LIBSTAR

From our home to yours

Summarised consolidated financial statements

for the year ended 31 December 2022

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ABOUT LIBSTAR

Libstar was founded in 2005 to acquire and grow operations in the consumer packaged goods (CPG) industry. 94% of Group revenue is generated from value-added food products. These products include dairy and meat products, fresh produce, convenience food, groceries, baking and baking aids and snacks and confectionery.

SALIENT FEATURES

Introduction

Libstar's entrenched category-led and multi-channel operating model contributed to the achievement of positive sales growth in all categories for the year ended 31 December 2022. The Group delivered revenue growth of 10.7%.

The Group operated in very difficult trading conditions. Under these conditions it achieved:

Revenue growth of
10.7%
(volumes up 3.0%; price/mix up 7.7%)

Group cash conversion ratio of
68%
(2021: 97%)

Net interest cover to EBITDA of
7.7x
(2021: 8.9x)

Decline in
Normalised EBITDA of
(4.1%)

Group Gearing ratio of
1.6
(2021: 1.2)

Return on invested capital of
10.4%
(2021: 12.5%)

Products sold into the food service and industrial and contract manufacturing channels delivered particularly strong increases in revenue despite the Group contending with ongoing global and local supply chain challenges, substantial input cost inflation, constrained consumer spending and unprecedented levels of load-shedding. In addition, shipment delays and weak demand in key markets contributed to the under-recovery of overhead costs in the main export-facing divisions. These factors diluted the Group's revenue growth to a gross profit growth of 3.7%.

Operating expense inflation before impairments was limited to 6.3%.

Normalised EBIT and Normalised EBITDA declined by 4.1%. The Group's Perishables and Household and Personal care categories achieved increases in normalised EBITDA, whilst the remaining three categories declined.

CLASSIFICATION OF THE HOUSEHOLD AND PERSONAL CARE (HPC) DIVISION AS A CONTINUING OPERATION

The Group remains committed to the repositioning of its portfolio towards value-added food categories. The strategic intent to dispose of the HPC division, therefore, remains unchanged from prior reporting periods. However, Libstar is required to continue to consider the application of IFRS 5: Non-current Assets Held for Sale and Discontinued Operations (IFRS 5). Following an evaluation thereof, the IFRS 5 criteria to disclose the HPC division as a Held for Sale and Discontinued Operation was not met at 31 December 2022. Consequently, the HPC division has been reclassified as a continuing operation in the current period. The prior period's statement of comprehensive income has been re-presented to provide a like-for-like comparison.

IMPAIRMENTS

Following the annual impairment assessment, the Group recognised impairments of intangible assets attributable to four divisions in the total amount of R277 million (net of tax).

These impairments were driven by:

- the loss of production volume stemming from the fire that destroyed the Denny Mushrooms' Shongweni facility on 9 September 2022, resulting in a R98 million impairment of the Denny Mushrooms cash-generating unit (CGU),
- sustained margin pressure at Retailer Brands arising from weak demand for higher-margin baking products, resulting in a R89 million impairment of the Retailer Brands CGU;
- the discontinuation of certain lemon juice and flammables product lines, sustained pressure on margins and increased operational challenges at Cecil Vinegar, resulting in a R70 million impairment of the Cecil Vinegar CGU;
- a review of the sustainable trading forecast of the HPC division, resulting in an impairment of R20 million of the HPC CGU; and
- the impact of rising interest rates on segmental business plans and discount rates.

The impairments decreased Total Diluted EPS and Normalised EPS, but are added back for purposes of the calculation of Total Diluted HEPS and Normalised HEPS.

OTHER INDICATORS

The Group's cash generation from operations remained strong, declining 2.0% from the prior year before changes in working capital. The Group invested R277 million in net working capital during the year to mitigate the impact of supply chain disruptions and maintain service levels to customers.

Cape Foods (Pty) Ltd (Cape Foods) was acquired on 10 November 2022 for a total cash consideration of R120 million.

Libstar's gearing ratio increased from 1.2x to 1.6x EBITDA, mainly as a result of the investment in working capital and the acquisition of Cape Foods, which was only consolidated in the financial records of the Group for two months of the financial year. The ratio remained within the Group's stated optimal range of 1x-2x.

> **Cape Foods was acquired on 10 November 2022 for a total cash consideration of R120 million.**

RESULTS SUMMARY

The Group uses Normalised EBITDA, Normalised Earnings per Share (EPS) and Normalised Headline Earnings per Share (HEPS) from continuing operations, which exclude non-recurring, non-trading and non-cash items, as the key measures to indicate its true operating performance.

Libstar's full-year results are summarised in the table below:

(R'000)	2022	Change	2021
Continuing operations			
Total revenue	**11 771 605**	+10.7%	10 630 354
Gross profit margin	**20.7%**	(1.5pp)	22.2%
Normalised operating profit	**690 081**	(4.1%)	719 932
(margin)	**5.9%**		6.8%
Normalised EBITDA	**1 032 332**	(4.1%)	1 077 014
(margin)	**8.8%**		10.1%
Diluted EPS (cents)	**(0.6)**	(101.6%)	38.0
Diluted HEPS (cents)	**45.9**	(12.9%)	52.7
Normalised EPS (cents)	**18.8**	(68.2%)	59.1
Normalised HEPS (cents)	**65.3**	(11.8%)	74.0
All operations			
Diluted EPS (cents)	**(0.9)**	(103.4%)	26.5
Diluted HEPS (cents)	**45.0**	(12.1%)	51.2
Balance sheet and cash flow indicators			
Net interest-bearing debt to Normalised EBITDA	**1.6x**		1.2x
Cash-generated from operating activities (excluding net working capital)	**1 007 811**	(2.0%)	1 028 347
Cash-generated from operations (including net working capital)	**731 027**	(29.4%)	1 035 040
Capital investment in property, plant and equipment	**384 404**		300 697
Cash conversion ratio	**68%**		97%

Dividend

The Board of Libstar has declared a cash dividend of 22 cents per ordinary share (gross). This is a reduction from the prior year in line with the reduction in Normalised HEPS. The dividend is covered 3.0 times by Normalised HEPS (2021: 25 cents and covered 2.9 times) and remains within the Group's policy of a 3-4 times cover.

LIBSTAR'S KEY PRIORITIES DURING THE YEAR UNDER REVIEW

1 Actively repositioning the portfolio

Libstar continues to pursue its strategic intent of reducing its exposure to non-food categories to optimise the Group's portfolio composition and economic profits.

The disposal of Libstar's interest in Glenmor Proprietary Limited shortly after the close of the first half of the year served as an important milestone in its repositioning towards value-added food products.

The Group is pleased with the improved operating results of the remaining businesses in HPC. This division increased its Normalised EBITDA from R3 million in the prior year to R12 million in the current year.

Management and the Board subscribe to the principles of value-based management. In this regard, a comprehensive assessment of the historic and forecast economic profit of each Libstar division has been undertaken. The results will inform future strategies regarding portfolio composition and capital allocation. The Board is currently evaluating the findings.

2 Executing on strategic acquisitions

Libstar concluded an agreement to acquire Cape Foods for a total purchase consideration of R120 million with effect from 10 November 2022. Founded in 2002 by Gerhard Martin, Cape Foods, based in Cape Town, is a manufacturer of branded and private label herbs, spices and seasoning mixes. The business exports to around 30 countries, including the US, Canada, Australia, Europe, South America, Asia and Africa. The transaction is aligned with Libstar's strategy to grow its basket of non-commoditised food products in existing categories and provides access to new markets and value-added products in the dry condiment category. The business was consolidated into the Group results from 1 November 2022 and contributed R3 million of Normalised EBITDA to 31 December 2022.

3 Delivering superior service levels

Libstar had to contend with the operational cost and disruption brought about by unprecedented levels of load-shedding, particularly in the second half of the year. To maintain service levels to trading partners, the Group invested a further R13.1 million in generator capacity during the year. This increased the Group's generation capacity by 5,395 KVA to 22,872 KVA. However, the ongoing operation of generators added R39 million of direct operating costs for the year. R31 million of this was incurred in the second half of the year and directly impacted the Group's gross profit margin.

To enhance inventory planning and sales forecasting capabilities, the Group continued to invest in and leverage the functionality of its ERP-systems during the period under review. Sales and operational planning modules were successfully implemented within Cecil Vinegar, Finlar Fine Foods, HPC and Rialto. Further implementations are continuing throughout the Group.

Supply chains remained disrupted, with particular delays of import and export shipments. This necessitated a pro-active approach towards inventory management. This is evident in the high net working capital presented in the first half of the year. However, as committed, the investment in working capital reduced to 16.0% of revenue from 17.4% at interim stage (2021: 15.4%). The ratio remains above Libstar's working capital target range of 13.0% to 15.0%. The ratio higher inventory levels allowed a lower replenishment of raw materials and packaging in Q4, while still maintaining supply. This resulted in lower year-end trade payables days within the Finlar Fine Foods, Cape Herb & Spice and Rialto divisions. The inventory levels remained higher than the pre-COVID period at 65 days (2021: 66 days) to mitigate the effects of ongoing supply chain disruptions and to maintain service levels.

4 Preserving the group's financial stability and improving ROIC

Significant margin pressure was experienced in the second half of the year as raw material, packaging and distribution cost inflation increased significantly, resulting in gross profit margins declining to 20.7% (2021: 22.2%). Operating expenses (excluding impairments) increased by 6.3% from the comparative period.

The Group's operating cash flow, before working capital movements, decreased by 2.0% to R1 008 million. The Group's cash conversion of 68% (2022: 97%), was adversely impacted by lower creditors days and continued higher levels of inventory holding to mitigate supply chain disruptions and to maintain product availability to customers. The cash conversion of 68% improved significantly from the 15% reported at interim stage.

Net interest-bearing debt increased to R1.4 billion (2021: R1.1 billion), as the stronger cash generation from operations was offset by a R277 million investment in working capital and the R120 million acquisition of Cape Foods. As such, net interest-bearing debt to EBITDA increased to 1.6 times (2021: 1.2 times), but remains within Libstar's stated optimal range of 1x-2x normalised EBITDA. Interest cover, at 7.7 times (8.9x times in 2021) is well above the Group's stated minimum target of 3.5x.

The Group was fully compliant with lender financial covenants throughout the reporting period.

Return on invested capital (ROIC) was lower at 10.4% (2021: 12.5%) compared to a weighted average cost of capital (WACC) of 13.1% (2021: 12.5%). The Group's long-term target remains an average ROIC of WACC plus 2%.

GROUP FINANCIAL PERFORMANCE

Revenue

The Group recorded revenue growth of 10.7%. Sales volumes were up 3.0%, whilst pricing and mix changes contributed 7.7% to sales growth. This result was achieved notwithstanding significantly lower volume sales in the export channel due to continued shipment delays and weak demand for dry condiments and tea in key markets.

Gross profit margins

Libstar's year-on-year gross profit margin declined from 22.2% to 20.7% due to the under-recovery of overhead costs in its main export-facing divisions and continued raw material, packaging and manufacturing cost inflation in the balance of the portfolio. Additionally, the unprecedented levels of load-shedding directly added R39 million in operating costs, of which 70% related to three divisions, namely Lancewood, Denny Mushrooms and Finlar Fine Foods. The Group's revenue growth of 10.7% was therefore diluted to a gross profit growth of 3.7%.

Other income and foreign exchange gains

Realised foreign currency translation gains decreased to R1.0 million compared to R11.4 million in the prior year.

Unrealised foreign currency translation losses increased by R33.7 million from a profit in the prior year of R20.4 million to a loss of R13.3 million in the current year.

Other income for the year under review increased from R20.3 million to R83.2 million, mainly as a result of insurance proceeds of R37 million and the impact of IFRS 16 lease modifications of R25.6 million in the current year.

The net effect of the above increased operating profit before taxation by R23.5 million relative to the prior year.

Normalised operating profit and Normalised EBITDA

Group Normalised operating profit decreased by 4.1% at a margin of 5.9% (2021: 6.8%), impacted by the gross margin decline.

Group depreciation of property, plant and equipment and right-of-use assets, declined by 2.9%. During the period under review, the Group re-evaluated the estimated useful lives of assets with zero book value.

Group Normalised EBITDA decreased by 4.1% at a margin of 8.8% (2021: 10.1%).

Operating expenses

Operating expense inflation before impairments was limited to 6.3%. The Group expense margin improved to 16.8% (2021: 17.5%) as cost-saving initiatives were implemented despite the high inflationary environment.

Selling and distribution costs increased by 14.3%. This was ahead of headline inflation and was affected by the significantly elevated cost of local and international logistics.

Operating expenses before impairments and selling and distribution costs increased by 0.5%.

Investment income and finance costs

The Group's net finance cost (including IFRS 16 lease liabilities) increased by 0.9% from R164.6 million to R166.1 million.

Group net finance costs (excluding IFRS 16 lease liabilities), increased by 7.6% from R102.9 million to R110.7 million, mainly due to the full year inclusion of the increase in the Johannesburg interbank average lending rate (JIBAR) in the current year.

Finance charges incurred on lease liabilities (IFRS 16) decreased by 10.2% from R61.7 million to R55.4 million.

Taxation

The Group's effective tax rate of 107.7% (2021: 18.1%), is mainly a result of the impact of impairments on intangible assets. The effective tax rate excluding the effect of impairments is 25.2%.

The lower effective tax rate was due to the downward revaluation of the Group's deferred tax liabilities and deferred tax recognised in other comprehensive income. The substantively enacted corporate taxation rate of 27% is applicable for the years of assessment ending on any date on or after 31 March 2023.

Earnings and headline earnings

Total diluted earnings per share (EPS) decreased by 103.4% to a loss of 0.9 cps. This was due to the impairment of the above-mentioned intangible assets (2021: 26.5 cps).

As a result of the impairment of intangible assets with definite useful lives, the Group expects to record a lower annual amortisation charge of R6 million from 1 January 2023.

Total diluted HEPS decreased by 12.1% to 45.0 cps (2021: 51.2 cps).

Continuing operations

Normalised EPS, which excludes unrealised foreign currency movements and other non-recurring, non-trading and non-cash items, decreased by 68.2% from 59.1 cps to 18.8 cps. Normalised HEPS, which also excludes the aforementioned items, decreased by 11.8% from 74.0 cps to 65.3 cps.

The weighted average number of shares in issue remained unchanged at 595.8 million and the diluted weighted average number of shares decreased by 0.2% to 596.1 million.

> **Normalised HEPS, which excludes unrealised foreign currency movements and other non-recurring, non-trading and non-cash items, decreased by 11.8% from 74.0 cps to 65.3 cps.**

Cash flows and balance sheet

Cash generated from operating activities decreased by R304.0 million from R1 035.0 million to R731.0 million. This was mainly due to an increase in Group net working capital to 16.0% of Group revenue (2021: 15.4%) following an R185 million investment in inventory and lower trade and other payable days compared to the prior reporting period. The increase in inventory partly mitigated the risk of supply chain disruptions in the import- and export-facing divisions. Lower orders placed in the last quarter due to sufficient inventory carried forward from H1 2022 resulted in lower trade and other payables days. The Group net working capital target for 2023 is revised upwards to between 14.0% - 16.0% of revenue in response to the operating conditions in the short to medium term.

The Group continued to invest in capacity-enhancing projects in identified growth areas. Capital expenditure of R384 million (2021: R301 million) represents 3.3% of net revenue (2021: 2.8%). This is slightly above the Group's target range of 2.0% to 3.0%.

The Group's EBITDA to term debt gearing ratio increased to 1.6x (2021: 1.2x) normalised EBITDA, but remains within the stated target of 1x to 2x. This ratio was impacted by the investment in working capital of R277 million, and the inclusion of the additional debt of R120 million to fund the Cape Foods acquisition on 10 November 2022, approximately two months before the close of the year end.

Net interest cover to EBITDA remains strong at 7.7x from 8.9x in the prior year and compares favourably to the Group's minimum stated target of 3.5x.

The Group's capital expenditure included these significant projects:

- A R76 million investment to increase wrap manufacturing capacity at Amaro;
- A R37 million investment in machinery to increase capacity at Lancewood, including a Clean-In-Place yogurt line, Mozzarella downstream packaging line and a Cheddar manufacturing line;
- A R16 million facility upgrade of Finlar Fine Foods' value-added chicken facilities and a R10 million investment in a new crumbed product line;
- R14 million wet condiment capacity expansion at Montagu Foods;
- A R13 million investment in electricity generation to mitigate the impact of load shedding and to maintain customer service levels;
- A R12 million investment in a new pourable sauces line at Dickon Hall Foods; and
- A further R8 million investment in the hard cheese packing facility upgrades at Lancewood.

A reconciliation between Normalised EBITDA, Normalised earnings and Normalised headline earnings is provided below:

(R'000)	2022	Change	2021
Normalised EBITDA	**1 032 332**	**(4.1%)**	**1 077 014**
Less:			
Depreciation and Amortisation	**(342 251)**		(357 082)
Net finance cost	**(166 057)**		(164 568)
Impairments	**(292 188)**		(102 557)
Tax and normalisation adjustments	**(122 005)**		(103 968)
Plus: Non-controlling interest	**1 884**		3 540
Normalised earnings	**111 715**	**(68.3%)**	**352 379**
Gain/(Loss) on disposal of property, plant and equipment (after tax)	**845**		4 231
Impairment losses on goodwill and intangible assets (after tax)	**276 518**		84 119
Normalised headline earnings	**389 078**	**(11.7%)**	**440 729**

SALES CHANNEL AND SEGMENTAL ANALYSIS

Performance by sales channel

Libstar's diversification between sales channels continued to protect it in tough market conditions.

Group revenue performance by sales channel is summarised below:

Group	Year-on-year revenue growth/(decline)	Contribution to Group revenue	
	Financial year ended 31 December 2022	Financial year ended 31 December 2022	Financial year ended 31 December 2021
REVENUE BY CHANNEL			
Retail and wholesale	**+8.6%**	**57.4%**	58.6%
Food service	**+23.4%**	**19.6%**	17.6%
Exports	**(4.1%)**	**10.3%**	11.9%
Industrial and contract manufacturing	**+17.1%**	**12.7%**	11.9%
TOTAL GROUP REVENUE	**+10.7%**	**100.0%**	100.0%

During the year under review, retail and wholesale channel revenue increased by 8.6%, whilst sales volumes decreased by 1.2%. Price mix contributed 9.8%. This was mainly attributable to strong sales of hard cheese, yoghurt and processed cheese within the Perishables category.

Food service channel revenue increased by 23.4%, bolstered by the sale of beef and chicken products, as well as cheese and sauces in quick-service restaurants and hospitality venues. This increase was driven by an 8.1% increase in sales volumes and a 15.3% increase in price mix changes.

The retail and wholesale channel revenue contribution reduced slightly to 57.4% of Group revenue, whilst the food service channel revenue contribution increased to 19.6% of Group revenue. This is ahead of the channel's pre-COVID revenue contribution in 2019 of 18.3%.

Export revenue decreased by 4.1%. Sales volumes were down by 8.4%, impacted by shipping delays caused by the intermittent availability of stacking dates at local ports and weak demand for dry condiments (USA and Europe) and tea (Europe and Japan). The decline in sales volumes were mitigated by a 4.3% increase in price/mix.

Industrial and contract manufacturing channel revenue increased by 17.1%, with sales volumes up 13.0% and price/mix changes up 4.1%. This reflects continued increases in customer orders and new contract manufacturing arrangements within the wet condiment sub-category.

PERFORMANCE BY CATEGORY

The Group has reported on five product categories, namely Perishables, Groceries, Snacks & Confectionery, Baking & Baking Aids and HPC. The divisions and brands per category are outlined in the table below.

Food

PERISHABLES

LANCEWOOD® (Value-added dairy)
FINLAR FINE FOODS EST. 1994 (Meat products)
RIALTO (Value-added dairy and deli)
DENNY (Fresh Mushrooms)
Millennium Foods (Convenience)
Umatie (Baby food, ready made frozen meals)

GROCERIES

Cape Herb & Spice™ (Dry condiments)
CAPE FOODS
RIALTO (Groceries)
khoisan gourmet (Teas)
Cecil Vinegar Works
MONTAGU FOODS (Wet condiments)
DickonHallFoods

SNACKS & CONFECTIONERY

Ambassador Foods (Cereals, bars, nuts, seeds and fruit, spreads and confectionary)

BAKING & BAKING AIDS

AMARO FOODS, CANI (Baked goods)
RETAILER BRANDS (Baking aids)

Other

HOUSEHOLD & PERSONAL CARE

LIBSTAR Household & Personal Care

Category revenue is summarised below:

Revenue by category (R'000)	**Financial year ended 31 December 2022**	Change	Financial year ended 31 December 2021	Contribution to Group revenue: **Financial year ended 31 December 2022**	Contribution to Group revenue: Financial year ended 31 December 2021
Perishables	**5 957 683**	+14.4%	5 208 847	**50.6%**	49.0%
Groceries	**3 605 252**	+8.0%	3 337 461	**30.6%**	31.4%
Snacks & Confectionery	**565 254**	+4.7%	539 940	**4.8%**	5.1%
Baking & Baking Aids	**924 766**	+7.6%	859 626	**7.9%**	8.1%
Household & Personal Care	**718 650**	+5.0%	684 480	**6.1%**	6.4%
Total group revenue	**11 771 605**	**+10.7%**	**10 630 354**	**100.0%**	**100.0%**

Category Normalised EBITDA (before corporate costs) is summarised below:

Normalised EBITDA before corporate costs (R'000)	**Financial year ended 31 December 2022**	Change	Financial year ended 31 December 2021	Contribution to Group Normalised EBITDA: **Financial year ended 31 December 2022**	Contribution to Group Normalised EBITDA: Financial year ended 31 December 2021
Perishables	**498 842**	+8.5%	459 914	**43.8%**	39.0%
Groceries	**441 530**	(13.5%)	510 715	**38.7%**	43.2%
Snacks & Confectionery	**104 417**	(5.4%)	110 400	**9.2%**	9.4%
Baking & Baking Aids	**82 599**	(14.1%)	96 183	**7.2%**	8.2%
Household & Personal Care	**12 445**	+380.6%	2 588	**1.1%**	0.2%
Total	**1 139 833**	**(3.4%)**	**1 179 800**	**100.0%**	**100.0%**

PERISHABLES

50.6%
of Group revenue

43.8%
of Group Normalised EBITDA before corporate costs

Revenue from Perishables increased by 14.4%. 8.7% was due to positive price/mix changes. Volumes grew 5.7%, driven predominantly by strong volume sales of hard cheese (Lancewood) and value-added meat products in the food service channel (Finlar Fine Foods).

Retail and wholesale channel revenue within this category increased by 10.6%, which contributed 56.5% (2021: 58.5%) of category revenue.

The category gross profit margin decreased to 18.7% (2021: 19.1%). Although dairy margins were lower due to significant increases in raw material costs, margins within the category's value-added meat operations (Finlar Fine Foods) benefited from improved efficiencies and price realisation.

Normalised EBITDA increased by 8.5% at a margin of 8.4% (2021 margin: 8.8%).

GROCERIES

30.6%
of Group revenue

38.7%
of Group Normalised EBITDA before corporate costs

Revenue from Groceries increased by 8.0%. Category volume sales increased by 4.2% and price mix by 3.8%. The performance was driven by increased volumes of sauces, vinegars, and other condiments.

Retail and wholesale channel revenue within this category increased by 6.0%. The food service and industrial and contract manufacturing channels performed strongly with double-digit growth.

The export channel revenue declined by 10.3%, driven by shipment delays, weak demand for dry condiments (US and Europe) and tea (Europe and Japan), as well as the application of a dual supply strategy by international customers in response to continued supply chain disruption. The export-facing divisions experienced gross profit margin pressure due to significant increases in freight and raw material input cost, and the under-recovery of overhead costs as a result of lower sales volumes.

The category's gross profit margin declined to 23.4% (2021: 26.1%).

Groceries category normalised EBITDA decreased by 13.5% at a margin of 12.2% (2021: 15.3%) as the shipment delays and margin decline impacted the category's performance.

SNACKS & CONFECTIONERY

4.8%
of Group revenue

9.2%
of Group Normalised EBITDA before corporate costs

Negative price/mix effects of 1.3% reduced the 6.0% volume growth to a 4.7% growth in revenue. The retail channel performed strongly, enjoying increased demand for nuts and nut mixes, granolas and snack bars.

The category gross profit margin decreased to 30.5% (2021: 35.8%). This was due to changes in sales mix, as stretched consumers move towards value offerings within the category. Normalised EBITDA decreased by 5.4%, at a lower margin of 18.5% (2021: 20.4%).

As indicated at interim results time, the Pringles contract manufacturing arrangement was terminated with effect from September 2022.

BAKING & BAKING AIDS

7.9%
of Group revenue

7.2%
of Group Normalised EBITDA before corporate costs

Revenue from Baking & Baking Aids increased by 7.6%. This was supported by an 8.9% positive movement in price/mix. Volumes decreased by 1.3%, following lower demand for baking aids despite continued strong retail channel demand for rolls and artisanal breads.

The gross profit margin decreased to 25.2% (2021: 26.0%) due to input cost inflation (raw materials and packaging) and an adverse sales mix change towards lower-margin baking aids. The category performance was also impacted by competitor discounting of higher-margin baking aids and sustained margin pressure in branded baking aids products.

Despite strong growth in normalised EBITDA from the category's baking divisions, Amaro Foods and Cani, total category normalised EBITDA decreased by 14.1% at an EBITDA margin of 8.9% (2021: 11.2%), mainly as a result of the weaker performance of baking aids in the wholesale channel.

HOUSEHOLD & PERSONAL CARE

6.1%
of Group revenue

1.1%
of Group Normalised EBITDA before corporate costs

Revenue from this category increased by 5.0%, while volumes declined by 4.9%. This was mainly as a result of the discontinuation of unprofitable lines.

Gross profit margins improved from 10.5% to 11.3% as significant increases in raw material costs steel, foam and PVC were offset by a positive price/mix contribution of 9.9%.

Normalised EBITDA increased by 380.6% to R12.4 million at a margin of 1.7% (2021: 0.4%).

OUTLOOK

Elevated inflation and interest rates will further constrain consumer spending in the coming year. Libstar's category-led approach and diversified portfolio of own-branded, private label, dealer-own brand and principal branded products provides its trading partners with value-for-money offerings across various price points.

The Group subscribes to the principles of value-based management. As such, it will accelerate its growth efforts in the six largest operating divisions by economic profit ("The Top Six" comprising: Lancewood, Cape Herb & Spice, Finlar Fine Foods, Rialto, Amaro Foods and Ambassador Foods). Within these divisions, the Group will focus on delivering planned returns on recent capital projects and will place an increasing emphasis on export channel development. Within the remainder of the portfolio, the Group will actively pursue opportunities for the further integration of divisions and critical functions to gain greater scale and efficiency from existing operations. The Group remains committed to the repositioning of its portfolio towards value-added food categories in the forthcoming year, placing an increasing emphasis on delivering value from the HPC division and other lower economic profit operations.

Libstar will prioritise its capital allocation to value and efficiency-enhancing projects within The Top Six. This includes the commissioning of a new wrap line at Amaro Foods and the prioritisation of renewable energy and sustainable water supply solutions, to reduce the burden on Libstar's backup power generation plants and further lower its dependence on existing utility infrastructure. The Group's investment in capex projects over the last three years will support ROIC as production ramps up.

Gross profit margins are expected to remain under pressure in the first half of the financial year as manufacturing inflation remains elevated and the Group continues to incur additional operating costs directly and indirectly as a consequence of load-shedding. In these circumstances, margin management will be the Group's foremost financial priority.

Notwithstanding the clear headwinds facing the food producer industry, Libstar's multi-channel exposure provides a resilient platform for longer-term stakeholder value creation.

> **The Group remains committed to the repositioning of its portfolio towards value-added food categories.**

DECLARATION OF CASH DIVIDEND

The Board of Libstar has approved payment of the cash dividend of 22 cents per ordinary share (gross) in respect of the year ended 31 December 2022 (2021: 25 cents).

In accordance with paragraphs 11.17 (a) (i) to (ix) 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 22 cents per ordinary share for shareholders exempt from the Dividends Tax;
- The net local dividend amount is 17.6 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	Thursday, 16 March 2023
Last day to trade cum the dividend	Monday, 3 April 2023
Shares commence trading ex the dividend	Tuesday, 4 April 2023
Record date	Thursday, 6 April 2023
Payment in respect of the dividend	Tuesday, 11 April 2023

Share certificates may not be dematerialised or re-materialised between Tuesday, 4 April 2023 and Thursday, 6 April 2023, both days inclusive.

CHANGES TO THE BOARD

The Group's Chief Executive Officer (CEO), Andries van Rensburg, retired with effect from 31 December 2022.

Charl de Villiers, who served as Chief Financial Officer (CFO) has been appointed as CEO with effect from 1 January 2023.

Cornél Lodewyks, who will continue to serve as managing executive of Lancewood, was appointed as an executive director of Libstar with effect from 1 January 2023.

Terri Ladbrooke, who served as Interim CFO has been appointed as CFO and executive director of Libstar with effect from 15 March 2023.

Summarised consolidated financial statements

for the year ended 31 December 2022

SUMMARISED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2022

	Notes	2022 R'000	2021* R'000
Profit/(loss) for the year			
CONTINUING OPERATIONS			
Revenue		11 771 605	10 630 354
Cost of sales		(9 329 548)	(8 275 292)
Gross profit		2 442 057	2 355 062
Other income	6	83 185	20 272
(Losses)/gains on foreign exchange and disposal of property, plant and equipment	7.1	(13 460)	25 910
Operating expenses	7.2	(2 274 687)	(1 964 252)
Operating profit		237 095	436 992
Investment income		9 767	26 410
Finance costs		(175 824)	(190 978)
Profit before tax		71 038	272 424
Income tax expense		(76 477)	(49 231)
(Loss)/profit for the year from continuing operations		(5 439)	223 193
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	8.1	(1 613)	(68 788)
Total (loss)/profit for the year		(7 052)	154 405
Other comprehensive income/(loss) for the year, net of tax		21 435	(26 974)
Items that may be reclassified to profit or loss			
Gains/(losses) on hedging reserves		1 856	(16 755)
Hedging losses/(gains) reclassified to profit or loss		18 933	(10 241)
Foreign currency translation reserve adjustments		435	–
Items that will never be reclassified to profit or loss			
Defined benefit plan actuarial gains		211	22
Total comprehensive income for the year		14 383	127 431
(Loss)/profit attributable to:			
Equity holders of the parent		(5 168)	157 945
Non-controlling interest		(1 884)	(3 540)
		(7 052)	154 405
Total comprehensive income/(loss) attributable to:			
Equity holders of the parent		16 267	130 971
Non-controlling interest		(1 884)	(3 540)
		14 383	127 431
Total comprehensive income/(loss) attributable to equity holders of the parent arises from:			
Continuing operations		17 880	199 759
Discontinued operations		(1 613)	(68 788)
		16 267	130 971
Basic (loss)/earnings per share (cents)	9.1	(0.90)	26.5
From continuing operations	9.1	(0.60)	38.0
From discontinued operations	9.1	(0.30)	(11.5)
Diluted (loss)/earnings per share (cents)	9.2	(0.90)	26.5
From continuing operations	9.2	(0.60)	38.0
From discontinued operations	9.2	(0.30)	(11.5)

* The comparative year profit or loss is restated to present Glenmor as a discontinued operation from the start of the prior year, and to present Chet Chemicals and Contactim as continued operations from the start of the prior year. Chet Chemicals and Contactim were presented as discontinued operations in the prior year summarised consolidated annual financial statements. Refer to note 8.1 for further information.

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2022

	Notes	2022 R'000	2021* R'000
ASSETS			
Non-current assets		5 882 970	5 891 291
Property, plant and equipment	10	1 738 924	1 456 947
Right-of-use assets	11	521 469	504 352
Goodwill		2 096 842	2 275 328
Intangible assets		1 513 831	1 644 890
Other financial assets		4 971	8 200
Deferred tax assets		6 933	1 574
Current assets		4 038 895	3 687 791
Inventories		1 671 138	1 407 955
Trade and other receivables		1 877 464	1 609 923
Biological assets		26 742	33 214
Other financial assets		5 738	3 996
Current tax receivable		8 597	40 101
Cash and bank balances		449 216	592 602
Assets classified as held for sale	8.3	–	408 397
Total assets		9 921 865	9 987 479
EQUITY AND LIABILITIES			
Capital and reserves attributable to equity holders of the parent		5 203 064	5 337 756
Share capital		4 727 314	4 727 314
Defined benefit plan reserve		(690)	(901)
Share-based payment reserve		3 328	6 554
Retained earnings		543 811	696 712
Premium on acquisition of non-controlling interests		(75 168)	(75 168)
Foreign currency translation reserve		435	–
Hedging reserves		4 034	(16 755)
Non-controlling interests		(695)	6 171
Total equity		5 202 369	5 343 927
Non-current liabilities		2 625 193	2 707 329
Other financial liabilities		1 508 651	1 579 495
Lease liabilities	11	580 411	566 474
Deferred tax liabilities		516 499	536 923
Employee benefits		8 618	8 650
Share-based payments		11 014	15 787
Current liabilities		2 094 303	1 711 943
Trade and other payables		1 681 067	1 476 696
Other financial liabilities		98 397	140 652
Lease liabilities	11	114 260	93 302
Current tax payable		534	1 293
Bank overdraft		200 045	–
Liabilities directly associated with assets classified as held for sale	8.3	–	224 280
Total liabilities		4 719 496	4 643 552
Total equity and liabilities		9 921 865	9 987 479

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2022

	Share capital R'000	Defined benefit plan reserve[1] R'000	Share-based payment reserve[2] R'000	Premium on acquisition of non-controlling interests[3] R'000	Retained earnings R'000	Hedging reserves[4] R'000	Foreign currency translation reserve R'000	Non-controlling interests R'000	Total R'000
Balance at 1 January 2021	**4 727 314**	**(923)**	**7 798**	**(75 168)**	**688 373**	**10 241**	**–**	**9 711**	**5 367 346**
Total comprehensive income/(loss) for the year	**–**	**22**	**–**	**–**	**157 945**	**(26 996)**	**–**	**(3 540)**	**127 431**
Profit/(loss) for the year	–	–	–	–	157 945	–	–	(3 540)	154 405
Other comprehensive income/(loss) for the year	–	22	–	–	–	(26 996)	–	–	(26 974)
Transactions with owners of the Company									
Contributions and distributions	**–**	**–**	**–**	**–**	**(149 606)**	**–**	**–**	**–**	**(149 606)**
Dividends paid	–	–	–	–	(149 606)	–	–	–	(149 606)
Share-based payment expenses	**–**	**–**	**(1 244)**	**–**	**–**	**–**	**–**	**–**	**(1 244)**
Group share plan expenses	–	–	668	–	–	–	–	–	668
Payment	–	–	(1 912)	–	–	–	–	–	(1 912)
Balance at 31 December 2021	**4 727 314**	**(901)**	**6 554**	**(75 168)**	**696 712**	**(16 755)**	**–**	**6 171**	**5 343 927**
Total comprehensive income for the year	**–**	**211**	**–**	**–**	**(5 168)**	**20 789**	**435**	**(1 884)**	**14 383**
Loss for the year	–	–	–	–	(5 168)	–	–	(1 884)	(7 052)
Other comprehensive income for the year	–	211	–	–	–	20 789	435	–	21 435
Transactions with owners of the Company									
Non-controlling interests on acquisition of subsidiary	–	–	–	–	–	–	–	66	66
Non-controlling interests on disposal of subsidiary	–	–	–	–	–	–	–	(5 048)	(5 048)
Contributions and distributions	–	–	–	–	(149 606)	–	–	–	(149 606)
Dividends paid	–	–	–	–	(149 606)	–	–	–	(149 606)
Share-based payment expenses	–	–	(3 226)	–	1 873	–	–	–	(1 353)
Group share plan expenses	–	–	628	–	–	–	–	–	628
Payment	–	–	(1 981)	–	–	–	–	–	(1 981)
2019 Group share plan awards forfeited	–	–	(1 873)	–	1 873	–	–	–	–
Balance at 31 December 2022	**4 727 314**	**(690)**	**3 328**	**(75 168)**	**543 811**	**4 034**	**435**	**(695)**	**5 202 369**
Note								8.2	

1 Defined benefit plan reserve comprises actuarial gains or losses in respect of defined benefit obligations that are recognised in other comprehensive income.

2 Share-based payment reserve represents the grant date fair value of the Group's equity settled share-based payments (GSP) over the vesting period of GSP.

3 Premium on non-controlling interest represents the difference between the carrying amount of the non-controlling interests and the fair value of the consideration given on acquisition of non-controlling interests.

4 Hedging reserves represents the gains relating to foreign currency transactions recognised in other comprehensive income.

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2022

	Notes	2022 R'000	2021 R'000
Net cash flow from operating activities		**528 724**	**786 055**
Cash generated from operations	13	**731 027**	1 035 040
Finance income received		**9 771**	26 245
Finance costs paid		**(120 435)**	(128 732)
Tax paid		**(91 639)**	(146 498)
Net cash flow from investment activities		**(387 772)**	**(219 106)**
Purchase of property, plant and equipment and computer software		**(298 841)**	(226 403)
Proceeds on disposal of property, plant and equipment and computer software		**12 204**	933
Other loans repaid to the Group		**–**	6 364
Proceeds on sale of Glenmor, net of cash disposed	8.2	**963**	–
Acquisition of subsidiaries, net of cash acquired		**(102 098)**	–
Net cash flow from financing activities		**484 383**	**(910 375)**
Repayment of loans from related parties		**–**	(2 118)
Capital portion of lease payments	11	**(156 237)**	(155 990)
Repayment of term loans and asset based financing		**(178 540)**	(602 661)
Dividend paid		**(149 606)**	(149 606)
Net decrease in cash and cash equivalents		**(343 431)**	(343 426)
Cash and cash equivalents at the beginning of the year		**592 602**	936 028
Cash and cash equivalents at the end of the year		**249 171**	**592 602**
Cash flows of discontinued operation	8.2	**(1 960)**	**(1 436)**

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

SUMMARISED CONSOLIDATED SEGMENTAL INFORMATION

for the year ended 31 December 2022

Basis of segmentation

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

The following summary describes each segment:

Perishables

Perishable products are products that are refrigerated or frozen.

Groceries

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

Snacks and Confectionery

Premium snacks and confectionery products.

Baking and Baking Aids

Baked goods, specialised gluten free offerings and baking aids.

Household and Personal Care

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

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

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

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

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

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

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

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

	2022 R'000	2021 R'000
Corporate		
Operating loss	**(118 565)**	(132 307)
Amortisation of customer relationships	**393**	–
Due diligence costs	**1 398**	–
Expenses relating to share-based payments	**2 080**	4 569
Government grants	**–**	(145)
Loss on disposal of property, plant and equipment	**14**	28
Retrenchment and settlement costs	**2 567**	8 648
Strategic advisory fees	**500**	10 250
Unrealised gain on foreign exchange	**112**	–
Normalised EBIT	**(111 501)**	**(108 957)**
Amortisation of software and website costs	**72**	2 101
Depreciation of property, plant and equipment and right-of-use assets	**3 928**	4 070
Normalised EBITDA (including effect of IFRS 16)	**(107 501)**	**(102 786)**
Less: lease payments and lease modifications	**(2 823)**	(3 190)
Normalised EBITDA (excluding effect of IFRS 16)	**(110 324)**	**(105 976)**
Export revenue		
The Group mainly operates in South Africa. Revenue derived from customers domiciled within South Africa is classified as revenue from South Africa. Revenue from customers domiciled outside of South Africa is classified as export revenue.		
Export revenue for the year	**1 208 073**	1 259 732
Major customers		
During the period under review, revenue from certain customers exceeded 10% of total revenue.		
Customer A	**20%**	21%
Customer B	**17%**	16%
Customer C	**10%**	9%

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

Revenue by channel

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

Contribution to Group revenue

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

Revenue by channel per segment

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

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

1 Reporting entity

Libstar is a leading producer and supplier of high-quality products in the consumer packaged goods (CPG) industry and sells a wide range of products in South Africa and globally. The Group provides a multi-product offering in multiple categories across multiple channels, while strategically positioning itself within the food and beverage sector.

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

2 Basis of preparation and report of the independent auditor

The summarised consolidated financial statements of the Group for the year ended 31 December 2022 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 Terri Lee Ladbrooke CA(SA), the Libstar Interim Group Chief Financial Officer. The results were approved by the board of directors on 14 March 2023 and the directors take full responsibility for the preparation thereof.

The consolidated annual financial statements, from which these summarised consolidated financial statements were extracted, 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 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.

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 summarised 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 summarised 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 consolidated annual financial statements.

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

5 Normalised EBIT and Normalised EBITDA continued

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

Normalised EPS and Normalised HEPS

To arrive at normalised EPS, the after-tax earnings (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

	2022 R'000	2021 R'000
Insurance proceeds	**37 158**	11 003
Sundry income[1]	**43 348**	6 347
Government grants[2]	**1 929**	2 086
Other income	**750**	836
	83 185	**20 272**

1 The current year's sundry income includes lease modifications of R25.6m.
2 Income from government grants includes income received under the Manufacturing Competitiveness Enhancement Program, the Skills Development Program and the Employer Tax Incentive program.

7 Operating profit

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

	2022 R'000	2021 R'000
7.1 (Losses)/gains on foreign exchange and disposal of property, plant and equipment		
(Loss)/gain on foreign exchange	**(12 287)**	31 786
Realised gain on foreign exchange	**977**	11 350
Unrealised (loss)/gain on foreign exchange	**(13 264)**	20 436
Loss on disposal of property, plant and equipment	**(1 173)**	(5 876)
	(13 460)	**25 910**

7 Operating profit continued

	Notes	2022 R'000	2021 R'000
7.2 Operating expenses			
Depreciation of property, plant and equipment		**63 202**	67 589
Depreciation of right-of-use assets		**56 327**	66 537
Amortisation of computer software and website costs		**8 511**	13 425
Amortisation of customer relationships		**133 201**	137 087
Employee benefits		**562 359**	610 103
Salaries and wages		**549 073**	568 171
Retrenchment and settlement costs		**13 286**	41 932
Strategic advisory fees		**889**	10 786
Due diligence costs		**1 398**	–
Impairment loss on goodwill	15 & 8.3	**236 224**	36 706
Impairment loss on intangible assets	15 & 8.3	**55 964**	65 851
Impairment loss on property, plant and equipment		**3 837**	–
Charges relating to long-term incentive scheme (LTIP scheme)		**1 271**	4 384
Charges relating to share-based payments (GSP)		**809**	184
Research and development costs expensed as incurred		**535**	443
Auditor's remuneration		**8 192**	8 707
7.3 Nature of operating expenses in cost of sales			
Depreciation of property, plant and equipment		**155 365**	151 358
Depreciation of right-of-use assets		**58 846**	58 174
Biological assets write-off due to fire		**8 795**	–
Inventory write-off due to fire		**2 550**	–
Employee benefits		**830 796**	758 750
Salaries and wages		**810 260**	757 575
Retrenchment and settlement costs		**20 536**	1 175
Lease rentals		**32 236**	23 573

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

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

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

Consequently, Chet Chemicals and Contactim are presented as continuing operations in the current year and the comparatives presented have been restated to include Chet Chemicals and Contactim as continuing operations in the prior year. Refer to note 8.3 for the prior year financial information related to the held for sale disposal group of Chet Chemicals and Contactim.

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

8.2 Discontinued operations' financial information – Glenmor

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

Financial performance and cash flow information of Glenmor

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

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

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

8.2 Discontinued operations' financial information - Glenmor (continued)

Impairment losses in respect of Glenmor

2021 Impairment

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

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

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

No further impairment losses were recognised in the current year.

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

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

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

8.3 2021 held for sale disposal group financial information – Chet Chemicals and Contactim

2021 Impairment

Chet Chemicals and Contactim are no longer presented as held for sale as at 31 December 2022 for the reasons disclosed in Note 8.1 above. However, during the prior year it was estimated that there was no value remaining in the brands and customer relationships of the HPC segment based on the consolidated value in use. Impairment losses of R103m were recognised in respect of goodwill, brands and customer relationships of Chet Chemicals and Contactim on 31 December 2021 when the divisions were classified as held for sale. Other asset classes within Chet Chemicals and Contactim were not impacted.

Details of the prior year impairments are as follows:

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

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

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

8.3 2021 held for sale disposal group financial information – Chet Chemicals and Contactim (continued)

2021 Impairment

Chet Chemicals and Contactim are no longer presented as held for sale as at 31 December 2022 for the reasons disclosed in Note 8.1 above. However, during the prior year it was estimated that there was no value remaining in the brands and customer relationships of the HPC segment based on the consolidated value in use. Impairment losses of R103m were recognised in respect of goodwill, brands and customer relationships of Chet Chemicals and Contactim on 31 December 2021 when the divisions were classified as held for sale. Other asset classes within Chet Chemicals and Contactim were not impacted.

Details of the prior year impairments are as follows:

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

9 Earnings per share

	Note	2022 R'000	2021 R'000
9.1 Basic earnings per share			
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:			
Earnings used in the calculation of basic earnings per share		**(5 168)**	157 945
From continuing operations (excluding the non-controlling interest)		**(3 555)**	226 733
From discontinued operations (excluding the non-controlling interest)	8.2	**(1 613)**	(68 788)
Weighted average number of ordinary shares for the purposes of basic earnings per share ('000)		**595 812**	595 812
Basic earnings per share in cents			
From continuing operations		**(0.6)**	38.0
From discontinued operations		**(0.3)**	(11.5)
From continuing and discontinued operations		**(0.9)**	26.5
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.			
The weighted average number of ordinary shares used in the calculation of diluted earnings per share are as follows:			
Weighted average number of ordinary shares for the purposes of diluted earnings per share ('000)		**596 147**	597 430
Diluted earnings per share in cents			
From continuing operations		**(0.6)**	38.0
From discontinued operations		**(0.3)**	(11.5)
From continuing and discontinued operations		**(0.9)**	26.5
Reconciliation of weighted average number of shares used as the denominator:			
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share ('000)		**595 812**	595 812
Adjustments for calculation of diluted earnings per share:			
Deferred Shares – GSP[1]		**335**	1 618
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share ('000)		**596 147**	597 430

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

9 Earnings per share continued

9.3 Normalised earnings per share (EPS)

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

9.4 Headline earnings per share

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

		2022		2021	
Continuing operations	Notes	Gross	Net of tax	Gross	Net of tax
Basic earnings from continuing operations			**(3 555)**		226 733
Adjustments		**293 361**	**277 363**	108 433	88 349
Impairment of goodwill	15 & 8.3	**236 224**	**236 224**	36 706	36 706
Impairment of intangible assets	15 & 8.3	**55 964**	**40 294**	65 851	47 413
Impairment of property, plant and equipment		**3 837**	**2 763**	–	–
Compensation from third parties for items of property, plant and equipment and intangibles that were lost or given up		**(3 837)**	**(2 763)**	–	–
Loss on disposal of property, plant and equipment		**1 173**	**845**	5 876	4 231
Headline earnings from continuing operations			**273 808**		**315 082**

9 Earnings per share continued

9.4 Headline earnings per share (continued)

		2022		2021	
Discontinued operations	Note	Gross	Net of tax	Gross	Net of tax
Basic earnings from discontinued operations			**(1 613)**		(68 788)
Adjustments		**(3 598)**	**(3 598)**	73 258	59 790
Impairment of goodwill		**–**	**–**	25 158	25 158
Impairment of intangible assets		**–**	**–**	48 095	34 628
Loss on disposal of property, plant and equipment		**–**	**–**	5	4
Gain on sale of Glenmor	8.2	**(3 598)**	**(3 598)**	–	–
Headline earnings from discontinued operations			**(5 211)**		**(8 998)**

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

9 Earnings per share continued

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:

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

10 Property, plant and equipment

During the reporting period, the Group continued to invest in capacity-enhancing projects in identified growth areas. Capital expenditure of R384m was incurred during the reporting period (2021: R301m), representing 3.3% of net revenue (2021: 2.8%). This is slightly above the Group's target range of 2.0% to 3.0%.

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 from what was disclosed in the audited consolidated annual financial statements for the year ended 31 December 2021.

11 Leases

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

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

	Notes	2022 R'000	2021 R'000
Right-of-use assets			
Non-current assets		**521 469**	504 352
Lease Liabilities			
Non-current liabilities		**(580 411)**	(566 474)
Current liabilities		**(114 260)**	(93 302)
Right-of-use assets[1]			
Right-of-use assets at 1 January		**504 352**	649 533
Lease modifications[2]		**(5 533)**	21 353
Additions		**43 332**	29 096
Acquisition through business combination		**27 524**	–
Derecognitions		**–**	(514)
Transfer from disposal group held for sale		**69 074**	–
Reclassified as held for sale	8.2 & 8.3	**(1 442)**	(69 074)
Depreciation charge from continuing operations		**(115 173)**	(124 711)
Depreciation charge from discontinued operations		**(665)**	(1 331)
Right-of-use assets at 31 December		**521 469**	**504 352**
Lease Liabilities			
Lease liabilities recognised as at 1 January		**(659 776)**	(782 968)
Lease modifications[2]		**31 098**	(21 049)
Additions		**(43 179)**	(28 255)
Acquisition through business combination		**(46 980)**	–
Transfer from disposal group held for sale		**(78 679)**	–
Reclassified as held for sale	8.2 & 8.3	**2 114**	78 679
Finance costs from continuing operations		**(55 389)**	(55 360)
Finance costs from discontinued operations		**(117)**	(6 813)
Lease payments		**156 237**	155 990
Balance at 31 December		**(694 671)**	**(659 776)**

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

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

11 Leases continued

	2022 R'000	2021 R'000
Amounts recognised in the consolidated statement of profit or loss and other comprehensive income		
The statement of profit or loss shows the following amounts relating to leases:		
Depreciation of right-of-use assets from continuing operations	**(115 173)**	(124 711)
Depreciation of right-of-use assets from discontinued operations	**(665)**	(1 331)
Finance costs in respect of lease liabilities from continuing operations	**(55 389)**	(61 831)
Finance costs in respect of lease liabilities from discontinued operations	**(117)**	(342)
Short-term lease charges*	**(56 972)**	(44 128)

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

The total cash outflow for leases in the current year was R156.2m (2021: R156.0m). 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

	Notes	2022 R'000	2021 R'000
Profit before tax from:		**69 582**	189 080
From continuing operations		**71 038**	272 424
From discontinued operations		**(1 456)**	(83 344)
Adjustments for:		**938 229**	839 267
Depreciation and amortisation		**476 304**	497 091
Loss on disposal of property, plant and equipment		**1 173**	5 881
Scrapping loss on property, plant and equipment		**261**	–
Write-off of assets destroyed by fire		**11 345**	–
Impairment loss on goodwill	15 & 8.3	**236 224**	36 706
Impairment loss on intangible assets	15 & 8.3	**55 964**	65 851
Impairment loss on property, plant and equipment		**3 837**	–
Impairment loss on discontinued operations	8.2	**–**	73 253
Expected credit loss allowance movement on trade and other receivables		**4 203**	(1 956)
Expected credit loss allowance movement on other financial assets		**4 100**	–
Non-cash lease modifications, additions and terminations		**(25 718)**	(903)
Gain on sale of Glenmor	8.2	**(3 598)**	–
Investment income		**(9 771)**	(26 245)
Finance costs		**176 313**	191 968
Fair value adjustment on forward exchange contracts		**(4 070)**	(2 784)
Unrealised loss on foreign exchange		**17 334**	–
Movements in employee benefits – medical aid plan		**273**	281
Employee benefits contributions paid		**(640)**	(633)
Other non-cash movements in employee benefits		**913**	914
Movements in share-based payments		**(5 945)**	124
Share-based payments		**(8 025)**	(4 444)
Other non-cash movements in share-based payments		**2 080**	4 568
Changes in working capital:		**(276 784)**	6 693
Increase in inventories*		**(185 234)**	(170 943)
(Increase)/decrease in trade and other receivables*		**(167 422)**	39 293
Increase in biological assets**		**(2 323)**	(1 920)
Increase in trade and other payables*		**78 195**	140 263
		731 027	1 035 040

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

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

Refer to Note 8.2 for the current year net assets held for sale and sold and to Note 8.3 for the prior year net assets held for sale and transferred from net assets held for sale in the current year.

14 Subsequent Events

Dividend declared

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

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

15 Goodwill impairment

2022 Impairment

Following an annual impairment assessment, the Group recognised impairments of intangible assets attributable to four divisions in the total amount of R292m (R277m net of tax).

These impairments were driven by:

- the loss of production volume stemming from the fire that destroyed the Denny Mushrooms' Shongweni facility on 9 September 2022, resulting in a R98m impairment of the Denny Mushrooms cash-generating unit (CGU),
- a review of the sustainable trading forecast of the HPC division, resulting in an impairment of R27m (R20m net of tax) of the HPC CGU;
- the discontinuation of certain lemon juice and flammables product lines, sustained pressure on margins and increased operational challenges at Cecil Vinegar, resulting in a R76m (R70m net of tax) impairment of the Cecil Vinegar CGU;
- sustained margin pressure at Retailer Brands arising from weak demand for higher margin baking products, resulting in a R90m (R89m net of tax) impairment of the Retailer Brands CGU;
- and the impact of rising interest rates on segmental business plans and discount rates.

2021 Impairment

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

- The prior year impairments of R103m (R84m net of tax) on Goodwill and Intangibles were recognised within the disposal group of Chet Chemicals and Contactim classified as held for sale as at 31 December 2021. Refer to Note 8.3 for further details related to the impairments from continued operations related to the disposal group classified as held for sale.
- The prior year impairments of R73m (R60m net of tax) on intangibles which were included in operating expenditure in the consolidated statement of profit or loss and other comprehensive income was reclassified in the current year as impairments from discontinued operations. Refer to Note 8.2 for impairment losses related to Glenmor.

16 Contingent asset – Denny Mushrooms fire

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

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

CORPORATE INFORMATION

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Sandeep Khanna
(independent non-executive director)

Sibongile Masinga
(independent non-executive director)

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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.

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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