancing condiments.

Q Libstar's ROIC in 2021 was 12.5%. What are your expectations in terms of improving ROIC back to 15%?

The Group's most significant capital project in the Perishables category, namely the upgrading of Lancewood's milk-distribution and hard-cheese packing facilities, was completed in the second half of 2021. The project doubled the Group's hard-cheese manufacturing capacity to cater to a growing demand for dairy products.

Group ROIC will be improved through:

- The ability of Libstar to protect and grow its market share in the dairy category within the coming year
- The delivery of improved capacity utilisation from upgraded facilities
- Continued focus on maintaining margins and cost control
- Execution of our strategic priorities, as outlined on page 19.

Chief financial officer's review (continued)

PROTECTING OUR FINANCIAL STABILITY

The Group responded with agility to adverse market conditions to record an improved cash flow position, increased Normalised HEPS and a stronger balance sheet during the year.

We paid particular attention to maintaining our focus on the effective conservation and management of cash. The Group's cash conversion rate has consistently improved since 2019, with a conversion ratio of 96% achieved in the current reporting period. Cash generated from operating activities increased by 23% to R786 million as a result of the significantly lower absolute investment in working capital and reduced finance charges, thereby contributing to the improvement in cash conversion.

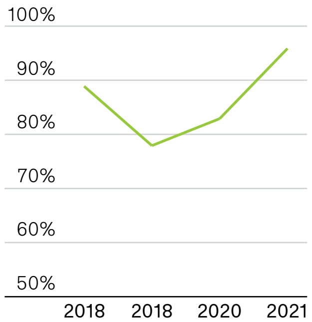
Interest cover ratio
9.1x
(2020: 7.6x)

Gearing ratio
1.2x
(2020: 1.4x)

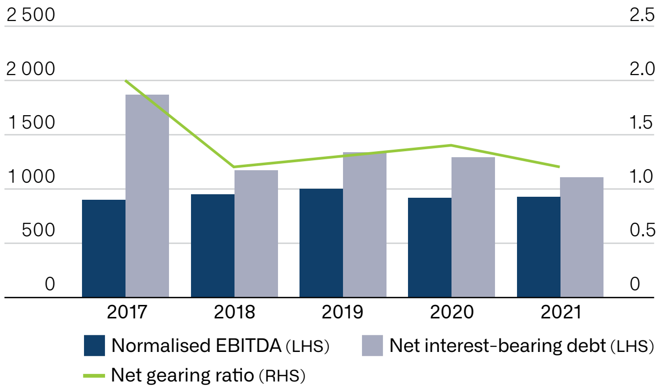
Cash conversion ratio
96% (2020: 83%)

The Group's cash flows from finance activities include the partial repayment of facilities at year-end as part of the term debt refinancing. These facilities remain available to the Group in the form of revolving credit lines.

Cash flow conversion strengthened (%)



Gearing ratio (R million)



Net gearing remains low and the Group has R1.6 billion available in the form of unutilised funding facilities (including cash). Our maximum net gearing of 2.0 times normalised EBITDA is aligned with our facility covenants. The Group's debt covenant is less than 2.5 times normalised EBITDA.

STAKEHOLDER Q&A

Q Which of your three businesses yielded the lowest returns on net asset value in 2021 and how have you addressed this?

HPC, Denny and Finlar have underdelivered on our expectations.

The Group has taken a strategic decision to reposition our portfolio towards its four food categories.

Refer to page 47.

To address the performance challenges at Denny, a significant cost restructuring project was launched in 2021. This has already yielded savings of around R7.5 million per annum. The division also regained significant market share in top-end retail whilst continuing to focus on the improvement of price realisation, production yields and utilisation.

The Group's EBITDA margin in the Perishables category was adversely impacted by rising input costs and lower cost recoveries from quick service restaurant customers in the Finlar division.

Significant effort was placed on the implementation of business process systems and procedures to improve profit visibility at a product level. This has positioned the Finlar team well to develop its revenue channels and products in 2022.

Cost and margin management remain a key priority for this division in the coming year, as well as the development of the retail and food service channel to improve margins.

Q How has your hedging policy reduced the income statement volatility brought about by foreign currency fluctuations?

The treatment of foreign exchange contracts (FECs) as cash flow hedges is primarily implemented to establish certainty of cash flows for the Group. Consequently, the market revaluation of open FECs is accounted for in other comprehensive income outside of the income statement and, in principle, establishes less income statement volatility over time.

However, the revaluation of foreign currency denominated debtors and creditors, as well as the revaluation of imported inventory to the lower of cost and net realisable value, continues to be accounted for in the income statement in accordance with International Financial Reporting Standards.

Q The Group's improvement in cash flow generation and cash conversion rates is very positive. What is your strategy in terms of further improvement of cash flows and conversion rates?

To execute on our strategy to protect the Group's financial stability, we continually monitor divisional cash generation and forecasts. This facilitates an agile approach to improving the Group's cash management and returns. Furthermore, the Group's investment in inventory management systems facilitates optimised management of raw material and finished goods inventory holding to strike an appropriate balance between the need to maintain superior service levels to customers and minimise cash tied up in net working capital.

The Group successfully refinanced its long-term debt facilities of R1.7 billion. Term debt maturity dates were extended by between three and five years from 1 January 2022 at a slightly improved average interest rate. These new facilities secured tenure of banking facilities which are competitively priced and flexible to cater for an agile approach to cash management.

The Libstar balance sheet remains strong. This places the Group in good stead to grow its business both organically and through acquisitions.

Libstar maintains a dividend policy of one dividend declaration per annum at final results, covered 3-4 times by normalised HEPS. In light of the strong cash generation of the Group, as evidenced by improving cash conversion and interest cover ratios, as well as a reduced gearing ratio, the board strongly considered increasing this year's dividend payment. However, growing market volatility brought about by ongoing events in the macro environment, not least of which is the Russian/Ukraine conflict which was ongoing at the time of writing, necessitated that we continue to protect our cash position. As such, the board resolved to keep the annual dividend constant at 3.2 times covered and declared a dividend of 25 cents per share. We are proud of the fact that we have delivered consistent dividend payments to shareholders since listing, even in very challenging operating conditions.

We maintain our strategy of protecting the strength of our balance sheet and will apply excess cash to the repayment of term facilities whilst, as always, considering share buy-backs.

OPERATING PERFORMANCE

Group revenue from continuing operations increased by 7.1%. Group volumes increased by 0.5%, driven by a strong performance within the food service and contract manufacturing channels. Pricing and product mix changes contributed 6.6% to Group revenue.

In the current reporting period, gross margins declined by 1.4 percentage points to 23.0% as export margins suffered the impact of a strengthening of the Rand against major currencies. The Group also contended with significant cost inflation in raw materials, packaging and distribution charges. Even in this context, our gross profit margin was maintained above 2017 and 2018 levels due to margin and cost control.

Other income was affected in 2021 due to the 10% strengthening of the average Rand/USD exchange rate, representing the Group's major export currency, with other major currencies following similar trends. We apply hedge accounting policies to the market revaluation of open foreign exchange contracts. However, realised foreign exchange gains and losses, which include the revaluation of foreign currency denominated cash, debtors and creditors, are recorded in the income statement. The effects of these realised gains and revaluations predominantly resulted in the 13.2% increase in other income from the R44.6 million recorded in the comparative period to R50.5 million this year.

Cost containment in the manufacturing enviroment in which we operate remains critical. As committed to our stakeholders at our last results, we have paid close attention to controlling operating expenses in the period under review. Libstar concentrated its efforts on driving cost efficiencies across multiple line items of the income statement. As such, the Group has recorded a reduction in operating expenses of 6.7%. Group operational expenditure was 18.4% of revenue compared to 21.1% in the comparative period. After adjustments for normalisation items, including the impairment of Glenmor's intangible assets in the current year and that of Denny in the prior year, Group operating expenses declined by 1.1%.

As a result of these cost control measures, the margin impact of rapidly rising cost-push inflation was mitigated, and the Group delivered growth in Normalised operating profit of 1.2% and growth in Normalised EBITDA of 2.4%.

Revenue
+7.1%

Volumes
+0.5%

Price/mix
+6.6%

Normalised EPS
+112.0%

Normalised EBIT
+1.2%

Normalised HEPS
+18.8%

Normalised EBITDA
+2.4%

Dividend of
25 cps

Management of net finance costs included securing tenure of funding facilities and being able to gain flexible access to funding in a manner that reduces the Group's overall cost of debt whilst facilitating an agile approach to cash management. For this reason, the Group completed a Group refinancing of its term debt facilities towards the end of 2021. It extended the tenure of its term debt maturities to three, four and five years, it increased the component of revolving credit facilities in the term debt structure and marginally reduced the overall weighted cost of funding. As a result of improved cash management and generation and the annualised benefit of lower JIBAR rates during the period under review, Libstar's net interest expense reduced by 10% to R157 million.

The Group's effective tax rate is normally very close to the statutory rate of 28%. However, when operations are classified as held for sale, such as in the current year, the effective tax rate tends to fluctuate significantly. In this reporting period, the tax charge reduced by nearly 50% This was achieved due to a refund of R34 million upon the finalisation of a prior year tax assessment, as well as the utilisation of the trading losses of discontinued operations in Libstar Operations, the legal entity which houses the trading divisions of the Group.

As a result of all the factors outlined, profit after taxation increased to R302.7 million from R69.3 million in 2020.

Normalised headline earnings per share grew by 18.8% from 67.7 cents to 80.4 cents.

WORKING CAPITAL

Net working capital increased from the 56 days of the comparative period to 57 days in 2021. The Group's total investment in net working capital therefore ended the year at 15.6% of revenue, which remains above the Group's targeted 13% to 15% range.

We expected inventory levels to decline significantly towards the end of the year. However, the intensified volatility in pricing and availability of raw material and the commissioning of Lancewood's hard-cheese packaging facilities in the second half of 2021, resulted in higher inventory holding at year-end.

We expect this volatility to continue and, in line with our strategy to protect our customers by delivering superior service levels, foresee that net working capital will remain slightly above the Group's target range in the coming year.

Chief financial officer's review (continued)

STAKEHOLDER Q&A

Q You protected Libstar's gross margins in 2021 to a large extent, despite inordinate input price increases. Can you extract further cost savings and production efficiencies to protect margins from the harsh input price increases expected in 2022? Can the Group further optimise its supply chain and, if so, in which areas?

The Group expects to benefit from the annualised cost-saving benefits brought about by the investment made in Lancewood's hard-cheese packing facilities and the cost-saving restructuring undertaken at Denny.

Furthermore, the Group continues to evaluate opportunities to cluster appropriate divisions and functions to derive cost-saving and route-to-market benefits, such as what was achieved through the merger of the Multicup and Rialto Food service divisions during the year.

Q Margins within the food producer sector appear to be under pressure due to rising input costs. How much of these costs are you able to pass on to your customers through price increases?

Above-inflationary increases in pricing of critical inputs and services impacted our 2021 gross profit margins. This included the pricing of soft commodities, utilities, PET-based packaging, labour and local and international shipping and distribution costs. Although price increases were negotiated in partnership with our customers, these do not always fully compensate. Therefore, Libstar has continued to place emphasis on the improvement of production efficiencies and the reformulation of products to buffer some of these impacts.

Q You have implemented a number of restructurings in the Group. Do you expect further restructurings?

The sale of HPC does not mean that our portfolio repositioning is complete. This is an ongoing process where we continue to refine our product categories, cost and reporting structures.

We expect to continue to restructure our portfolio to improve our service delivery and offering to key customers. Whilst this may involve the sharing of back-end functions to save costs, it may also involve the merger of customer-facing functions to leverage the Group's category management capabilities.

Q What is your target gearing ratio and how much scope/headroom do you have to make further acquisitions?

The Group continues to target a leverage ratio of below 2x net debt to EBITDA. As we are currently operating at 1.2x, it means that, if required, we can increase gearing by R800 million before reaching the upper limit of the target range.

CAPITAL EXPENDITURE

Authorised capital expenditure (capex) is funded from surplus cash and available bank finance. Libstar's capex as a percentage of net revenue was above the Group's stated target of 2-3% of net revenue in 2019 (4.0%) and 2020 (3.5%). As committed, capex in 2021 reduced to 3.1%, slightly above the target.

We carefully consider projected return on investment when making capital allocations.

The main projects which benefited from capex over the last three years are outlined in the table below:

Key completed capex projects since 2019 (R'm)

Project description	Total project cost (R'm)	Capex incurred in 2021	Positive contribution from
1. Hard cheese packaging & manufacturing (Lancewood)	**199**	97	H2 2021
2. Distribution centre and milk reception upgrades (Lancewood)	**53**	0	H1 2021
3. Facility upgrades (Ambassador)	**52**	8	H2 2020
4. Plant upgrade and frozen capacilities (Millennium)	**42**	5	H2 2021
5. Par-bake facility (Amaro)	**37**	–	H1 2021
6. Tea plant upgrades (Cape Herb & Spice)	**21**	9	H2 2019
7. Beef plant upgrades (Finlar)	**19**	19	H2 2021

The timing of project benefits differs for each project. For example, our most significant investment in various capacity and distribution upgrades over the last few years has been at Lancewood. The two Lancewood projects, namely the hard cheese packaging and manufacturing facility (R199 million) and the distribution centre and milk reception upgrades (R53 million), were commissioned in H2 and H1 of 2021 respectively and have assisted the Group in delivering double-digit EBITDA growth in the dairy category during 2021, with record sales for the month of December.

The R52 million facilities upgrades at Ambassador Foods in the Snacks & Confectionery cluster assisted this division to deliver significant efficiency improvements during the year despite challenging market conditions. Snacks & Confectionery delivered EBITDA growth of 23.1%.

Most of the businesses where capex was spent are returning benefits in line with our original projections. The two exceptions, as previously communicated to stakeholders, are the capital projects at Millennium Foods and the par-bake facility at Amaro Foods which have delivered delayed returns when compared to original projections.

Although returns are not yet at benchmark levels, the capacity utilisation at the Millennium Foods plant upgrade and frozen capabilities (R42 million) improved relative to the prior year. This was bolstered by the growth in frozen ranges. The division delivered a strong performance in the third quarter of 2021, with further markets being developed in the new year to improve the returns on this project. We have seen increased demand for fresh and frozen ranges during the latter part of 2021, which bodes positively for 2022 prospects.

Chief financial officer's review (continued)

Amaro Foods previously delivered lower returns following the slower-than-projected roll out of par-bake products within the retail sales channel. In 2021, the line utilisation improved, assisted by the further roll-out of the project to additional retail stores and the launch of more par-bake products. Amaro Foods continues to improve the capacity utilisation of its new R37 million par-bake production lines. Although still slightly behind expectations, the division delivered an improved return on its net assets during the year under review.

Finlar invested R19 million to improve production levels at our beef plant and Cape Herb & Spice installed additional equipment and one machine at the tea facility to shift the packing of the value-added rooibos tea from an external supplier to Libstar. The additional volume increased capacity and improved output.

Capex levels are expected to return to around 3.0% of net revenue for the foreseeable future.

Libstar's return on tangible invested capital (ROIC) at 12.5% (12.3% in 2020) is equal to Libstar's weighted average cost of capital. As the majority of the capex projects were only completed in 2021, we expect the contribution to earnings and Group ROIC from this capex to be produced from 2022 onwards, particularly if market conditions improve.

Our allocation of capital to identified growth areas is informed by the following criteria:

- Ensuring sustainable and reliable production levels to service our customers and channels.
- Building production capacity where production utilisation is insufficient to service growing demand.
- Building new capabilities to service market opportunities identified by our category insights.
- Return on tangible invested capital above group WACC.
- Investment pay-back within three to five years of commissioning (or slightly longer for significant projects).

CATEGORY CONTRIBUTIONS

Refer to the operational reviews for additional information.

Normalised EBITDA margin	2021 achieved	2020 achieved	Near term target	2021 Performance vs target
Perishables	**8.8%**	8.8%	**10%-13%**	Below target
Groceries	**15.3%**	16.3%	**13%-16%**	Within target
Snacks & Confectionery	**20.4%**	15.6%	**13%-16%**	Above target
Baking & Baking Aids	**11.2%**	13.0%	**13%-16%**	Below target

The Group's largest category by revenue, Perishables, delivered an improved EBITDA margin of 8.8%, although this result was still below the target margin range of 10% to 13%. Despite a robust performance by Lancewood in all respects, the category margin was impacted by rising input costs and lower cost recoveries in the Finlar division.

Groceries category EBITDA margins declined to 15.3%, but remain within the stated target band. Whilst lower average foreign currency translation rates impacted export margins, the category performance was bolstered by a pleasing performance from Rialto in predominantly its food service channel, as well as a strong result by Dickon Hall Foods in its contract manufacturing channel.

The Snacks & Confectionery category benefited from efficiency improvements and, as such, delivered an EBITDA margin performance of 20.4%, substantially exceeding the category margin target.

In the Baking & Baking Aids category, the EBITDA margin declined to 11.2% to end below the stated 12% to 15% range. A strong food service recovery in this category could not compensate for adverse sales mix changes in Retailer Brands due to lower volume sales of high-margin baking aids products relative to the unusual demand experienced for these items during the COVID-19 lockdowns in 2020.

In the forthcoming year, we will target improved EBITDA margins in the Perishables and Baking & Baking Aids categories, albeit towards the lower end of the stated ranges. The near-term target ranges of the Groceries and Snacks & Confectionery categories remain appropriate.

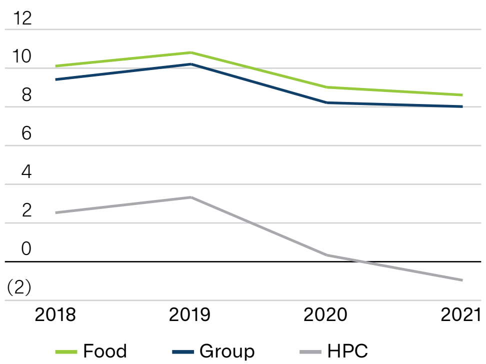
REPOSITIONING OUR PORTFOLIO

We have entered into a conditional binding offer to sell the Chet and Contactim divisions in the Household & Personal Care category for a total consideration of R217 million (R174.6 million for 70% and a R42.7 million put/call option on the remaining 30% from 31 December 2023 to 30 June 2024). These assets are now held for sale pending the fulfilment of usual conditions precedent by June 2022.

Depending on market conditions, we will also seek to exit the Glenmor Soap business by the end of the financial year. We have therefore included a R60 million impairment in continuing operations.

The sale of HPC does not mean that our portfolio repositioning is complete. This is an ongoing process where we continue to refine our product categories, cost and reporting structures.

Libstar's food categories have consistently outperformed HPC on all measures and the sale of HPC will, therefore, have a positive effect on Group margins.



The proceeds from the sale of HPC are earmarked for targeted acquisitions in growth categories and channels.

Key amongst these are the specific incubation projects in our newly-created structure, Libstar Nova, as outlined in the chief executive officer's review.

OUTLOOK

At the start of the COVID-19 pandemic, Libstar and other companies flagged that market conditions were volatile. With the advent of the recent and ongoing conflict in the Ukraine, the challenges of rising input inflation, supply chain disruptions, currency volatility and margin maintenance remain front of mind and make it even more difficult to meaningfully predict the longer-term impacts of current events on the broader economy and Libstar.

It will be more important than ever to utilise our proven skills of adaptability, innovation and agility to continue responding to evolving consumer trends in the categories in which we participate, to further tighten cost controls and protect our margins. We see our diverse category, channel and brand solution exposure, together with a decentralised operating model, as a strength allowing us to remain flexible.

Refer to the chief executive officer's review review for additional information.

FINANCIAL TARGETS

Below is a summary of the Group's financial targets to provide guidance to shareholders on the group's medium-term performance expectation. These targets are reviewed annually to take account of the group's current performance and the medium-term outlook for our markets.

	2021	2020	Targets
Gearing ratio (net debt to normalised EBITDA)	**1.2x**	1.4x	Optimal range 1.0-20x
Cash from operations before working capital changes	**R1 035 million**	R908 million	Cash generative
Cash generated from operating activities	**R1 028 million**	R1 026 million	Cash generative
Cash conversion ratio	**96%**	83%	Above 90% minimum
Net working capital (as percentage of revenue)	**15.6%**	15.5%	Optimal range 13.0%-15.0%
Return on tangible invested capital	**12.5%**	12.3%	Above 12.5% WACC

APPRECIATION

Thank you to our shareholders for their support of the Group during the year and to the broader investment community locally and internationally for their interest and engagement. This year has demonstrated Libstar's ability to remain resilient under difficult circumstances.

I am truly grateful for the commitment and support received from the finance team in preparing and delivering our 2021 results. Looking back at what Libstar employees achieved and the strategic progress made in such a challenging year, I believe our business and ability to execute on our strategy is firmly in place.

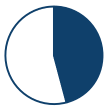
Operational management reviews

PERISHABLES

Lancewood and Finlar Fine Foods are the main contributors to this category. They contributed 84% of Perishables' revenue and 90% of the category's normalised EBITDA. This review therefore includes their performance as the key drivers of the results of the category, as well as the third largest business in this category, Denny Mushrooms.

This category contains products that are refrigerated.

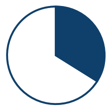
THE PERISHABLES CATEGORY CONTRIBUTED:



52%

OF GROUP REVENUE

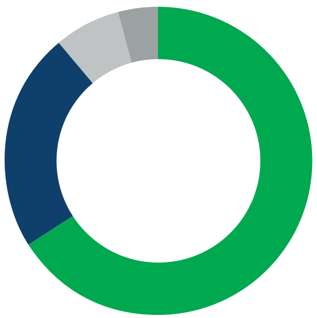
2020: 50%



39%

OF GROUP NORMALISED EBITDA BEFORE CORPORATE COSTS

2020: 36%



- Retail and wholesale **(2020: 64%)** — 59%
- Food service (including quick-service restaurants) **(2020: 24%)** — 28%
- Industrial and contracting manufacturing **(2020: 8%)** — 8%
- Export **(2020:4%)** — 5%

CATEGORY PERFORMANCE

Following the severe impact of COVID-19 lockdown restrictions on this category during the comparative year, food service channel demand for value-added meat products and cheese improved significantly during 2021.

Revenue from Perishables increased by 12.1%, whilst volumes declined slightly by 0.5%.

The category gross profit margin decreased to 19.1% (2020: 20.3%) whilst Normalised EBITDA increased by 12.5% at a margin of 8.8% (2020 margin: 8.8%).

Revenue from the sale of dairy products in the food service, export and industrial channels recovered strongly. The margin impact of increased milk input costs during this year was largely contained through improved production efficiencies and cost-saving initiatives.

Sales of meat products in the food service channel from Libstar's Finlar division continued to improve throughout the year to end slightly lower than levels before COVID-19. The division reported strong growth in the retail channel. However, margins continued to be adversely impacted by rising input costs.

Despite the restructuring efforts at Denny Mushrooms, as well as improved price realisation relative to the comparative year, low production yields continued to adversely impact the division's profitability during the first half of 2021. Production yields improved to benchmark levels towards the latter part of the second half of the year.

A look at the key businesses in Perishables

LANCEWOOD

Lancewood was founded in 1996 and produces a range of dairy products at its state-of-the-art manufacturing facilities. These are strategically situated in close proximity to local farms, ensuring fresh milk is delivered daily. This rich, creamy milk is critical to the production of Lancewood products, which are renowned for their distinctive taste.

Products

- Cheddar
- Gouda
- Mozzarella
- Cottage cheese
- Cream cheese
- Mascarpone
- Yoghurt
- Whey powder
- Sour cream
- Spreads
- Sauces
- Maas
- Buttermilk
- Cream
- Milk
- Juice
- Dips

Q&A THEMES

This section answers questions stakeholders ask us regularly. We categorised the answers into key themes.

Market conditions

Market conditions during the year were highly competitive. In addition, we experienced significant raw material price increases in the dairy value chain. Despite these challenges, sales of dairy products in the food service, export and industrial channels recovered strongly after the severe impact in 2020 from the closure of hospitality venues and supply chain disruptions.

All channels therefore outperformed 2020.

Retail revenue up 3%
The retail channel delivered a pleasing performance despite strong competitor promotional activity within the hard cheese category. This compared to an extremely robust comparative 2020 base when this channel increased by 11% from 2019.

Core categories of hard and soft cheese grew at 3% and 6% respectively.

Food service revenue up 44%
This channel traded at 98% of 2019 levels and recovered well after the significant impact from COVID-19 in 2020.

Industrial revenue up 16%
Key categories grew following demand from industrial food manufacturers.

Export revenue up 20%
Food service customer revenue grew by 64% and retail customers by 5.2%. The retail segment of exports continued to grow on the back of a strong 2020.

Key challenges, opportunities and focus areas

The team focused on margin management, cost control and procurement efficiencies across the value chain to manage ongoing challenging market conditions.

These actions resulted in higher margins and lower expenses despite significant raw material input cost pressures.

Yoghurt experienced market share gains following a focus on new product development, flavour rotations and renovations. In addition, the team launched ongoing brand awareness and consumer education campaigns.

After delays in the commissioning of the hard cheese packing facility due to supply chain interruptions, the facility started operating in October 2021.

With consumers spending more time online, Lancewood successfully expanded its online presence through effective utilisation of social media and digital platforms. It also launched its billboard campaign in major metropoles to drive brand awareness.

> Lancewood is the largest South African food and beverage brand on Facebook, with more than 1,1 million followers, as well as the top performing South African food and beverage brand.
> **Facebook Social Media Report Dec 2021**

To meet the ongoing consumer demand for healthier choices, we have launched and continue to develop a wide range of new products, including expanding our reduced sugar and fat, as well as lactose-free and guilt-free indulgence offerings. Yoghurt continues to be a focus category for the brand. As an important source of nutrients, we have identified significant growth opportunities in the dairy market, which currently accounts for more than 25% of the Group's revenue.

The Lancewood yoghurt brand value in defined retailers*
grew by 17.2% ↑,
far ahead of the category decline of 6%.

* Orbis, Defined retailers, 12 million, Dec 2021, eating yoghurt

LANCEWOOD (continued)

As we expect input costs to remain a key challenge, we will focus on our pricing strategies, product mix towards high-margin categories, daily margin management, waste and production efficiencies, stringent cost and cost timing negotiations in terms of procurement and an ongoing assessment of our cost base.

A key focus will also be on delivering a return on our recent investments, as outlined in the capital investment section.

Raw material costs

COVID-19 increased pressure on global shipped freight, which significantly impacted South Africa. In addition, material costs increased across the board this year, with raw milk increasing by 18% as a result of droughts in certain catchment areas and significantly higher feed costs.

To address this, we:

1. Focused on daily margin management, with weekly cost assessments.
2. Product mix management in favour of higher-value, higher-margin categories and products.
3. Securing alternative sources of raw milk to meet customer demand.
4. Higher stock holdings of supply chain sensitive goods.

Ensuring efficiencies

We prioritised manufacturing efficiencies, with daily evaluation of waste, throughput management, improved production planning and investment in efficiency-improvement systems and technology.

Labour and shift planning was also carefully managed to improve efficiencies.

The division's manufacturing conversion cost base remained well controlled, with only a 1.9% increase from 2020. This is a major achievement against input cost increases.

Lancewood delivered significant throughput at its hard cheese production facility in Swellendam in 2021, manufacturing 6 000 tons of hard cheese in line with the project's objectives. We will continue to focus on increasing production throughput, as well as filling the additional packing capacity available at the hard cheese packing facility in George.

As Swellendam is now providing additional production capacity and the hard cheese facility de-bottlenecking packing capacity and offering efficiency-enhancing cost benefits, a major focus for 2022 will be improving the return on investment.

Capital investment

During the last three years, the key capital investment projects included:

Acquisition and upgrade of Swellendam hard cheese production facility

This will add around 70% additional hard cheese production capacity.

This facility performed well during the year.

Milk reception upgrade in George

The facility was commissioned in 2020 and is delivering both benefits to quality and capacity.

Hard cheese packing facility in George

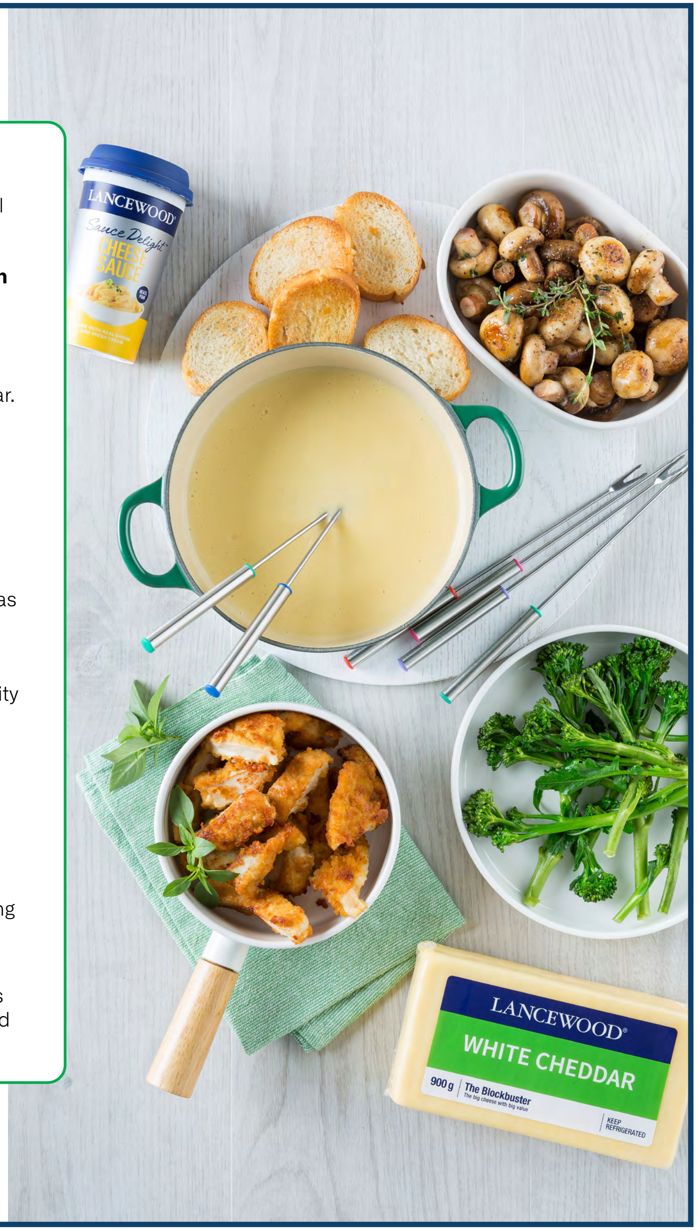
After delays in the commissioning, this was launched in October 2021.

This will:

1. Increase electrical and cooling capacity
2. More than double the hard cheese packing capacity
3. Improve packing efficiencies on raw materials and conversion cost/throughput.

This investment will allow us to service the growing demand for our branded and private label hard cheese, whilst leveraging economies of scale through increased operating efficiencies.

We are well positioned to deliver earnings on this investment, with benefits expected from 2022.



Operational management reviews – Perishables (continued)

FINLAR FINE FOODS

Finlar Fine Foods (Finlar) manufactures red and white meat products, as well as vegetable products for the retail and food service markets. The company's first plant was established in Cape Town in 1994, with a second operation opened in Johannesburg in 1995.

Products

- Formed patties
- Value-added coated beef and chicken products
- Value-added coated plant-based proteins

Q&A THEMES

This section answers questions stakeholders ask us regularly. We categorised the answers into key themes.

Market conditions

Consumers focused on affordability, with the sales mix between beef and chicken changing from an equal split before COVID-19 to the current 40:60 contribution.

Although an improvement was seen during the year, Finlar's key food service markets remained competitive and traded below pre-COVID-19 levels.

The trend of home cooking continued, with our centre of plate products, such as chicken schnitzels, remaining popular with shoppers. This trend will also assist with growth in our fully-cooked chicken offering.

In addition, as consumers focused on fewer store visits, the frozen retail category yielded double-digit growth. This has motivated retailers to further invest in this category, with additional freezing capacity and floor space.

Key challenges, opportunities and focus areas

We experienced extended lead times and pricing volatility on raw materials, such as crumbs used in our meat products, as well as ongoing shipping delays. We continue to evaluate alternative local supply. We are also focusing on the management of effective stockholding and price increases. We use demand management tools and centralised procurement where possible.

To address the ongoing impact of loadshedding, we installed generators at our Johannesburg facility. This has ensured continuous production.

In line with our focus on innovation, we identified additional opportunities for the improvement or expansion of products. This included extrusion, fully-cooked and non-coated offerings, as well as refining packaging formats to improve recyclability and shelf life.

As markets will remain volatile, with the food service market particularly competitive and spending in South Africa under pressure, we will work closely with our customers to manage these conditions and ensure ongoing product development.

Key focus areas will include cost savings through improved procurement and throughput at our Johannesburg chicken facility, as well as expanding local sourcing. We will also continue to focus on meat exports by building customer relationships with key retailers and distributors in new markets.

Raw material costs

Our close relationships with our supplier base minimise our dependency on imports. However, margins continued to be adversely impacted by rising input costs. The current shipping issues are expected to continue to affect imported products in the coming year.

In addition, the price increases of fuel and certain key trading commodities across proteins, oil and packaging have contributed to a significant spike in costs. For example, beef has seen a 7% to 12% year-on-year increase, poultry 7% to 9% and oil a 55% increase in the last six months.

Ensuring efficiencies

During the year, we improved operational efficiencies, with a 10% to 15% improvement in beef and 20% in chicken. Efficiency measures included internal reorganisation, enhanced manufacturing processes on the line and labour utilisation.

We also redesigned our plant layout to address delays at the pack-off stage.

Capital investment

During the year we focused on improving production levels at our beef plant.

We installed generators and solar panels in Johannesburg to minimise the negative impacted of loadshedding, installed thawing tumblers in Cape Town to improve yields and a multihead weigher in Cape Town to increase the speed and accuracy of weighing.

Operational management reviews – Perishables (continued)

DENNY MUSHROOMS

Denny Mushrooms (Denny) is the leading producer of fresh mushrooms in South Africa. These are grown at three production facilities in Gauteng, KwaZulu-Natal and Western Cape. Denny also produces a wide range of food products and condiments.

Products

- Fresh mushrooms
- Processed mushroom meat-alternative products

The carefully controlled quality and freshness of products over the years have resulted in Denny becoming the leading producer of fresh mushrooms in South Africa.

Q&A THEMES

This section answers questions stakeholders ask us regularly. We categorised the answers into key themes.

Market conditions

Market conditions continued to remain challenging, with pressure on retailers and customers. We have been working closely with our customers, with reviews every quarter compared to once a year in the past.

Due to the ongoing marketing of the health benefits of mushrooms, we achieved pleasing market share growth in key retail customer stores.

We have also experienced a shift towards the higher-end retail basket spend since 2019, with this segment now contributing more than 65% of revenue. We achieved some improved price realisation in this higher-end retail category and expanded the Denny brand footprint in one of the retail chains.

To meet the growing demand for meat alternatives, we introduced a plant-based range in three key retail stores. As the only mushroom-based alternative producer we introduced seven new and improved products in the third quarter. Although this was well received, it will take some time to show meaningful contribution to total revenue.

Unfortunately, the civil unrest during July 2021 in KwaZulu-Natal and Gauteng resulted in production stoppages in Shongweni (one week) and Deodar (three days). These lower cost recoveries, together with the impact of closures at our retail customers, adversely impacted our performance during July and August. The most-affected Shongweni managed to recover to historic production levels by the end of September.

Pleasingly, the food service and distribution channels continued to turn around following the low base of 2020.

Key challenges, opportunities and focus areas

Despite ongoing restructuring efforts, low production yields continued to adversely impact the division's profitability. As committed, we continued with cost rationalisation and the improvement of growing practices. Following the standardisation of processes at all three farms, we have seen a higher yield in the last six months.

We managed to cut our cost base by 2% this year by focusing on reducing our raw material cost, packaging cost, as well continued retrenchments. Total retrenchment costs were R14.9 million. Annual savings of R7.5 million are expected to be realised as a result of these restructuring efforts.

Going forward, our key focus will remain on production improvements, cost cutting, price realisation and ongoing efficiencies.

Raw material costs

We managed to reduce raw material costs on straw and maize stover by almost 5%. Benefits are expected to flow through after the second quarter of 2022.

The current global shipping container shortages significantly impacted our peat stockholding. This necessitated an increase in stockholding of imported raw materials to 12 weeks, which negatively impacted our net working capital days. We expect this to continue during 2022, with shipping delays currently between eight to ten weeks compared to four weeks prior to COVID-19.

Ensuring efficiencies

As our business is very labour-intensive, our key focus will remain on improving our production processes. We have implemented incentive structures for employees to increase our pick rates and are installing wrapping equipment at our KwaZulu-Natal facility.

Capital investment

We are currently installing the first vacuum chiller in the mushroom industry in Africa, which will ensure further improvement in product quality.

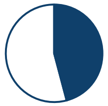
In addition, to ensure consistent production, we are replacing our current room structures in Cape Town and upgrading our room controllers and certain equipment.

GROCERIES

Cape Herb & Spice (the largest exporter in the Group), Rialto (the largest importer in the Group) and Dickon Hall Foods (one of three wet condiments manufacturers in the Group) contributed 71% of revenue and 81% of normalised EBITDA in this category. This review therefore includes their performance as the key drivers of the results of this category, as well as the other key wet condiment manufacturers, Cecil Vinegar and Montagu.

Groceries are products that are stored and preserved at room temperature.

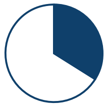
THE GROCERIES CATEGORY CONTRIBUTED:



33%

OF GROUP REVENUE

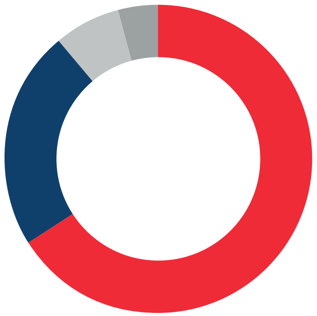
2020: 35%



44%

OF GROUP NORMALISED EBITDA BEFORE CORPORATE COSTS

2020: 47%



Retail and wholesale (**2020: 46%**)	43%
Food service (**2020: 7%**)	9%
Industrial and contracting manufacturing (**2020: 19%**)	21%
Export (**2020:28%**)	27%

CATEGORY PERFORMANCE

Revenue from Groceries, the Group's second largest contributor to revenue, remained in line with the prior year, while volumes increased by 2.8%. Despite the volume growth, export sales margins in this category were adversely impacted by lower average spot rates during the reporting period. Food service channel revenue grew by 39.6%, with retail and wholesale channel sales down 3.6%, both due to the prior year's base.

The category's gross profit margin decreased to 26.6% from 28.5%. The continued strong performance of value-added meal ingredients and a recovery of food service and contract manufacturing channel sales relative to the prior year was offset by lower exchange rate-related export margins of herbs and spices.

The Groceries category's normalised EBITDA decreased by 3.4% at a margin of 15.3% (2020: 16.3%).

Operational management reviews – groceries (continued)

A look at the key businesses in Groceries

CAPE HERB & SPICE

Cape Herb & Spice was founded in 1994 and procures, blends, treats, packages and sells a wide range of herbs and spices as private label and branded products to local and global retailers.

Products

- Herbs and spices

Q&A THEMES

This section answers questions stakeholders ask us regularly. We categorised the answers into key themes.

Market conditions

Global shipping constraints continued to impact us, with increased demand for herbs and spices adding pressure to an already-strained supply chain. This resulted in significant increases in shipping costs and delayed delivery of supplies.

In South Africa, consumers increased online shopping, which drove demand in our retail customer base.

Consumers also continue to search for flavour innovations. To meet this need, we launched 37 new lines across our tea and spice categories, including our branded Poke Spice meal seasoning solution, a rose and pink peppercorn infused wine salt grinder and a gourmet-flavoured sugar range.

The shift to sustainability and plastic reduction continued, which led to the implementation of a programme to reduce our use of plastic in primary and secondary packaging, with an emphasis on recyclability. We launched an eco-clip grinder which contains 30% less plastic and achieved 100% Rainforest Alliance accreditation for the board used in one of our dealer-owned brands offering in South Africa.

We will continue to evaluate the board used in all our packaging.

Key challenges, opportunities and focus areas

The key challenge this year was managing supply issues. Although we increased our stockholding, we were not able to ensure continued supply due to the global shortages of some ingredients.

In addition, we were impacted by lower exchange rate-related export margins of herbs and spices.

We continued to launch new products to meet consumer trends, with health-focused offerings including a branded offering with reduced salt and salt-free blends. We also increased our direct retail customer base for our gifting products in both the German and US markets.

In the coming year, we will focus on factory and process flow optimisation. In addition, human capital development will be a priority, with dedicated training and development programmes.

Raw material costs

Continued global shortages following the outbreak of COVID-19, increasing oil prices and significantly higher shipping costs resulted in a spike in input costs. In certain instances, our input costs increased by 50%. We managed to pass on some increases, although increases for the export market is challenging due to historically low inflation rates and competitive environments. We are continuing our negotiations with our customers.

Shipping will remain disrupted in the coming year, with pricing expected to slowly reduce from 2024.

We will responsibly increase our stockholding, negotiate payment terms to mitigate the working capital impact of increased purchasing, and lock in revenue management pricing at acceptable margins.

Ensuring efficiencies

During the year, we increased the efficiency of the spice line, which improved labour costs and output.

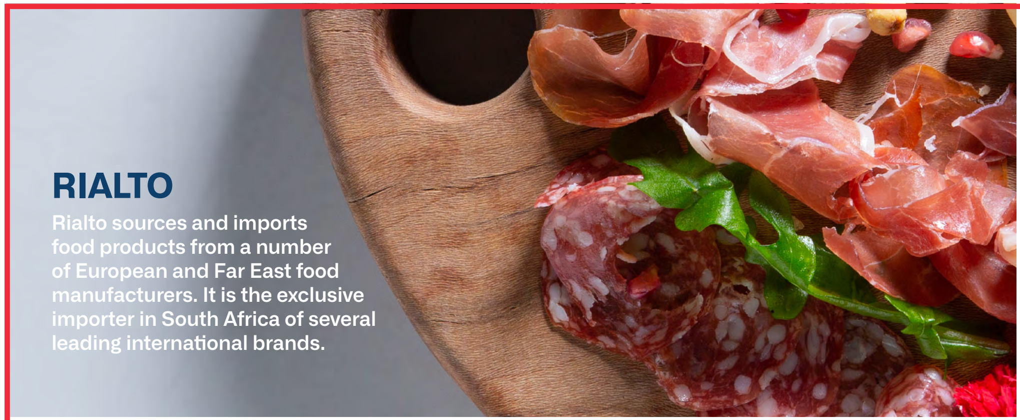
Once global supply chain cycles improve, the enhanced processes will reduce labour hours and result in cost savings over the medium-term.

Capital investment

During the year, we installed additional equipment and one machine at the tea facility to shift the packing of the value-added rooibos tea from an external supplier to Libstar. The additional volume increased capacity and improved output.

In the coming year, investments will include additional automation of high-volume lines, integrated treatment processes and quality control checks for both the tea and spice plants.

Operational management reviews – Groceries (continued)



RIALTO

Rialto sources and imports food products from a number of European and Far East food manufacturers. It is the exclusive importer in South Africa of several leading international brands.

Products

- Pasta, rice and noodles
- Oil, vinegar and dressings
- Sauces and condiments
- Canned products

Q&A THEMES

This section answers questions stakeholders ask us regularly. We categorised the answers into key themes.

Market conditions

Consumer behaviour continued to change, with an ongoing focus on food quality, sustainability, eco-sensitivity and health and safety. In addition, the recent amendments to the Waste Act increases producer and brand owner responsibility in terms of the management of packaging waste in South Africa. Following the integration of Multicup and the Precious Planet offerings into Rialto's business during the year, we have successfully met this requirement through packaging innovations, including biodegradable bagasse food packaging.

One of the largest consumer shifts has been a significant increase in online ordering, which resulted in menu size reductions and food packaging format innovations.

Retailers continued to drive value through promotions, which resulted in higher volumes, but affected margins. Customers are also increasingly searching for value items.

Key challenges, opportunities and focus areas

All business units within Rialto were impacted by significant cost increases in raw materials. This was compounded in some cases by an erratic supply due to both supplier shortages and significant freight delays.

Alternative supply options and a dual supply strategy mitigated the effect of cost increases to some extent. Existing long-term relationships with trusted trade partners and suppliers played a major role in securing solutions to volatile demand patterns.

Another key challenge was changes in regulatory conditions, which included amended regulations from the government veterinarian for our chilled products. This results in delayed delivery times, which reduce our product life. We are currently engaging with relevant stakeholders to address this.

We achieved market share gains in the food service category through effective stockholding and extended our brand ranges by working closely with our brand partners. We also improved the collaboration between our retail brands and food service offering to identify shared growth opportunities.

In the coming year, we will continue to focus on cost cutting and cost management, ensuring a careful balance between under- and over-stocking and rolling out our newly-created Precious Planet range of eco-sensitive consumer products.

The growth in sustainable packaging categories has been significant, with a start of just five products in 2018 to more than 100 current products.

The manufacturing of our own paper straws and compostable beverage packaging in Multicup strongly contributed to the growth, as well as the launch of the Precious Planet range of eco-sensitive food packaging for the retail channel.

Raw material costs

Significant shipping cost increases continued to impact us. We managed this to some extent through multiple quotes from suppliers and carefully negotiated with suppliers on price increases.

We expect ongoing margin pressure in the coming year due to the volatile Rand, coupled with significant supplier price increases and inflated shipping costs. This will be especially pronounced for packaging categories. Escalated freight costs, multiple raw material increases almost never seen before in the packaging industry and significant packaging shortages due to increased demand following the gradual improvement in economies will present immense challenges in 2022.

In addition, the ambient dry pasta category is under extreme cost pressure on the back of a poor durum wheat harvest in the northern hemisphere, raising pasta prices in excess of 40%.

Ensuring efficiencies

We are currently evaluating the potential consolidation of warehousing from additional divisions into Rialto's distribution model. We will also focus on cost savings and growth opportunities across the value chain to mitigate the continued increase in freight costs and relentless supplier pricing increases.

During the year, we achieved pleasing cost savings in our distribution model through improved truck loads and increased utilisation of our own fleet and planning processes.

In addition, we shifted our IT services internally, adopted a new management system in our packaging warehouse and appointed an expert planning team in our chilled department. These changes will result in improved stock management.

Capital investment

During the year, our capital investment focused on the installation of a number of new machines that resulted in increased production processes and reduced costs.

This included a new machine in our chilled facility to roll sliced meats and cheeses that will increase our production processes.

We implemented a three-year replacement programme for certain ageing equipment and a warehouse management system in our packaging warehouse.

In the coming year, we plan to install a down pack machine to increase our capacity to pack from bulk into retail sizes, a new slicing line for our chilled facility to increase capacity and enhance our Halaal capabilities, and a slitter for our packaging facility to reduce the cost of production by 10%.

DICKON HALL FOODS

Dickon Hall Foods was created 49 years ago and is a contract manufacturer of wet sauces for leading brand owners.

Packaging formats include retail sizes in glass and plastic bottles, bulk and sachets, and dip tubs for food service customers.

Products

- Chutney
- Mayonnaise
- Salad dressings
- Sauces
- Tomato paste
- Marinades
- Milkshake syrups

Q&A THEMES

This section answers questions stakeholders ask us regularly. We categorised the answers into key themes.

Market conditions

Dickon Hall Foods managed to grow strongly in tough trading conditions and ongoing pressure on consumers' disposable income. As a contract manufacturing business, distribution, sales and marketing are handled by our principals, and we produce according to their forecasts and market drivers.

The growth experienced during the year was driven by the recovery in the food service and quick-service restaurant sectors after the significant impact of the lockdown in 2020. In addition, we experienced significant growth at one of our key principals after securing full production for a major range from March 2021, as well as adding a new principal for the production of marinades, bastings and a salad dressing.

We launched 21 new products for our principals this year.

Key challenges, opportunities and focus areas

Ongoing water and electricity constraints in South Africa continued to impact our operations. To ensure a more consistent supply, we installed additional water tanks during the year, as well as a larger generator to ensure the entire plant can operate during loadshedding.

Our business was also impacted by the global container shortage and delays, which impacted the supply of raw materials, especially starches. We increased our stock at our agents and used substitute raw material. This resulted in minimal downtime.

Going forward, we will enhance our manufacturing efficiencies, reduce production costs and increase throughput. We will also improve the planning of sales, operational processes and maintenance.

We will further improve relationships with principals and work closely with them to develop new products and packaging formats.

Raw material costs

Based on our agreements with our principals, we buy from their preferred suppliers. Raw and packaging material increases are therefore passed on. Costing is revised on a quarterly basis.

The supply of raw materials remains a concern, with ongoing port delays and the supply of certain raw materials from Asia. We continuously seek alternative suppliers and evaluate substitute raw materials.

Ensuring efficiencies

We leverage our production capacity and capability to efficiently manufacture quality sauces and condiments in large volumes at the lowest possible cost.

We will remain focused on reducing our cost per case produced through operational planning, ongoing maintenance to reduce downtime and optimal resourcing on the production lines.

Capital investment

The division did not have large capital investment during the year.

The only investment was a new pourable line to produce salad dressings for a key principal after securing a contract.

Operational management reviews – Groceries (continued)

MONTAGU FOODS

Montagu Foods is the largest private label supplier in the wet condiment category in South Africa. Products include chutneys, sweet-chilli sauces, tomato sauces and salad dressings.

Products

- Chutneys
- Salad dressings
- Sweet-chilli sauces
- Tomato sauces
- Mustards
- Marinades and sauces
- Canned soups
- Cook-in sauces
- Canned sauces
- Speciality condiments
- Pasta sauces
- Mushroom toppings
- Soups

Q&A THEMES

This section answers questions stakeholders ask us regularly. We categorised the answers into key themes.

Market conditions

Consumer trends continued to shift, with reduced shopping trips and a focus on cost in favour of brand loyalty. Montagu Foods evaluated its business and strategy in this context to ensure increased share of the shoppers' basket. For example, to service both higher and lower LSM consumers, we introduced smaller-sized honey as an alternative price offering, supplemented our higher-priced soups with a cost-effective pouch offering and launched a range of braai sauces in the retail and wholesale channel.

The consolidation of the Denny canning and Montagu Foods facilities in the previous year expanded our capabilities and allows this business to accommodate a wide variety of packaging formats and manufacturing processes.

Key challenges, opportunities and focus areas

Key challenges included employee shortages due to required COVID-19 isolation time periods and raw material shortages. To address this, we adapted shifts and identified additional suppliers.

A key focus during the year was growing the listing of our Goldcrest honey. Although we managed to expand into additional retail channels, this will remain a focus area.

In the coming year, we will further develop our brand offerings, which will include a range of new products, such as new braai sauces and glass pasta sauces, as well as cook-in and premium condiment sauces.

As the rest of Africa remains a key growth market, our strategy will include expanding our footprint through targeting our neighbouring countries and introducing them to our range.

Raw material costs

The availability of raw materials, especially imported raw materials, such as citric acid, tomato paste, flavourants, mustards and oil, remains challenging.

To address this, we sourced additional local suppliers where possible.

Ensuring efficiencies

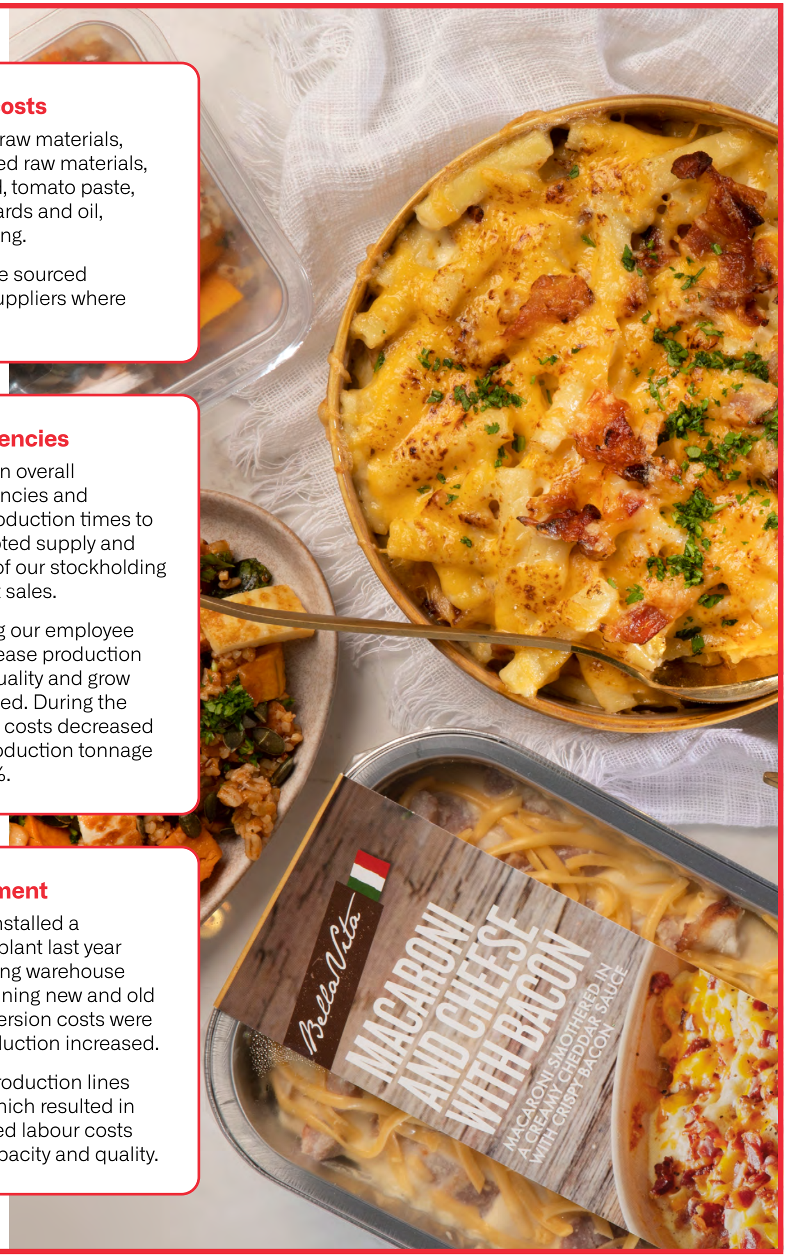
We are focusing on overall equipment efficiencies and enhancing our production times to ensure uninterrupted supply and the optimisation of our stockholding model to limit lost sales.

We are addressing our employee processes to increase production times, maintain quality and grow quantities produced. During the year, direct labour costs decreased by 6.1%, whilst production tonnage increased by 9.6%.

Capital investment

Montagu Foods installed a dedicated honey plant last year by using the existing warehouse space, and combining new and old equipment. Conversion costs were reduced and production increased.

In addition, two production lines were improved, which resulted in less waste, reduced labour costs and increased capacity and quality.



Operational management reviews – Groceries (continued)

CECIL VINEGAR

Cecil Vinegar has been manufacturing naturally fermented vinegar since 1936. The company has a range of locally produced and imported products, as well as a speciality range. It is the largest vinegar producer in South Africa, supplying vinegar through retail, food service and industrial channels.

Some of the finest locally produced apple cider and wine vinegars, complemented by quality balsamic vinegar imported from Italy, are sold under the company's own Cecil Vinegar and Safari brands.

Products
▪ Vinegar-based products

Q&A THEMES

This section answers questions stakeholders ask us regularly. We categorised the answers into key themes.

Market conditions

During the year, this division's channel mix returned to levels before COVID-19, with the food service and industrial channels improving from last year. The retail channel experienced suppressed demand until the last quarter of the year, as consumer preferences shifted to larger pack sizes and buying during promotions. In addition, the sale of apple cider vinegar declined significantly after the unusual spike in sales during the start of COVID-19.

A stronger Rand during the year put pressure on bulk vinegar export sales.

Value-added vinegar and speciality vinegars continued to grow. Pressure on household spend and significant increases in imported vinegars due to higher shipping costs continued to create opportunity for locally-made vinegars. To meet this demand, Safari introduced local balsamic vinegars.

Global trends favouring speciality vinegars and vinegar sub-products have created opportunities to extend our vinegar range. To address this, our Safari brand launched a campaign to educate consumers on the benefits of vinegar. This, in combination with a strategic product development pipeline of new, innovative products, will assist us to continue weathering tough market conditions.

Key challenges, opportunities and focus areas

A key challenge during the year was significant material cost increases, in particular the price of alcohol due to the shortage following increased alcohol demand for sanitisers. We also consolidated our products and customers to ensure improved profitability.

We continued to negotiate with our customers and implemented cost saving initiatives.

We installed equipment replacement and a preventative maintenance system at our facility in Johannesburg, with benefits to flow through in the coming year. Additional generation capacity was installed in the fourth quarter of 2021.

In the coming year, we will continue to launch new products to the market, as well as maintain our stringent focus on price management.

Raw material costs

Our largest raw material, alcohol, experienced 25% to 34% increases over the last two years. We continued to negotiate with our customers to pass on cost increases.

The supply of industrial grade alcohol (a by-product of A-grade alcohol) remains a challenge, as alcohol producer processes continue to be refined. We are evaluating alternative supply options.

Global shipping challenges resulted in significant delays of imported balsamic and other speciality vinegars. To meet South African demand, we launched an alternative range of locally-manufactured Safari balsamic vinegars.

Large polyethylene terephthalate and paper increases are expected in the first half of 2022 due to global supply chain issues. We will identify alternative suppliers for key components, leveraging the Group's buying power. Where increases cannot be mitigated, we will negotiate timeous price increases with customers

Ensuring efficiencies

We implemented a new enterprise resource planning system during the year, which allowed us to rationalise or improve unprofitable areas. The new system also enabled us to improve stock management, with service levels increasing by almost 10% and inventory days decreasing by 27 days.

Additional filtration capacity at our Strand facility improved efficiencies. We also rationalised our product range, which enhanced line capacity and efficiencies through longer, more efficient production runs.

Packaging renovations have simplified our production requirements. This included a 40% increase in production output on certain lines after shifting shrink sleeve products to wrap-around labels.

In the coming year, after electrical upgrades are completed, we are planning upgrades at our Johannesburg fermentation plant to further increase capacity and fermentation efficiencies.

Capital investment

Filtration capacity upgrades in 2020 significantly improved the availability of alternative vinegars, including apple cider vinegar. This resulted in uninterrupted stock supply during the year.

In tough market conditions, fewer capital investments were made in 2021.

Investments made included a new filtration system in Strand, which boosted filtration capacity by 40% and improved service levels on apple cider vinegar by 10% to 15%, as well as a lemon juice bottling line. This included a new labeller, refurbished filler, and installation of heat guns to expand the line capability and capacity.

Our use of capitals: FC IC MF HRC NC

Our key priorities: KP1 KP2 KP3

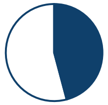
Our strategic priorities: SP 1 SP 2

BAKING & BAKING AIDS

Amaro Foods accounts for the bulk of the Baking & Baking Aids category EBITDA and contributes 47% of this category's revenue. This review focuses mainly on this business's performance as the main driver of the results of the category.

The Baking & Baking Aids category sells an extensive range of baking products to leading retailers in South Africa, as well as to businesses operating in the food service industry.

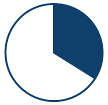
THE BAKING & BAKING AIDS CATEGORY CONTRIBUTED:



9%

OF GROUP REVENUE

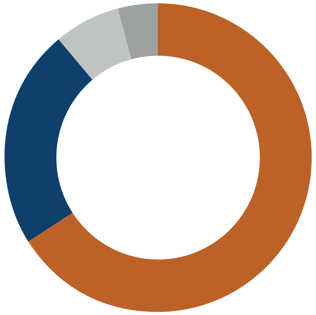
2020: 9%



8%

OF GROUP NORMALISED EBITDA BEFORE CORPORATE COSTS

2020: 9%



Retail and wholesale **(2020: 87%)**	84%
Food service **(2020: 8%)**	11%
Industrial and contracting manufacturing **(2020: 1%)**	1%
Export **(2020:4%)**	4%

CATEGORY PERFORMANCE

Revenue from Baking & Baking Aids increased by 7.2% and volumes increased by 4.1% due to continued strong retail channel demand for rolls, speciality breads and gluten-free lines at Amaro Foods. Food service channel demand for wraps relative to the prior year when COVID-related lockdown restrictions applied to quick-service restaurants also improved strongly in this category.

The gross profit margin decreased to 26.0% (2020: 27.4%) due to input cost inflation (raw materials and packaging) and an adverse sales mix change in the current reporting period towards lower-margin baking aids in the Retailer Brands division relative to the prior year.

Category normalised EBITDA decreased by 7.5% at an EBITDA margin of 11.2% (2020: 13.0%).

A look at the key businesses in Baking & Baking Aids

AMARO FOODS

The Amaro Foods bakery produces products of the highest quality, using traditional processes and ingredients. Amaro Foods also has a separate gluten-free processing facility.

Products

- Confectionery/sweet range
- Croissants
- Gluten-free baked products
- Hot cross buns
- Naan breads
- Soft white and brown rolls
- Speciality breads, rolls and baguettes
- Wraps

Q&A THEMES

This section answers questions stakeholders ask us regularly. We categorised the answers into key themes.

Market conditions

Market conditions improved from last year, with the retail channel continuing to grow strongly due to ongoing demand for rolls and artisanal breads. The food service channel demand for wraps increased from the very low base of last year. This resulted in the split between the retail and food service channels returning to the historic split before COVID-19 of approximately 75% retail and 25% quick-service restaurants.

As consumers seek more natural products as part of a healthier lifestyle, the search for plant-based, ethical alternative food sources and bread products with nutritional additives continued. Amaro Foods remains well placed to meet this trend through our ongoing focus on clean recipes using quality, natural ingredients with reduced sugar and sodium.

Key challenges, opportunities and focus areas

Raw material shortages, such as those used to decrease fermentation time, as well as higher material pricing, remained a key challenge during the year due to global shipping constraints and a change in weather patterns. This impacted numerous products, which affected margins. To manage this, we increased our stockholding and continued to negotiate with customers to pass on price increases.

Ongoing loadshedding resulted in increased conversion costs.

Certain par-baked lines have now been successfully rolled out to the food service channel. The national roll out for a key customer is almost complete, with one line that remains. We will continue to target food service channels with our par-baked products.

To continue improving the skills of employees, our training budget has been significantly increased and we have launched a learning platform and expanded our training department.

Raw material costs

We experienced significant raw material shortages and numerous price increases.

To ensure uninterrupted supply, we increased our stockholding by 50% on imported items and identified additional suppliers. Due to our close relationships with customers, we managed to effect price increases to offset input pricing.

However, margins will remain under pressure due to ongoing global supply, which will necessitate continued close negotiation with customers.

Ensuring efficiencies

To improve efficiencies, we are strengthening the supervising capacity on the factory floor, as well as improving processes to increase real-time information. This will result in enhanced employee, warehouse, stock and cost management.

We are also implementing a new maintenance programme to prevent downtime.

Capital investment

We upgraded certain private label categories, which resulted in strong growth in croissants, garlic baguettes, sourdough bread and rye products.

The utilisation of the par-bake frozen line continued to improve during the year under review, with further roll-out of the products ongoing.

Our use of capitals: FC IC MF HRC NC

Our key priorities: KP1 KP2 KP3

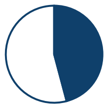
Our strategic priorities: SP 1 SP 2

SNACKS & CONFECTIONERY

Ambassador Foods accounts for the majority of the Snacks & Confectionery category EBITDA and contributes 84% of the category's revenue. This review therefore focuses on this business's performance as the key driver of this category.

These products cater for the consumer's demand for convenience and "on-the-go" snacking.

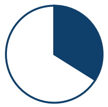
THE SNACKS & CONFECTIONERY CATEGORY CONTRIBUTED:



5%

OF GROUP REVENUE

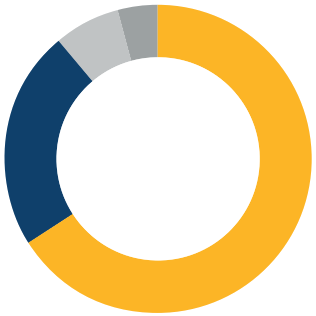
2020: 6%



9%

OF GROUP NORMALISED EBITDA BEFORE CORPORATE COSTS

2020: 8%



Retail and wholesale	**(2020: 85%)**	81%
Food service	**(2020: 0%)**	0%
Industrial and contracting manufacturing	**(2020: 14%)**	17%
Export	**(2020: 1%)**	2%

CATEGORY PERFORMANCE

Revenue from this category decreased by 6.0% and volumes declined by 22.8%. This was mainly due to continued subdued retail demand for premium nuts and nut mixes, granolas and snack bars. Demand was impacted by changing consumer behaviour and basket composition as shoppers shifted towards smaller packet sizes and more affordable product alternatives.

Gross profit margins in the category improved to 35.8% from 30.6% as a result of the implementation of significant cost-saving initiatives.

Following these initiatives, Normalised EBITDA increased by 23.1%, at an improved margin of 20.4% (2020: 15.6%).

A look at the key businesses in Snacks & Confectionery

AMBASSADOR FOODS

Ambassador Foods specialises in the import and export of varieties of edible nuts, dried fruit, seeds and related snack products.

Products

- Cereals: granola, muesli, pops
- Bars: health, snack, protein and confectionery bars
- Nuts, seeds and fruit: various flavours and mixes
- Spreads: nut, seed and indulgent spreads
- Confectionery: Turkish delight, nougat and fudges

Q&A THEMES

This section answers questions stakeholders ask us regularly. We categorised the answers into key themes.

Market conditions

Market conditions remained challenging, with the trend of fewer store visits by consumers and changing shopper basket composition due to COVID-19 disruptions to workplace and school calendars continuing. Consumers also shifted towards smaller packet sizes of nuts as more affordable alternatives, with the strong sales in bulk peanut and raisin packets changing to smaller sizes.

We launched several new products, including additional snacks, such as Peri Peri peanuts and a new Mexican tub mix, to continue meeting evolving consumer requirements.

We also increased our import quantities in the first half of the year to ensure availability of products for our key retail customers following import disruptions. Where possible, we procured from local suppliers and continued to hold higher inventory levels.

Key challenges, opportunities and focus areas

We experienced certain production issues, in particular at the confectionery facility. This resulted in excess waste. This facility was moved to the main facility in White River this year to consolidate procurement and improve efficiencies. The integration of this business and the Freshmark business into the White River facility was a key management focus during the year.

We also re-launched several of the vegan meat replacement products in collaboration with Denny. This required extensive research and changes to the existing facility.

We have made pleasing progress in our commitment to 100% recyclable packaging by the end of calendar 2022.

Our exports continued to increase. We were selected as a long-term key partner in Dubai for a number of products. The export of certain confectionery products to Australia has been very successful.

We will continue to concentrate on effective product roll out to meet the ongoing changes in consumer shopping patterns. This will include additional nut and confectionery and bar and cereal offerings, as well as new vegan products, such as oat/rice-based milk and schnitzels and sausages.

Raw material costs

We experienced some raw material procurement delays due to shipping delays. This included peanuts from Brazil, as well as chocolate on the confectionery side, which was exacerbated by the worldwide shortage of cocoa butter. To ensure supply to customers, we supplemented raw materials with local purchases.

Our major nut imports have not had significant increases in the current year.

However, we anticipate large increases in raw materials in the coming year due to ongoing droughts and a shortage of supply. For example, almond prices are expected to increase by 13% per kilogram compared to the current year. We will work closely with our customers to share some of the costs.

Ensuring efficiencies

We successfully moved two operations to our main facility at White River. This resulted in the productivity of the facilities increasing significantly, as well as improved quality on the confectionery side. The move of the confectionery facility to White River also resulted in significant savings, such as savings on rent, maintenance, employees and a significantly reduced waste ratio.

We introduced a cutter we built internally for the Turkish delight lines. This significantly reduced production time.

To mitigate downtime from loadshedding, we installed a generator at the White River facility. This improved production time and reduced overtime.

Capital investment

Our capital expenditure included major upgrades following the facility consolidation. Almost half of the spend during the year was on equipment to further improve production, with promising results.

The capital investment in the smaller facilities that launched products, such as the vegan cheese, milk and meat range, has not yet delivered the expected return due to lower customer demand for some of the nut milks. We expect sales to increase in 2022 following expansion of our current nut-based milk lines and the development of oat-based milk.

Abridged annual financial statements

The abridged annual financial statements for the year ended 31 December 2021 of Libstar Holdings Limited have been audited in compliance with section 29 of the Companies Act No 71 of 2008, as amended, and have been prepared under the supervision of Charl de Villiers CA(SA), the Libstar Group chief financial officer.

The consolidated annual financial statements for the year ended 31 December 2020 is available at the following link: https://www.libstar.co.za/wp-content/uploads/2021/09/Annual-Financial-Statements-2021.pdf

Condensed consolidated statement of profit or loss and other comprehensive income

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 R'000	2020* R'000
CONTINUING OPERATIONS			
Revenue		**10 001 375**	9 339 423
Cost of sales		**(7 697 789)**	(7 060 843)
Gross profit		**2 303 586**	2 278 580
Other income	6	**18 839**	44 255
Gains/(losses) on foreign exchange and disposal of property, plant and equipment	7.1	**31 663**	371
Operating expenses	7.2	**(1 841 700)**	(1 973 426)
Operating profit		**512 388**	349 780
Investment income		**26 245**	44 705
Finance costs		**(182 800)**	(218 668)
Profit before tax		**355 833**	175 817
Income tax expense		**(53 113)**	(106 496)
Profit for the year from continuing operations		**302 720**	69 321
DISCONTINUED OPERATIONS			
(Loss)/profit for the year from discontinued operations	8	**(148 315)**	4 210
TOTAL PROFIT FOR THE YEAR		**154 405**	73 531
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(26 974)**	3 340
Items that may be reclassified to profit or loss			
(Loss)/gains on hedging reserves		**(16 755)**	10 241
Hedging gains reclassified to profit or loss		**(10 241)**	(8 067)
Items that will never be reclassified to profit or loss			
Defined benefit plan actuarial gains		**22**	1 166
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**127 431**	76 871
Profit attributable to:			
Equity holders of the parent		**157 945**	73 713
Non-controlling interest		**(3 540)**	(182)
		154 405	73 531
Total comprehensive income attributable to:			
Equity holders of the parent		**130 971**	77 053
Non-controlling interest		**(3 540)**	(182)
		127 431	76 871
Total comprehensive income attributable to equity holders of the parent arises from:			
Continuing operations		**279 286**	72 843
Discontinued operations		**(148 315)**	4 210
		130 971	77 053
Basic earnings per share (cents)	9.1	**26.5**	12.4
From continuing operations	9.1	**51.4**	11.7
From continuing and discontinued operations	9.1	**(24.9)**	0.7
Diluted earnings per share (cents)	9.2	**26.5**	12.3
From continuing operations	9.2	**51.3**	11.6
From continuing and discontinued operations	9.2	**(24.8)**	0.7

* The comparative profit or loss is restated as if the Chet Chemicals and Contactim operations had been discontinued from the start of the prior year.

Condensed consolidated statement of financial position

AS AT 31 DECEMBER 2021

	Notes	2021 R'000	2020 R'000
ASSETS			
Non-current assets		**5 891 291**	6 445 545
Property, plant and equipment	10	**1 456 947**	1 507 815
Right-of-use assets	11	**504 352**	649 533
Goodwill		**2 275 328**	2 337 192
Intangible assets		**1 644 890**	1 938 095
Other financial assets		**8 200**	11 402
Deferred tax assets		**1 574**	1 508
Current assets		**3 687 791**	4 089 453
Inventories		**1 407 955**	1 314 971
Trade and other receivables		**1 609 923**	1 752 824
Biological assets		**33 214**	31 294
Other financial assets		**3 996**	37 962
Current tax receivable		**40 101**	16 189
Cash and bank balances		**592 602**	936 213
Assets classified as held for sale	8.3	**408 397**	–
TOTAL ASSETS		**9 987 479**	10 534 998
EQUITY AND LIABILITIES			
Capital and reserves attributable to equity holders of the parent		**5 337 756**	5 357 635
Share capital		**4 727 314**	4 727 314
Defined benefit plan reserve		**(901)**	(923)
Share-based payment reserve		**6 554**	7 798
Retained earnings		**696 712**	688 373
Premium on acquisition of non-controlling interests		**(75 168)**	(75 168)
Hedging reserves		**(16 755)**	10 241
Non-controlling interests		**6 171**	9 711
Total equity		**5 343 927**	5 367 346
Non-current liabilities		**2 707 329**	3 446 977
Other financial liabilities		**1 579 495**	2 073 079
Lease liabilities	11	**566 474**	692 372
Deferred tax liabilities		**536 923**	659 191
Employee benefits		**8 650**	8 400
Share-based payments		**15 787**	13 935
Current liabilities		**1 711 943**	1 720 675
Trade and other payables		**1 476 696**	1 456 852
Other financial liabilities		**140 652**	171 325
Lease liabilities		**93 302**	90 596
Current tax payable		**1 293**	1 717
Bank overdraft		**–**	185
Liabilities directly associated with assets classified as held for sale	8.3	**224 280**	–
Total liabilities		**4 643 552**	5 167 652
Total equity and liabilities		**9 987 479**	10 534 998

Condensed consolidated statement of changes in equity

FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital R'000	Defined benefit plan reserve[1] R'000	Share-based payment reserve[2] R'000	Premium on acquisition of non-controlling interests[3] R'000	Retained earnings R'000	Hedging reserves[4] R'000	Non-controlling interests R'000	Total R'000
Balance at 1 January 2020	4 727 314	(2 089)	2 211	(75 168)	764 266	8 067	9 893	5 434 494
Total comprehensive income/(loss) for the year	–	1 166	–	–	73 713	2 174	(182)	76 871
Profit/(loss) for the year	–	–	–	–	73 713	–	(182)	73 531
Other comprehensive income for the year	–	1 166	–	–	–	2 174	–	3 340
Transactions with owners of the Company								
Contributions and distributions	–	–	–	–	(149 606)	–	–	(149 606)
Dividends paid	–	–	–	–	(149 606)	–	–	(149 606)
Share-based payment expenses	–	–	5 587	–	–	–	–	5 587
Group share plan	–	–	5 587	–	–	–	–	5 587
Balance at 31 December 2020	**4 727 314**	**(923)**	**7 798**	**(75 168)**	**688 373**	**10 241**	**9 711**	**5 367 346**
Total comprehensive income for the year/(loss)	**–**	**22**	**–**	**–**	**157 945**	**(26 996)**	**(3 540)**	**127 431**
Profit/(loss) for the year	**–**	**–**	**–**	**–**	**157 945**	**–**	**(3 540)**	**154 405**
Other comprehensive income/(loss) for the year	**–**	**22**	**–**	**–**	**–**	**(26 996)**	**–**	**(26 974)**
Transactions with owners of the Company								
Contributions and distributions	**–**	**–**	**–**	**–**	**(149 606)**	**–**	**–**	**(149 606)**
Dividends paid	**–**	**–**	**–**	**–**	**(149 606)**	**–**	**–**	**(149 606)**
Share-based payment expenses, net of tax	**–**	**–**	**(1 244)**	**–**	**–**	**–**	**–**	**(1 244)**
Group share plan	**–**	**–**	**668**	**–**	**–**	**–**	**–**	**668**
Payment	**–**	**–**	**(1 912)**	**–**	**–**	**–**	**–**	**(1 912)**
Balance at 31 December 2021	**4 727 314**	**(901)**	**6 554**	**(75 168)**	**696 712**	**(16 755)**	**6 171**	**5 343 927**

1. Defined benefit plan reserve comprises actuarial gains or losses in respect of defined benefit obligations that are recognised in other comprehensive income.
2. Share-based payment reserve represents the grant date fair value of the Group's equity settled share-based payments (GSP) over the vesting period of GSP.
3. Premium on non-controlling interest represents the difference between the carrying amount of the non-controlling interests and the fair value of the consideration given on acquisition of non-controlling interests.
4. Hedging reserves represents the gains relating to foreign currency transactions recognised in other comprehensive income.

Condensed consolidated statement of cash flows

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 R'000	2020 R'000
NET CASH FLOW FROM OPERATING ACTIVITIES		**786 055**	637 832
Cash generated from operations	13	**1 035 040**	908 679
Finance income received		**26 245**	44 720
Finance costs paid		**(128 732)**	(165 146)
Taxation paid		**(146 498)**	(150 421)
NET CASH FLOW FROM INVESTMENT ACTIVITIES		**(219 106)**	(322 189)
Purchase of property, plant and equipment and computer software		**(226 403)**	(328 042)
Proceeds on disposal of property, plant and equipment and computer software		**933**	8 085
Other loans repaid to the Group		**6 364**	4 772
Other loans granted by the Group		**–**	(8 200)
Loans repaid by shareholders to the Group		**–**	1 812
Acquisition of business		**–**	(616)
NET CASH FLOW FROM FINANCING ACTIVITIES		**(910 375)**	(234 230)
Repayment of other loans payable		**–**	(2 235)
Repayment of loans from related parties		**(2 118)**	–
Capital portion of lease payments		**(155 990)**	(149 132)
Proceeds from term loans and asset based financing		**–**	156 727
Repayment of term loans and asset based financing		**(602 661)**	(89 984)
Dividend paid		**(149 606)**	(149 606)
Net (decrease)/increase in cash and cash equivalents		**(343 426)**	81 413
Cash and cash equivalents at the beginning of the year		**936 028**	854 615
Cash and cash equivalents at the end of the year		**592 602**	936 028
Cash flows of discontinued operation	8.1	**(29 362)**	(45 501)

* The Consolidated Statement of cash flows represents both continued and discontinued operations' combined cash flows.

Condensed consolidated segmental information

FOR THE YEAR ENDED 31 DECEMBER 2021

Basis of segmentation

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

The following summary describes each segment:

PERISHABLES

Perishable products are products that are refrigerated.

GROCERIES

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

SNACKS & CONFECTIONERY

Premium snacks and confectionery products.

BAKING & BAKING AIDS

Baked goods, specialised gluten free offerings and baking aids.

HOUSEHOLD & PERSONAL CARE

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

Condensed consolidated segmental information (continued)

	2021 R'000	2020 R'000
INFORMATION ABOUT REPORTABLE SEGMENTS		
Revenue from contracts with customers		
Perishables	**5 208 847**	4 648 219
Groceries	**3 337 462**	3 254 215
Snacks and Confectionery	**539 940**	574 257
Baking and Baking Aids	**859 626**	802 178
Household and Personal Care	**55 500**	60 554
	10 001 375	9 339 423
Revenue comprised as follows:		
Total revenue for reportable segments	**10 106 739**	9 377 522
Elimination of inter segment revenue	**(105 364)**	(38 099)
Perishables	**(24 479)**	(7 552)
Groceries	**(70 121)**	(23 965)
Snacks and Confectionery	**(6 843)**	(3 203)
Baking and Baking Aids	**(3 921)**	(3 179)
Household and Personal Care	–	(200)
	10 001 375	9 339 423
Operating profit (EBIT)		
Perishables	**251 123**	13 383
Groceries	**354 175**	344 019
Snacks and Confectionery	**73 832**	53 538
Baking and Baking Aids	**47 945**	55 710
Household and Personal Care	**(82 382)**	1 370
Corporate	**(132 305)**	(118 240)
	512 388	349 780
Reconciliation of operating profit per segment to profit before tax		
Operating profit	**512 388**	349 780
Investment income	**26 245**	44 705
Finance costs	**(182 800)**	(218 668)
Profit before tax	**355 833**	175 817

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.

Condensed consolidated segmental information (continued)

	2021 R'000	2020 R'000
NORMALISED EBIT AND EBITDA		
Group – continuing operations		
Operating profit	**512 388**	349 780
Amortisation of customer relationships	**127 339**	127 339
Due diligence costs	**–**	286
Expenses relating to share-based payments	**4 568**	13 990
Government grants	**(706)**	(840)
Impairment losses on goodwill and other assets	**73 253**	203 820
Loss on disposal of property, plant and equipment	**357**	2 823
Restructuring	**–**	–
Retrenchment and settlement costs	**35 765**	15 749
Strategic advisory fees	**10 786**	–
Unrealised (gain)/loss on foreign exchange	**(20 553)**	21 733
Normalised EBIT	**743 197**	734 680
Amortisation of software and website costs	**12 991**	12 009
Depreciation of property, plant and equipment and right-of-use assets	**312 500**	296 932
Normalised EBITDA (including effect of IFRS 16)	**1 068 688**	1 043 621
Less: lease payments and lease modifications	**(144 467)**	(129 152)
Normalised EBITDA (excluding effect of IFRS 16)	**924 221**	914 469
Perishables		
Operating profit	**251 123**	13 383
Amortisation of customer relationships	**48 991**	43 610
Government grants	**(19)**	(72)
Impairment losses on goodwill and other assets	**–**	203 820
Profit on disposal of property, plant and equipment	**(3 255)**	(1 260)
Retrenchment and settlement costs	**22 366**	5 128
Unrealised (gain)/loss on foreign exchange	**(7 054)**	6 487
Normalised EBIT	**312 152**	271 096
Amortisation of software and website costs	**4 251**	4 146
Depreciation of property, plant and equipment and right-of-use assets	**143 512**	133 626
Normalised EBITDA (including effect of IFRS 16)	**459 915**	408 868
Less: lease payments and lease modifications	**(49 824)**	(44 069)
Normalised EBITDA (excluding effect of IFRS 16)	**410 091**	364 799
Groceries		
Operating profit	**354 175**	344 019
Amortisation of customer relationships	**65 859**	71 240
Government grants	**(526)**	(607)
Loss on disposal of property, plant and equipment	**2 108**	3 006
Retrenchment and settlement costs	**4 286**	4 341
Unrealised (gain)/loss on foreign exchange	**(12 082)**	14 525
Normalised EBIT	**413 820**	436 524
Amortisation of software and website costs	**2 176**	1 897
Depreciation of property, plant and equipment and right-of-use assets	**94 719**	90 494
Normalised EBITDA (including effect of IFRS 16)	**510 715**	528 915
Less: lease payments and lease modifications	**(53 247)**	(50 209)
Normalised EBITDA (excluding effect of IFRS 16)	**457 468**	478 706

Condensed consolidated segmental information (continued)

	2021 R'000	2020 R'000
Snacks and Confectionery		
Operating profit	**73 832**	53 538
Amortisation of customer relationships	**4 402**	4 402
Government grants	**(16)**	–
Loss on disposal of property, plant and equipment	**865**	564
Retrenchment and settlement costs	**–**	2 109
Strategic advisory fees	**536**	–
Unrealised (gain)/loss on foreign exchange	**(1 318)**	666
Normalised EBIT	**78 301**	61 279
Amortisation of software and website costs	**3 299**	2 099
Depreciation of property, plant and equipment and right-of-use assets	**28 800**	26 283
Normalised EBITDA (including effect of IFRS 16)	**110 400**	89 661
Less: lease payments and lease modifications	**(21 408)**	(12 450)
Normalised EBITDA (excluding effect of IFRS 16)	**88 992**	77 211
Baking and Baking Aids		
Operating profit	**47 945**	55 710
Amortisation of customer relationships	**6 870**	6 870
Loss on disposal of property, plant and equipment	**606**	458
Retrenchment and settlement costs	**–**	391
Unrealised (gain)/loss on foreign exchange	**(99)**	55
Normalised EBIT	**55 322**	63 484
Amortisation of software and website costs	**1 164**	986
Depreciation of property, plant and equipment and right-of-use assets	**39 696**	39 537
Normalised EBITDA (including effect of IFRS 16)	**96 182**	104 007
Less: lease payments and lease modifications	**(14 941)**	(16 833)
Normalised EBITDA (excluding effect of IFRS 16)	**81 241**	87 174
Household and Personal Care		
Operating (loss)/profit	**(82 382)**	1 370
Amortisation of customer relationships	**1 217**	1 217
Impairment losses on goodwill and intangible assets	**73 253**	–
Loss on disposal of property, plant and equipment	**5**	–
Retrenchment and settlement costs	**465**	–
Normalised EBIT	**(7 442)**	2 587
Amortisation of software and website costs	**–**	–
Depreciation of property, plant and equipment and right-of-use assets	**1 703**	2 081
Normalised EBITDA (including effect of IFRS 16)	**(5 739)**	4 668
Less: lease payments and lease modifications	**(1 857)**	(1 736)
Normalised EBITDA (excluding effect of IFRS 16)	**(7 596)**	2 932

Condensed consolidated segmental information (continued)

	2021 R'000	2020 R'000
Corporate		
Operating loss	**(132 305)**	(118 240)
Due diligence costs	**–**	286
Expenses relating to share-based payments	**4 568**	13 990
Government grants	**(145)**	(161)
Loss on disposal of property, plant and equipment	**28**	55
Retrenchment and settlement costs	**8 648**	3 780
Strategic advisory fees	**10 250**	–
Normalised EBIT	**(108 956)**	(100 290)
Amortisation of software and website costs	**2 101**	2 881
Depreciation of property, plant and equipment and right-of-use assets	**4 070**	4 911
Normalised EBITDA (including effect of IFRS 16)	**(102 785)**	(92 498)
Less: lease payments and lease modifications	**(3 190)**	(3 856)
Normalised EBITDA (excluding effect of IFRS 16)	**(105 975)**	(96 354)
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	**1 214 705**	1 181 794

	2021 %	2020 %
Major customers		
During the year under review, revenue from certain customers exceeded 10% of total revenue.		
Customer A	**22%**	22%
Customer B	**14%**	16%
Customer C	**9%**	10%

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

Revenue by channel

Previously the Group disaggregated and disclosed revenue solely by segment. In order to improve and align the disclosures contained outside of the results, the revenue disaggregation by channel and each channel's contribution to revenue, has been disclosed for the first time in the consolidated annual financial statements.

	2021 R'000	2020 R'000	Change %
Retail and wholesale	**5 697 209**	5 681 420	0.3
Food service	**1 865 498**	1 397 776	33.5
Exports	**1 214 705**	1 181 793	2.8
Industrial and contract manufacturing	**1 223 963**	1 078 434	13.5
Total Group revenue	**10 001 375**	9 339 423	7.1

Condensed consolidated segmental information (continued)

Contribution to Group revenue

	2021 %	2020 %
Retail and wholesale	**57.0**	60.8
Food service	**18.7**	15.0
Exports	**12.1**	12.7
Industrial and contract manufacturing	**12.2**	11.5
Total Group revenue	**100.0**	100.0

2021	Perishables	Groceries	Snacks and Confectionery	Baking and Baking Aids	Household and personal care	Total
Revenue by channel						
Retail and wholesale	**3 048 648**	**1 432 775**	**436 308**	**723 978**	**55 500**	**5 697 209**
Food service	**1 472 228**	**296 864**	**4 082**	**92 324**	**–**	**1 865 498**
Exports	**266 696**	**908 445**	**8 057**	**31 507**	**–**	**1 214 705**
Industrial and contract manufacturing	**421 275**	**699 378**	**91 493**	**11 817**	**–**	**1 223 963**
	5 208 847	**3 337 462**	**539 940**	**859 626**	**55 500**	**10 001 375**
2020						
Revenue by channel						
Retail and wholesale	2 956 702	1 486 529	485 280	692 355	60 554	5 681 420
Food service	1 120 889	212 700	312	63 875	–	1 397 776
Exports	208 520	930 700	8 324	34 249	–	1 181 793
Industrial and contract manufacturing	362 108	624 286	80 341	11 699	–	1 078 434
	4 648 219	3 254 215	574 257	802 178	60 554	9 339 423

Notes to the condensed consolidated financial statements

FOR THE YEAR ENDED 31 DECEMBER 2021

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 several categories across multiple channels, while strategically positioning itself within the food and beverage sector and maintaining the flexibility to capitalise on growth areas in the CPG industry.

2. Basis of preparation and report of the independent auditor

The summarised consolidated financial statements of the Group for the year ended 31 December 2021 have been prepared in accordance with the requirements of the JSE Limited Listings Requirements ("The Listings Requirements") for preliminary reports, and the requirements of the Companies Act of South Africa, Act 71 of 2008, as amended, applicable to summary financial statements. The Listings Requirements require preliminary 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, the Financial Pronouncements as issued by the Financial Reporting Standards Council and also, as a minimum, to contain the information required by IAS 34 – Interim Financial Reporting. This summarised report is extracted from audited information, but has not been audited.

These summarised consolidated financial statements and the audited consolidated annual financial statements, were prepared under the supervision of CB de Villiers CA(SA), the Group Chief Financial Officer. The results were approved by the board of directors on 15 March 2022 and the directors take full responsibility for the preparation thereof.

The consolidated annual financial statements were audited by Moore Cape Town Inc., who expressed an unmodified opinion thereon. The audited consolidated annual financial statements and the auditor's report thereon are available for inspection at the Company's registered office.

3. Accounting policies

The accounting policies used in the preparation of the condensed consolidated annual financial statements were derived from and are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements.

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

New standards and interpretations in issue not yet effective

Standards, amendments and interpretations issued but not yet effective have been assessed for applicability to the Group and management has concluded that they are neither applicable to the business of the Group nor will have a material impact on future financial statements.

4. Judgements and key sources of estimation uncertainty

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 consolidated financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were consistent with those applied in the prior year.

The effects of COVID have resulted in certain judgements and estimates being significant in the current year when they had not been in the past. This is due to the uncertainty introduced by the effects of the pandemic, such as collection risk for customers and the cash flows included in estimates of recoverable amounts. Refer to note 16 for further information related to the impact of COVID on the Group.

5. Normalised EBIT and Normalised EBITDA

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

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

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

Normalised EPS and Normalised HEPS

To arrive at normalised EPS, the after-tax earnings from continuing operations (as disclosed in the financial statements), is adjusted for the after-tax impact of the normalised EBIT adjustments shown above.

To arrive at Normalised HEPS, the normalised EPS is adjusted for the after-tax impact of the Headline Earnings Re-measurements, the most common examples of which are (i) impairment losses on property, plant and equipment, goodwill and intangible assets and (ii) gains and losses on disposal of property, plant and equipment, excluding the after-tax impact of separately identifiable re-measurements as defined in accordance with circular 1/2021 Headline Earnings, read with IAS 33 Earnings per share.

6. Other income

	2021 R'000	2020 R'000
Insurance claims received	**11 003**	532
Sundry income[1]	**5 059**	38 012
Government grants[2]	**2 086**	1 253
Rental income	**573**	4 103
Bad debts recovered	**81**	315
Commissions received	**37**	40
	18 839	44 255

1. Included in prior year's sundry income are two loans payable (Gham Gourmet: R10.0m and G McGregor: R19.7m) which was written off in the prior year.
2. Income from government grants includes income received under the Skills Development Program and the Employer Tax Incentive program.

	2021 R'000	2020 R'000
7. Operating profit		
Operating profit from continuing operations is calculated after taking into account the following:		
7.1 GAINS/(LOSSES) ON FOREIGN EXCHANGE AND DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT		
Gain on foreign exchange	**32 020**	3 194
Realised gain on foreign exchange	**11 467**	24 927
Unrealised gain/(loss) on foreign exchange	**20 553**	(21 733)
Loss on disposal of property, plant and equipment	**(357)**	(2 823)
	31 663	371
7.2 OPERATING EXPENSES		
Depreciation of property, plant and equipment	**60 290**	67 458
Depreciation of right-of-use assets	**54 773**	52 405
Amortisation of computer software	**12 991**	12 009
Amortisation of customer relationships	**127 339**	127 339
Impairment loss on goodwill	**25 158**	198 000
Impairment loss on intangible assets	**48 095**	–
Impairment loss on buildings	**–**	5 820
Employee benefits	**567 416**	588 229
Salaries and wages	**532 925**	571 471
Retrenchment and settlement costs	**34 491**	16 758
Due diligence costs	**–**	286
Credits relating to share appreciation rights granted (LTI scheme)	**–**	(2 370)
Charges relating to long-term incentive scheme (LTIP scheme)	**4 384**	7 741
Charges relating to share-based payments (GSP)	**184**	8 619
Research and development costs expensed as incurred	**443**	1 420
Auditors remuneration	**8 249**	7 948
7.3 NATURE OF OPERATING EXPENSES IN COST OF SALES		
Depreciation of property, plant and equipment	**141 951**	135 881
Depreciation of right-of-use assets	**55 486**	53 197
Employee benefits	**682 556**	677 463
Salaries and wages	**681 381**	677 463
Retrenchment and settlement costs	**1 175**	–
Lease rentals	**21 579**	15 401

	2021 R'000	2020 R'000
8. (Loss)/profit from discontinued operations		
(Loss)/profit from discontinued operations	**(148 315)**	4 210

There were no discontinued operations related to the prior year. The current year loss from discontinued operations recognised in the statement of profit or loss and other comprehensive income consists of the following discontinued operation:

8.1 OPERATIONS HELD FOR SALE – CHET CHEMICALS AND CONTACTIM WITHIN HOUSEHOLD AND PERSONAL CARE SEGMENT

During the last quarter of the reporting period management initiated an active plan to dispose of a significant part of the HPC segment. The associated assets and liabilities were consequently presented as held for sale in the current year. On 21 February 2022 the Group announced its intention to sell the divisions within the HPC segment. The Group signed a binding conditional offer in respect of two of the divisions namely Chet Chemicals and Contactim within the HPC segment. The operations are intended to be sold effective 30 June 2022 and are reported in the current year as discontinued operations.

8. (Loss)/profit from discontinued operations (continued)

8.1 OPERATIONS HELD FOR SALE – CHET CHEMICALS AND CONTACTIM WITHIN HOUSEHOLD AND PERSONAL CARE SEGMENT (continued)

Financial performance and cash flow information

The loss for the year from discontinued operations is set out below:

	Note	2021 R'000	2020 R'000
Revenue		**700 046**	790 872
Cost of sales		**(619 635)**	(640 020)
Gross profit		**80 411**	150 852
Other income		**1 434**	–
Impairment loss	8.2	**(102 557)**	–
Operating expenses		**(137 065)**	(135 194)
Operating (loss)/profit		**(157 777)**	15 658
Investment income		**191**	–
Finance costs		**(9 168)**	(11 448)
(Loss)/profit before tax		**(166 754)**	4 210
Income tax		**18 439**	–
(Loss)/profit for the year from discontinued operation		**(148 315)**	4 210
(Loss)/profit from discontinued operation attributable to:			
Equity holders of the parent		**(148 315)**	4 210
Non-controlling interest		**–**	–
		(148 315)	4 210
Net cash inflow from operating activities		**39 403**	21 121
Net cash outflow from investing activities		**(43 509)**	(43 767)
Net cash outflow from financing activities		**(25 256)**	(22 854)
Net decrease in cash generated by the operations		**(29 362)**	(45 501)

8.2 DETAILS OF THE IMPAIRMENT LOSS RECOGNISED

	2021 R'000	2020 R'000
Fair value of disposal group less cost to sell	**209 320**	–
Carrying amount of net assets recognised as held for sale	**311 877**	–
Property, plant and equipment	**123 118**	–
Right-of-use assets	**69 074**	–
Intangibles	**98 555**	–
Goodwill	**36 706**	–
Inventories	**77 959**	–
Trade and other receivables	**105 542**	–
Lease liabilities	**(78 679)**	–
Trade and other payables	**(120 397)**	–
Impairment loss on discontinued operations	**102 557**	–
Goodwill	**36 706**	–
Intangibles*	**65 851**	–
Tax credit on loss	**(18 438)**	–
Impairment loss after income tax	**84 119**	–

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

8. (Loss)/profit from discontinued operations (continued)

8.3 ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

The following assets and liabilities were reclassified as held for sale in relation to the discontinued operation as at 31 December 2021:

	Note	2021 R'000	2020 R'000
Assets classified as held for sale			
Property, plant and equipment		**123 118**	–
Right-of-use assets		**69 074**	–
Intangibles		**32 704**	–
Inventories		**77 959**	–
Trade and other receivables		**105 542**	–
Total assets of disposal group held for sale		**408 397**	–
Liabilities directly associated with assets classified as held for sale			
Lease liability		**78 679**	–
Deferred taxation liability		**25 204**	–
Trade and other payables		**120 397**	–
Total liabilities of disposal group held for sale		**224 280**	–

9. Earnings per share

9.1 BASIC EARNINGS PER SHARE

	Note	2021 R'000	2020 R'000
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		**157 945**	73 713
From continuing operations		**306 260**	69 503
From discontinued operations	8	**(148 315)**	4 210
Weighted average number of ordinary shares for the purposes of basic earnings per share ('000)		**595 812**	595 812
Basic earnings per share in cents			
From continuing operations		**51.4**	11.7
From discontinued operations		**(24.9)**	0.7
From continuing and discontinued operations		**26.5**	12.4

9.2 DILUTED EARNINGS PER SHARE

The earnings used in the calculation of diluted earnings per share does not require adjustments. Refer to note 9.1 above for the earnings used in the calculation of diluted earnings per share.

	Note	2021 R'000	2020 R'000
The weighted average number of ordinary shares used in the calculation of diluted earnings per share are as follows:			
Weighted average number of ordinary shares for the purposes of diluted earnings per share ('000)		**597 430**	596 932
Diluted earnings per share in cents			
From continuing operations		**51.3**	11.6
From discontinued operations		**(24.8)**	0.7
From continuing and discontinued operations		**26.5**	12.3
Reconciliation of weighted average number of shares used as the denominator:			
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share		**595 812**	595 812
Adjustments for calculation of diluted earnings per share:			
Deferred Shares – GSP[1]		**1 618**	1 120
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share		**597 430**	596 932

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

	2021 R'000	2020 R'000

9. Earnings per share (continued)

9.3 NORMALISED EARNINGS PER SHARE (EPS)

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

	2021 R'000	2020 R'000
Profit for the year from continuing operations	**306 260**	69 503
Normalised for:	**112 986**	128 189
Amortisation of customer relationships	**91 684**	91 684
Due diligence costs	**–**	286
Expenses relating to share-based payments	**3 289**	10 073
Government grants	**(706)**	(840)
Retrenchment and settlement costs	**25 751**	11 339
Strategic advisory fees	**7 766**	–
Unrealised (gain)/loss on foreign exchange	**(14 798)**	15 647
Normalised earnings used in the calculation of basic earnings per share	**419 246**	197 692
Weighted average number of ordinary shares for the purposes of basic earnings per share ('000)	**595 812**	595 812
Normalised basic earnings per share in cents	**70.4**	33.2

9.4 HEADLINE EARNINGS

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

		2021		2020	
Continuing operations	Notes	Gross	Net of tax	Gross	Net of tax
Basic earnings from continuing operations			**306 260**		69 503
Adjustments		**73 610**	**60 063**	206 643	205 902
Loss on disposal of property, plant and equipment		**357**	**277**	2 823	2 082
Impairment of buildings		**–**	**–**	5 820	5 820
Impairment of goodwill		**25 158**	**25 158**	198 000	198 000
Impairment of intangible assets		**48 095**	**34 628**	–	–
Headline earnings from continuing operations			**366 323**		275 405
Discontinued operations					
Basic earnings from discontinued operations			**(148 315)**		4 210
Adjustments		**102 557**	**84 119**	–	–
Impairment of goodwill	8.2	**36 706**	**36 706**	–	–
Impairment of intangible assets	8.2	**65 851**	**47 413**	–	–
Headline earnings from discontinued operations			**(64 196)**		4 210

	2021	2020

	R'000	R'000
9. Earnings per share (continued)		
9.4 HEADLINE EARNINGS (continued)		
Headline earnings from continuing and discontinued operations	**302 127**	279 615
Headline earnings per share in cents		
From continuing operations	**61.5**	46.2
From discontinued operations	**(10.8)**	0.7
From continuing and discontinued operations	**50.7**	46.9
Diluted headline earnings per share in cents		
From continuing operations	**61.3**	46.1
From discontinued operations	**(10.7)**	0.7
From continuing and discontinued operations	**50.6**	46.8

9.5 NORMALISED HEADLINE EARNINGS PER SHARE (HEPS)

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

	2021 Net	2020 Net
Normalised basic earnings from continuing operations	**419 246**	197 692
Adjustments	**60 063**	205 902
Impairment of goodwill	**34 628**	198 000
Impairment loss on intangible assets	**25 158**	–
Impairment of building	–	5 820
Loss on disposal of property, plant and equipment	**277**	2 082
Normalised headline earnings from continuing operations	**479 309**	403 594
Normalised headline earnings per share from continuing operations in cents	**80.4**	67.7

10. Property, plant and equipment

During the reporting period, the Group continued to invest in capacity-enhancing projects in targeted growth areas. Capital expenditure of R305 million was incurred during the reporting period (2020: R328 million), representing 3.1% of net revenue (2020: 3.5%). This is in line with the Group's target range of 2.0% to 3.0%, as previously indicated.

As committed, all delayed capital projects were completed in 2021 and are contributing to profitability. Although the majority of projects are now performing at expected revenue levels, as reported before, one project at Millennium Foods and one at Amaro Foods performed behind expectation during H1 2021. At Millennium Foods, the division experienced significant revenue growth in the latter part of H2 2021 owing to a strong performance in frozen own-branded and fresh-private label offerings. The utilisation of the par-bake frozen line at Amaro Foods also continued to improve during the year under review with further roll-out of the products ongoing.

Capital expenditure included a further R94 million investment in respect of hard cheese packing facility upgrades at Lancewood, which brings the total investment in hard cheese production and packaging facilities since 2019 to R199 million. The project is expected to enable Lancewood to service the growing demand for its branded and private label hard cheese products, whilst leveraging economies of scale through increased operating efficiencies. The investment supported a strong double-digit growth in dairy-category Normalised EBITDA during the year under review.

The Finlar division invested R19 million to improve production levels at the beef plant.

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 2020.

11. Leases

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

	Notes	2021 R'000	2020 R'000
Amounts recognised in the consolidated statement of financial position			
Right-of-use assets			
Non-current asset		**504 352**	649 533
Lease Liability		**(659 776)**	(782 968)
Non-current liabilities		**(566 474)**	(692 372)
Current liabilities		**(93 302)**	(90 596)
Right-of-use assets[1]			
Right-of-use assets at 1 January		**649 533**	655 596
Lease modifications[2]		**21 353**	(761)
Additions		**29 096**	118 357
Derecognitions		**(514)**	–
Reclassified as held for sale	8.3	**(69 074)**	–
Depreciation from continuing operations		**(110 259)**	(105 602)
Depreciation from discontinued operations		**(15 783)**	(18 057)
Right-of-use assets at 31 December		**504 352**	649 533
Lease Liabilities			
Lease liabilities recognised as at 1 January		**(782 968)**	(753 386)
Lease modifications[2]		**(21 049)**	761
Additions and terminations		**(28 255)**	(115 105)
Reclassified as held for sale	8.3	**78 679**	–
Finance costs		**(62 173)**	(64 370)
Lease payments		**155 990**	149 132
Balance at 31 December		**(659 776)**	(782 968)

1. The majority of the value of the right-of-use assets relate to property leases. Other equipment leases are not material and not disclosed separately.
2. Lease modifications mainly consist of lease extensions that occurred in the current and prior year.

	2021 R'000	2020 R'000
Amounts recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income		
Depreciation of right-of-use assets from continuing operations	**(110 259)**	(105 602)
Depreciation of right-of-use assets from discontinued operations	**(15 783)**	(18 057)
Finance costs in respect of lease liabilities from continuing operations	**(55 360)**	(59 509)
Finance costs in respect of lease liabilities from discontinued operations	**(6 813)**	(4 861)
Short-term lease charges*	**(20 151)**	(31 535)

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

The total cash outflow for leases in the current year was R156.0m (2020: R149.1m).

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

12. Financial Instruments

At the reporting dates, the financial instruments are classified consistently and at the same levels within the fair value hierarchy. At the reporting dates, the financial assets and liabilities of the Group that are classified at fair value through other comprehensive income comprise forward exchange contracts. These are classified at a Level 2 in terms of the fair value hierarchy.

13. Cash generated from operations

	2021 R'000	2020 R'000
Profit before taxation from:	**189 080**	180 027
From continuing operations	**355 833**	175 817
From discontinued operations	**(166 753)**	4 210
Adjustments for:	**839 076**	846 312
Depreciation and amortisation	**497 091**	491 021
Loss on disposal of property, plant and equipment	**5 881**	2 683
	25 158	198 000
Impairment loss on intangible assets	**48 095**	–
Impairment loss on building	**–**	5 820
Impairment loss on discontinued operations	**102 557**	–
Expected credit loss allowance movement on other financial assets	**–**	653
Expected credit loss allowance movement on trade and other receivables	**(1 956)**	(11 590)
Non-cash lease modifications, additions and terminations	**(903)**	(3 252)
Investment income	**(26 245)**	(44 720)
Finance costs	**191 968**	230 130
Other financial assets written off	**–**	946
Sundry income – loans payable written off	**–**	(29 754)
Fair value adjustment on forward exchange contracts	**(2 784)**	(427)
Movements in employee benefits – medical aid plan	**281**	(17)
Employee benefits contributions paid	**(633)**	(585)
Other non-cash movements in employee benefits	**914**	568
Movements in share-based payments	**124**	6 819
Share-based payments in terms of LTI scheme	**–**	(4 139)
Share-based payments	**(4 444)**	–
Other non-cash movements in share-based payments	**4 568**	10 958
Changes in working capital:	**6 693**	(117 660)
Increase in inventories*	**(170 943)**	(115 352)
Decrease in trade and other receivables*	**39 293**	5 229
Increase in biological assets	**(1 920)**	(1 887)
Increase/(decrease) in trade and other payables*	**140 263**	(5 650)
	1 035 040	908 679

* Included in the changes in working capital are the non-cash transfers of R77 959 (R'000) inventories, R105 542 (R'000) trade and other receivables and R120 397 (R'000) trade and other payables to assets classified as held for sale.

14. Subsequent events

ACQUISITION OF UMATIE (PTY) LTD

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

The Group is also in the process of acquiring the factory building for a consideration of R4.1m.

15. Goodwill impairment

2021 IMPAIRMENT

During the current year the cash-generating group, HPC, which is also a reportable segment within the Group reflected indications of impairment – the segment started to incur losses in the current year. The three divisions within HPC namely Chet Chemicals, Contactim and Glenmor were all impacted. The value in use calculation performed on the whole HPC cash-generating group indicated that an impairment was required. Management is in the process of disposing of Chet Chemicals and Contactim. These divisions were reclassified as held for sale and impaired to fair value less costs to sell in the current year. Refer to Note 7 for impairment losses related to Chet Chemicals and Contactim.

With Glenmor the only remaining division in the HPC cash-generating group an estimate was made that there was no value remaining in the brands and customer contracts based on the consolidated value in use.

A total impairment loss of R73.3m was recognised in the current year in relation to the intangible assets attributable to Libstar's investment in Glenmor. The impairment losses recognised represent the carrying values of goodwill, brands and customer relationships of Glenmor at the time of the impairment. At 31 December 2021 these carrying values are Rnil. Other asset classes within Glenmor were not impacted.

2020 IMPAIRMENT

The carrying amount of the Denny Mushrooms division within the Perishables cash-generating group was reduced to its recoverable amount through recognition of an impairment loss against goodwill.

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

In so doing, an impairment loss of R198m was recognised in the prior year in relation to goodwill attributable to Libstar's investment in Denny Mushrooms. The recoverable amount of Denny Mushrooms was calculated at a conservative terminal growth rate of 4.7% and an after-tax discount rate of 13.0%. No class of asset other than goodwill related to Denny Mushrooms was impaired.

The remaining unimpaired carrying value of goodwill within Denny Mushrooms as at 31 December 2020 was R97.8m. There was not further impairment loss recognised on Denny Mushrooms in the current year due to the corrective actions taken by the Group as described above.

16. Reclassification of trading term expenses in the published consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020 ("Prior Period")

Certain trading term expenses of the Group's divisions were incorrectly classified in the Prior Period. These expenses were included in Cost of Sales on the face of the statement of profit or loss and other comprehensive income instead of being classified as estimations of variable consideration which should be deducted from Revenue in accordance with IFRS 15 Revenue from Contracts with Customers. This misclassification has no effect on the previously published headline earnings per share (HEPS), earnings per share (EPS), net asset value (NAV), tangible net asset value (TNAV) or cash flow. The corrected disclosure, however, does result in the overstatement of Revenue by R155.6m and the overstatement of Cost of Sales by the same amount in the Prior Period. The effect of the amended disclosure to the Prior Period Consolidated Annual Financial Statements is summarised below:

AUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 Restated R'000	2020 Reported R'000	Difference R'000
Revenue	9 339 423	9 495 009	(155 586)
Cost of Sales	(7 060 843)	(7 216 429)	155 586

17. Impact of COVID

The Group continued to be impacted by COVID during the current year. The Group continues to incur costs to maintain a safe working environment for its employees. During the current year, the total direct COVID related expenses amounted to R15m (2020: R65m).

COVID is expected to continue to impact the Group into the next year. The Board expects the following factors may continue to have an impact on the Group:

- Additional operating costs attributable to the COVID pandemic;
- Supply chain disruptions; and
- A weak macro-economic climate, high rate of national unemployment and weakening consumer disposable income.

18. Directors' remuneration

Name	Designation	Basic salary R'000	Retirement R'000	Bonuses R'000	Total remuneration and benefits R'000
2021					
AV van Rensburg	Executive Director	**6 325**	–	**613**	**6 938**
RW Smith	Executive Director	**5 073**	**13 112**	**578**	**18 763**
CB de Villiers	Executive Director	**3 850**	–	**360**	**4 210**
W Luhabe	Chairman Non-Executive Director	**1 166**	–	–	**1 166**
JP Landman	Lead Independent Non-Executive Director	**756**	–	–	**756**
S Masinga	Independent Non-Executive Director	**693**	–	–	**693**
S Khanna	Independent Non-Executive Director	**968**	–	–	**968**
A Andrews	Independent Non-Executive Director	**504**	–	–	**504**
TOTAL		**19 335**	**13 112**	**1 551**	**33 998**
2020					
AV van Rensburg	Executive Director	6 111	–	2 065	8 176
RW Smith	Executive Director	4 200	–	621	4 821
CB de Villiers	Executive Director	3 500	–	928	4 428
W Luhabe	Chairman Non-Executive Director	1 110	–	–	1 110
JP Landman	Lead Independent Non-Executive Director	720	–	–	720
S Masinga	Independent Non-Executive Director	730	–	–	730
S Khanna	Independent Non-Executive Director	860	–	–	860
A Andrews	Independent Non-Executive Director	72	–	–	72
TOTAL		17 303	–	3 614	20 917

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

In the prior year, Mr CB De Villiers was appointed as executive director effective 1 January 2020 and Ms A Andrews was appointed as an independent non-executive director, effective 1 November 2020.

	2021 R'000	2020 R'000
19. Share capital		
Share capital	**4 727 314**	4 727 314
Authorised capital comprises:		
10,000,000,000 ordinary shares of no par value		
1,000,000 preference shares		
Issued capital comprises:		
595,812,263 (2020: 595,812,263) fully paid ordinary shares of no par value[1]	**4 727 314**	4 727 314
1,000,000 preference shares of no par value	**–**	–
	4 727 314	4 727 314

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

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

During the year under review Business Venture Investments No 2072 (Pty) Ltd subscribed for 524 301 subscription shares at a subscription price of R16.02 per share on 20 April 2021, and during the prior year 517 473 subscription shares at a subscription price of R14.88 per share on 30 April 2020 and 554 723 subscription shares at a subscription price R15.32 per share on 30 September 2020. Libstar Holdings repurchased the same number of Nominal BEE shares at R0.01 per share on the respective dates.

During the year under review Business Venture Investments No 2071 (Pty) Ltd subscribed for 614 807 subscription shares at a subscription price of R16.02 per share on 20 April 2021, and during the prior year 604 838 subscription shares at a subscription price of R14.88 per share on 30 April 2020 and 646 089 subscription shares at a subscription price R15.32 per share on 30 September 2020. Libstar Holdings repurchased the same number of Nominal BEE shares at R0.01 per share on the respective dates.

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

20. Share-based payments

	2021 R'000	2020 R'000
Non-current liabilities:		
Cash-settled share-based payments (LTIP)	**15 787**	13 935
Equity:		
Equity settled share-based payments (GSP)	**6 554**	7 798

20.1 DETAILS OF THE PREVIOUS CASH-SETTLED SHARE APPRECIATION RIGHTS SCHEME OF THE GROUP (LTI SCHEME)

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

The first allocation of units vested in full on 31 December 2018. The second allocation of units vested in full on 31 December 2019 and the last units vested in full on 31 December 2020. Vested units have been fully settled in the prior year.

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

In the 2019 year the Group developed a new cash-settled long term incentive scheme (known as the LTIP). The LTIP is designed as a cash-settled incentive scheme whereby senior employees may be awarded notional units which are linked to the price of ordinary shares of the Group. The LTIP is regulated by a detailed set of rules. As with the previous LTI scheme, the LTIP seeks to attract and retain senior employees and promote ongoing loyalty, commitment and motivation. All Senior Employees are eligible to participate in the LTIP. The LTIP is implemented by the Board through the direction of the Remuneration Committee. On an annual basis, senior employees may be offered three components:

(i) allocations of Share Appreciation Rights ("SARs");

(ii) awards of the Performance Share Plan ("PSP"); or

(iii) grants of the Forfeitable Share Plan ("FSP").

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

20. Share-based payments (continued)

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

20.2.1 Share appreciation rights (SARs)

On 4 April 2019, 8 April 2020 and 8 April 2021, eligible employees were allocated conditional and notional awards, at an allocation price of R8.08, R6.33 and R6.75 respectively, which if settled in the future will be settled in cash. Settlement is contingent on the extent to which the performance criteria has been met and the holder exercising their right. Award holders shall be settled a cash amount to the value of X, which will be determined as follows:

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

N = number of vested rights exercised

X = N x A

Award holders are not entitled to dividends during the life of the award. The awards vest 3 years after allocation, from which point the rights may be exercised to the extent that the performance condition, as described below, has been met. The awards may be exercised for the next 4 years, i.e.: between the vesting date of 4 April 2022 and the maturity date of 4 April 2026 for the 2019 grant; between the vesting date of 8 April 2023 and the maturity date of 8 April 2027 for the 2020 grant; and between the vesting date of 8 April 2024 and the maturity date of 8 April 2028 for the 2021 grant.

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

The SARs was valued by utilising the binomial Tree approach valuation method. The result of which represent the fair value per unit (excluding pre-vesting forfeiture), which is fixed in time. A range of expected vesting percentages for the NHE vs. CPI performance condition were utilised. The number of awards was adjusted by these expected vesting percentages as well as adjusted for pre-vesting forfeiture to arrive at a number of awards expected to vest. The fair value per unit was then multiplied by the number of awards expected to vest to arrive at a total value. Refer to 20.2.4 for the inputs and assumptions used in the measurement of the fair values at grant date and reporting date.

Refer to 20.2.5 for number of awards issued during the current and prior year. None of the SARs had vested as at 31 December 2021.

20.2.2 Performance Share Plan (PSP)

On 4 April 2019, 8 April 2020 and 8 April 2021, eligible employees were allocated conditional and notional awards, which if settled in the future will be settled in cash equal to the value of Libstar shares. Settlement is contingent on the extent to which the three performance criteria have been met and the award holder exercising their right.

In contrast to the SARs, the award holders receive the cash equal to the Libstar share value in full. The awards vest and mature 3 years after allocation, from which point the rights may be exercised to the extent that certain performance conditions, as described below, has been met. The performance conditions are measured over the three year period starting at the allocation date and ending at the vesting date which is also the maturity date.

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

1. NHE vs. CPI performance condition (as described in section 20.2.1) – 30%;
2. ROAA vs. WACC performance condition (as described below) – 30%; and
3. TSR performance condition (as described below) – 40%.

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

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

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

Refer to 20.2.5 for number of awards issued during the current and previous year. None of the PSPs had vested as at 31 December 2021.

20. Share-based payments (continued)

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

20.2.3 Details of the Forfeitable Share Plan (FSP)

On 4 April 2019, 8 April 2020 and 8 April 2021, eligible employees were allocated conditional and notional awards which if settled in the future will be settled in cash equal to the value of Libstar shares. Settlement is contingent on the extent to which the performance criteria has been met and the holder exercising their right. Award holders shall be settled a cash amount to the value of X, which will be determined as follows:

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

N = number of vested rights exercised

X = N x S

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

The awards vest three years after allocation when the rights may be exercised to the extent that the performance condition, as described below, has been met.

The performance condition is measured over the three year period starting at the allocation date and ending at the vesting date. Subject to the discretion of the Board and remuneration committee, the awards will vest if Libstar attains a "Compliant Contributor" status in terms of B-BBEE and Transformation on an all-or-nothing basis. Vesting is further contingent on the award holder remaining employed by the Group.

Refer to 20.2.5 for number of awards issued during the current and prior year. None of the FSPs had vested as at 31 December 2021.

20.2.4 Fair value of the LTIP

Valuation methods:

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

The PSP was valued in two parts:

1. Fair value per unit (excluding performance conditions)

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

2. Proportion of shares vesting under the performance conditions

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

The FSP was valued in two parts:

1. Fair value per unit (excluding forfeiture)

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

2. Proportion of shares expected to vest

A range of expected vesting percentages for the B-BBEE performance condition were provided by Management. The number of awards was adjusted by these expected vesting percentages as well as adjusted for forfeiture to arrive at a number of awards expected to vest.

The fair value per unit was then multiplied by the number of awards expected to vest to arrive at a total value.

20. Share-based payments (continued)

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

20.2.4 Fair value of the LTIP (continued)

Valuation methods (continued):

The following inputs were used as at 31 December 2021 to calculate a fair value for the three components of the LTIP. Service and non-market performance conditions attached to the arrangements were not taken into account in measuring fair values.

	2021 Grant	2020 Grant	2019 Grant
Valuation date – 31 December 2021			
Grant date	**8 April 2021**	8 April 2020	4 April 2019
Vesting date	**8 April 2024**	8 April 2023	4 April 2022
Maturity date*	**8 April 2028**	8 April 2027	4 April 2026
Share price at valuation date		R6.65	
Awards issued remaining – SARs	**9 551 982**	8 865 233	5 371 458
Awards issued remaining – PSP	**1 430 319**	1 341 210	1 005 351
Awards issued remaining – FSP	**357 411**	335 218	251 389
Forfeiture rate p.a		20%	
Dividend yield p.a		See Table below	
Risk-Free interest rate		BESA Swap Curve	
Volatility		See Table below	
Exercise Multiple		1.8	
Non-Market performance conditions vesting percentages		See Table below	

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

	2021
Expected Dividend Yields	
Scenario	
Lower Bound	**2.50%**
Mid Estimate	**2.75%**
Upper Bound	**3.00%**
Volatility Range	
Scenario	
Lower Bound	**39.88%**
Mid Estimate	**42.38%**
Upper Bound	**44.88%**

Volatility was calculated based on the daily returns of the share price, under the assumption that the natural logarithm of the share price returns are normally distributed. Since Libstar share price data only exists from 8 May 2018, the standard deviation of the daily log returns on the available data as at the valuation date of 31 December 2021 was considered to arrive at a range which is deemed to be reasonable.

20. Share-based payments (continued)

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

20.2.4 Fair value of the LTIP (continued)

Non-Market Performance Conditions Vesting Percentages at 31 December 2021

	Expected Vesting Percentage 2021 Grant	Expected Vesting Percentage 2020 Grant	Expected Vesting Percentage 2019 Grant
NHE vs. CPI Performance Condition			
Scenario			
Lower Bound	**55.00%**	**15.00%**	**0.00%**
Mid Estimate	**60.00%**	**20.00%**	**5.00%**
Upper Bound	**65.00%**	**25.00%**	**10.00%**
ROAA vs. WACC Performance Condition			
Scenario			
Lower Bound	**65.00%**	**55.00%**	**55.00%**
Mid Estimate	**70.00%**	**60.00%**	**60.00%**
Upper Bound	**75.00%**	**65.00%**	**65.00%**
BBBEE Performance Condition			
Scenario			
Lower Bound	**70.00%**	**70.00%**	**90.00%**
Mid Estimate	**75.00%**	**75.00%**	**95.00%**
Upper Bound	**80.00%**	**80.00%**	**100.00%**

20.2.5 Movements in LTIP components during the year

The following table reconciles the three LTIP components outstanding:

	Number issued/ (forfeited) Units	Value R'000
Share Appreciation Rights (SARs)		
Balance at 1 January 2020	7 110 829	2 774
2019 Awards forfeited in current year	(954 081)	–
Movement in fair value of 2019 units (including forfeiture)	–	636
2020 Awards issued – 8 April 2020	11 610 050	–
2020 Awards forfeited in current year	(1 444 865)	–
Movement in fair value of 2020 units (including forfeiture)	–	2 996
Balance at 31 December 2020	16 321 933	6 406
2019 Awards forfeited in current year	**(785 290)**	–
Movement in fair value of 2019 units (including forfeiture)	–	**(3 402)**
2020 Awards forfeited in current year	**(670 256)**	–
Movement in fair value of 2020 units (including forfeiture)	–	**(1 629)**
2021 Awards issued – 8 April 2021	**10 622 799**	–
2021 Awards forfeited in current year	**(1 070 817)**	–
Movement in fair value of 2021 units (including forfeiture)	–	**1 837**
Share-based payments	**(629 696)**	**(28)**
Balance at 31 December 2021	**23 788 673**	**3 184**

20. Share-based payments (continued)

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

20.2.5 Movements in LTIP components during the year (continued)

	Number issued/ (forfeited) Units	Value R'000
Performance Share Plan (PSP)		
Balance at 1 January 2020	1 377 944	2 740
2019 Awards forfeited in current year	(276 114)	–
Movement in fair value of 2019 units (including forfeiture)	–	1 330
2020 Awards issued – 8 April 2020	1 897 120	–
2020 Awards forfeited in current year	(232 544)	–
Movement in fair value of 2020 units (including forfeiture)	–	2 490
Balance at 31 December 2020	2 766 406	6 560
2019 Awards forfeited in current year	**(96 479)**	**–**
Movement in fair value of 2019 units (including forfeiture)	**–**	**1 531**
2020 Awards forfeited in current year	**146 208**	**–**
Movement in fair value of 2020 units (including forfeiture)	**–**	**2 372**
2021 Awards issued – 8 April 2021	**1 597 510**	**–**
2021 Awards forfeited in current year	**(167 191)**	**–**
Movement in fair value of 2021 units (including forfeiture)	**–**	**1 688**
Share-based payments	**(469 574)**	**(1 734)**
Balance at 31 December 2021	**3 776 880**	**10 417**
Forfeitable Share Plan (FSP)		
Balance at 1 January 2020	344 593	680
2019 Awards forfeited in current year	(69 149)	–
Movement in fair value of 2019 units (including forfeiture)	–	(62)
2020 Awards issued – 8 April 2020	474 226	
2020 Awards forfeited in current year	(58 237)	–
Movement in fair value of 2020 units (including forfeiture)	–	351
Balance at 31 December 2020	691 433	969
2019 Awards forfeited in current year	(24 055)	
Movement in fair value of 2019 units (including forfeiture)	–	901
2020 Awards forfeited in current year	36 623	–
Movement in fair value of 2020 units (including forfeiture)	–	586
2021 Awards issued – 8 April 2021	**399 209**	**–**
2021 Awards forfeited in current year	**(41 798)**	**–**
Movement in fair value of 2021 units (including forfeiture)	**–**	**500**
Share-based payments	**(117 394)**	**(770)**
Balance at 31 December 2021	**944 018**	**2 186**
Total balance of the 2019 LTIP at 31 December 2020	7 534 022	8 098
Total balance of the 2019 LTIP at 31 December 2021	**6 628 198**	**7 128**
Total balance of the 2020 LTIP at 31 December 2020	12 245 750	5 837
Total balance of the 2020 LTIP at 31 December 2021	**10 541 661**	**7 166**
Total balance of the 2021 LTIP at 31 December 2021	**11 339 712**	**1 493**
Total balance of the LTIP at 31 December 2021	**28 509 571**	**15 787**

20. Share-based payments (continued)

20.3 DETAILS OF THE GROUP SHARE PLAN – GSP

In the prior year the Group also developed a new share-settled Group Share Plan (known as the "GSP"). On an annual basis, senior employees may be offered three components:

(i) allocations of Share Appreciation Rights ("SARs");

(ii) awards of the Performance Share Plan ("PSP"); or

(iii) grants of the Forfeitable Share Plan ("FSP").

These allocation methods of the three components are substantially similar to those used in the LTIP. The difference is that the GSP is settled in Libstar shares to the value of the awards as opposed to the LTIP which is settled in cash. The GSP is an equity-settled share scheme and the grant dates were 31 July 2019 and 8 April 2020. Further details of the GSP components are not included and should be read together with of the LTIP scheme components above. Refer to section 20.2.1 – 20.2.3.

20.3.1 Fair value of the GSP

The valuation methods used to value the three components of the GSP are substantially similar to the valuation methods of the LTIP, except that the GSP valuation is a once off valuation at grant date where the LTIP is at grant date and subsequently at every reporting date due to it being cash-settled. Refer to section 20.2.4 for further details.

The following inputs were used as at 31 December 2021 to calculate a fair value for the three components of the GSP. Service and non-market performance conditions attached to the arrangements were not taken into account in measuring fair values.

	2020 Grant	2019 Grant
Valuation date	**8 April 2020**	31 July 2019
Grant date	**8 April 2020**	31 July 2019
Vesting date	**8 April 2023**	31 July 2022
Maturity date	**8 April 2027**	31 July 2026
Share price at grant date	**R6.20**	R8.65
Awards issued remaining – SARs	**1 982 714**	1 382 806
Awards issued remaining – PSP	**1 341 210**	838 907
Awards issued remaining – FSP	**335 218**	209 783
Forfeiture rate p.a	**20.00%**	20.00%
Dividend yield p.a	See Table in section 20.2.4	
Risk-Free interest rate	BESA Swap Curve	
Volatility	See Table in section 20.2.4	
Exercise Multiple	1.8	
Non-Market performance conditions vesting percentages	See Table in section 20.2.4	

20. Share-based payments (continued)

20.3 DETAILS OF THE GROUP SHARE PLAN – GSP (continued)

20.3.2 Movements in GSP components during the year

The following table reconciles the three GSP components as at 31 December 2021:

	Number issued Units	Value R'000
Share Appreciation Rights (SARs)		
Balance at 1 January 2020	2 269 550	597
Recognition of fair value of 2019 awards over vesting period	–	1 223
2020 Awards issued – 8 April 2020	2 824 546	808
Balance at 31 December 2020	5 094 096	2 628
Recognition of fair value of 2019 awards over vesting period	–	(1 820)
2019 Awards forfeited in current year	(886 744)	–
Recognition of fair value of 2020 awards over vesting period	–	(488)
2020 Awards forfeited in current year	(451 413)	–
Good leaver share-based payments	(390 419)	(28)
Balance at 31 December 2021	**3 365 520**	**292**
Performance Share Plan (PSP)		
Balance at 1 January 2020	1 274 590	1 391
Recognition of fair value of 2019 awards over vesting period	–	3 242
2020 Awards issued – 8 April 2020	1 897 120	2 482
Balance at 31 December 2020	3 171 710	7 115
Recognition of fair value of 2019 awards over vesting period	–	(276)
2019 Awards forfeited in current year	(435 683)	–
Recognition of fair value of 2020 awards over vesting period	–	1 740
2020 Awards forfeited in current year	(264 769)	–
Good leaver share-based payments	(291 141)	(1 414)
Balance at 31 December 2021	**2 180 117**	**7 165**
Forfeitable Share Plan (FSP)		
Balance at 1 January 2020	318 796	223
Recognition of fair value of 2019 awards over vesting period	–	493
2020 Awards issued – 8 April 2020	474 226	371
Balance at 31 December 2020	793 022	1 087
Recognition of fair value of 2019 awards over vesting period	–	538
2019 Awards forfeited in current year	(109 013)	–
Recognition of fair value of 2020 awards over vesting period	–	490
2020 Awards forfeited in current year	(66 223)	–
Good leaver share-based payments	(72 785)	(470)
Balance at 31 December 2021	**545 001**	**1 645**
Total balance of the 2019 GSP at 31 December 2020	3 862 936	7 169
Total balance of the 2019 GSP at 31 December 2021	**2 431 496**	**5 611**
Total balance of the 2020 GSP at 31 December 2020	5 195 892	3 661
Total balance of the 2020 GSP at 31 December 2021	**3 659 142**	**3 491**
Total balance of the GSP at 31 December 2021	**6 090 638**	**9 102**

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

2019 GSP	0.58 years
2020 GSP	1.27 years

20. Share-based payments (continued)

20.3 DETAILS OF THE GROUP SHARE PLAN – GSP (continued)

20.3.2 Movements in GSP components during the year (continued)

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

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

None of the SARs, awards of the PSP and FSP vested as at 31 December 2021, except for the payments made during the current year relating to Mr RW Smith.

20.4 EXPENSES ARISING FROM SHARE-BASED PAYMENT TRANSACTIONS

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

	2021 R'000	2020 R'000
Credits relating to share appreciation rights granted (LTI scheme)	–	(2 370)
Charges relating to long-term incentive scheme (LTIP scheme)	**4 384**	7 741
Charges relating to share-based payments (GSP)	**184**	8 619
	4 568	13 990

20.5 IMPACT OF ECONOMIC ENVIRONMENT AND COVID ON FAIR VALUE MEASUREMENTS AND AWARDS

The LTIP and GSP share-based payments are valued based on the valuation results of the external valuator. These valuation results are based on the valuation inputs and assumptions as described above. The inputs and assumptions used in the current and prior year valuations have been adjusted to factor in the economic conditions and the impact of COVID. The valuation results include a lower bound, mid estimate and upper bound scenario. Pre-COVID, in the 2019 year, the mid estimate scenario was used to value the share-based payments.

Management, after consideration of the economic conditions and continued impact of COVID, has valued the 2019 LTIP, 2020 LTIP, 2021 LTIP, 2019 GSP and 2020 GSP share-based payments based on the lower bound scenario.

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

Shareholder analysis

ORDINARY SHARES AS AT 31 DECEMBER 2021

DIRECTORS' INTERESTS

Director	Direct shares held	Held indirectly or by an associate	Total shares held	Total % held
31 December 2021				
AV van Rensburg	**6 040 381**	–	**6 040 381**	**0.89%**
RW Smith^	–	–	–	**0.00%**
CB de Villiers[2]	**7 742**	–	**7 742**	**0.00%**
W Luhabe	–	–	–	**0.00%**
JP Landman[1]	–	**105 000**	**105 000**	**0.02%**
S Masinga	–	–	–	**0.00%**
S Khanna	–	–	–	**0.00%**
A Andrews[2]	–	–	–	**0.00%**
31 December 2020				
AV van Rensburg	6 040 381	–	6 040 381	0.89%
RW Smith^	–	–	–	0.00%
CB de Villiers[2]	7 742	–	7 742	0.00%
W Luhabe	–	–	–	0.00%
JP Landman[1]	–	95 000	95 000	0.01%
S Masinga	–	–	–	0.00%
S Khanna	–	–	–	0.00%
A Andrews[2]	–	–	–	0.00%

^ Retirement in the current year: RW Smith.

1. Indirect shares held by Ruland Trust, an associate of JP Landman.
2. Appointed in the prior year: CB de Villiers, A Andrews

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

There has been no change in directors' interests or any share dealings by directors in the ordinary shares of the Company subsequent to 31 December 2021 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 share) – van Rensburg held 12.9 units, Smith held 11.1 units and de Villiers held 1.5 units at the close of the current and prior period.

Ordinary shareholder spread	Number of shareholders	Number of shares	% of shares in issue
Public	1 921	256 316 221	37.6%
Non-public	8	425 605 187	62.4%
– Directors	2	6 048 123	0.9%
– Associates of directors	1	105 000	0.0%
– The trustees of any employees' share scheme or pension fund established for the benefit of any directors or employees of the applicant and its subsidiaries;	2	73 049 783	10.7%
– Treasury shares^	1	13 059 362	1.9%
– Persons interested in 10% or more (other than directors or associates of directors)	2	333 342 919	48.9%
Total issued shares	**1 929**	**681 921 408**	**100.0%**

^ Libstar Operations (Pty) Ltd an subsidiary of Libstar Holdings Ltd, purchased 13,059,362 treasury shares during the 2018 and 2019 financial year at an average price of R7,62 per share and these shares reverted to authorised but unissued.

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

Major ordinary shareholders	Number of shares	% of shares in issue
APEF Pacific Mauritius Ltd	252 463 077	37.0%
Government Employees Pension Fund	80 879 842	11.9%
Business Venture Investments 2071*	39 334 499	5.8%
Business Venture Investments 2072^	33 715 284	4.9%

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

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

Ordinary shareholder spread	Number of shareholders	% of shareholders	Number of shares	% of shares in issue
1 – 1 000 000 shares	1 859	96.4%	64 004 695	9.4%
1 000 001 – 3 000 000 shares	39	2.0%	67 329 409	9.9%
3 000 001 – 6 000 000 shares	15	0.8%	66 656 584	9.8%
6 000 001 – 40 000 000 shares	14	0.7%	178 912 203	26.2%
More than 40 000 000 shares	2	0.1%	305 018 517	44.7%
	1 929	**100.0%**	**681 921 408**	**100.0%**

Corporate information

COMPANY AND REGISTERED OFFICE

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

WEBSITE

www.libstar.co.za

DIRECTORS

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

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

Sibongile Masinga
(independent non-executive director)

Sandeep Khanna
(independent non-executive director)

Anneke Andrews
(independent non-executive director)

Andries Vlok van Rensburg
(chief executive officer)

Charl Benjamin de Villiers
(chief financial officer)

COMPANY SECRETARY

Corpstat Governance Services (Pty) Ltd
Bryanston Gate, Block 4, 1st Floor, Homestead Avenue,
Bryanston 2191

SPONSOR

The Standard Bank of South Africa Limited
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(PO Box 61344, Marshalltown, Johannesburg, 2107)

AUDITORS

Moore Cape Town Inc.
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and Koeberg Road, Paarden Eiland
Cape Town, 7405, South Africa
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TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited
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Forward-looking statements

This announcement contains certain forward-looking statements. These include statements regarding our intentions, beliefs or current expectations concerning, amongst other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the economic and business circumstances occurring from time to time in the markets in which Libstar operates, including the projected future financial and operating impacts of the COVID pandemic.

All such forward-looking statements involve estimates and assumptions that are subject to risks, uncertainties and other factors that could cause actual future financial condition, performance and results to differ materially from the plans, goals, expectations and results expressed in the forward-looking statements and other financial and/or statistical data within this announcement.

It is believed that the expectations reflected in this announcement are reasonable, but they may be affected by a wide range of variables that could cause actual results to differ materially from those currently anticipated. Past performance is no guide to future performance and persons needing advice should consult an independent financial adviser. The forward-looking statements reflect knowledge and information available at the date of preparation of this announcement and the Group undertakes no obligation to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise. Readers are cautioned not to place undue reliance on such forward-looking statements. No statement in this communication is intended to be a profit forecast.

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