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Contents

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Libstar Holdings Limited and its subsidiaries

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the annual financial statements of Libstar Holdings Limited and its subsidiaries ("the Group") set out on pages 7 to 49, which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Libstar Holdings Limited and its subsidiaries as at 31 December 2018, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of annual financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Annual impairment of goodwill–Refer to Note 11 Goodwill and brands with an indefinite useful life comprise 25,7% of the total assets of the Group in the consolidated balance sheet. As required by IAS 36–Impairment of Assets, the directors conduct annual impairment assessments to test the recoverability of carrying amounts of goodwill and brands, which are allocated to cash-generating units for the purpose of assessing impairment. Impairment assessments of goodwill and brands are performed using a discounted cash flow model. As disclosed in Note 11, there are a number of key judgements made in determining the inputs into the discounted cash flow model which include: Revenue growth (including forecast profits of the cash-generating units and forecast sales on branded products); ▪ Forecast profit and profit growth; ▪ Perpetuity growth rates; and ▪ The discount rates applied to the projected future cash flows. Given the significance of the goodwill and brands to the consolidated financial statements and of the judgements involved in assessing any potential impairment, the impairment assessment of goodwill and brands was considered to be a key audit matter.	We focused our testing of the directors' annual assessment of the impairment of goodwill and brands on the model used and the key assumptions applied. Our audit procedures included: ▪ Critically evaluating whether the discounted cash flow model used by the directors to calculate the value in use of the individual cash-generating units complies with the requirements of IAS 36. ▪ Challenging the assumptions used by the directors in the calculations for each cash generating unit by: – involving our internal valuation specialists, as part of our audit team, to evaluate and re-calculate the discount rates and evaluate the perpetuity growth rates in relation to external market data, and – assessing the reasonableness of assumptions relating to revenue growth and profit growth in relation to our knowledge of the Group and the industries in which it operates, and through performing the procedures on the projected cash flows as described below. ▪ Analysing the future projected cash flows for the individual cash-generating units to determine whether they are reasonable and supportable given the current macro-economic climate and expected future performance of each cash generating unit. ▪ Comparing the projected cash flows, including the assumptions relating to revenue growth rates, profit growth and perpetuity growth rates, against historical performance to test the accuracy of the directors' projections. ▪ Subjecting the key assumptions to sensitivity analyses. ▪ Evaluating the adequacy of the financial statement disclosures, including the disclosure of key assumptions made by the directors.

Other information

The directors are responsible for the other information. The other information comprises the directors' report and the audit committee's report as required by the Companies Act of South Africa, which we obtained prior to the date of this report and supplementary information set out on pages 4 to 6. Other information does not include the consolidated financial statements and our auditor's report thereon, and it is presented as additional information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Consolidated Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Moore Stephens Cape Town Inc. has been the auditor of Libstar Holdings Limited and its subsidiaries for 5 years.

Moore Stephens Cape Town Inc.

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

Per: Alan Billson
Director

12 March 2019

2nd Floor Block 2
Northgate Park
Paarden Eiland
7406

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DIRECTORS' RESPONSIBILITY

for the year ended 31 December 2018

In accordance with the requirements of the Companies Act, No 71 of 2008, as amended from time to time, the board of directors ("the Board") is responsible for the preparation of the consolidated annual financial statements which conform with International Financial Reporting Standards (IFRS) and which fairly present the state of affairs of Libstar Holdings Limited and its subsidiaries as at 31 December 2018 and the results of its operations and cash flows for the year then ended. The directors are also responsible for the other information included in the annual report and for both its accuracy and its consistency with the financial statements.

It is the responsibility of the independent external auditors to report on the fair presentation of the financial statements.

The Board is ultimately responsible for the internal controls. Management enables the Board to meet their responsibilities in this regard. Standards and systems of internal control are designed and implemented by management to provide reasonable assurance as to the integrity and reliability of financial records and of the financial statements and to adequately safeguard, verify and maintain accountability for the Group's assets. Appropriate accounting policies, supported by reasonable and prudent judgements and estimates are applied on a consistent and going concern basis. Systems and controls include the proper delegation of responsibilities, effective accounting procedures and adequate segregation of duties.

Based on the information and explanations given by management, the Board is of the opinion that the accounting controls are adequate and that the financial records may be relied upon for preparing the financial statements and maintaining accountability for the Group's assets and liabilities. Nothing has come to the attention of the Board to indicate that any breakdowns in the functioning of these controls, resulting in material loss to the Group, have occurred during the year and up to the date of this report. The Board has a reasonable expectation that the Group and its subsidiaries have adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis in preparing the financial statements.

The annual financial statements which appear on pages 7 to 49 were approved by the board of directors on 12 March 2019 and are signed on behalf of the board by:

AV van Rensburg
DIRECTOR

RW Smith
DIRECTOR

DIRECTORS' REPORT

for the year ended 31 December 2018

1. REVIEW OF ACTIVITIES

The Group is engaged in the manufacture, import and supply of various food and beverage products as well as household and personal care products to the retail and food services trade and operates principally in South Africa.

The operating results and state of affairs of the Group are fully set out in the attached consolidated financial statements and do not in our opinion require any further comment.

The following significant events took place during the year:

- During early 2018, the group lead an Initial Public Offering (IPO) followed by a listing on the Johannesburg Stock Exchange.
- The Group acquired a further 26.32% interest in Palpable Way Trade and Invest Proprietary Limited effective 31 August 2018.
- The Group acquired the Whey and Cheese production business conducted under the name and style of Langeberg Cheese effective 31 August 2018 for a purchase consideration of R19,000,000.

2. EVENTS AFTER THE REPORTING PERIOD

Refer to note 6 for the cash dividend declared.

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

3. AUTHORISED AND ISSUED SHARE CAPITAL

During the year, the company subdivided its shares in preparation for the initial purchase offer and subsequent listing. An additional 193,049,783 shares were issued of which 73,049,783 were treasury shares. Refer to note 19.

4. NON-CURRENT ASSETS

There were no major changes in the nature of the non-current assets of the Group during the year under review except as reflected in notes 10, 11 and 12 to the consolidated financial statements.

5. BORROWINGS

During the year under review, the company renegotiated its group facilities with its joint lenders. These agreements allow for bullet term facilities with four and five year terms of R670m and R1bn, general working capital facilities amounting to R500m, asset based funding facilities of R500m, and headroom facilities of R480m for future expansion. No other material new borrowings were obtained by the Group. Other changes in borrowings mainly reflect repayments made in terms of agreements. For further detail of the borrowings obtained, refer to note 23 of the consolidated annual financial statements.

6. DIVIDENDS

The board has approved and declared a final cash dividend of 22 cents per ordinary share in respect of the year ended 31 December 2018. The dividend is payable on 8 April 2019 to shareholders recorded as such in the share register of the Company on 5 April 2019 (the record date). The last date of trading cum dividend will be 2 April 2019.

7. DIRECTORS

The directors of the holding company, Libstar Holdings Limited, are responsible for the activities and reports related to the Group. Full details of the directors appear in the integrated report.

8. SECRETARY

The secretary of the company is S Pather, assisted by Cal Consulting CC.

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9. GOING CONCERN

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

10. AUDITORS

Moore Stephens Cape Town Inc. continued in office as auditors for the company for the 2018 financial year.

The board will be requested to reappoint Moore Stephens Cape Town Inc. as the independent external auditors of the company and to reappoint Mr Alan Billson as the designated lead audit partner for the 2019 financial year.

11. PREPARATION OF FINANCIAL STATEMENTS

These annual financial statements have been audited in terms of the Companies Act, No 71 of 2008. These annual financial statements have been prepared by P Makate CA(SA) under the supervision of CB de Villiers CA(SA) and R Smith CA(SA) .

REPORT OF THE AUDIT COMMITTEE

for the year ended 31 December 2018

The audit committee ("the committee") is pleased to present its report in terms of section 94(7)(f) of the Companies Act, No 71 of 2008, as amended from time to time ("the Companies Act"). This report sets out how the committee discharged its statutory and Board assigned duties in respect of the financial year ended 31 December 2018.

The committee's role and responsibilities are governed by a Board approved charter which is reviewed annually in order to ensure that the content remains relevant, complete and compliant with the applicable legislative requirements. The committee's charter complies with the Companies Act, King IV and the JSE Listings Requirements.

MEMBERS OF THE AUDIT COMMITTEE

The committee has three members, all of which are independent, non-executive directors. The audit committee is chaired by an independent non-executive director. Each of the committee members is required to act objectively and independently.

MEETING ATTENDANCE

Prior to listing, and to align with best practice and King IV compliance, the audit committee was restructured to comprise three non-executive directors, two of which are independent non-executive directors.

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

Name of Committee Member	08 March 2018	27 March 2018	14 August 2018	27 November 2018	04 December 2018
P Langeni – Resigned 31 December 2018	Present	Present	Present	Present	Present
JP Landman	Present	Present	Apologies	Present	Present
S Khanna – Appointed 9 May 2018	N/a	N/a	Present	Present	Present
S Masinga – Appointed 14 December 2018	N/a	N/a	N/a	N/a	Invitee
A Patel – Resigned 12 April 2018	Present	N/a	N/a	N/a	N/a
R Nosi – Resigned 12 April 2018	Present	N/a	N/a	N/a	N/a

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

ROLES AND RESPONSIBILITIES

The committee has discharged the functions in terms of its charter and ascribed to it in terms of the Companies Act as follows:

- Reviewed the interim results, year-end financial statements and integrated annual report culminating in a recommendation to the Board to adopt them. In the course of its review, the committee:
  - has taken appropriate steps to ensure that the financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act of South Africa;
  - considered and, when appropriate, made recommendations on internal financial controls;
  - dealt with concerns or complaints relating to accounting policies, internal audit, the auditing or content of annual financial statements and internal financial controls.
- Reviewed the external audit reports on the annual financial statements;
- Confirmed the internal audit plan;
- Reviewed the internal audit findings, and where relevant, made recommendations to the Board;
- Evaluated the effectiveness of risk management, controls and the governance processes;
- Verified the independence of the external auditors and nominated Moore Stephens Cape Town Inc. as the auditors for the 2018 financial year;
- Approved the audit fees and engagement terms of the external auditors; and
- Determined the nature and extent of allowable non-audit services and approved the contract terms for the provision of non-audit services by the external auditors.

The committee reviewed the representation made by the external auditors and satisfied itself that the external auditor is independent of the Group, as set out in section 94(8) of the Companies Act, and suitable for re-appointment by considering, inter alia, the information stated in paragraph 22.15(h) of the JSE Limited Listings Requirements.

The committee received and considered the JSE's report on the pro-active monitoring of financial statements in 2018 for compliance with IFRS. These proposals were implemented where appropriate and practical. The requisite confirmation was sent to the JSE.

In addition, in fulfilling its key responsibilities, the Audit Committee placed specific focus on the following areas in the 2018 financial year :

- Reviewed the annual impairment testing of indefinite useful life of intangible assets, which remains an area of significant judgement.

GOING CONCERN

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

S Masinga
NON-EXECUTIVE AUDIT CHAIRMAN

ACCOUNTING POLICIES

for the year ended 31 December 2018

STATEMENT OF COMPLIANCE

These audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and comply with the Financial Reporting Guides as issued by the Accounting Practices Committee (APC), IFRS Interpretations Committee (IFRIC) and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, as well as the JSE Listings Requirements and the requirements of the Companies Act, No 71 of 2008.

FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements are presented in South African Rand, which is the Company's functional and the Group's presentation currency. All financial information presented in Rand has been rounded to the nearest thousand, unless otherwise stated.

BASIS OF PREPARATION

The financial statements have been prepared on the historical cost basis except for certain financial instruments and biological assets which are stated at fair value.

The principal accounting policies are set out below.

BASIS OF CONSOLIDATION

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its Subsidiaries). The results of Subsidiaries acquired during the year are included in the consolidated financial statements from the date on which the Group obtains control. Control is achieved where the Company:

- has power to direct the income generating activities of an entity;
- has exposure or rights to variable returns from its involvement in the entity; and
- has the ability to use its power over the investee to affect the amount of its returns.

Management used their judgement to determine when all the indicators of control had been met. Factors such as effective date, payment date, ability to exercise power and govern are taken into account in the determination of control.

Income and expenses of Subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Subsidiaries that will be disposed of/discontinued within 12 months are consolidated in line with the principles of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations and disclosed as held for sale/discontinued.

Total comprehensive income of Subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing Subsidiaries:

Changes in the Group's ownership interests in Subsidiaries that do not result in the Group losing control over the Subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the Subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

Disposal of Subsidiaries:

When the Group has lost control of a Subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the Subsidiary and any non-controlling interests. When assets of the Subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by the applicable IFRS). The fair value of any investment retained in the former Subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Non-controlling interests

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may initially be measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

The Group does not have Subsidiaries that have a material non-controlling interest in the context of the Group and accordingly detailed non-controlling interest disclosure is not required in terms of IFRS 12 Disclosure of Interests in Other Entities. In determining whether or not any non-controlling interests are material, the Group considered the share of the individual non-controlling interest in the consolidated net assets of the Group.

Business combination achieved in stages

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are treated in accordance with the relevant standard that would have been applied if that subsidiary were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

INVESTMENTS IN SUBSIDIARIES

Where necessary, adjustments are made to the financial statements of Subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-Group transactions, balances, income and expenses are eliminated in full on consolidation.

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

The calculation of the recoverable amount requires the use of estimates and assumptions concerning the future cash flows which are inherently uncertain and could change over time. In addition, changes in economic factors, such as discount rates, could also impact this calculation. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a Subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

INTANGIBLE ASSETS

Intangible assets acquired separately

Intangible assets acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

• Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

The amount initially recognised for internally-generated intangible assets is the sum of the development expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

• Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

• Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from its use. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are initially recognised at cost.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the Group; and
- the cost of the item can be measured reliably.

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

Depreciation is recognised so as to write-off the cost less their residual values over their useful lives, using the straight-line method. The estimated useful lives of property, plant and equipment for current and comparative periods are reflected in Note 10. The estimated useful lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset useful lives, factors such as technological innovation and maintenance programs are taken into account. Residual value assessments consider issues such as market conditions, the remaining useful life of the asset and projected disposal values.

The gain or loss arising on the disposal of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

When the asset becomes idle or have been retired from active use, the depreciation does not cease unless the asset has been fully depreciated.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. When a replacement part is included in the cost of property, plant and equipment, the carrying amount of the previous part is derecognised.

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets and disposal groups are classified as held for sale when the following conditions have been met:

- management is committed to a plan to sell;
- the asset is available for immediate sale;
- an active programme to locate a buyer is initiated;
- the sale is highly probable, within 12 months of classification as held for sale (subject to limited exceptions);
- the asset is being actively marketed for sale at a sales price reasonable in relation to its fair value; and
- actions required to complete the plan indicate that it is unlikely that plan will be significantly changed or withdrawn.

Non-current assets (and disposal Groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

DISCONTINUED OPERATIONS

A discontinued operation is a clearly distinguishable component of the Group's business that is abandoned or disposed of pursuant to a single plan and which represents a separate major line of business or geographical area of operation that can be distinguished physically, operationally and for financial reporting purposes.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative profit or loss is restated as if the operation had been discontinued from the start of the previous period.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories by the method most appropriate to the particular class of inventory, with the majority being valued on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

An allowance is raised to write inventories down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct costs to sell on certain inventory items.

BIOLOGICAL ASSETS

Biological assets are stated at fair value less estimated costs to sell, with any resultant gain or loss recognised in profit or loss. Costs to sell includes the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income taxes

FINANCIAL ASSETS

All financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value. Transaction costs on the financial instruments measured at fair value through profit or loss are immediately recognised in profit or loss.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' ("FVTPL") and 'at amortised cost'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

• Recognition of financial assets

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

• Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

• Financial assets at FVTPL

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

• Financial assets at amortised cost

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are referred to as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

• Impairment of financial assets

The Group assesses its loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the Group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows factoring in expected credit losses, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written-off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

• Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expires, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

FINANCIAL LIABILITIES

Financial liabilities are classified as either financial liabilities at 'fair value through profit or loss' (FVTPL) or 'amortised cost'.

• Recognition of financial liabilities

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

• Financial liabilities at FVTPL

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

• Financial liabilities at amortised cost

Financial liabilities at amortised cost, including borrowings, are initially measured at fair value, net of transaction costs.

Financial liabilities at amortised cost are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

• Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

DERIVATIVE FINANCIAL INSTRUMENTS

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

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss.

A derivative with a positive fair value is recognised as a financial asset; a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

The Group does not use hedge accounting.

CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group's classification of financial assets and financial liabilities are as follows:

Description of asset/liability	Classification
Loans and advances receivable	Financial asset at amortised cost
Trade and other receivables	Financial asset at amortised cost
Cash and cash equivalents	Financial asset at amortised cost
Forward exchange contract asset/(liability)	Financial asset/(liability) at fair value through profit or loss
Loans payables and borrowings	Financial liability at amortised cost
Trade and other payables	Financial liability at amortised cost

SHARE CAPITAL

Ordinary shares and preference shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

REVENUE RECOGNITION

The Group predominantly sells consumer packaged goods to customers in the retail, food service, industrial and export channels. Revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specific location (delivery). Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on-selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

Refer to the Segmental Analysis for a detailed revenue disclosure.

INTEREST RECEIVED

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

GOVERNMENT GRANTS

- ### Grants relating to income and expenses

  The Group receives annual Sector Education and Training Authorities (SETA) grants in respect of qualifying traineeships offered. These grants are recognised as other income in the same period as the related employee expense.

LEASING

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

- ### The Group as lessor

  Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

- ### The Group as lessee

  Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

  In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

FOREIGN CURRENCIES

- ### Foreign currency transactions

  Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

  Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

- **Foreign operations**

The results and financial position of each Group entity are expressed in Rand, which is the functional currency of the Group and the presentation currency for the consolidated financial statements.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Rand using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On disposal of a foreign operation, the deferred cumulative amount recognised in other comprehensive income relating to that particular operation is recognised in profit or loss.

EMPLOYEE BENEFITS

- **Short-term employee benefits**

Short-term employee benefits are those that are due to be settled within 12 months after the end of the period in which the services have been rendered. The accruals for employee entitlements to salaries, performance bonuses and annual leave represent the amounts which the Company has a present obligation to pay as a result of employees' services provided to the company at the reporting date.

Short-term employee benefits are measured on an undiscounted basis and are recognised as employee benefit expenses in profit or loss in the period in which the employee renders the related service.

- **Defined benefit plans**

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. These plans create an obligation on the entity to provide agreed benefits to current and past employees and effectively places actuarial and investment risk on the entity. The gross obligation is determined by estimating the future benefit attributable to employees in return for services rendered to date.

This future benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. Independent actuaries perform this calculation annually using the projected unit credit method.

Past service costs are recognised in profit or loss at the earlier of when:

(i) plan amendment or curtailment occurs;
(ii) the entity recognises the relating restructuring or termination benefits.

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

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

SHARE-BASED PAYMENTS

- **Share appreciation rights**

The Group operates a share based compensation scheme. The share appreciation rights are settled in cash at the discretion of the board. The fair value of the employee services received in exchange for the grant of the share appreciation rights is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the share appreciation rights granted. At each reporting date, the Group revises its estimate of the number of share appreciation rights that are expected to become exercisable.

PROVISIONS

The Group recognises a provision when it has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and where a reliable estimate can be made of the amount of the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money.

TAXATION

Income tax expense represents the sum of the tax currently payable and deferred tax.

- **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

- **Deferred tax**

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Future taxable profits are estimated based on business plans which include estimates and assumptions regarding economic growth, inflation, taxation rates and competitive forces.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

- Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

PUT OPTIONS EXERCISABLE BY NON-CONTROLLING INTERESTS AND EXECUTIVE MANAGEMENT

Put options exercisable by non-controlling interests and executive management are recognised as a financial liability. On initial recognition, the fair value of the option is recognised as a reduction to equity. Subsequently the fair value adjustments on non-controlling interest is recognised through equity, whereas executive management fair value adjustments are recognised through profit or loss.

JUDGEMENTS

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that may affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about areas of estimation and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

Note 10 – useful lives of property, plant and equipment

Note 12 – useful lives and impairment test on intangible assets

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 Business Unit.

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	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	Yes	No
Add back: impairment losses on property, plant and equipment, goodwill and intangible assets	Yes	Yes
Add back or deduct: non-cash element relating to operating lease expenses (straight-line impact) and fair value adjustment to put options exercisable by executive management	Yes	Yes
Add back or deduct: the 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: costs and fees directly attributable to the Initial Public Offering	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).	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, excluding the after-tax impact of separately identifiable re-measurements as defined in accordance with IAS 33 Earnings Per Share read with circular 4 of 2018 Headline Earnings ("Headline Earnings Re-measurements").

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

APPLICATION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

The following standards, amendments and interpretations have been applied for the first time in the current financial year:

- ### IFRS 9 Financial Instruments

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

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

- ### IFRS 15 – Revenue from contracts with customers

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

STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

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

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

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

  This new standard will most likely have a significant impact on the Group. Had the new standard been implemented in the current financial year a lease asset and lease liability of approximately R301m would have been recognised in the statement of financial position. The Group has begun a detailed assessment to determine the extent of the impact of IFRS 16 and will disclose more detailed information in future financial statements.

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

NON-APPLICABLE STANDARDS, AMENDMENTS AND INTERPRETATIONS

The other remaining 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.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2018

	Notes	2018 Audited R'000	2017 Audited R'000
CONTINUING OPERATIONS			
Revenue	1	**9 892 294**	8 796 450
Cost of sales		**(7 693 591)**	(6 788 632)
Gross profit		**2 198 703**	2 007 818
Other income	2	**18 538**	146 653
Operating expenses		**(1 642 244)**	(1 558 640)
Operating profit	3	**574 997**	595 831
Investment income	4	**47 676**	25 754
Finance costs	5	**(272 890)**	(254 431)
Profit before tax		**349 783**	367 154
Income tax expense	6	**(114 147)**	(134 174)
Profit for the year from continuing operations		**235 636**	232 980
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	7	**(12 623)**	(43 283)
Profit for the year		**223 013**	189 697
Other comprehensive income for the year, net of tax			
Items that will never be classified to profit or loss		**(417)**	(459)
Defined benefit plan actuarial losses	20	**(417)**	(459)
Total comprehensive profit for the year		**222 596**	189 238
Profit attributable to:			
Equity holders of the parent		**222 224**	188 354
Non-controlling interest		**789**	1 343
		223 013	189 697
Total comprehensive income attributable to:			
Equity holders of the parent		**221 807**	187 895
Non-controlling interest		**789**	1 343
		222 596	189 238
Basic and diluted earnings per share (cents)			
From continuing operations	8	**41**	49
From continuing and discontinued operations	8	**39**	40
Headline earnings per share (cents)			
From continuing operations	8	**47**	60
From continuing and discontinued operations	8	**46**	57

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2018

	Notes	2018 Audited R'000	2017 Audited R'000
ASSETS			
Non-current assets		**6 009 716**	6 033 319
Property, plant and equipment	10	**1 205 921**	1 041 225
Goodwill	11	**2 521 058**	2 521 058
Intangible assets	12	**2 269 199**	2 449 507
Other financial assets	17	**8 018**	9 600
Operating lease asset		**5 418**	5 439
Deferred tax assets	13	**102**	6 490
Current assets		**3 784 159**	3 459 378
Inventories	14	**1 121 330**	1 137 107
Trade and other receivables	15	**1 628 038**	1 618 108
Biological assets	16	**26 662**	26 162
Other financial assets	17	**17 921**	115 647
Current tax receivable		**2 796**	11 646
Cash and bank balances	18	**987 412**	550 708
Total assets		**9 793 875**	9 492 697
EQUITY AND LIABILITIES			
Capital and reserves attributable to equity holders of the parent		**5 410 079**	4 559 272
Share capital	19	**4 818 884**	4 187 177
Defined benefit plan reserve	20	**(1 757)**	(1 340)
Retained earnings		**668 120**	445 895
Premium on acquisition of non-controlling interests	21	**(75 168)**	(63 624)
Put options exercisable by non-controlling interests and executive management		**–**	(8 836)
Non-controlling interests		**8 661**	7 696
Total equity		**5 418 740**	4 566 968
Non-current liabilities		**2 734 401**	2 878 889
Other financial liabilities	23	**1 921 591**	2 014 548
Deferred tax liabilities	13	**769 960**	815 948
Employee benefits	20	**8 919**	8 372
Share appreciation rights	22	**20 811**	34 019
Operating lease liability		**13 120**	6 002
Current liabilities		**1 640 734**	2 046 840
Trade and other payables	24	**1 401 337**	1 498 818
Other financial liabilities	23	**77 086**	348 146
Current tax payable		**4 239**	495
Bank overdraft	18	**158 072**	199 381
Total liabilities		**4 375 135**	4 925 729
Total equity and liabilities		**9 793 875**	9 492 697

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018

	Share capital R'000	Defined benefit plan reserve[1] R'000	Premium on acquisition of non-controlling interests[2] R'000	Retained earnings R'000	Put options exercisable by non-controlling interests and executive management[3] R'000	Non-controlling interests R'000	Total R'000
Balance at 1 January 2017	**3 886 410**	**(881)**	**(18 390)**	**264 052**	**(55 129)**	**9 523**	**4 085 585**
Total comprehensive income for the year	**–**	**(459)**	**–**	**188 354**	**–**	**1 343**	**189 238**
Profit or loss for the year	–	–	–	188 354	–	1 343	189 697
Other comprehensive income for the year	–	(459)	–	–	–	–	(459)
Transactions with owners of the Company							
Contributions and distributions	**300 767**	**–**	**–**	**(33 816)**	**–**	**–**	**266 951**
Share buyback	(25 530)	–	–	(33 816)	–	–	(59 346)
Issue of shares	326 297		–	–	–	–	326 297
Changes in ownership interests	**–**	**–**	**(45 234)**	**–**	**–**	**(3 170)**	**(48 404)**
Purchase of non-controlling interest in subsidiary	–	–	(45 234)	–	–	(3 170)	(48 404)
Movement in put options	–	–	–	27 306	46 293	–	73 599
Put options exercised	–	–	–	–	97 458	–	97 458
Fair value adjustment taken through equity	–	–	–	–	(18 049)	–	(18 049)
Transfer from retained earnings on exercise of put options by executive management	–	–	–	27 306	(33 116)	–	(5 810)
Balance at 1 January 2018	**4 187 177**	**(1 340)**	**(63 624)**	**445 896**	**(8 836)**	**7 696**	**4 566 969**
Total comprehensive income for the year	**–**	**(417)**	**–**	**222 224**	**–**	**789**	**222 596**
Profit or loss for the year	**–**	**–**	**–**	**222 224**	**–**	**789**	**223 013**
Other comprehensive income for the year	**–**	**(417)**	**–**	**–**	**–**	**–**	**(417)**
Transactions with owners of the Company							
Contributions and distributions	**631 707**	**–**	**–**	**–**	**–**	**–**	**631 707**
Capital distribution	**(800 000)**	**–**	**–**	**–**	**–**	**–**	**(800 000)**
Issue of shares	**1 500 730**	**–**	**–**	**–**	**–**	**–**	**1 500 730**
Held as treasury shares	**(730)**	**–**	**–**	**–**	**–**	**–**	**(730)**
Share buyback	**(7 964)**	**–**	**–**	**–**	**–**	**–**	**(7 964)**
Capitalisation of costs directly attributable to issue of shares	**(60 329)**		**–**	**–**	**–**	**–**	**(60 329)**
Changes in ownership interests	**–**	**–**	**(11 544)**	**–**	**–**	**176**	**(11 368)**
Purchase of non-controlling interest in subsidiary	**–**	**–**	**(11 544)**	**–**	**–**	**176**	**(11 368)**
Movement in put options	**–**	**–**	**–**	**–**	**8 836**	**–**	**8 836**
Fair value adjustment taken through equity	**–**	**–**	**–**	**–**	**8 836**	**–**	**8 836**
Balance at 31 December 2018	**4 818 884**	**(1 757)**	**(75 168)**	**668 120**	**–**	**8 661**	**5 418 740**
Notes	19	20	21				

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. *Premium on non-controlling interests: Represents the difference between the carrying amount of the non-controlling interests and the fair value of the consideration given on acquisition of non-controlling interests.*
3. *Put options exercisable by non-controlling interest and executive management relates to the liability raised in respect of put options exercisable by non-controlling interests and executive management as detailed in note 23.*

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2018

	Notes	2018 Audited R'000	2017 Audited R'000
NET CASH FLOW FROM OPERATING ACTIVITIES		**505 044**	572 614
Cash generated from continuing operations	25	**875 396**	955 204
Finance income received		**47 676**	25 754
Finance costs paid		**(272 890)**	(254 431)
Taxation paid	26	**(139 341)**	(145 191)
Cash utilised by discontinued operations		**(5 797)**	(8 722)
NET CASH FLOW FROM INVESTMENT ACTIVITIES		**(345 979)**	(605 779)
Purchase of property, plant and equipment and computer software		**(348 745)**	(315 115)
Sale of property, plant and equipment and computer software		**3 505**	(6 914)
Other financial assets advanced		**(1 739)**	–
Proceeds from sale of discounted operations		**1 000**	–
Acquisition of businesses (net of cash acquired)		**–**	(283 750)
NET CASH FLOW FROM FINANCING ACTIVITIES		**318 948**	266 608
Proceeds from issue of equity shares		**1 500 000**	132 151
Capital distribution		**(800 000)**	–
Share issue costs		**(60 329)**	–
Share buyback		**(7 964)**	(39 961)
Loans (repaid to)/advanced by shareholders		**(17 267)**	19 384
Loans repaid by/(advanced to) shareholders		**39 648**	(43 059)
Proceeds from other financial liabilities		**(34 462)**	35 040
Repayment of loans from non controlling interests		**(28 592)**	(6 518)
Purchase of non-controlling interests		**(11 368)**	–
Proceeds from term loans and asset based financing		**2 584 364**	300 274
Repayment of term loans and asset based financing		**(2 845 082)**	(130 703)
Net increase in cash and cash equivalents		**478 013**	233 444
Cash and cash equivalents at the beginning of the year		**351 327**	117 883
Cash and cash equivalents at the end of the year		**829 340**	351 327
Continuing operations	18	**829 340**	351 327

SEGMENTAL ANALYSIS

for the year ended 31 December 2018

	2018 R'000	2017 R'000

BASIS OF SEGMENTATION

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

The following summary describes each segment:

Perishables
Perishable products are products that are likely to decay or spoil within a short period of time.

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

Snacks and Confectionery
Premium snacks and confectionery products.

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

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

Household and Personal Care
Detergents and household cleaning products.

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

INFORMATION ABOUT REPORTABLE SEGMENTS

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

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

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

NORMALISED EBIT AND EBITDA

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2018

	2018 R'000	2017 R'000
1. REVENUE	**9 892 294**	8 796 450
Refer to the Segmental Analysis for detailed revenue disclosure by segment.		

	2018 R'000	2017 R'000
2. OTHER INCOME		
Bad debts recovered	**23**	173
Commissions received	**35**	39
Gain on foreign exchange	**10 337**	129 337
Realised gain on foreign exchange	**55 831**	89 126
Unrealised (loss)/gain on foreign exchange	**(45 494)**	40 211
Fair value adjustment to put options exercisable by executive management	**–**	1 436
Government grants[1]	**137**	684
Insurance claims received	**2 020**	552
Rebates received	**67**	–
Recoveries	**–**	11
Rental income	**454**	4 311
Sundry income	**5 465**	10 110
	18 538	146 653

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

3. OPERATING PROFIT

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

3.1 Operating expenditure

	2018 R'000	2017 R'000
Depreciation of property, plant and equipment (refer note 10)	**156 715**	125 400
Amortisation of computer software (refer note 12)	**8 017**	8 120
Amortisation of customer relationships (refer note 12)	**140 841**	132 462
Impairment loss on goodwill (refer note 11)	**–**	50 000
Impairment loss on intangible assets (refer note 12)	**42 000**	–
Loss on disposal of property, plant and equipment	**3 121**	959
Employee benefits	**1 139 027**	1 038 333
Salaries and wages	**1 132 805**	1 022 457
Retrenchment and settlement costs	**6 222**	15 876
Strategic advisory fees	**43**	2 291
Due diligence costs	**8 326**	4 428
Charges relating to share appreciation rights granted	**13 203**	26 660
Securities transfer tax	**66**	275
Operating lease charges	**145 643**	91 479
Premises	**113 823**	80 534
Straight-lining of operating leases	**3 694**	(459)
Motor vehicles & equipment	**26 393**	11 403
Research and development costs expensed as incurred	**430**	832
Auditors remuneration	**7 874**	6 007

	2018 R'000	2017 R'000
4. INVESTMENT INCOME		
Interest income on financial assets:		
Bank deposits	**45 110**	25 255
Interest received from related parties	**850**	–
Interest received on other loans and receivables	**1 054**	–
Other interest received	**662**	499
	47 676	25 754
5. FINANCE COSTS		
Interest on bank overdraft, bank loans and asset based finance	**271 402**	239 877
Interest paid to related parties	**–**	4 607
Interest paid to suppliers	**1 414**	9 810
Interest on late payment of tax	**74**	137
	272 890	254 431
6. TAXATION		
6.1 Income tax recognised in the statement of profit or loss and other comprehensive income		
Current income tax	**151 935**	162 086
Current year	**151 935**	162 086
Deferred tax	**(37 788)**	(27 912)
Current year	**(37 788)**	(27 912)
Total tax expense for the year	**114 147**	134 174
The expense for the year can be reconciled to the accounting profit as follows:		
Profit before tax from continuing operations	**349 783**	367 154
Income tax expense calculated at statutory rate of 28%	**97 939**	102 803
Exempt income[1]	**(2 591)**	(2 154)
Non-deductible expenditure[2]	**7 509**	14 383
Impairment loss on goodwill	**–**	14 000
Reversal of deferred tax asset on assessed loss	**9 184**	–
Prior period tax adjustment	**–**	5 142
Unutilised assessed loss	**2 106**	–
Income tax expense recognised in profit or loss	**114 147**	134 174

1. *Exempt income includes employment tax incentive refunds; S12H learnership deductions; DTI refunds.*
2. *Non-deductible expenditure includes donations; non-deductible legal and professional fees; fines and penalties; non-deductible restructuring costs.*

	2018 R'000	2017 R'000
7. PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS		
Loss from discontinued operations	**(12 623)**	(43 283)

Loss from discontinued operations recognised in the Statement of Profit or Loss and Other Comprehensive Income consists of the following:

7.1 Loss from discontinued operation – Pasta Nova

During the current financial year, the Group resolved to discontinue the operations of Pasta Nova – a division of Libstar Operations Proprietary Limited.

The Pasta Nova operation was classified as a discontinued operation and the division's results included in the Statement of Profit or Loss and Other Comprehensive Income are set out below:

	2018 R'000	2017 R'000
Revenue	**26 000**	30 056
Cost of sales	**(21 028)**	(25 873)
Gross profit	**4 972**	4 183
Other income	**91**	73
Operating expenses[1]	**(19 202)**	(6 215)
Operating loss	**(14 139)**	(1 959)
Investment income	**–**	(89)
Finance costs	**(409)**	(17)
Loss before tax	**(14 548)**	(2 065)
Income tax	**1 925**	1 128
Loss for the year from discontinued operation	**(12 623)**	(937)
Loss from discontinued operation attributable to:		
Equity holders of the parent	**(12 623)**	(937)
	(12 623)	(937)

1. Included in operating expenses for 2018 is a loss of R7m in respect of the disposal of property, plant and equipment and customer relationships.

7.2 Loss from discontinued operation – Noodle Master

At the end of 2015, the Group resolved to discontinue the operations of the Noodle Master division of Libstar Operations Proprietary Limited. The plant and equipment was sold to Kelloggs Tolaram South Africa Proprietary Limited on 31 December 2017.

The Noodle Master division was classified as a discontinued operation and the division's results included in the Statement of Profit or Loss and Other Comprehensive Income are set out below:

	2018 R'000	2017 R'000
Revenue	**–**	69 067
Cost of sales	**–**	(73 096)
Gross profit	**–**	(4 029)
Other income	**–**	91
Operating expenses	**–**	(12 392)
Operating loss	**–**	(16 330)
Finance costs	**–**	(1 582)
Loss before tax	**–**	(17 912)
Income tax	**–**	4 212
Loss for the year from discontinued operation	**–**	(13 700)
Loss from discontinued operation attributable to:		
Equity holders of the parent	**–**	(13 700)
	–	(13 700)

	2018 R'000	2017 R'000
7. PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS CONTINUED		

7.3 Loss from discontinued operation – African Pride Wines

On 31 August 2017, the Group sold the African Pride Wines division of Berfin Worldwide Proprietary Limited.

The African Pride Wines division was classified as a discontinued operation and the division's results included in the Statement of Profit or Loss and Other Comprehensive Income are set out below:

	2018 R'000	2017 R'000
Revenue	–	11 820
Cost of sales	–	(11 172)
Gross profit	–	648
Other income	–	421
Operating expenses[1]	–	(31 404)
Operating loss	–	(30 335)
Finance costs	–	(69)
Loss before tax	–	(30 404)
Income tax	–	1 758
Loss for the year from discontinued operation	–	(28 646)
Loss from discontinued operation attributable to:		
Equity holders of the parent	–	(27 696)
Non-controlling interest	–	(950)
	–	(28 646)

1. *Included in operating expenses for 2017 are impairment losses of R16.8m and R8.3m in respect of goodwill and customer relationships respectively.*

7.4 Income tax in respect of non-current assets held for sale and discontinued operations recognised in the statement of profit or loss and other comprehensive income

	2018 R'000	2017 R'000
Deferred tax		
Total for the year	**(1 925)**	(7 098)
The tax for the year can be reconciled to the accounting loss as follows:		
Loss before tax	**(14 548)**	(50 381)
Income tax expense calculated at statutory rate of 28%	**(4 073)**	(14 107)
Tax losses utilised	–	2 293
Goodwill impairment	–	4 716
Exempt income	**(560)**	–
Non-deductible expenditure	**88**	–
Unutilised assessed loss	**1 005**	–
Reversal of deferred tax asset on assessed loss	**1 625**	–
Deferred tax difference	**(10)**	–
Income tax recognised in profit or loss	**(1 925)**	(7 098)

	2018 R'000	2017 R'000

8. EARNINGS PER SHARE

8.1 Basic and diluted earnings per share

The earnings and weighted averaged number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2018 R'000	2017 R'000
Earnings used in the calculation of basic earnings per share	**222 224**	188 354
From continuing operations	**234 847**	231 637
From discontinued operations	**(12 623)**	(43 283)
Weighted average number of ordinary shares for the purposes of basic earnings per share ('000)	**566 445**	468 189
Basic earnings per share in cents		
From continuing operations	**41**	49
From discontinued operations	**(2)**	(9)
From continuing and discontinued operations	**39**	40

8.2 Normalised earnings per share

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

	2018 R'000	2017 R'000
Profit for the year from continuing operations	**234 847**	231 637
Normalised for:	**147 176**	123 407
Amortisation of customer contracts	**101 406**	94 670
Due diligence costs	**3 319**	4 428
Provision for share appreciation rights	**(9 510)**	19 195
Fair value adjustments to put options	**–**	(1 436)
Government grants	**(46)**	(256)
IPO costs	**5 007**	22 583
Retrenchment costs	**5 076**	10 939
Securities transfer tax	**66**	275
Straight lining of operating leases	**2 659**	(330)
Strategic advisory fees	**43**	2 291
Impairment	**401**	–
Donation	**6 000**	–
Unrealised forex losses/(gains)	**32 755**	(28 952)
Normalised earnings used in the calculation of basic earnings per share	**382 023**	355 044
Weighted average number of ordinary shares for the purposes of basic earnings per share ('000)	**566 445**	468 189
Normalised basic earnings per share in cents	**67**	76

8.3 Diluted earnings per share

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

8. EARNINGS PER SHARE CONTINUED

8.4 Headline earnings per share

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

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

2017	Gross	Net of tax
Basic earnings from continuing operations	231 637	231 637
Adjustments:	50 959	50 744
Impairment of goodwill	50 000	50 000
Gain on disposal of property, plant and equipment	959	744
Headline earnings from continuing operations	282 596	282 381

	2018 R'000	2017 R'000
Basic earnings from discontinued operations	**(12 623)**	(43 283)
Adjustments (net of tax):	**5 064**	28 659
Loss on disposal of property, plant & equipment and customer contracts	**5 064**	5 825
Impairment of customer contracts	**–**	5 990
Impairment of goodwill	**–**	16 844
Headline earnings from discontinued operations	**(7 559)**	(14 624)
Headline earnings from continuing and discontinued operations	**259 950**	267 757
Headline earnings per share in cents		
From continuing operations	**47**	60
From discontinued operations	**(1)**	(3)
From continuing and discontinued operations	**46**	57

8.5 Normalised headline earnings per share

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

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

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

9. DIRECTORS' REMUNERATION

Name/designation	Basic salary R'000	Bonuses R'000	Total remuneration and benefits R'000
2018			**–**
Mr AV van Rensburg (Executive Director)	**5 820**	**873**	**6 693**
Mr RW Smith (Executive Director)	**4 000**	**600**	**4 600**
Mr TF Judge (Executive Director) * Resigned in April 2018	**700**	**287**	**987**
Mr TW Millar (Executive Director) * Resigned in April 2018	**436**	**–**	**436**
Total – 2018	**10 956**	**1 760**	**12 716**
2017			
Mr AV van Rensburg (Executive Director)	4 850	2 005	6 855
Mr RW Smith (Executive Director)	3 400	1 230	4 630
Mr TF Judge (Executive Director)	2 520	955	3 475
Mr TW Millar (Executive Director)	1 617	669	2 286
Total – 2017	12 387	4 859	17 246

	2018 R'000	2017 R'000

10. PROPERTY, PLANT AND EQUIPMENT

	2018 R'000	2017 R'000
Cost	**1 740 136**	1 430 484
Accumulated depreciation and impairment	**(534 215)**	(389 259)
	1 205 921	1 041 225

	Freehold land and buildings R'000	Plant, vehicles, machinery and equipment* R'000
31 December 2018		
Cost		
At 1 January 2018	**133 546**	**1 296 938**
Additions	**50 257**	**282 335**
Disposals – continuing operations	**–**	**(14 689)**
Disposals – discontinued operations	**–**	**(8 251)**
At 31 December 2018	**183 803**	**1 556 333**
Total cost at 31 December 2018		**1 740 136**
Accumulated depreciation and impairment		
At 1 January 2018	**(12 109)**	**(377 150)**
Eliminated on disposals of assets	**2 144**	**5 838**
Eliminated on disposal of discontinued operations	**–**	**4 864**
Depreciation charge	**(4 970)**	**(151 745)**
Depreciation from discontinued operations	**–**	**(1 087)**
At 31 December 2018	**(14 935)**	**519 280**
Total accumulated depreciation and impairment at 31 December 2018		**534 215**
Carrying value at 31 December 2018	**168 868**	**1 037 053**
Total carrying value at 31 December 2018		**1 205 921**
31 December 2017		
Cost		
At 1 January 2017	116 427	937 831
Additions	17 119	284 595
Disposals	–	(6 266)
Business combinations	–	80 778
At 31 December 2017	133 546	1 296 938
Total cost at 31 December 2017		1 430 484
Accumulated depreciation and impairment		
At 1 January 2017	(6 559)	(257 808)
Eliminated on disposals of assets	–	567
Depreciation charge	(5 550)	(119 850)
Depreciation from discontinued operations	–	(59)
At 31 December 2017	(12 109)	(377 150)
Total accumulated depreciation and impairment at 31 December 2017		(389 259)
Carrying value at 31 December 2017	121 437	919 788
Total carrying value at 31 December 2017		1 041 225

* *The majority of the value of property, plant and equipment lies in the machinery. The other categories of property, plant and equipment are deemed not to be material enough to disclose separately.*

Estimated useful lives	**Land – Unlimited Buildings – 20 years**	4 -12 years

Certain items of plant, vehicles, machinery and equipment are pledged as security for the associated asset based finance agreement entered into to finance their acquisition. These asset based finance agreements are detailed in note 23.

The Group has signed a general and special notarial bond over all the movable assets in favour of Nedbank Limited and Standard Bank of South Africa Limited. Refer to note 33.8 Liquidity risk management for further details.

At the end of the 2018 and 2017 financial years, the Group had no material capital commitments.

	2018 R'000	2017 R'000
11. GOODWILL		
Cost	**2 592 385**	2 592 385
Accumulated impairment	**(71 327)**	(71 327)
	2 521 058	2 521 058

	Goodwill R'000
31 December 2018	
Cost	
At 1 January 2018	**2 592 385**
At 31 December 2018	**2 592 385**
Accumulated impairment	
At 1 January 2018	**(71 327)**
At 31 December 2018	**(71 327)**
Carrying value at 31 December 2018	**2 521 058**
31 December 2017	
Cost	
At 1 January 2017	2 450 018
Business combinations	142 367
At 31 December 2017	2 592 385
Accumulated impairment	
At 1 January 2017	(4 483)
Impairment (note 12.4)	(50 000)
Impairment relating to discontinued operations	(16 844)
At 31 December 2017	(71 327)
Carrying value at 31 December 2017	2 521 058

11.1 Allocation of goodwill to cash-generating units

Goodwill has been allocated to groups which are represented by the operating segments. For impairment testing purposes goodwill is further allocated to the individual cash-generating units, represented by subsidiaries and divisions in the Group.

The carrying amount of goodwill that was allocated to cash-generating groups was as follows:

	2018 R'000	2017 R'000
Perishables	**1 126 250**	1 126 250
Ambient Groceries	**653 751**	653 751
Snacks and Confectionery	**228 980**	228 980
Baking and Baking Aids	**250 468**	250 468
Niche Beverages	**162 745**	162 745
Household and Personal Care	**61 864**	61 864
Specialised Food Packaging	**37 000**	37 000
	2 521 058	2 521 058

Refer to note 12.3 for further details on impairment testing of goodwill.

	2018 R'000	2017 R'000
12. INTANGIBLE ASSETS		
Cost	**3 084 023**	3 075 684
Accumulated amortisation and impairment	**(814 824)**	(626 177)
	2 269 199	2 449 507

	Brands* R'000	Computer software and website costs R'000	Customer relationships R'000
31 December 2018			
Cost			
At 1 January 2018	**644 791**	**34 387**	**2 396 506**
Additions	**–**	**16 153**	**–**
Disposals	**–**	**(545)**	**–**
Disposals of discontinued operations	**–**	**–**	**(7 269)**
At 31 December 2018	**644 791**	**49 995**	**2 389 237**
Total cost at 31 December 2018			**3 084 023**
Accumulated amortisation and impairment			
At 1 January 2018	**–**	**(17 738)**	**(608 439)**
Eliminated on disposals of assets	**–**	**626**	**–**
Disposal of discontinued operation	**–**	**–**	**2 365**
Impairments	**(42 000)**	**–**	
Amortisation charge	**–**	**(8 017)**	**(140 841)**
Amortisation from discontinued operations	**–**	**(53)**	**(727)**
At 31 December 2018	**(42 000)**	**(25 182)**	**747 642**
Total accumulated amortisation and impairment at 31 December 2018			**(814 824)**
Carrying value at 31 December 2018	**602 791**	**24 813**	**1 641 595**
Total carrying value at 31 December 2018			**2 269 199**
31 December 2017			
Cost			
At 1 January 2017	624 326	22 240	2 270 601
Additions	–	13 400	–
Disposals	–	(1 257)	–
Business combinations	20 465	4	125 905
At 31 December 2017	644 791	34 387	2 396 506
Total cost at 31 December 2017			3 075 684
Accumulated amortisation and impairment			
At 1 January 2017	–	(10 529)	(466 408)
Eliminated on disposals of assets	–	911	
Amortisation charge	–	(8 120)	(132 956)
Amortisation from discontinued operations	–	–	(756)
At 31 December 2017	–	(17 738)	(608 439)
Total accumulated amortisation and impairment at 31 December 2017			(626 177)
Carrying value at 31 December 2017	644 791	16 649	1 788 067
Total carrying value at 31 December 2017			2 449 507
Estimated useful lives	Indefinite	3 – 6 years	5 – 20 years

* *Comprises well-established, growing brands which are considered to have indefinite useful lives and are not amortised.*

Certain brands and trade marks are pledged as security for the financing facilities detailed in note 33.8

	2018 R'000	2017 R'000
12. INTANGIBLE ASSETS CONTINUED		
12.1 Allocation of brands to cash generating units		
The carrying amount of intangible assets with indefinite useful lives was allocated to cash-generating groups as follows:		
Perishables	**438 082**	438 082
Ambient Groceries	**14 146**	14 146
Baking and Baking Aids	**11 103**	11 103
Niche Beverages	**55 182**	97 182
Household and personal care	**84 278**	84 278
	602 791	644 791

12.2 Total value of goodwill and intangible assets with indefinite useful lives

The aggregate value of goodwill and intangible assets with indefinite useful lives allocated to cash-generating groups was as follows:

	Goodwill	Brands	Total
Perishables	**1 126 250**	**438 082**	**1 564 332**
Ambient Groceries	**653 751**	**14 146**	**667 897**
Snacks and Confectionery	**228 980**	**–**	**228 980**
Baking and Baking Aids	**250 468**	**11 103**	**261 571**
Niche Beverages	**162 745**	**55 182**	**217 927**
Household and Personal Care	**61 864**	**84 278**	**146 142**
Specialised Food Packaging	**37 000**	**–**	**37 000**
	2 521 058	**602 791**	**3 123 849**

12.3 Impairment testing of goodwill and intangible assets with indefinite useful lives

Annually or if there is an indication of impairment, the Group assesses the cash generating units for impairment. Goodwill acquired through business combinations, brands and customer relationships have been allocated to cash-generating units to facilitate this assessment.

The key assumptions disclosed below are based on management's experience and expectations. Management considers forecast cash flow periods of five years to be appropriate.

Methods and assumptions
The Group applies a discounted cash flow methodology (value in use) to assess the recoverable amount of cash-generating units. This methodology entails a calculation of the present value of future cash flows generated by applicable cash-generating units over an appropriate period and incorporates a terminal growth rate.

These cash flows are based on forecasts which include assumptions on profit before interest and tax, depreciation, working capital movements, capital maintenance expenditure, an appropriate discount rate and a terminal growth rate. The terminal growth rate used is dependent on the industry and maturity of the cash-generating unit.

Brands and customer relationships
The main inputs used for forecasting the recoverable amount are forecast sales to which the brands or customer relationships contribute and estimated cash flows earned from these sales, a tax rate of 28% and an appropriate discount rate.

	2018 R'000	2017 R'000
12. INTANGIBLE ASSETS CONTINUED		
12.3 Impairment testing of goodwill and intangible assets with indefinite useful lives continued		
Discount rates		
Approximate after-tax discount rates applied	**12.80%**	12.20%
The discounted cash flow model is sensitive to the discount rates, although slight movements in the discount rate will not result in any material movements to recoverable amounts which could cause them to be exceeded by carrying amounts.		
Growth rates		
Approximate terminal growth rates applied	**5.10%**	5.40%
12.4 Recorded impairments from continuing operations		
Impairment losses recognised during the year are as follows:		
Goodwill	**–**	50 000
Brands	**42 000**	–
	42 000	50 000
Niche Beverages		
Brands	**42 000**	–
Goodwill	**–**	50 000
The trading results of dairy-blend and fruit concentrate niche beverage operations were negatively impacted by numerous factors including increased competitor pressure. As a result of this, the dairy-blend and fruit concentrate operations did not meet budget targets for the current year and the longer-term forecasts have been revised. In assessing the recoverable amount of this cash generating unit, management recorded the impairment losses outlined above.		
	42 000	50 000
13. DEFERRED TAX ASSETS/(LIABILITIES)		
Deferred tax asset	**102**	6 490
Deferred tax liability	**(769 960)**	(815 948)
	(769 858)	(809 458)
Balance at beginning of the year	**(809 458)**	(788 149)
Charge in profit or loss – continuing operations	**37 788**	29 141
Charge in profit or loss – discontinued operations	**1 925**	5 970
Disposal of asset held for sale	**–**	(4 212)
Prior period adjustment correction	**(113)**	(2 379)
Business combinations	**–**	(49 829)
Balance at the end of the year	**(769 858)**	(809 458)
Balance at year end is due to the following timing differences:		
Property, plant and equipment	**(162 134)**	(151 854)
Intangible assets	**(629 316)**	(681 126)
Operating lease liability	**1 847**	993
Accruals	**34 308**	39 535
Prepaid expenses	**(1 965)**	(1 179)
Consumable stores allowance	**(12 765)**	(12 318)
Assessed losses	**5 067**	15 876
Income received in advance	**971**	(400)
Capital gains tax – deferred	**(7 417)**	(6 304)
Post retirement medical aid contribution liability	**2 497**	2 344
Forward exchange contracts	**(951)**	(15 025)
	(769 858)	(809 458)

There are no unrecognised deferred tax losses.

	2018 R'000	2017 R'000
14. INVENTORIES		
Raw materials and components	**485 181**	405 618
Work in progress	**224 975**	141 880
Finished goods and merchandise	**358 344**	517 575
Consumable stores and spares	**19 298**	16 960
Goods in transit	**67 141**	82 254
Provision for stock write-down: finished goods	**(33 609)**	(27 180)
	1 121 330	1 137 107

All inventories are carried at cost, with the exception of certain items of finished goods against which a provision for stock write-down of R 33.6m (2017: R 27.2m) has been raised.

The cost of inventories recognised as an expense during the period was R6.1bn (2017: R5.2 bn).

	2018 R'000	2017 R'000
15. TRADE AND OTHER RECEIVABLES		
Trade receivables	**1 500 470**	1 549 957
Less: allowance for doubtful debts	**(17 792)**	(25 517)
	1 482 678	1 524 440
Prepayments and deposits	**73 990**	45 348
Value-added tax receivable	**42 172**	47 427
Other receivables	**29 198**	893
	1 628 038	1 618 108

15.1 Trade receivables

Trade receivables disclosed above are classified financial assets at amortised cost.

	2018 R'000	2017 R'000
Ageing of past due but not impaired		
1 month past due	**243 555**	263 823
2 months past due	**40 812**	33 871
3 or more months past due	**13 870**	30 732
Total	**298 237**	328 426
Movement in the allowance for doubtful debts		
Balance at beginning of the year	**25 571**	18 095
Amounts raised during the current year	**17 792**	25 571
Amounts reversed during the current year	**(25 571)**	(18 095)
Balance at end of the year	**17 792**	25 571

The Group's policy is to provide fully for those customers who have otherwise been identified as non-recoverable. The credit quality of the customer base is considered to be good, based on historical default rates. In the current year the Group wrote off R1.5m (2017: R2.7m) of bad debts. The Group's top three customers being leading retailers comprise 30% of the carrying amount of trade receivables . The Group limits its credit exposure risk by dealing mainly with well-established institutions of high credit standing. Accordingly, the directors believe that no further provision is required in excess of the allowance for doubtful debts.

	2018 R'000	2017 R'000

16. BIOLOGICAL ASSETS

	2018 R'000	2017 R'000
Mushrooms	**26 662**	26 162
	26 662	26 162

The Group is engaged in mushroom production for supply to various customers.

The fair value of mushrooms in the growing cycle is calculated as the future expected net cash flows from the asset, which includes a number of assumptions, primarily based on the historical production yield and the weighted average selling price per kilogram produced.

The Group is exposed to financial risks that may arise from disease affecting its mushroom plant. Stringent biosecurity measures are in place to limit the effect of this risk.

	2018 R'000	2017 R'000
Balance at beginning of the year	**26 162**	22 560
Transferred for processing and sold	**(64 907)**	(76 443)
Gain arising from change in fair value due to physical change	**63 241**	77 346
Gain arising from change in fair value less estimated point of sale costs	**255**	219
Changes attributable to raw materials and overheads	**1 911**	2 480
Balance at the end of the year	**26 662**	26 162
The biological asset valuation comprised:		
Compost production cycle	**7 397**	6 754
Growing room cycle	**13 025**	11 757
Rooms in cropping	**5 965**	7 329
Spent compost	**275**	322
	26 662	26 162

Management performs regular industry trend analysis to ensure that the Group's pricing structure is in line with the market and to ensure that the projected harvest volumes are consistent with the expected demand.

Health and safety risks

Due to the fact that the Group operates in the fresh food industry, the Group is exposed to several food safety standards and laws. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular health and safety inspections.

The value of the biological assets at the end of the financial period is deemed not to be material. Therefore no additional disclosures will be made.

17. OTHER FINANCIAL ASSETS

	2018 R'000	2017 R'000
Financial assets carried at fair value through profit or loss (FVTPL)		
Foreign exchange contracts	**8 229**	69 628
Financial assets carried at amortised cost	**17 710**	55 619
Loan to related parties	**3 411**	43 059
Loan to Kelloggs Tolaram South Africa Proprietary Limited	**10 691**	12 000
Other	**3 608**	560
	25 939	125 247
Non-current assets	**8 018**	9 600
Current assets	**17 921**	115 647
	25 939	125 247

17.1 Loans to related parties

	2018 R'000	2017 R'000
Amazing Stars Proprietary Limited	**3 411**	23 674
The above amount represents the amounts receivable from management shareholders in respect of the purchase of non-controlling interests in subsidiaries as detailed in Note 21.		
Executive management	**–**	19 385
The above amount represents the amounts receivable from management shareholders in respect of the put option exercised by the Terry Millar Family Trust. The amount was repaid in full during February 2018.		
	3 411	43 059

17.2 Loans to other entities

	2018 R'000	2017 R'000
Kelloggs Tolaram South Africa Pty Ltd	**10 691**	12 000
The loan is repayable in sixty monthly instalments and bears interest at the prime interest rate plus 1.00%. The loan is secured by the assets sold.		

	2018 R'000	2017 R'000
18. CASH AND BANK BALANCES		
Cash on hand	**4 990**	669
Bank balances	**982 006**	549 650
Short-term deposits	**416**	389
Bank overdrafts	**(158 072)**	(199 381)
	829 340	351 327
Current assets	**987 412**	550 708
Current liabilities	**(158 072)**	(199 381)
	829 340	351 327

Bank overdrafts form an integral part of the Group's cash management and are included as cash equivalents.

The Group has signed a cession of all its rights and claims in respect of bank accounts maintained in its jurisdiction of incorporation, from time to time.

Refer to note 33.8 Liquidity risk management for details of financing facilities and details about securities for bank facilities.

19. SHARE CAPITAL

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

19.1 Fully paid ordinary shares

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

Alterations to authorised and issued shares

- the shareholders of the Company approved the subdivision of each Ordinary Share into 125 Ordinary Shares such that, following the Subdivision, the Company had an authorised Ordinary Share capital consisting of 1 250 000 000 Ordinary Shares and an issued Ordinary Share capital consisting of 488 871 625 Ordinary Shares; and
- the shareholders of the Company approved an increase in the number of authorised Ordinary Shares by 8 750 000 000 Ordinary Shares such that the number of authorised Ordinary Shares is 10 000 000 000 Ordinary Shares.

19.2 Shares issued for business acquisitions

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

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

The fair value of the shares was determined based on the valuation approved by the Board of Directors.

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

		2018 R'000	2017 R'000
20.	**EMPLOYEE BENEFITS**		
	Post-retirement medical aid contribution liability		
	Actuarially determined present value of unfunded obligations	**8 919**	8 372
	Movement in present value of the defined benefit obligation		
	Balance at the beginning of the year	**8 372**	6 976
	Transfer from statement of comprehensive income - operating profit	**432**	766
	Current service costs	**58**	101
	Interest cost	**374**	665
	Contributions paid	**(464)**	(350)
	Actuarial loss recognised in other comprehensive income:	**579**	980
	arising from changes in demographic assumptions	**504**	815
	arising from changes in financial assumptions	**(67)**	114
	arising from change in actuarial experience	**142**	51
		8 919	8 372

The company has an obligation to provide certain post-retirement medical aid benefits to certain eligible employees and pensioners. The entitlement to these benefits for current employees is dependent upon the employee remaining in service until retirement age. The scheme is not a funded arrangement and no separate assets are held to meet the liability. The funded status of the scheme is therefore equal to the negative value of the accrued liability.

The actuarial valuation of the post-retirement medical aid contributions liability was performed at 31 December 2018.

	2018 R'000	2017 R'000
Expense recognised in profit or loss		
Current service costs	**58**	101
Interest on obligation	**783**	665
Actuarial losses recognised in other comprehensive income		
Amount accumulated in retained earnings at the beginning of the year	**1 861**	881
Recognised during the year	**579**	980
Amount accumulated in retained earnings at the end of the year	**2 440**	1 861
Actuarial assumptions		
The following are the principal actuarial assumptions at the reporting date:		
Discount rate	**10.10%**	9.60%
Medical inflation	**7.50%**	7.50%
Average duration of the obligation	**12 years**	16 years
Last actuarial valuation – South Africa	**31 December 2018**	
Full/interim valuation	**Full**	
Valuation method adopted	**Projected Unit Credit**	

Health care cost inflation risk

Medical aid contribution increases have out paced price inflation and a 1.5% was added to the price inflation to arrive to the healthcare inflation. An increase in healthcare cost inflation will increase the obligation plan.

Sensitivity analysis

Assumed medical aid contribution rates have a significant effect on the amounts recognised in profit or loss. A one percentage point change in assumed medical aid contribution rates would have the following effects:

	Increase	Decrease
Effect on the aggregate service and interest cost	**116**	(97)
Effect on defined benefit obligation	**1 027**	(860)

		2018 R'000	2017 R'000
21.	**PREMIUM ON ACQUISITION OF NON-CONTROLLING INTERESTS**		
	Balance at the beginning of the year	**(63 624)**	(18 390)
	Transfer of reserves from non-controlling interests	**(176)**	3 170
	Transfer of loans from non-controlling interests	**–**	78 984
	Acquisition of non-controlling interests	**(11 368)**	(127 388)
		(75 168)	(63 624)

During 2018, the Group acquired additional interests in certain subsidiaries as outlined below:

- Berfin World Wide Proprietary Limited – 30%
- Palpable Way Trade and Invest Proprietary Limited – 26.32%

During 2017, the Group acquired additional interests in certain subsidiaries as outlined below:

- Ambassador Confectionery Proprietary Limited– 49%
- Cecil Vinegar Works Proprietary Limited– 30%
- Choice Wise Trading Proprietary Limited – 30%
- Contactim Proprietary Limited – 30%
- Hurters Honey Proprietary Limited – 30%
- Khoisan Gourmet Proprietary Limited – 30%
- Palpable Way Trade and Invest Proprietary Limited – 10.5%

	2018 R'000	2017 R'000
22. SHARE APPRECIATION RIGHTS		
Share appreciation rights	**20 811**	34 019
	20 811	34 019

22.1 Details of the employee share appreciation rights scheme of the Company

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

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

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

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

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

Unit series	Number	Vesting date	Issue price
(1) Granted on 01 January 2016	**4 086 513**	**31/12/2018**	**R 9,79**
(2) Granted on 01 January 2017	**4 593 946**	**31/12/2019**	**R 11,87**
(3) Granted on 01 January 2018	**7 150 161**	**31/12/2020**	**R 12,92**

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

The total movement of the share appreciation rights during the financial year is a decrease of R13,2m (2017: R27m increase). Units were priced using the Economic Value Added model. Expected volatility is based on the historical share price volatility over the past 3 years.

Inputs into the model

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

22.3 Movements in share appreciation rights during the year

The following table reconciles the share appreciation rights outstanding:

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

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

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

	2018 R'000	2017 R'000
23. OTHER FINANCIAL LIABILITIES		
Financial liabilities carried at fair value through profit or loss (FVTPL)		
Foreign exchange contract	**2 229**	16 371
Put options exercisable by non-controlling interests and executive management (note 23.5)	**–**	8 836
Financial liabilities carried at amortised cost		
Bank loans	**1 670 000**	1 947 099
Asset based finance	**285 424**	269 043
Loans payable	**38 906**	38 328
Other financial liabilities (note 23.4)	**2 118**	83 017
	1 998 677	2 362 694
Non-current	**1 921 591**	2 014 548
Current	**77 086**	348 146
	1 998 677	2 362 694

23.1 Bank loans

	2018 R'000	2017 R'000
Senior Facility Term Loan A		
– Nedbank Limited	**335 000**	180 516
– Standard Bank of South Africa Limited	**335 000**	246 724
– Investec Bank Limited	**–**	66 208
The loans were refinanced in November 2018. The loans bear interest at the prevailing jibar rate plus 1.7%. The loans are payable in a single bullet payment in November 2022. Prior to refinancing the loans bore interest at the prevailing jibar rate plus 2.85% and were repayable quarterly.		
Senior Facility Term Loan B		
– Nedbank Limited	**500 000**	285 000
– Standard Bank of South Africa Limited	**500 000**	575 000
– Investec Bank Limited	**–**	90 000
The loans were refinanced in November 2018. The loans bear interest at the prevailing jibar rate plus 1.85%. The loans are repayable in a single bullet payment, in November 2023. Prior to the refinancing the loans bore interest at the prevailing jibar rate plus 3.30% and were repayable as a single bullet payment on 02 October 2020 with interest repayable quarterly.		
Senior Facility Term Loan C		
– Nedbank Limited	–	116 377
– Standard Bank of South Africa Limited	–	154 377
– Investec Bank Limited	–	38 000
These loans were repaid in November 2018. Prior to these being paid, the loans bore interest at the prevailing jibar rate plus 3.50% and were repayable as a single bullet payment on 02 October 2021 with interest repayable quarterly.		
Senior Facility Term Loan D		
– Nedbank Limited	–	95 987
– Standard Bank of South Africa Limited	–	95 987
These loans were repaid in May 2018. Prior to the loans being paid, the loans bore interest at the prevailing jibar rate plus 3.50% and were repayable as a single bullet payment on 02 October 2020 with interest repayable quarterly.		
Rand Merchant Bank	–	2 923
These loans were repaid in October 2018.		
	1 670 000	1 947 099

The above loans are secured as detailed in note 33.8

	2018 R'000	2017 R'000
23. OTHER FINANCIAL LIABILITIES		
23.2 Asset based finance		
Standard Bank of South Africa Limited	**170 656**	135 351
Nedbank Limited	**96 929**	133 692
Other	**17 839**	–
	285 424	269 043

The asset based financial liabilities are held by various financial institutions, are repayable in monthly instalments over an average of 5 years and bear interest at rates between the prevailing prime interest rate and 1% less per annum.

The above asset based financial liabilities are secured as detailed in note 33.8.

	2018 R'000	2017 R'000
23.3 Loans payable	**28 888**	28 310
Mark Pollock Investments Proprietary Limited	**4 576**	4 287
ARH Investments Proprietary Limited	**4 576**	4 287
G McGregor	**19 736**	19 736
The loans are unsecured, bear interest at the prime interest rate and are repayable over variable periods from 1 – 5 years.		
Gham Gourmet Proprietary Limited The loan is unsecured, interest free and has no fixed repayment terms. The loan is subordinated in favour of the creditors of Libstar Food Solutions Proprietary Limited.	**10 018**	10 018
	38 906	38 328
23.4 Other financial liabilities		
Amounts payable to non-controlling interest	**–**	28 592
The Sean McLeod Trust	**–**	4 092
The Jason Young Trust	**–**	69
The John Mertsch Family Trust	**–**	1 769
MR Wadee	**–**	6 323
WD Vermeulen	**–**	5 620
NS Pepperell	**–**	10 719
The above amounts relate to cash payments due to non-controlling interests in subsidiaries which were acquired on 31 December 2017. The above amounts were settled in January 2018.		
Amounts payable to executive management		
The Terry Millar Family Trust The above amount represents the settlement value of the put option exercised by executive management during December 2017.	**2 118**	19 385
Hellmans Worldwide Logistics Proprietary Limited The above amount represents short-term funding provided by Hellmans Worldwide Logistics to certain business units within the Group. The amount was repaid in full in January 2018.	**–**	35 040
	2 118	83 017
23.5 Put options exercisable by non-controlling interests and executive management		
Put options exercisable by non-controlling interests	**–**	8 835
	–	8 835

Put options exercisable by non-controlling interests

	Shares		Effective date			
Entity	**2018**	**2017**	**From**	**To**		
Palpable Way Trading Proprietary Limited	0%	37%	01/10/13	Indefinite	**–**	8 835
					–	8 835

The put options are granted in favour of minority shareholders in the above subsidiary, in terms of the relevant shareholder agreements. The strike price of the put options during the effective period, is the value of the shares at date of exercise as set out in the relevant shareholders agreement, prior to which the put options are exercisable at a discount.

23. OTHER FINANCIAL LIABILITIES

23.5 Put options exercisable by non-controlling interests and executive management

RECONCILIATION OF PUT OPTIONS

	Put options exercisable by non-controlling interests R'000	Put options exercisable by executive management R'000	Total R'000
Balance at 01 January 2017	28 897	60 783	89 680
Fair value adjustments through profit or loss	–	(1 436)	(1 436)
Fair value adjustments through equity	18 049	–	18 049
Put options exercised during the year	(38 111)	(59 347)	(97 458)
Balance at 01 January 2018	**8 835**	**–**	**8 835**
Fair value adjustments through equity	**(8 835)**	**–**	**(8 835)**
Balance at 31 December 2018	**–**	**–**	**–**

The fair value measurements of the put options have been categorised as Level 3 fair values based on the inputs of the valuation techniques used.

	2018 R'000	2017 R'000
24. TRADE AND OTHER PAYABLES		
Trade payables	**1 068 802**	1 139 725
Accrued expenses	**258 380**	328 082
Value-added tax payable	**40 400**	27 776
Other payables	**33 755**	3 235
	1 401 337	1 498 818
25. CASH GENERATED FROM CONTINUING OPERATIONS		
Profit before taxation from continuing operations	**349 783**	367 154
Adjustments for:	**617 643**	517 426
Depreciation, amortisation and impairments	**347 573**	315 685
Loss on disposal of property, plant and equipment	**3 121**	959
Investment income	**(47 676)**	(25 754)
Finance costs	**272 890**	254 431
Fair value adjustment on put options exercisable by executive management	**–**	(1 436)
Fair value adjustment on forward exchange contracts	**47 257**	(47 901)
Movements in employee benefits	**547**	1 396
Movements in operating lease assets and accruals	**7 139**	(6 613)
Movements in share appreciation rights	**(13 208)**	26 659
Changes in working capital:	**(92 030)**	70 624
Decrease/(increase) in inventories	**15 777**	(34 373)
Increase in trade and other receivables	**(9 930)**	(80 281)
Increase in biological assets	**(500)**	(3 602)
(Decrease)/increase in trade and other payables	**(97 377)**	188 880
	857 396	955 204
Cash generated from operations – discontinued operations		
Loss before taxation from discontinued operations	**(14 548)**	(50 381)
Adjustments for:	**8 751**	27 559
Depreciation and amortisation	**1 867**	35 261
Loss on disposal of property, plant & equipment	**6 884**	–
Deferred tax	**–**	(7 528)
Finance costs	**–**	(86)
Fair value adjustment on forward exchange contracts	**–**	(88)
Changes in working capital:	**–**	14 099
Decrease in inventories	**–**	16 173
Decrease in trade and other receivables	**–**	14 994
Decrease in trade and other payables	**–**	(17 068)
	(5 797)	(8 723)

		2018 R'000	2017 R'000
26.	**TAXATION PAID**		
	Balance at beginning of the year	**11 151**	25 971
	Balance acquired from business combinations	**–**	2 075
	Current tax for the year recognised in profit or loss	**(151 935)**	(162 086)
	Balance at end of the year	**1 443**	(11 151)
		(139 341)	(145 191)
27.	**COMMITMENTS**		
	Minimum lease payments due to on operating leases – as lessee (expense)		
	– within one year	**111 312**	102 352
	– in second to fifth year inclusive	**281 616**	238 228
	– later than five years	**104 847**	87 965
		497 775	428 545

28 . GOVERNMENT GRANTS

The Group obtained as income a government grant of R 0.2m (2017: R 1m). The Group benefits from such assistance under the Manufacturing Competitiveness Enhancement Program, Skills Development and under the Employer Tax Incentive program.

All government grants received during the current financial year have been classified as income and all conditions relating to these grants have been fulfilled.

29. RELATED PARTY DISCLOSURES

29.1 Related party relationships

Shareholders
APEF Pacific Mauritius Limited
The Public Investment Corporation Limited
Executive Management
Amazing Stars Proprietary Limited

Directors
WS Hamid
S Khanna
JP Landman
P Langeni – Resigned 31 December 2018
W Luhabe
S Masinga – Appointed 14 December 2018
RW Smith
AV van Rensburg

29.2 Related party balances

Refer to note 17.1, note 23.3 and 23.4

29.3 Related party transactions

Directors' remuneration
Refer to note 9.

Interest received from non-controlling shareholders of subsidiaries.
Refer to note 4.

30. SUBSEQUENT EVENTS

The following material events occurred during the period subsequent to 31 December 2018 but prior to these financial statements being authorised for issue:

30.1 Dividend declaration

The board approved and declared a final cash dividend of 22 cents per ordinary share in respect of the year ended 31 December 2018. The dividend is payable on 8 April 2019 to shareholders recorded as such in the share register of the Company on 5 April 2019 (the record date). The last date of trading cum dividend will be 2 April 2019.

31. GOING CONCERN

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

32. VALUATION OF CALL OPTIONS

32.1 Call options exercisable by the Company

	Shares		Effective date			
Entity	2018	2017	From	To	2018 R'000	2017 R'000
Palpable Way Trading Proprietary Limited	0%	37%	01/10/13	Indefinite	–	8 835
					–	8 835

The call options are granted in favour of the Company in respect of minority shareholdings in certain subsidiaries, in terms of the relevant shareholder agreements. The strike price of the call option during the effective period is the market value of the shares at the date of exercise, prior to which, the call options are exercisable at premium to the market value.

The group purchased the remaining shares in Palpable Way Trading Proprietary Limited in the current financial year.

No call options were exercised during the current financial year.

33. RISK MANAGEMENT

33.1 Financial risk management objectives

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

The Group seeks to minimise the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

33.2 Capital risk management

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

The capital structure of the Group consists of net debt (bank loans and asset based finance as detailed in note 23 offset by cash and bank balances as detailed in note 18) and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests as detailed in notes 19, 20 and 21).

The Group is not subject to any externally imposed capital requirements.

GEARING RATIO

The gearing ratio at end of the reporting period was as follows:

	2018 R'000	2017 R'000
Bank loans, asset based finance and loans payable	1 957 542	2 299 159
Bank overdraft/(cash)	(829 340)	(351 327)
Net debt	1 128 202	1 947 832
Total equity (including shareholder loans)	5 411 407	4 566 968
Net debt to equity ratio	0.21	0.43

Total equity includes loans from the equity holders of the parent and loans from the non-controlling equity holders of the subsidiaries. The group endeavours to maintain a net debt ratio below 0.75.

33. RISK MANAGEMENT CONTINUED

33.3 Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group enters into derivative financial instruments to manage its exposure to foreign currency risk, specifically forward foreign exchange contracts to hedge the exchange rate risk arising on the export and import of food products to and from Australia, New Zealand, the United Kingdom, the European Union, USA and Canada.

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

33.4 Foreign currency risk management

The Group undertakes transactions denominated in foreign currencies, consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

FOREIGN CURRENCY EXPOSURE AT BALANCE SHEET DATE

	2018 R'000	2017 R'000
Assets		
Trade debtors, USD 7 093 451 (2017: 5 590 318)	**102 309**	72 636
Trade debtors, EUR 1 586 350 (2017: 845 952)	**26 142**	13 188
Trade debtors, GBP 1 021 043 (2017: 395 555)	**18 584**	7 134
Trade debtors, AUD 262 800 (2017: 1 823 512)	**2 724**	19 052
Trade debtors, NZD 24 189 (2017: 44 005)	**235**	429
Trade debtors, CAD nil (2017: 43 785)	**–**	477
Liabilities		
Trade creditors, USD 1 537 239 (2017: 1 637 291)	**22 410**	20 362
Trade creditors, EUR 1 837 924 (2017: 300 542)	**30 102**	3 504
Trade creditors, GBP 4 354 (2017: 30 862)	**80**	401
Trade creditors, AUD nil (2017: 289)	**–**	3
Trade creditors, YEN nil (2017: 658 480)	**–**	72
Exchange rates used for conversion of foreign items		
US Dollar	**14.3853**	12.3551
Euro	**16.4790**	14.7995
Pound Sterling	**18.3559**	16.6686
Australian Dollar	**10.1356**	9.6430
New Zealand Dollar	**9.6505**	8.7729
Japanese Yen	**0.1311**	0.1097

FORWARD EXCHANGE CONTRACTS WHICH RELATE TO FUTURE COMMITMENTS

	Foreign amount '000	Rand amount R'000	Fair value R'000
31 December 2018			
US Dollar	**27 044**	**388 093**	**1 063**
Euro	**10 296**	**175 496**	**2 752**
Pound Sterling	**2 516**	**48 468**	**1 076**
Australian Dollar	**4 652**	**49 145**	**1 038**
New Zealand Dollar	**26**	**246**	**(6)**
Japanese Yen	**1 108**	**140**	**5**
	45 642	**661 588**	**5 928**
31 December 2017			
US Dollar	24 961	571 087	46 286
Euro	16 253	259 633	(8 531)
Pound Sterling	3 304	63 046	6 404
Australian Dollar	8 166	89 618	9 063
New Zealand Dollar	32	313	35
Singapore Dollar	1	7	–
	52 717	983 704	53 257

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

33. RISK MANAGEMENT CONTINUED

33.4 Foreign currency risk management continued

FOREIGN CURRENCY SENSITIVITY ANALYSIS

The group is mainly exposed to the US Dollar and Euro.

The following table details the Group's sensitivity to a 10% increase and decrease in the South African Rand (ZAR) against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonable possible change in foreign exchange rates that the Group is mainly exposed to, namely the US Dollar and the Euro. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit and equity where the ZAR strengthens 10% against the relevant currencies. For a 10% weakening of the ZAR against the relevant currencies, there would be a comparable impact on the profit and equity and the balances below would be negative.

Impact on profit and equity

	2018 R'000	2017 R'000
US Dollar	**114 937**	64 585
Euro	**(6 526)**	14 332
Pound Sterling	**33 966**	11 223
Australian Dollar	**2 761**	18 369
New Zealand Dollar	**227**	376

The Group does not make use of hedge accounting.

33.5 Interest rate risk management

The Group is exposed to interest rate risk because entities in the Group borrow funds at floating interest rates. The risk is managed by the Group by linking the interest rate of the loan to the JIBAR over the period of the loan.

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

33.6 Interest rate sensitivity analysis

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

If interest rates had been 1% per annum higher/lower and all other variables were held constant, the Group's:

- profit for the year ended 31 December 2018 would decrease/increase by R21.4m (2017: R24.4m). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

The Group does not have any fixed rate financial instruments.

33.7 Credit management

Credit risk arises from the risk that a counterparty may default or not meet its obligations timeously.

The Group limits its counterparty exposure arising from financial instruments by only dealing with well-established institutions of high credit standing. The group does not expect any counterparties to fail to meet their obligations given their high credit ratings.

The Group's credit exposure, in respect of its customer base, is represented by the net aggregate balance of amounts trade receivable. The maximum credit exposure at balance sheet date was R 1,483m (2017: R 1,524m).

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

The Group's credit exposure in respect of the financial assets are considered not to be material. Therefore, no additional disclosures will be made.

Credit risk in respect of the Group's customer base is controlled by the application of credit limits and credit monitoring procedures. Certain significant receivables are monitored on a daily basis. Where appropriate, credit guarantee insurance is obtained. The Group does not hold any collateral in respect of its customers.

33. RISK MANAGEMENT CONTINUED

33.8 Liquidity risk management

LIQUIDITY AND INTEREST RISK TABLES

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Group may be required to pay.

	Weighted average effective interest %	Carrying value R'000	Less than 1 year R'000	Between 2 and 5 years R'000	More than 5 years R'000	Total R'000
31 December 2018						
Trade and other payables[1]	**0.00%**	**1 360 937**	**1 360 937**	**–**	**–**	**1 360 937**
Bank overdraft	**10.06%**	**158 072**	**158 072**	**–**	**–**	**158 072**
Other financial liabilities[2]	**9.11%**	**1 996 448**	**217 727**	**2 462 683**	**–**	**2 680 410**
		3 515 457	**1 736 736**	**2 462 683**	**–**	**4 199 419**
31 December 2017						
Trade and other payables[1]	0.00%	1 471 042	1 471 042	–	–	1 471 042
Bank overdraft	10.25%	199 381	199 381	–	–	199 381
Put options	0.00%	8 835	8 835	–	–	8 835
Other financial liabilities[2]	10.35%	2 337 487	461 073	2 029 281	–	2 490 354
		4 016 745	2 140 331	2 029 281	–	4 169 612

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

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

LIQUIDITY RISK

The following table indicates the periods in which the cash flows associated with derivatives are expected to occur:

	Carrying amount R'000	6 months or less R'000	6 – 12 months R'000	Total Contractual Cashflows R'000
31 December 2018				
FECs used for hedging				
– Imports	**(2 229)**	**(240 403)**	**–**	**(240 403)**
– Exports	**8 229**	**74 256**	**346 929**	**421 185**
	(6 000)	**(166 147)**	**346 929**	**180 782**
31 December 2017				
FECs used for hedging				
– Imports	(16 371)	(319 970)	(579)	(320 549)
– Exports	69 628	91 306	551 777	643 084
	53 257	(228 664)	551 198	322 535

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Details of additional facilities that the Group has at its disposal to further reduce liquidity risk are given below.

33. RISK MANAGEMENT CONTINUED

33.8 Liquidity risk management continued

FINANCING FACILITIES

Collective financing facilities provided to the Group are as follows:

- Senior facility A of R670,000,000 with a 4 year bullet profile – fully utilised;
- Senior facility B of R1,000,000,000 with a 5 year bullet profile – fully utilised;
- Senior facility C of R240,000,000 with a 5 year bullet profile – unutilised committed facility;
- Senior facility D of R240,000,000 with a 5 year bullet profile – unutilised facility subject to credit approval by lenders;
- An asset based finance facility of R500,000,000 – and
- A general banking facility of R500,000,000 available by way of an overdraft facility and/or Letters of Guarantee and/or Letters of Credit and/or Forward Exchange Contracts (being 10% of the amount of the forward exchange contracts).

The Senior Facility A, Senior Facility B, Senior Facility C and Senior Facility D loans are held by Libstar Operations Proprietary Limited.

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

- Libstar Operations Proprietary Limited and its respective divisions being Amaro Foods, Cape Herb and Spice, Chamonix, Chet, Dickon Hall Foods, Finlar, Lancewood, Millenium Foods, Montagu Foods, Noodlemaster, Retailer Brands, Rialto, Sonnendal, Ambassador Foods, Cecil Vinegar, Contactim, Denny Mushrooms, Elvin, Hurters, Khoisan Gourmet, Multicup Solutions and Pasta Nova;
- Libstar Services Mauritius;
- Khoisan Green Proprietary Limited;
- Berfin Worldwide Proprietary Limited;
- Glenmor Soap Proprietary Limited;
- Libstar Properties Proprietary Limited; and
- Palpable Way Trade and Invest Proprietary Limited.

Security agreements currently held in favour of the Debt guarantor to establish security are as follows:

- A pledge and cession of all shares, securities and other ownership interest it holds, from time to time, in any Affiliate, associate company or another person in which it is invested;
- A cession of all present and future claims, from time to time, against any person, including its trade debtors;
- A cession of its present and future claims, from time to time, against any person under the Acquisition Documents;
- A cession of all rights and claims in respect of bank accounts maintained, from time to time;
- A cession of all insurances taken out by or for the benefit of that Obligor, from time to time, and all proceeds receivable under those insurances;
- A hypothecation of all the trade marks, patents and designs of that Obligor;
- A cession of all the Intellectual Property Rights of that Obligor;
- First ranking covering mortgage bonds over all the immovable property of which the Obligor is the registered owner; and
- A general notarial bond over all the movable assets of the Obligor.

The security for the Senior Facility A, Senior Facility B, Senior Facility C and Senior Facility D term loans are provided by Libstar Operations being the Original Guarantor and Elvin Group, Ambassador Foods, Contactim, Denny Mushrooms and Libstar Properties being the additional guarantors.

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

33.9 Fair values

The fair values of all financial instruments are substantially the same as the carrying amount reflected on the statement of financial position.

The value of the biological assets at the end of the reporting period are considered not to be material. Therefore, no additional disclosures are required to be made.

FEC derivative instruments are measured as disclosed in note 34.2 and the fair values are disclosed in note 33.8.

34. FINANCIAL INSTRUMENTS

34.1 Categorisation of financial assets and liabilities

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

	Financial assets/ liabilities Fair value through profit or loss R'000	Financial liabilities Fair value through equity R'000	Financial assets/ liabilities Amortised cost R'000
31 December 2018			
Other financial assets[1]	**8 229**	**–**	**17 710**
Trade and other receivables	**–**	**–**	**1 511 876**
Cash and bank balances	**–**	**–**	**987 412**
Total assets from continuing operations	**8 229**	**–**	**2 516 998**
Other financial liabilities[1]	**2 229**	**–**	**1 996 448**
Trade and other payables	**–**	**–**	**1 360 937**
Bank overdraft	**–**	**–**	**158 072**
Put options[2]	**–**	**–**	**–**
Total liabilities from continuing operations	**2 229**	**–**	**3 515 457**
31 December 2017			
Other financial assets[1]	69 628	–	55 619
Trade and other receivables	–	–	1 525 333
Cash and bank balances	–	–	550 708
Total assets from continuing operations	69 628	–	2 131 660
Other financial liabilities[1]	16 371	–	2 337 488
Trade and other payables	–	–	1 471 042
Bank overdraft	–	–	199 381
Put options[2]	–	8 835	–
Total liabilities from continuing operations	16 371	8 835	4 007 911

1. *These financial assets/ liabilities comprise forward exchange contracts and are categorised as level 2 per the fair value hierarchy.*
2. *These financial liabilities comprise put options and are categorised as level 3 per the fair value hierarchy.*

There has been no changes to the classification during the current financial year.

The carrying amount of cash and bank balances and bank overdrafts approximates fair value because of the short maturity of these instruments.

Trade and other receivables, investments, loans and trade and other payables reflected on the statement of financial position approximate the fair values thereof.

Borrowings (term loans, asset based finance and loans payable) are measured at amortised cost using the effective interest rate method and the carrying amounts approximate their fair value.

There are no significant differences between carrying values and fair values of financial assets and liabilities.

34. FINANCIAL INSTRUMENTS CONTINUED

34.2 Measurement of fair values

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There were no transfers between level 2 and 3 of the fair value hierarchy for the years ended 31 December 2018 or 2017.

Type	Valuation Technique	Fair value hierarchy	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
FORWARD EXCHANGE CONTRACTS	Forward Pricing: The fair value is determined using quoted forward exchange rates at the reporting date and present value calculations based on high credit quality yield curves in the respective currencies.	Level 2	Not applicable	Not applicable
PUT OPTIONS EXERCISABLE BY NON-CONTROLLING INTERESTS AND EXECUTIVE MANAGEMENT	Equity valuation: The fair value is determined as ebitda for the last financial period, multiplied by a pre-determined multiple, adjusted for external borrowings and cash on hand.	Level 3	Unobservable inputs include the ebitda which is calculated based on the financial results for the last period and the ebitda multiple. The multiple varies as this is negotiated between the parties at the time of inception.	Not applicable