LIBSTAR

Condensed Consolidated Financial Statements

for the year ended 31 December 2020

From our Home to Yours

Condensed Consolidated Financial Statements

for the year ended 31 December 2020

Salient features

The Group delivered revenue growth of 4.0% despite the impact of the COVID-19 ('COVID') pandemic, which was most apparent in the Group's sales channels:

Retail and wholesale channel gross revenue grew by	Food service channel gross revenue declined by	Export channel gross revenue grew by	Industrial and contract manufacturing channel gross revenue declined by
↑ 12.3%	↓ 23.8%	↑ 6.0%	↓ 0.9%

Libstar's Denny division was significantly impacted by the slowdown in food service channel activity. In applying a conservative approach, a downward adjustment was made to the division's five-year growth forecasts following lower volume sales and below-inflation price realisation during the year under review. As a result, Libstar recognised a R198 million impairment to goodwill attributable to Denny.

Cash generation remained stable and the Group's cash conversion ratio improved from 91% to 94%. Therefore, the Board of Libstar has declared a cash dividend of 25 cents per ordinary share (gross).

The Group uses Revenue, Normalised EBITDA, Normalised EPS and Normalised HEPS from continuing operations, which exclude non-recurring, non-trading and non-cash items, as the key measures to indicate its true operating performance:

(R'000)	F2020	% change	F2019
Continuing operations			
Total revenue	**10 285 881**	+4.0%	9 892 545
Gross profit margin	**23.6%**	-0.4pp	24.0%
Normalised operating profit	**774 093**	-13.1%	890 336
(margin)	**7.5%**		9.0%
Normalised EBITDA	**1 115 255**	-5.0%	1 173 676
(margin)	**10.8%**		11.9%
Diluted EPS (cents)	**12.3**	-79.3%	59.4
Diluted HEPS (cents)	**46.8**	-21.7%	59.8
Normalised EPS (cents)	**36.8**	-55.3%	82.3
Normalised HEPS (cents)	**71.3**	-13.8%	82.7
All operations			
Diluted EPS (cents)	**12.3**	-73.5%	46.5
Diluted HEPS (cents)	**46.8**	-15.8%	55.6
Balance sheet and cash flow indicators			
Net interest-bearing debt to Normalised EBITDA	**1.3x**		1.3x
Cash generated from operations	**908 679**	-3.8%	944 777
Capital investment in property, plant and equipment	**345 000**		401 000
Cash conversion ratio	**94%**		91%

About Libstar

Libstar was founded in 2005 to acquire and grow operations in the consumer packaged goods (CPG) industry. The product portfolio comprises more than 9 000 products and 92% of Group revenue is generated from food. These products include dairy and meat products, fresh produce, convenience food, groceries, baking and baking aids and snacks and confectionery.

Libstar's key priorities during the period under review

1. Protecting the well-being of Libstar's employees

Libstar incurred extraordinary COVID expenses of R64.7 million to maintain a safe working environment for its employees. This included donations in the amount of R5.3 million to needy communities, personnel-related benefits of R28.5 million and R30.9 million in direct operating expenses. Personnel-related expenses mainly comprised staff transport benefits. Direct operating expenses related mainly to the cost of personal protective equipment (PPE).

2. Preserving the Group's financial stability

Libstar's categories and sales channels were each uniquely impacted by the effects of COVID and the related trading restrictions and challenges.

Despite these challenges, the Group's cash generation profile remained stable and the Group's cash conversion ratio increased from 91% to 94%.

The Group was also fully compliant with lender financial covenants throughout the year. The net interest-bearing debt on term loans to EBITDA remained at 1.3 times and falls within Libstar's stated optimal range.

3. Delivering superior service levels

The Group's investment in working capital increased to 15.1% of revenue (2019: 14.4%), above Libstar's working capital target range of 13.0% to 15.0%. This increase was mainly as a result of holding higher inventory levels of raw materials and finished goods across most categories in an effort to ensure product availability to customers amid ongoing supply chain disruptions experienced during the year.

Group trading and financial performance

Revenue

Group revenue for the year was 4.0% higher than the previous year. Revenue growth from food categories, which constitute 92.0% of Group revenue, was 3.6%, whilst revenue within the Household and Personal Care (HPC) cluster, which represents 8.0% of Group revenue, increased by 7.9%.

All categories benefited from increased demand in the Group's retail and wholesale sales channel. However, due to the food service industry shutdown in Q2 and subsequent lower occupancies of hospitality venues and restaurants, food-related volumes declined by 5.1%. HPC volumes declined by 1.9%, mainly due to continued product rationalisation as the category increased its sales weighting to value-added products.

Gross profit margins

The Group's gross profit margin decreased by 0.4 percentage points from 24.0% the previous year to 23.6%, mainly as a result of lower food service channel revenue and, consequently, plant throughput, which impacted plant utilisation within the Perishables category. As a result, the gross profit margin from food-related categories decreased from 24.6% to 24.0%. HPC gross profit margin increased from 17.5% to 19.1%, benefiting from its ongoing cost-rationalisation efforts and strong retail and wholesale sales channel demand.

Other income

The Group recorded other income in the amount of R47.2 million compared to R52.7 million in the comparative period. Other income comprised mainly of realised foreign currency translation gains of R24.7 million (2019: R38.0 million) and unrealised foreign currency translation losses of R21.8 million (2019: R11.0 million). Furthermore, loans in the amount of R29.7 million, previously provided for as amounts due to third parties, were written back to the statement of profit or loss. Of this, R19.7 million related to the favourable outcome of an arbitration process and R10.0 million lapsed following the termination of the Group's relationship with the counterparty in question.

Normalised operating profit and EBITDA

Normalised operating profit decreased by 13.1% at a margin of 7.5% (2019: 9.0%), impacted by COVID-related extraordinary expenses of R64.7 million and increased depreciation from the completion of capital projects in 2019 and 2020.

Group Normalised EBITDA decreased by 5.0% at a margin of 10.8% (2019: 11.9%). Normalised EBITDA before corporate costs from the Group's food categories decreased 8.1% over the comparative period, contributing 94% of Group EBITDA, whilst the HPC category's Normalised EBITDA before corporate costs increased by 37.5% relative to the prior year. This reflects the benefits of the restructuring undertaken in 2019, as well as strong retail channel product demand.

Impairment of goodwill attributable to Libstar's investment in Denny

As reported previously, the effect of COVID has been most apparent in the Group's sales channels. In particular, the food service channel was most adversely affected by the closure of hospitality venues and restaurants due to the Q2 level 5 lockdown restrictions and subsequent lower restaurant occupancy rates during H2.

The food service channel slowdown had a particularly pronounced impact on the total mushroom market, requiring mushroom production to be shifted to other sales channels.

As some, but not all, mushroom production could be utilised within the retail and wholesale sales channel and as part of the launch of value-added meat-alternative products, Denny's profitability was significantly affected. This was due to the combination of a 3% decline in annual Denny sales volumes, an average Rand-per-kilogram price realisation of 2%, which was well below internal cost inflation, and the innately high fixed-cost nature of Denny's farming operations.

Corrective actions taken by the Group since 2019 include the containment of costs and the significant recovery of its retail channel market share from previous lows. Despite these efforts, lower production yields at the division's Phesantekraal and Deodar facilities due to operational challenges, the prevailing competitive market conditions and the high operating cost structure on declining sales volumes and limited 2020 price realisation impacted Denny's recovery.

Considering these factors and the slow recovery of Denny's food service channel due to COVID, the Group has applied a downward revision to Denny's five-year growth forecasts. In following this conservative approach, an impairment loss of R198 million has been recognised in relation to goodwill attributable to Denny.

A significant additional restructuring is underway to preserve the longer-term sustainability and drive the profitability of the division, the main elements of which constitute cost-rationalisation and production yield improvements.

Impairment of building

The Group's milk-receiving and hard-cheese packaging upgrades at Lancewood involved the demolition of existing structures on the Lancewood site to make way for a new building. As a result, an impairment of R5.8 million in respect of the existing building was recognised. Costs incurred in the amount of R31 million have been capitalised in respect of the new building with a further R23 million expected to follow in 2021.

Operating expenses

The table below summarises the Group's operating expenses during the reporting period:

	2020 R'000	Change %	2019 R'000
Operating expenses (as reported)	**2 111 168**	22.0%	1 729 857
Expenses related to share-based payments	**(13 990)**		(6 948)
Retrenchment and settlement costs	**(16 758)**		(16 646)
Other non-operating or non-recurring items	**(2 130)**		(3 777)
Impairment losses on assets	**(203 820)**		–
Operating expenses (after all non-operating/ non-recurring/non-cash items above)	**1 874 470**	10.1%	1 702 486
Depreciation of property, plant and equipment, amortisation of software	**(74 779)**	23.5%	(60 547)
Employee costs – contract manufacturing	**(65 093)**	63.8%	(39 743)
Extraordinary COVID expenses	**(50 398)**		–
Remaining operating expenses	**1 684 200**	5.1%	1 602 196

Operating expenses increased 22.0% to R2 111 million from R1 730 million. After the normalisation for long-term incentive awards, retrenchment and settlement costs, impairment losses on assets and other non-operating or non-recurring items, operating expenses increased 10.1% to R1 875 million from R1 702 million.

The main items that contributed to the increased operating expenditure were:

ITEM	EXPLANATION
■ A 23.5% increase in depreciation and amortisation	■ The depreciation of property, plant and equipment and amortisation of software, mainly as a function of capital expenditure, incurred during 2019
■ An increase in employment costs	■ Libstar manufactures Kellogg's noodles and Pringles snacks. As the Pringles plant commenced production in June 2019, this was the first full-year inclusion of employment costs related to this contract manufacturing arrangement
■ COVID expenses of R65 million, comprising donations (8%), personnel-related benefits (44%) and COVID operating costs (48%)	■ R50 million recorded in operating expenses ■ R15 million recorded in Cost of Sales

After the above items, other operating expenses increased 5.1% to R1 684 million.

Finance costs

The Group's net interest expense on interest-bearing debt declined 21.2% from R153.7 million to R121.0 million, mainly due to a reduction in the Johannesburg interbank average lending rate (JIBAR) and the implementation of a Group central treasury function in H2 2020 which saved R2.4 million of interest during the reporting period.

The Group's finance charges incurred on lease liabilities increased 16.9% to R64.4 million from R55.1 million.

Total Group finance charges, therefore, decreased 11.2% to R185.4 million from R208.8 million.

Earnings and headline earnings

Continuing operations

Fully diluted EPS and Normalised EPS decreased by 79.3% and 55.3% respectively, mainly due to the impact of the R198 million impairment of goodwill attributable to Denny.

Fully diluted HEPS and Normalised HEPS, which exclude the impact of impairments, declined by 21.7% and 13.8% respectively.

The weighted average number of shares in issue decreased by 0.3% to 596 million, and the diluted weighted average number of shares decreased by 0.3% to 597 million.

A reconciliation between Normalised EBITDA and Normalised EPS and Normalised HEPS is provided below:

	2020	Change %	2019
Normalised EBITDA (R'000)	**1 115 255**	(5.0%)	1 173 676
Less: Depreciation and amortisation	**(341 162)**	20.4%	(283 339)
Net interest	**(185 410)**	(11.2%)	(208 750)
Impairment losses on assets	**(203 820)**		–
Taxation and tax effect of normalisation adjustments	**(165 937)**	(12.0%)	(188 536)
Plus: Non-controlling interest	**182**		(1 232)
Normalised earnings	**219 108**	(55.4%)	491 819
Impairment losses on assets	**203 820**		–
Loss on disposal of property, plant and equipment	**2 082**		2 322
Normalised headline earnings	**425 010**	(14.0%)	494 141

Cash flows and working capital

Cash generated from operating activities increased from R579.8 million to R637.2 million. This was mainly due to improved cash flow from operations, reduced net interest and tax expenses. These impacts were somewhat offset by an increased investment in net working capital.

Net working capital as a percentage of revenue, at 15.1%, was above the Group's target range of 13.0% to 15.0%. This was due to higher than usual inventory holdings of raw materials and finished goods across multiple categories to ensure product availability during COVID. Debtors days (58) were in line with 2019 (59). Creditors days (65) decreased from the previous year (67), mainly due to the Group's restructuring of its dairy and groceries logistics arrangements late in 2019.

The Group continues to invest in capacity-enhancing projects in identified growth areas, with capital expenditure of R345 million (2019: R401 million), representing 3.4% of net revenue (2019: 4.1%).

Cash flows and working capital continued

Significant capital expenditure projects continued during the year within the Perishables category, including a further R8 million investment in relation to milk receiving and distribution centre upgrades within the Lancewood division following a R45 million investment in 2019. Hard-cheese manufacturing and packaging upgrades continued at a cost of R65 million following the R42 million investment in the prior year.

Within the Groceries category, Montagu Foods upgraded lines and invested in a new honey packing facility at a total cost of R10 million and R15 million was invested within the Baking & Baking Aids category to upgrade Amaro Foods' artisanal facility and acquire generator capacity.

Within the Snacks & Confectionery category, upgrades to Ambassador Foods' facilities, which included the relocation of its confectionery operations, totalled R24 million, and R31 million was invested to consolidate four HPC manufacturing and warehousing facilities into a new facility.

During H1 2020, the Group benefited from capital expenditure projects concluded during 2019, notably the bar line upgrade project at Ambassador Foods, line improvements at Montagu Foods, a tea plant upgrade at Cape Herb & Spice and a plant upgrade at Cecil Vinegar. Whilst the Group also expected to benefit from the prepared meal facility upgrade at Millennium Foods, the increase in at-home cooking and baking (as opposed to the purchase of convenience meal products) during Q2 and onward, resulted in lower prepared meal orders. This persisted during H2 2020 and delayed optimal returns on the capital expenditure incurred in relation to the plant upgrades. Similarly, sales of par-bake frozen rolls by Amaro Foods were lower than expected, mainly due to the slower roll-out of the products in-store following reduced store visits during lockdown. Millennium Foods and Amaro Foods are targeting new sales channels to increase the utilisation rates of these plants.

Milk-receiving, cheese-packaging and distribution centre upgrades at Lancewood were delayed in Q2 2020 due to the effects of COVID, but have resumed since. The benefits from these projects are expected to be realised in H1 2021. Whilst the HPC consolidation projects should yield benefits from H1 2021, the Lancewood projects will now be completed early in H2 2021.

Sales channel and segmental analysis

Performance by sales channel

As reported previously, the effect of COVID has been most apparent in the Group's sales channels. Libstar's gross revenue performance by sales channel (before allowances and rebates) and Group total net revenue (after allowances and rebates) are summarised as follows:

	Year-on-year revenue growth/(decline)			Contribution to Group revenue	
	Six months ended 30 June 2020	Six months ended 31 December 2020	**Financial year ended 31 December 2020**	**Financial year ended 31 December 2020**	Financial year ended 31 December 2019
Gross revenue by channel					
Retail and wholesale	10.7%	14.5%	**12.3%**	**64.4%**	59.4%
Food service	(34.5%)	(14.2%)	**(23.8%)**	**13.5%**	18.3%
Exports	(8.0%)	15.0%	**6.0%**	**11.3%**	11.0%
Industrial and contract manufacturing	(2.8%)	0.9%	**(0.9%)**	**10.8%**	11.3%
Total group net revenue	1.9%	5.8%	**4.0%**	**100.0%**	100.0%

Retail and wholesale

Retail and wholesale channel revenue increased by 14.5% in H2 and by 12.3% for the year. The channel's contribution to Group revenue increased to 64.4% from 59.4% the previous year.

As consumers frequented hospitality and restaurants less from Q2 onwards due to COVID lockdown restrictions, retail channel demand for products used in home cooking significantly increased and remained strong for most of the year.

Food service

In contrast, food service revenue declined by 14.2% in H2 and by 23.8% for the year. The channel's contribution to Group revenue decreased to 13.5% from 18.3% the previous year.

The Q2 shutdown of hospitality venues and restaurants, as well as subsequent continued lower occupancy rates in the wake of the COVID pandemic, resulted in significantly less annual revenue from the food service channel.

Exports

Export revenue increased by 15.0% in H2 and by 6.0% for the year.

Demand for private label condiments remained strong throughout the period, with shipment completion rates improving significantly in H2 2020 following port delays experienced during June.

Industrial and contract manufacturing

Industrial and contract manufacturing revenue increased by 0.9% in H2 and declined by 0.9% for the year, mainly due to subdued demand from national and multinational brand owners. The restructuring initiative at Dickon Hall Foods, which included improved shift utilisation during the year, together with the acquisition of new customers during the third quarter of 2020, has positioned the business for solid growth in 2021.

Performance by category

The Group reports on five product categories, namely Perishables, Groceries, Snacks & Confectionery, Baking & Baking Aids and Household & Personal Care (HPC). The business units per category are outlined in the table below.

Food categories				Non-food
Perishables	**Groceries**	**Snacks & Confectionery**	**Baking & Baking Aids**	**Household & Personal Care**
Lancewood Finlar Fine Foods Rialto Denny Millennium Foods	Cape Herb & Spice Khoisan Gourmet Libstar Chamonix Spring Water Rialto Multi-Cup Cape Coastal Honey Cecil Vinegar Works Montagu Foods DickonHallFoods	Ambassador Foods K Snacks	Cani Amaro Foods Retailer Brands	Libstar Household & Personal Care

Category revenue is summarised as follows:

	Group revenue growth/decline			Contribution to Group revenue	
Net revenue by category	**Year ended 31 December 2020 R'000**	Change %	Year ended 31 December 2019 R'000	**Year ended 31 December 2020**	Year ended 31 December 2019
Perishables	**4 698 998**	0.2%	4 688 126	**45.7%**	47.4%
Groceries	**3 345 616**	5.3%	3 177 811	**32.5%**	32.1%
Snacks & Confectionery	**574 257**	6.7%	537 972	**5.6%**	5.4%
Baking & Baking Aids	**815 584**	16.5%	699 841	**7.9%**	7.1%
Household & Personal Care	**851 426**	7.9%	788 795	**8.3%**	8.0%
Total	**10 285 881**	**4.0%**	**9 892 545**	**100.0%**	**100.0%**

Category Normalised EBITDA before corporate costs is summarised as follows:

	Group Normalised EBITDA growth/decline			Contribution to Group Normalised EBITDA	
Normalised EBITDA before corporate costs	**Year ended 31 December 2020 R'000**	Change %	Year ended 31 December 2019 R'000	**Year ended 31 December 2020**	Year ended 31 December 2019
Perishables	**408 868**	(25.4%)	547 937	**33.9%**	42.6%
Groceries	**528 914**	8.1%	489 359	**43.8%**	38.0%
Snacks & confectionery	**89 661**	(0.8%)	90 339	**7.4%**	7.0%
Baking & baking aids	**104 007**	0.2%	103 790	**8.6%**	8.1%
Household & personal care	**76 305**	37.5%	55 498	**6.3%**	4.3%
Total	**1 207 755**	**(6.2%)**	**1 286 923**	**100.0%**	**100.0%**

Perishables

46% **of Group revenue**

34% **of Group Normalised EBITDA before corporate costs**

The Perishables category is the Group's largest contributor to revenue and, in the current period, was most adversely impacted by the COVID pandemic due to its high exposure to the food service channel. This category consists of dairy, meat and chicken, value-added perishables, fresh mushrooms, convenience meals and other value-added perishables.

Revenue from Perishables increased by 0.2% for the year and the category gross profit margin decreased to 20.1% (2019: 22.0%). Category volumes declined by 4.7%. This category's Normalised EBITDA decreased by 25.4% at a margin of 8.7% (2019 margin: 11.7%).

Dairy (Lancewood) and meat (Finlar) are the two largest contributors to Perishables' revenue and EBITDA.

Revenue from the sale of dairy products increased relative to the comparative period due to strong retail channel demand from in-home cooking. However, the closure of hospitality venues due to lockdown restrictions weighed significantly on the sales and EBITDA performance of meat products sold in the food service channel. The increased weighting of dairy products revenue to the retail and wholesale channel, change of sales mix within the dairy category towards lower-margin products, as well as increases in raw milk input costs during the second half of the year, therefore adversely impacted gross profit margins.

Meat products (Finlar) and mushrooms (Denny) were significantly affected by reduced food service channel revenue. This could not be fully compensated for by increased retail and wholesale channel demand. Demand for convenience meals (Millennium Foods) in the retail channel was lower than that of products used for the preparation of in-home cooked meals, resulting in lower revenue relative to 2019.

R23.9 million was spent in this category on direct COVID-related expenses.

Groceries

32% **of Group revenue**

44% **of Group Normalised EBITDA before corporate costs**

Revenue from Groceries, the Group's second largest contributor to revenue, increased by 5.3% and volumes declined by 7.3%. Improved price realisation and the beneficial impact of mix changes within the category, resulted in an improvement in category gross profit margins to 27.7% (2019: 26.7%). Groceries category normalised EBITDA increased by 8.1% at a margin of 15.8% (2019: 15.4%), making this category the largest contributor to Group normalised EBITDA for the year.

This category benefited from a strong increase in revenue, driven by changing consumer behaviours resulting from increased in-home cooking during the COVID pandemic. Revenue growth from exported dry condiments improved from H2 2020 following port delays experienced in June. Furthermore, retail channel sales of pasta, meal ingredients, vinegar, honey, private label and branded sauces outperformed compared to historic levels.

Sales into the food service channel declined. Demand for wet condiments, manufactured for customers in the industrial and contract manufacturing channel, remained subdued. Sales of the Group's specialised packaging products, sold by Multi-Cup, were significantly lower than the comparative period.

R16.2 million was spent in this category on direct COVID-related expenses.

Snacks & Confectionery

6% of Group revenue

7% of Group Normalised EBITDA before corporate costs

The Snacks & Confectionery category comprises cereals, nuts, snack bars and confectionery.

Revenue from this category increased by 6.7% to R574 million. This was mainly due to the full-year inclusion of revenue from the contract manufacturing of Pringles snacks during the reporting period. This facility commenced production in June 2019 and is providing a sound performance relative to plan. Revenue from the Group's other Snacks & Confectionery division, Ambassador Foods, was in line with 2019, impacted by lower demand for high-value snack products.

Gross profit margins in the category improved strongly to 30.6% from 28.4% in the prior period, whilst normalised EBITDA decreased 0.8% at a lower margin of 15.6% (2019: 16.8%).

R9.6 million was spent in this category on direct COVID-related expenses.

Baking & Baking Aids

8% of Group revenue

9% of Group Normalised EBITDA before corporate costs

Revenue from Baking & Baking Aids increased 16.5% to R816 million, mainly as a result of strong retail channel demand for baked goods, rusks and baking aids. Category volumes improved by 7.4% driven by strong retail sales channel. An adverse sales mix brought about by higher volume sales of lower-value items impacted category gross profit margin of 26.9% (2019: 29.8%).

Category normalised EBITDA increased by 0.2% at an EBITDA margin of 12.8% (2019: 14.8%).

R8.9 million was spent in this category on direct COVID-related expenses.

Household & Personal Care

8% of Group revenue

6% of Group Normalised EBITDA before corporate costs

Household & Personal Care (HPC) consists of household, laundry and personal care products. Following the cost-rationalisation efforts instituted in H2 2019, as well as the launch of a number of innovative sanitation and environmentally-friendly household and personal care products within the retail channel in H1 2020, the category continued its pleasing H1 2020 recovery.

Full-year revenue increased by 7.9% to R851.4 million, mainly due to strong retail sales channel demand. Volumes decreased by 1.9% and gross profit margin improved to 19.1% due to an improved sales mix (2019: 17.5%). Category normalised EBITDA therefore increased by 37.5% at an improved margin of 9.0% (2019: 7.0%).

R5.2 million was spent in this category on direct COVID-related expenses.

Outlook

The Group's focused category and multi-brand strategy has played an **instrumental role** in Libstar's **pleasing retail and wholesale channel performance** during the year under review.

The shift in consumer behaviour has been rapid, as shoppers reduced store visits, but increased their respective shopping basket sizes. Libstar has remained agile in responding to changing customer and shopper demands and will continue to work with our customers in delivering innovative and cost-effective brand solutions.

The full impact of the COVID pandemic remains unquantifiable. The weak macro-economic climate is expected to persist and will continue to impact consumer's disposable income.

The Group anticipates further cost inflation in 2021 and muted volume growth as the impact of COVID remains prevalent in the Group's sales channels. However, these impacts are expected to be compensated, in part, by the increasing returns from capital projects completed since 2019, as well as the Group's diverse product capabilities.

The Group has benefited from its ability to capitalise on evolving consumer trends, including snacking, healthier food alternatives, cleaning products, gluten-free products and environmentally-friendly products. These growing trends, as well as Libstar's ability to grow market share in the fast-growing private label / dealer-own brand market through targeted new product development and its focused category approach, is expected to ameliorate some headwinds.

Of importance is Libstar's resilient and diversified valued-added product portfolio. This is underpinned by the Group's culture of entrepreneurship, innovation and agility. The Group's strong customer relationships in niche product categories are also being carefully nurtured.

Declaration of cash dividend

In light of the stable cash flows delivered by the Group during the reporting period, the Board of Libstar has approved payment of the cash dividend of 25 cents per ordinary share (gross) in respect of the year ended 31 December 2020.

In accordance with paragraphs 11.17 (a) (i) to (x) and 11.17 (c) of the JSE Listings Requirements, the following additional information is disclosed:

- The dividend has been declared from income reserves;
- The local Dividends Tax rate is 20% (twenty percent);
- The gross local dividend amount is 25 cents per ordinary share for shareholders exempt from the Dividends Tax;
- The net local dividend amount is 20 cents per ordinary share for shareholders liable to pay the Dividends Tax.

Libstar has 681 921 408 ordinary shares in issue.

Libstar's income tax reference number is 9526395174.

The following salient dates will apply to the dividend payment:

Declaration date	**Wednesday, 17 March 2021**
Last day to trade cum the final dividend	**Tuesday, 6 April 2021**
Shares commence trading ex the final dividend	**Wednesday, 7 April 2021**
Record date	**Friday, 9 April 2021**
Payment in respect of the final dividend	**Monday, 12 April 2021**

Share certificates may not be dematerialised or re-materialised between Wednesday, 7 April 2021 and Friday, 9 April 2021, both days inclusive.

Changes to the Board and committee compositions

Ms Anneke Andrews was appointed as an Independent Non-Executive Director and member of the Libstar Audit and Risk Committee with effect from 1 November 2020.

Charl de Villiers was appointed as a member of the Social and Ethics committee with the effect from 25 November 2020. The Remuneration Committee and Nominations Committee merged with effect from the same date.

By order of the Board

WENDY LUHABE
CHAIRMAN

ANDRIES VAN RENSBURG
CHIEF EXECUTIVE OFFICER

Condensed consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December 2020

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

Condensed consolidated statement of financial position

as at 31 December 2020

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

Condensed consolidated statement of changes in equity

for the year ended 31 December 2020

	Share capital R'000	Defined benefit plan reserve[1] R'000	Share-based payment reserve[2] R'000
Balance at 1 January 2019 (including adoption of IFRS 16)	4 818 884	(1 757)	–
Total comprehensive income for the year	–	(332)	–
Profit for the year	–	–	–
Other comprehensive income for the year	–	(332)	–
Transactions with owners of the Company			
Contributions and distributions	(91 570)	–	–
Share repurchase	(91 570)	–	–
Dividends paid	–	–	–
Share-based payment expenses	–	–	2 211
Group share plan	–	–	2 211
Balance at 31 December 2019	**4 727 314**	**(2 089)**	**2 211**
Total comprehensive income for the year	**–**	**1 166**	**–**
Profit/(loss) for the year	**–**	**–**	**–**
Other comprehensive income for the year	**–**	**1 166**	**–**
Transactions with owners of the Company			
Contributions and distributions	**–**	**–**	**–**
Dividends paid	**–**	**–**	**–**
Share-based payment expenses	**–**	**–**	**5 587**
Group share plan	**–**	**–**	**5 587**
Balance at 31 December 2020	**4 727 314**	**(923)**	**7 798**

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

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
(75 168)	617 560	–	8 661	5 368 180
–	278 395	8 067	1 232	287 362
–	278 395	–	1 232	279 627
–	–	8 067	–	7 735
–	(131 689)	–	–	(223 259)
–	–	–	–	(91 570)
–	(131 689)	–	–	(131 689)
–	–	–	–	2 211
–	–	–	–	2 211
(75 168)	**764 266**	**8 067**	**9 893**	**5 434 494**
–	**73 713**	**2 174**	**(182)**	**76 871**
–	**73 713**	**–**	**(182)**	**73 531**
–	**–**	**2 174**	**–**	**3 340**
–	**(149 606)**	**–**	**–**	**(149 606)**
–	**(149 606)**	**–**	**–**	**(149 606)**
–	**–**	**–**	**–**	**5 587**
–	**–**	**–**	**–**	**5 587**
(75 168)	**688 373**	**10 241**	**9 711**	**5 367 346**

Condensed consolidated statement of cash flows

for the year ended 31 December 2020

	Notes	2020 Audited R'000	2019 Audited R'000
NET CASH FLOW FROM OPERATING ACTIVITIES		**637 218**	579 769
Cash generated from continuing operations	12	**908 679**	944 777
Finance income received		**44 720**	54 025
Finance costs paid		**(165 760)**	(207 689)
Taxation paid		**(150 421)**	(191 404)
Cash utilised by discontinued operations		**–**	(19 940)
NET CASH FLOW FROM INVESTMENT ACTIVITIES		**(322 189)**	(394 730)
Purchase of property, plant and equipment and computer software		**(328 042)**	(400 902)
Proceeds on disposal of property, plant and equipment and computer software		**8 085**	7 155
Proceeds from sale of discontinued operations		**–**	46 716
Other loans repaid to the Group		**4 772**	2 301
Other loans granted by the Group		**(8 200)**	–
Loans repaid by shareholders to the Group		**1 812**	–
Acquisition of business		**(616)**	(50 000)
NET CASH FLOW FROM FINANCING ACTIVITIES		**(233 616)**	(159 764)
Share repurchase		**–**	(91 570)
(Repayment of)/proceeds from other loans payable		**(2 235)**	2 235
Proceeds from/(repayment of) related party loans payable		**614**	(846)
Capital portion of lease payments	10	**(149 132)**	(127 547)
Proceeds from term loans and asset based financing		**156 727**	270 765
Repayment of term loans and asset based financing		**(89 984)**	(81 112)
Dividend paid		**(149 606)**	(131 689)
Net increase in cash and cash equivalents		**81 413**	25 275
Cash and cash equivalents at the beginning of the year		**854 615**	829 340
Cash and cash equivalents at the end of the year		**936 028**	854 615
Continuing operations		**936 028**	854 615

Condensed consolidated segmental information

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.

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

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

	Year ended 31 December 2020 R'000	Year ended 31 December 2019 R'000
Normalised EBIT and EBITDA		
GROUP – CONTINUING OPERATIONS		
Operating profit	**365 437**	701 758
Amortisation of customer contracts and brands with definitive useful lives	**150 172**	150 172
Due diligence costs	**286**	2 884
Expenses relating to share based payments	**13 990**	6 948
Government grants	**(840)**	(155)
Impairment losses on goodwill and other assets	**203 820**	–
Loss on disposal of property, plant and equipment	**2 683**	466
Retrenchment and settlement costs	**16 758**	16 646
Securities transfer tax	**–**	281
Strategic advisory fees	**–**	301
Unrealised loss on foreign exchange	**21 787**	11 035
Normalised EBIT	**774 093**	890 336
Amortisation of software	**12 031**	10 913
Depreciation of property, plant and equipment and right-of-use assets	**329 131**	272 427
Normalised EBITDA (including effect of IFRS 16)	**1 115 255**	1 173 676
Less: lease payments and lease modifications	**(149 133)**	(138 927)
Normalised EBITDA (excluding effect of IFRS 16)	**966 122**	1 034 749
PERISHABLES		
Operating profit	**13 383**	402 686
Amortisation of customer contracts	**43 610**	43 610
Due diligence costs	**–**	797
Government grants	**(72)**	(155)
Impairment losses on goodwill and other assets	**203 820**	–
(Profit)/loss on disposal of property, plant and equipment	**(1 261)**	45
Retrenchment and settlement costs	**5 128**	6 610
Unrealised loss on foreign exchange	**6 488**	2 094
Normalised EBIT	**271 096**	455 687
Amortisation of software	**4 146**	2 090
Depreciation of property, plant and equipment and right-of-use assets	**133 626**	90 160
Normalised EBITDA (including effect of IFRS 16)	**408 868**	547 937
Less: lease payments and lease modifications	**(44 069)**	(37 502)
Normalised EBITDA (excluding effect of IFRS 16)	**364 799**	510 435

	Year ended 31 December 2020 R'000	Year ended 31 December 2019 R'000
GROCERIES		
Operating profit	**344 019**	313 249
Amortisation of customer contracts	**71 239**	71 239
Government grants	**(607)**	–
Loss on disposal of property, plant and equipment	**3 006**	371
Retrenchment and settlement costs	**4 341**	357
Unrealised loss on foreign exchange	**14 525**	8 578
Normalised EBIT	**436 523**	393 794
Amortisation of software	**1 897**	2 404
Depreciation of property, plant and equipment and right-of-use assets	**90 494**	93 161
Normalised EBITDA (including effect of IFRS 16)	**528 914**	489 359
Less: lease payments and lease modifications	**(50 209)**	(54 317)
Normalised EBITDA (excluding effect of IFRS 16)	**478 705**	435 042
SNACKS AND CONFECTIONERY		
Operating profit	**53 538**	60 666
Amortisation of customer contracts	**4 402**	4 402
Loss/(profit) on disposal of property, plant and equipment	**564**	(4)
Retrenchment and settlement costs	**2 109**	790
Strategic advisory fees	**–**	118
Unrealised loss on foreign exchange	**666**	589
Normalised EBIT	**61 279**	66 561
Amortisation of software	**2 099**	3 821
Depreciation of property, plant and equipment and right-of-use assets	**26 283**	19 957
Normalised EBITDA (including effect of IFRS 16)	**89 661**	90 339
Less: lease payments and lease modifications	**(12 450)**	(7 383)
Normalised EBITDA (excluding effect of IFRS 16)	**77 211**	82 956
BAKING AND BAKING AIDS		
Operating profit	**55 710**	60 916
Amortisation of customer contracts	**6 870**	6 870
Loss on disposal of property, plant and equipment	**458**	98
Retrenchment and settlement costs	**391**	–
Unrealised loss/(gain) on foreign exchange	**55**	(61)
Normalised EBIT	**63 484**	67 823
Amortisation of software	**986**	876
Depreciation of property, plant and equipment and right-of-use assets	**39 537**	35 091
Normalised EBITDA (including effect of IFRS 16)	**104 007**	103 790
Less: lease payments and lease modifications	**(16 833)**	(17 029)
Normalised EBITDA (excluding effect of IFRS 16)	**87 174**	86 761

	Year ended 31 December 2020 R'000	Year ended 31 December 2019 R'000
HOUSEHOLD AND PERSONAL CARE		
Operating profit/(loss)	**17 028**	(6 364)
Amortisation of customer contracts and brands with definitive useful lives	**24 051**	24 051
Profit on disposal of property, plant and equipment	**(139)**	(27)
Retrenchment and settlement costs	**1 009**	8 655
Strategic advisory fees	**–**	183
Unrealised loss/(gain) on foreign exchange	**53**	(163)
Normalised EBIT	**42 002**	26 335
Amortisation of software	**23**	23
Depreciation of property, plant and equipment and right-of-use assets	**34 280**	29 140
Normalised EBITDA (including effect of IFRS 16)	**76 305**	55 498
Less: lease payments and lease modifications	**(21 716)**	(19 165)
Normalised EBITDA (excluding effect of IFRS 16)	**54 589**	36 333
CORPORATE		
Operating loss	**(118 241)**	(129 395)
Due diligence costs	**286**	2 087
Expenses relating to share based payments	**13 990**	6 948
Government grants	**(161)**	–
Loss/(profit) on disposal of property, plant and equipment	**55**	(17)
Retrenchment and settlement costs	**3 780**	234
Securities transfer tax	**–**	281
Unrealised gain on foreign exchange	**–**	(2)
Normalised EBIT	**(100 291)**	(119 864)
Amortisation of software	**2 880**	1 699
Depreciation of property, plant and equipment and right-of-use assets	**4 911**	4 918
Normalised EBITDA (including effect of IFRS 16)	**(92 500)**	(113 247)
Less: lease payments and lease modifications	**(3 856)**	(3 531)
Normalised EBITDA (excluding effect of IFRS 16)	**(96 356)**	(116 778)
Export revenue		
The Group mainly operates in South Africa. Revenue derived from customers domiciled within South Africa is classified as revenue from South Africa. Revenue from customers domiciled outside of South Africa is classified as export revenue.		
Export revenue for the year	**1 239 636**	1 220 092
Major customers		
During the period under review, revenue from certain customers exceeded 10% of total revenue.		
Customer A	**22%**	19%
Customer B	**16%**	13%
Customer C	**10%**	10%

Notes to the condensed consolidated financial statements

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 and HPC sectors and maintaining the flexibility to capitalise on growth areas in the CPG industry.

2. Basis of preparation and report of the independent auditor

The summarised consolidated financial statements of the Group for the year ended 31 December 2020 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 financial statements, were prepared by P Makate CA(SA) under the supervision of CB de Villiers CA(SA), the Group Chief Financial Officer. The results were approved by the board of directors on 16 March 2021 and the directors take full responsibility for the preparation thereof.

The consolidated financial statements were audited by Moore Cape Town Inc., who expressed an unmodified opinion thereon. The audited 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 summarised consolidated 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.

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

- Definition of Material - amendments to IAS 1 and IAS 8
- Definition of a Business - amendments to IFRS 3
- Interest Rate Benchmark Reform - amendments to IFRS 9, IAS 39 and IFRS 7
- Revised Conceptual Framework for Financial Reporting

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

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 not applicable to the business of the Group and will therefore have no impact on future financial statements.

4. Accounting judgements and estimates

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

In preparing these 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-19 have resulted in certain judgements and estimates being significant in the current period when they had not been in the past. This is due to the uncertainty introduced by the effects of the pandemic, such as collection risk for customers and the cash flows included in estimates of recoverable amounts. Refer to note 15 for further information related to the impact of Covid-19 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 EBITDA	Normalised EBIT
Add back: amortisation of intangible assets in relation to customer contracts and brands with definitive useful lives	Yes	Yes
Add back: amortisation of intangible assets in relation to computer software and website costs	Yes	No
Add back: depreciation on property, plant and equipment and right-of-use assets	Yes	No
Add back: impairment losses on property, plant and equipment, goodwill and intangible assets	Yes	Yes
Add back or deduct: unrealised foreign exchange translation gains or losses	Yes	Yes
Add back: non-recurring items of an operating nature including government grants, due diligence costs in respect of business acquisitions, strategic advisory fees, retrenchment and settlement costs and restructuring costs including amounts payable in respect of onerous contracts.	Yes	Yes
Add back: securities transfer tax paid	Yes	Yes
Add back or deduct: gains and losses on disposal of property, plant and equipment, gains and losses on disposals of assets or disposal groups (businesses) held for sale.	Yes	Yes
Add back: the cost of the long-term management incentive scheme (LTI Scheme), the long-term incentive plan (LTIP) and the Group Share Plan (GSP).	Yes	Yes

Normalised EPS and Normalised HEPS

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

To arrive at Normalised HEPS, the normalised EPS is adjusted for the after-tax impact of the Headline Earnings Re-measurements, the most common examples of which are (i) impairment losses on property, plant and equipment, goodwill and intangible assets and (ii) gains and losses on disposal of property, plant and equipment, excluding the after-tax impact of separately identifiable re measurements as defined in accordance with circular 1/2019 Headline Earnings, read with IAS 33 Earnings per share.

	2020 R'000	2019 R'000
6. Other income		
Bad debts recovered	**315**	–
Commissions received	**40**	38
Gain on foreign exchange	**2 917**	26 927
Realised gain on foreign exchange	**24 704**	37 962
Unrealised loss on foreign exchange	**(21 787)**	(11 035)
Government grants[1]	**1 253**	206
Insurance claims received	**532**	385
Discounts and incentives received	**–**	871
Rental income	**4 103**	5 577
Sundry income[2]	**38 012**	18 721
	47 172	52 725

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

2 Included in current year are two loans payable that were previously provided for as amounts due to related parties, which were written back following the favourable outcome of an arbitration process (R19.7 million) and R10 million lapsed following the termination of the Group's relationship with the counterparty in question.

	2020 R'000	2019 R'000
7. Operating profit		
Operating profit from continuing operations is calculated after taking into account the following:		
Operating expenditure		
Depreciation of property, plant and equipment	**205 159**	168 824
Depreciation of right-of-use assets (refer note 10)	**123 659**	103 387
Amortisation of brands	**11 867**	11 867
Amortisation of computer software	**12 031**	10 913
Amortisation of customer relationships	**138 305**	138 305
Impairment loss on goodwill (refer note 14)	**198 000**	–
Impairment loss on building	**5 820**	–
Loss on disposal of property, plant and equipment	**2 683**	466
Employee benefits	**1 398 179**	1 307 546
Salaries and wages	**1 381 421**	1 290 900
Retrenchment and settlement costs	**16 758**	16 646
Strategic advisory fees	**–**	301
Due diligence costs	**286**	2 884
Credits relating to share appreciation rights granted (LTI scheme)	**(2 370)**	(1 456)
Charges relating to long-term incentive scheme (LTIP scheme)	**7 741**	6 194
Charges relating to share based payments (GSP)	**8 619**	2 211
Securities transfer tax	**–**	281
Research and development costs expensed as incurred	**1 420**	1 773
Auditors remuneration	**8 343**	8 407

	2020 R'000	2019 R'000
8. Earnings per share		
8.1 Basic earnings per share		
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:		
Earnings used in the calculation of basic earnings per share	**73 713**	278 395
From continuing operations	**73 713**	355 452
From discontinued operations	**–**	(77 057)
Weighted average number of ordinary shares for the purposes of basic earnings per share ('000)	**595 812**	597 519
Basic earnings per share in cents		
From continuing operations	**12.4**	59.5
From discontinued operations	**–**	(12.9)
From continuing and discontinued operations	**12.4**	46.6
8.2 Diluted earnings per share		
The earnings used in the calculation of diluted earnings per share does not require adjustments. Refer to note 8.1 above for the earnings used in the calculation of diluted earnings per share.		
The weighted average number of ordinary shares used in the calculation of diluted earnings per share are as follows:		
Weighted average number of ordinary shares for the purposes of diluted earnings per share ('000)	**596 932**	598 481
Diluted earnings per share in cents		
From continuing operations	**12.3**	59.4
From discontinued operations	**–**	(12.9)
From continuing and discontinued operations	**12.3**	46.5
Reconciliation of weighted average number of shares used as the denominator:		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**595 812**	597 519
Adjustments for calculation of diluted earnings per share:		
Deferred Shares – GSP[1]	**1 120**	962
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**596 932**	598 481

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

8. Earnings per share continued

8.3 Normalised earnings per share (EPS)

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

8. Earnings per share continued

8.4 Headline earnings

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

2020	Gross	Net of tax
Basic earnings from continuing operations	73 713	73 713
Adjustments	206 503	205 902
Loss on disposal of property, plant and equipment	2 683	2 082
Impairment of building	5 820	5 820
Impairment of goodwill (note 14)	198 000	198 000
Headline earnings from continuing operations	280 216	279 615

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

	2020 R'000	2019 R'000
Basic earnings from discontinued operations	–	(77 057)
Adjustments (net of tax)	–	52 258
Profit on disposal of property, plant and equipment and customer contracts	–	(7 000)
Impairment of brands	–	34 258
Impairment of goodwill	–	25 000
Headline earnings from discontinued operations	–	(24 799)
Headline earnings from continuing and discontinued operations	279 615	332 975
Headline earnings per share in cents		
From continuing operations	46.9	59.9
From discontinued operations	–	(4.2)
From continuing and discontinued operations	46.9	55.7
Diluted headline earnings per share in cents		
From continuing operations	46.8	59.8
From discontinued operations	–	(4.2)
From continuing and discontinued operations	46.8	55.6

8. Earnings per share continued

8.5 Normalised headline earnings per share (HEPS)

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

2020	**Net**
Normalised basic earnings from continuing operations	**219 108**
Adjustments	**205 902**
Impairment of goodwill (refer note 14)	**198 000**
Impairment of property, plant and equipment	**5 820**
Loss on disposal of property, plant and equipment	**2 082**
Normalised headline earnings from continuing operations	**425 010**
Normalised headline earnings per share from continuing operations (cents)	**71.3**

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

9. Property, plant and equipment

During the year ended 31 December 2020, the Group had capital expenditure of plant, equipment and computer software in the amount of R345 million (2019: R401 million). Significant capital expenditure projects continued during the year within the Perishables category, included a further R8 million investment in relation to milk receiving and distribution centre upgrades within the Lancewood division following a R45 million investment in 2019. Hard-cheese manufacturing and packaging upgrades continued at a cost of R65 million following the R42 million investment in the prior year.

Within the Groceries category, Montagu Foods upgraded lines and invested in a new honey packing facility at a total cost of R10 million and R15 million was invested within the Baking & Baking Aids category to upgrade Amaro Foods' artisanal facility and acquire generator capacity.

Within the Snacks & Confectionery category, upgrades to Ambassador Foods' facilities, which included the relocation of its confectionery operations, totalled R24 million, and R31 million was invested to consolidate four HPC manufacturing and warehousing facilities into a new facility.

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 2019.

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

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

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

	2020 R'000	2019 R'000
Amounts recognised in the consolidated statement of profit or loss and other comprehensive income		
Depreciation of right-of-use asset	**(123 659)**	(103 387)
Finance costs in respect of lease liability	**(64 370)**	(55 085)
Short-term and low value lease charges*	**31 535**	11 458

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

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

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

11. 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.

	2020 Audited R'000	2019 Audited R'000
12. Cash generated from operations		
Cash generated from continuing operations		
Profit before taxation from continuing operations	**180 027**	493 009
Adjustments for:	**846 312**	641 345
Depreciation and amortisation	**491 021**	433 296
Loss on disposal of property, plant and equipment	**2 683**	466
Impairment loss on goodwill (refer note 14)	**198 000**	–
Impairment loss on building	**5 820**	–
Expected credit loss allowance movement on other financial assets	**653**	–
Expected credit loss allowance movement on trade and other receivables	**(11 590)**	11 398
IFRS 16 non-cash lease modifications	**(3 252)**	(11 275)
Investment income	**(44 720)**	(54 025)
Finance costs	**230 130**	262 774
Other financial assets written off	**946**	–
Sundry income – loans payable written off	**(29 754)**	–
Fair value adjustment on forward exchange contracts	**(427)**	4 276
Movements in employee benefits – medical aid plan	**(17)**	332
Employee benefits contributions paid	**(585)**	(620)
Other non-cash movements in employee benefits	**568**	952
Movements in share based payments	**6 819**	(5 897)
Share based payments in terms of LTI scheme	**(4 139)**	(12 846)
Other non-cash movements in share based payments	**10 958**	6 949
Changes in working capital:	**(117 660)**	(189 577)
Increase in inventories	**(115 352)**	(96 600)
Decrease/(increase) in trade and other receivables	**5 229**	(152 069)
Increase in biological assets	**(1 887)**	(2 745)
(Decrease)/increase in trade and other payables	**(5 650)**	61 837
	908 679	944 777

13. Subsequent events

The Board has resolved to pay a dividend of 25 cents per share (gross) in respect of the year ended 31 December 2020. There have been no other material subsequent events from the reporting date to the date of issue of this announcement. Specific consideration was given to the potential impact of Covid-19 subsequent to reporting date to the date of issue of this announcement.

14. Goodwill impairment

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

The effect of Covid-19 has been most apparent in the Group's sales channels. In particular, the food service channel was most adversely affected by the closure of hospitality venues and restaurants due to the second quarter level 5 lockdown restrictions and subsequent lower restaurant occupancy rates during the second half of the current year. The food service channel slowdown had a particularly pronounced impact on the Denny Mushrooms division. The impact of the lower mushroom sales volumes on the innately high fixed-cost nature of Denny Mushrooms' farming operations, adversely impacted profitability.

Corrective actions taken by the Group included increased mushroom price realisation, the containment of costs and the significant recovery of its retail channel market share from previous lows. Despite these efforts, the prevailing competitive market conditions, high operating cost structure and declining sale volumes have interrupted Denny Mushrooms' recovery. Considering these factors, the Group has applied a conservative downward revision of Denny Mushrooms' five-year growth forecasts.

In so doing, an impairment loss of R198 million has been recognised in relation to goodwill attributable to Libstar's investment in Denny Mushrooms. The recoverable amount of Denny Mushrooms was calculated at a conservative terminal growth rate of 4.7% and an after-tax discount rate of 13.0%. No class of asset other than goodwill related to Denny Mushrooms was impaired.

15. Impact of Covid-19

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

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

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

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

Impact on the results of the Group

Libstar incurred extraordinary Covid-19 expenses of R64.7 million to maintain a safe working environment for its employees. This included donations in the amount of R5.3 million to needy communities, personnel-related benefits of R28.5 million and R30.9 million in direct operating expenses. Personnel-related expenses mainly comprised staff transport benefits. Direct operating expenses related mainly to the cost of personal protective equipment (PPE).

15. Impact of Covid-19 continued

Further consideration was given to the following matters as a result of Covid-19:

- There has been an increase in the provision for slow moving stock from R21.2 million to R36.8 million. The Group held higher inventory levels in the current year in order to respond to the potential negative impact of Covid-19 on the supply chain and meet customer demand. Due to the impact of Covid-19, management further increased the provision for stock write-down from 2% to 3% of inventory in the current year.
- The Group increased its provision for doubtful debtors from R6.4 million to R18.0 million as a result of the impact of Covid-19. In relation to trade receivables, management has considered forward-looking information (macro-economic forecast data such as the five-year CPI forecast) to evaluate the impact on expected future default rates, in particular with regards to trade receivables exposed to the food service channel. In the light of the current economic environment and the potential future impact of Covid-19, management increased the risk-to-default factor per each aged bucket.
- The LTIP and GSP share-based payments are valued based on the valuation results of the external valuator. These valuation results are based on the valuation inputs and assumptions as described above. The inputs and assumptions used in the current year valuations have been adjusted to factor in the current economic conditions and the impact of Covid-19. Management, after consideration of the current economic conditions and potential impact of Covid-19, has taken a prudent approach and valued the 2019 LTIP, 2020 LTIP, 2019 GSP and 2020 GSP share-based payments based on the lower bound scenario.
- There are no significant restructurings or planned restructurings as a result of Covid-19.
- Other than the impact of Covid-19 on Denny Mushrooms as disclosed in note 14, there are no significant impairment losses related to financial assets and non-financial assets as a result of Covid-19. An impairment loss of R198 million was recognised in relation to goodwill attributable to the Group's investment in the Denny Mushrooms division.
- There are no significant discontinued operations or planned discontinuations as a result of Covid-19.
- No contingent liabilities or litigation matters arose as a result of Covid-19.

Impact on segmental results of the Group

All segments produce and sell products within the Group's four sales channels. As a result, all segments were positively impacted by increased retail and wholesale channel demand, whilst all channels were also adversely impacted by reduced revenue from the food service. Refer to the segmental analysis for further details on the results of the segments.

Impact on EPS and HEPS

The Group's HEPS and EPS has been impacted by Covid-19, particularly in relation to extraordinary expenses in the amount of R64.7 million (pre-tax) incurred to maintain a safe working environment for employees. The extent and timing of further costs cannot be determined at this time, however the expenses are not expected to materially adversely impact the Group's access to liquidity used to manage its operations.

Impact on debt coventants

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

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

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

Corporate information

Address
1st Floor Libstar House,
43 Bloulelie Crescent,
Plattekloof, Cape Town, 7500
(PO Box 15285, Panorama, 7506)

Website
www.libstar.co.za

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

Company secretary
CorpStat Governance Services (Pty) Ltd
represented by William Somerville
and Elise Waldeck.
2nd Floor, PPI House
9A Sturdee Avenue
Rosebank, Johannesburg, 2196

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

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

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

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-19 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.