

From our Home to Yours

Reviewed Interim Results

Six Months ended 30 June 2019





Interim Results

For the six months ended 30 June 2019

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Salient Features

Against the backdrop of a weak retail and consumer environment, Libstar delivered a resilient performance. The key contributors were the group's core categories of Perishables, Ambient Groceries, Snacks and Confectionery and Baking and Baking Aids.

The Group uses normalised EBITDA, normalised EPS and normalised HEPS, which exclude non-recurring, non-trading & non-cash items, as key measures to indicate its true operating performance:

Normalised EBITDA increased by	Normalised EPS increased by	Normalised HEPS increased by
5.9%	13.2%	12.4%



Rm	H1 2019	% change	H1 2018
Revenue	4 617	+4.6%	4 415
Gross Profit margin	23.2%		20.9%
Normalised operating profit (margin)	339	+5.0%	323
Normalised EBITDA (margin)	7.3%		7.3%
Normalised EBITDA	425	+5.9%	401
Normalised EPS (cents)	9.2%		9.1%
Normalised EPS (cents)	30.9	+13.2%	27.3
Normalised HEPS (cents)	30.9	+12.4%	27.5
Reported total basic and diluted EPS (cents)*	8.7	-28.7%	12.2
Reported total basic and diluted HEPS (cents)**	18.6	+50.0%	12.4

* Mainly due to the exit and R59.4 million impairment of the non-core dairy blend and fruit concentrate business held-for-sale

** Mainly due to the significant reduction in net interest expense

About Libstar

Libstar is a leading producer and supplier of high-quality products in the consumer packaged goods (“CPG”) industry. It markets a wide range of products in South Africa and globally. The Group provides a multi-product offering in several categories across a range of channels. Libstar is strategically positioned within the food and beverage and household and personal care (“HPC”) sectors to maintain the flexibility to capitalise on growth areas in the CPG industry.

Group Trading and Financial Performance

To facilitate comparison with the operating performance of the Group for H1 2018 (‘the comparative period’), H1 2019 numbers in the commentary section of this announcement have been presented on a like-for-like basis, which excludes the impact of the first-time adoption of IFRS 9 (hedge accounting) and IFRS 16 (leases), unless otherwise indicated.

As indicated at year-end, the Group has structured its businesses around core and non-core categories. The core categories include Perishables, Ambient Groceries, Snacks and Confectionery and Baking and Baking Aids whilst the non-core categories are Household and Personal Care, Niche Beverages and Specialised Food Packaging. The dairy blend and fruit concentrate business of Elvin, in the non-core category, is currently held for sale and the comparative period has been restated to reflect this.

Revenue

Group revenue for the period was up 4.6%. Organic revenue growth from our core categories, which constitute 88% of the Group’s revenue base, was 5.3%. This was mainly as a result of increased volume sales of baked goods, as well as a significant increase in dry condiment exports.

Revenue from non-core categories, which represent 12% of revenue, declined by 1.5%. Despite the improvement in sales mix, significant volume declines in the outsourced and export markets impacted the results.

Gross profit margins

Gross profit margins for the Group improved from 20.9% to 23.2%, mainly as a result of favourable changes in the sales mix of value-added dairy products and lower input costs of dry condiments. The Group’s continued focus on procurement practices and production efficiencies, is also reflected in the improved gross profit margin.

Operating profit and EBITDA

Normalised operating profit increased by 5.0%, with margins remaining constant at 7.3%.

Group normalised EBITDA increased by 5.9% and normalised EBITDA margins remained constant (9.1% in H1 2018 vs 9.2% in H1 2019). Normalised EBITDA from the Group’s core categories increased by 8.5%, contributing 95.5% of Group EBITDA. The remaining 4.5% of normalised EBITDA was contributed by the non-core categories and showed a decline of 17.6% on the comparative period.

Net interest expenses

The Group’s net interest expense declined by 40.7% to R78.3 million. This is due to the R700 million reduction in net debt levels after Libstar’s JSE listing in May 2018 and the November 2018 renegotiation of Group debt facilities on more favourable terms.

Earnings and headline earnings

Normalised earnings increased by 29.8% to R185.4 million (30.9 cents per share), mainly as a result of a significant reduction in the group’s net interest expense.

Normalised headline earnings increased by 28.7% to R185.2 million.

Cash flows and working capital

Cash generated from operating activities increased by 49.3% to R120 million, largely as a result of the reduced net interest expense. Net working capital as a percentage of revenue (13.8%) remains within the group’s target of 13-15%. The Group continues to invest in capacity-enhancing projects in identified growth areas, with capital expenditure of R162 million (H1 2018: R152 million), representing 3.5% of net revenue. This was slightly above the Group’s normal range of 2.5-3.0% and included R43 million in plant upgrades at Lancewood and R23 million in respect of the new par-bake frozen facility at Amaro Foods.

Other material cash outflows during the six months under review include the settlement of the Group’s annual dividend of R132 million, declared on 13 March 2019, and the repurchase of shares of R92 million.

Category Results



	6 months ended 30 June 2019 R'000	6 months ended 30 June 2018 R'000	Change %
Revenue			
Perishables	2 205 332	2 172 598	1,5
Ambient Groceries	1 311 823	1 218 946	7,6
Snacks and Confectionery	239 167	212 322	12,6
Baking and Baking Aids	313 925	255 766	22,7
Niche Beverages	53 509	71 112	(24,8)
Household and Personal Care	373 076	377 519	(1,2)
Specialised Food Packaging	120 044	106 537	12,7

	6 months ended 30 June 2019 R'000	6 months ended 30 June 2018 R'000	Change %
Normalised EBITDA			
Perishables	200 717	189 388	6,0
Ambient Groceries	178 923	157 633	13,5
Snacks and Confectionery	35 917	34 977	2,7
Baking and Baking Aids	41 859	39 758	5,3
Niche Beverages	1 232	6 047	(79,6)
Household and Personal Care	16 803	15 922	5,5
Specialised Food Packaging	3 467	4 139	(16,2)



Core Categories

A pleasing performance was achieved by all of the core categories. A favourable change in the sales mix of dairy products and lower dry condiment input costs resulted in an improvement in core category gross profit margins from 21.5% to 23.9%. Normalised operating profit margins increased from 9.2% to 9.4% and normalised EBITDA margins increased from 10.9% to 11.2%.

Perishables

Ambient Groceries

Snacks and Confectionery

Baking and Baking Aids



PERISHABLES

48% of group revenue

42% of group normalised EBITDA

Revenue from Perishables, the group's single largest contributor to revenue and profit, increased 1.5%. A 3.2% decline in volumes was more than compensated for by a 4.7% positive price/mix change. The decline in volumes was mainly as a result of significantly lower sales of value-added chicken products due to lower demand from customers in the food service channel. Fresh mushrooms delivered positive volume and price growth off the low H1 2018 base.

A significant improvement in the sales mix of dairy products following the launch of a range of eating yoghurts in Q3 2018 was the main contributor to the improvement in category gross profit margins from 17.9% to 20.9% and also contributed to the increase in normalised operating profit and normalised EBITDA which grew by 2.4% and 6.0% respectively.

The normalised EBITDA margin for the category improved from 8.7% to 9.1%.



AMBIENT GROCERIES

28% of group revenue

37% of group normalised EBITDA

Revenue from Ambient Groceries, the group's second largest contributor to revenue and profit, was buoyed by strong double-digit revenue growth in local market private label spices and seasonings and a significant recovery in dry condiment export markets.

Wet condiment sales improved following the consolidation of the Montagu and Denny wet condiment manufacturing facilities in the prior year and improved sales from Dickon Hall Foods following the strike in H1 2018. Plant integration costs at Montagu and a lower demand from customers within the outsourced manufacturing channel at Dickon Hall Foods, however negatively impacted on the category EBITDA performance.

Khoisan Gourmet, the Group's main contributor to the tea sub-category, was transferred from Niche Beverages to the Ambient Groceries category to better align the disclosure of the segment.

The Ambient Groceries category gross profit margin improved from 25.7% to 28.6%, mainly as a result of lower dry condiment input prices.

Normalised operating profit and normalised EBITDA increased by 16.9% and 13.5% to R156 million and R179 million respectively, whilst normalised EBITDA margins improved from 12.9% to 13.6%.



SNACKS AND CONFECTIONERY

5% of group revenue

7% of group normalised EBITDA

Revenue from the Snacks and Confectionery category grew 12.6% to R239 million. The new Pringle potato snack facility was commissioned during June 2019 and is expected to contribute to a stronger H2 normalised EBITDA performance within the category.

Gross profit margins in the category declined from 26.1% in the prior period to 24.8%, largely due to increased promotional activity in nut tubs and peanut snacks.

Normalised operating profit declined by 2.9% to R29 million, while normalised EBITDA increased 2.7% to R36 million. The planned snack bar launch in September 2019 is expected to bolster H2 normalised EBITDA performance.



BAKING AND BAKING AIDS

7% of group revenue

9% of group normalised EBITDA

Revenue from Baking and Baking Aids increased by 22.7% to R314 million as a result of strong double-digit volume growth from the sales of rolls, buns, flat breads and wraps due to increased innovation in the category. This was slightly offset by lower private label revenue from soups and jellies within the Baking Aids sub-category.

An adverse change in the baked goods sales mix resulted in a decline of the category gross profit margin from 27.6% to 24.2%.

Normalised operating profit and normalised EBITDA increased by 0.9% and 5.3% to R31 million and R42 million respectively.

Non-Core Categories

The performance from the group's non-core categories was disappointing. Normalised operating profit declined by 19.5% to R12 million, mainly due to a weaker performance in Niche Beverages (off a high H1 2018 base). Normalised EBITDA declined by 17.6% to R22 million.

Niche Beverages

Household and Personal Care

Specialised Food Packaging





NICHE BEVERAGES

1% of group revenue

0% of group normalised EBITDA

During H1 2019, the group entered into a binding sales agreement to exit the non-core dairy-blend and fruit concentrate beverage operations. This agreement is subject to customary conditions precedent, including approval by The Competition Commission of South Africa. The transaction is not categorised in terms of the JSE Listings Requirements. On classification of this operation as held-for-sale, a pre-tax impairment loss of R73.0 million (R59.4 million post-tax) was recognised mainly in respect of the brands and goodwill attributable to the asset to align the carrying value of the assets held for sale to the purchase consideration in accordance with the transaction.

Revenue from the remaining Niche Beverages businesses, which comprise Chamonix Springwater and the non-beverage Elvin operations (which will in future be reported under the Ambient Groceries category following the operational integration with the group's wet condiment facilities) declined by 24.8%. This was mainly due to a decline in water sales compared to the high base set in the prior period as a result of the drought experienced in the Western Cape.

Normalised operating profit and normalised EBITDA for the period were breakeven and R1 million respectively compared to respective profits of R5 million and R6 million.



HOUSEHOLD AND PERSONAL CARE

8% of group revenue

4% of group normalised EBITDA

Revenue from Household and Personal Care products decreased by 1.2% to R373 million. Gross profit margins improved from 15.9% to 18.1% due to an improved sales mix, resulting in a R3 million (38.6%) increase in normalised operating profit and a R1 million (5.5%) increase in normalised EBITDA to R10 million and R17 million respectively.

An operational amalgamation of the businesses within the HPC cluster will be implemented during H2 2019. This is expected to yield further cost rationalisation benefits and improve the group's sales, marketing, distribution and logistics capabilities within the category.



SPECIALISED FOOD PACKAGING

3% of group revenue

1% of group normalised EBITDA

Revenue from Specialised Food Packaging increased 12.7% to R120 million. Although gross profit margins were maintained at 22.9% compared to 23.0% in H1 2018, normalised operating profit and normalised EBITDA decreased R0.9 million and R0.7 million respectively due to increased operating costs.





Outlook

Revenue from dealer-own brands and private label contributed 46% of Libstar's Group gross revenue during H1 2019, up from 45% in the comparative period as revenue from private label products within the broader South African market continues to outstrip the growth in named brands.

Libstar is well positioned through its ability to innovate and differentiate products and its ability to develop category plans for retail customers. The Group should therefore continue to grow its share of the relevant markets by its dealer-own brand and private label offerings.

Innovation, as a means of growth, remains a core pillar of organic growth for Libstar, with over 350 new or renovated products launched during H1 2019.

During H2 2019, Libstar will continue its efforts to:

- develop categories and channels especially within the food service, retail, wholesale, independent and export channels;

- standardise IT platforms, invest in logistics tracking and improve its overall manufacturing efficiency measures;
- reduce operating costs through improved productivity, target costing and product re-engineering, and
- invest in new technologies and capacity-expanding projects within core categories, with a further R57 million, R26 million and R15 million earmarked for planned upgrades at Lancewood, Millennium Foods and Ambassador Foods respectively.

In H1 2019, Libstar recorded the benefits from capex projects completed in 2018, namely the new granola plant, the health bar capacity expansion (with additional expansion to come through in the current year) and the new meat slicing plant. Benefits have not yet flowed from the new chicken plant with new markets being developed both locally and in the export markets. The Montagu/Denny Foods integration was slow to come online with several equipment problems and has only settled down in early H2 2019.

H2 2019 is expected to reflect the benefits from the commissioning of the par-bake frozen plant (late May) and the Pringles manufacturing plant (June). Furthermore, the local production of Kiri and Laughing Cow soft cheese is expected to commence in Q4 2019.

Libstar's approximate 40:60 H1:H2 normalised EBITDA ratio is expected to remain largely intact although aggressive competitor discounting and constrained demand within the markets in which the Group operates, is expected to continue during H2 2019.



Shareholder Update

Shareholders are referred to an Actis media release dated 15 July 2019 wherein Actis advised that it has assumed management rights on Abraaj Private Equity Fund IV (APEF IV), a global buyout fund, and Abraaj Africa Fund III (AAF III), a fund for investment in sub-Saharan Africa.

Libstar is a portfolio investment of APEF Pacific Mauritius Ltd (APEF Mauritius) which in turn is a portfolio investment of, inter alia, APEF IV and AAF III. APEF Mauritius holds 252,463,077 Libstar shares or 37.02% of the total voting rights of the company.

Actis is a leading investor in growth markets across Africa, Asia and Latin America. Founded in 2004, Actis has raised US\$15bn since inception and employs over 200 people, including a team of c.120 investment professionals, working across 16 offices globally.

Dividend

In line with Group policy, the Board will assess the declaration of a dividend once per annum, at publication of final results once full-year trading is concluded.



Changes To The Board And Committee Compositions

In light of the change in the management rights of the Abraaj shareholding as outlined above, Mr Wahid Hamid, who represented Abraaj on the Libstar board, has resigned as a non-executive director of Libstar Holdings Limited, chairman of the Remuneration Committee and member of the Investment Committee with effect from 12 August 2019. The Board wishes to thank Mr Hamid for his contributions to Libstar and wishes him well in his future endeavours. In accordance with its mandate, the Board has appointed Mr Sandeep Khanna as chairman of the Remuneration Committee and Mr JP Landman as a member of the Remuneration Committee with effect from 03 September 2019.

The Nominations committee will continue its assessment of the structure and composition of the Board and its committees.

By order of the Board

Johannesburg
03 September 2019

WYN Luhabe
Chairman

AV van Rensburg
Chief Executive Officer

RW Smith
Financial and Commercial Director

Pro Forma Financial Information

As the half-year comparative period normalised earnings and normalised headline earnings have not been previously reported, this information constitutes pro-forma financial information in terms of the JSE Listings Requirements. The pro forma financial information presented in this announcement, which is the responsibility of the group's directors, has been prepared for illustrative purposes only, and may not fairly present the group's financial position, changes in equity, results of operations or cash flows.

Forward-Looking Statements

Any forward-looking statements included in this results announcement involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the group to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Any reference to forward-looking information included in this results announcement does not constitute an earnings forecast and has not been reviewed or reported on by the Group's external auditors.



Condensed Consolidated Statement of Comprehensive Income

	Notes	6 months ended 30 June 2019 Reviewed R'000	6 months ended 30 June 2018 ¹ Reviewed R'000	Year ended 31 December 2018 ¹ Audited R'000
CONTINUING OPERATIONS				
Revenue		4 616 876	4 414 800	9 659 597
Cost of sales		(3 544 339)	(3 490 711)	(7 493 654)
Gross profit		1 072 537	924 089	2 165 943
Other income	5	14 255	6 629	17 995
Operating expenses	6	(816 224)	(701 758)	(1 562 419)
Operating profit		270 568	228 960	621 519
Investment income		25 219	21 027	47 617
Finance costs		(128 158)	(153 052)	(269 310)
Profit before tax		167 629	96 935	399 826
Income tax expense		(48 985)	(24 883)	(125 907)
Profit for the period from continuing operations		118 644	72 052	273 919
DISCONTINUED OPERATIONS				
Loss for the period from discontinued operations and operations held for sale	7	(65 807)	(9 760)	(50 906)
Profit for the period		52 837	62 292	223 013
Other comprehensive income for the period, net of tax		8 752	(247)	(417)
Defined benefit plan actuarial losses		–	(247)	(417)
Gains on hedging reserves		8 752	–	–
Total comprehensive profit for the period		61 589	62 045	222 596
Profit/(loss) attributable to:				
Equity holders of the parent		52 232	63 820	222 224
Non-controlling interest		605	(1 528)	789
		52 837	62 292	223 013
Total comprehensive income/(loss) attributable to:				
Equity holders of the parent		60 984	63 573	221 807
Non-controlling interest		605	(1 528)	789
		61 589	62 045	222 596
Basic and diluted earnings per share (cents)				
From continuing operations	8	19,7	14,1	48,2
From continuing and discontinued operations	8	8,7	12,2	39,2
Headline earnings per share (cents)				
From continuing operations	8	19,7	14,3	48,7
From continuing and discontinued operations	8	18,6	12,4	45,9

¹ The comparatives have been restated to reflect dairy blend and fruit concentrate operations as a discontinued operation.

Condensed Consolidated Statement of Financial Position

		At At 30 June 2019	At 30 June 2018	At 31 December 2018
	Notes	Reviewed R'000	Reviewed R'000	Audited R'000
ASSETS				
Non-current assets				
		6 388 407	6 031 717	6 009 716
Property, plant and equipment		1 263 716	1 103 649	1 205 921
Lease asset	10	464 430	–	–
Goodwill		2 496 058	2 521 058	2 521 058
Intangible assets		2 144 357	2 376 992	2 269 199
Other financial assets		6 608	8 860	8 018
Operating lease asset		–	4 248	5 418
Deferred tax assets		13 238	16 910	102
Current assets				
		3 764 554	3 667 931	3 784 159
Inventories		1 192 812	1 188 231	1 121 330
Trade and other receivables		1 557 825	1 482 091	1 628 038
Biological assets		27 635	26 990	26 662
Other financial assets		30 268	24 562	17 921
Current tax receivable		29 738	61 031	2 796
Cash and bank balances		926 276	885 026	987 412
Assets classified as held for sale				
		36 444	21 834	–
Total assets				
		10 189 405	9 721 482	9 793 875
EQUITY AND LIABILITIES				
Capital and reserves attributable to equity holders of the parent				
		5 197 244	5 260 384	5 410 079
Share capital		4 727 314	4 829 235	4 818 884
Defined benefit plan reserve		(1 757)	(1 587)	(1 757)
Retained earnings		538 103	509 716	668 120
Premium on acquisition of non-controlling interests		(75 168)	(67 484)	(75 168)
Hedging reserves		8 752	–	–
Put options exercisable by non-controlling interests and executive management		–	(9 496)	–
Non-controlling interests				
		9 266	10 028	8 661
Total equity				
		5 206 510	5 270 412	5 418 740
Non-current liabilities				
		3 178 001	2 439 078	2 722 450
Other financial liabilities		1 923 382	1 604 677	1 921 591
Lease liability	10	515 903	–	–
Deferred tax liabilities		725 185	805 761	769 960
Employee benefits		5 565	8 197	8 919
Share appreciation rights		7 966	12 342	8 860
Operating lease liability		–	8 101	13 120
Current liabilities				
		1 803 600	2 001 834	1 652 685
Trade and other payables		1 324 561	1 388 058	1 401 337
Other financial liabilities		120 980	372 077	77 086
Lease liability	10	38 977	–	–
Current tax payable		–	3 442	4 239
Share appreciation rights		3 123	–	11 951
Bank overdraft		315 959	238 257	158 072
Liabilities directly associated with assets classified as held for sale				
		1 294	10 158	–
Total liabilities				
		4 982 895	4 451 070	4 375 135
Total equity and liabilities				
		10 189 405	9 721 482	9 793 875

Condensed Consolidated Statement of Changes in Equity

	Share capital R'000	Defined benefit plan reserve ¹ R'000	Premium on acquisition of non-controlling interests ² R'000
Balance at 01 January 2018	4 187 177	(1 340)	(63 624)
Total comprehensive income for the period	–	(247)	–
Profit or loss for the period	–	–	–
Other comprehensive income for the period	–	(247)	–
Transactions with owners of the Company			
Contributions and distributions	642 058	–	–
Capital distribution	(800 000)	–	–
Issue of shares	1 500 730	–	–
Held as treasury shares	(730)	–	–
Capitalisation of costs directly attributable to issue of shares	(57 942)	–	–
Changes in ownership interests	–	–	(3 860)
Purchase of non-controlling interest in subsidiary	–	–	(3 860)
Movement in put options	–	–	–
Fair value adjustment through equity	–	–	–
Balance at 30 June 2018	4 829 235	(1 587)	(67 484)
Total comprehensive income for the period	–	(170)	–
Profit or loss for the period	–	(170)	–
Transactions with owners of the Company			
Contributions and distributions	(10 351)	–	–
Share buy back	(7 964)	–	–
Capitalisation of costs directly attributable to issue of shares	(2 387)	–	–
Changes in ownership interests	–	–	(7 684)
Purchase of non-controlling interest in subsidiary	–	–	(7 684)
Movement in put options	–	–	–
Fair value adjustment through equity	–	–	–
Balance at 31 December 2018	4 818 884	(1 757)	(75 168)
Total comprehensive income for the period	–	–	–
Profit or loss for the period	–	–	–
Other comprehensive income for the period	–	–	–
Transactions with owners of the Company			
Contributions and distributions	(91 570)	–	–
Share buy back	(91 570)	–	–
Dividends paid	–	–	–
Adoption of new accounting standard	–	–	–
IFRS 16 adoption	–	–	–
Balance at 30 June 2019	4 727 314	(1 757)	(75 168)

Notes

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

Retained earnings R'000	Put options exercisable by non-controlling interests and executive management ³ R'000	Hedging reserves ⁴ R'000	Non-controlling interests R'000	Total R'000
445 896	(8 836)	–	7 696	4 566 969
63 820	–	–	(1 528)	62 045
63 820	–	–	(1 528)	62 292
–	–	–	–	(247)
–	–	–	–	642 058
–	–	–	–	(800 000)
–	–	–	–	1 500 730
–	–	–	–	(730)
–	–	–	–	(57 942)
–	–	–	3 860	–
–	–	–	3 860	–
–	(660)	–	–	(660)
–	(660)	–	–	(660)
509 716	(9 496)	–	10 028	5 270 412
158 404	–	–	2 317	160 551
158 404	–	–	2 317	160 551
–	–	–	–	(10 351)
–	–	–	–	(7 964)
–	–	–	–	(2 387)
–	–	–	(3 684)	(11 368)
–	–	–	(3 684)	(11 368)
–	9 496	–	–	9 496
–	9 496	–	–	9 496
668 120	–	–	8 661	5 418 740
52 232	–	8 752	605	61 589
52 232	–	–	605	52 837
–	–	8 752	–	8 752
(131 689)	–	–	–	(223 259)
–	–	–	–	(91 570)
(131 689)	–	–	–	(131 689)
(50 560)	–	–	–	(50 560)
(50 560)	–	–	–	(50 560)
538 103	–	8 752	9 266	5 206 510

Condensed Consolidated Statement of Cash Flows








	Notes	6 months ended 30 June 2019 Reviewed R'000	6 months ended 30 June 2018 Reviewed R'000	Year ended 31 December 2018 Audited R'000
NET CASH FLOW FROM OPERATING ACTIVITIES		119 617	80 104	505 044
Cash generated from continuing operations	12	310 169	311 833	876 187
Investment income received		25 219	21 027	47 617
Finance costs paid		(103 557)	(153 052)	(269 310)
Taxation paid		(107 951)	(91 646)	(139 341)
Cash utilised by discontinued operations		(4 263)	(8 058)	(10 109)
NET CASH FLOW FROM INVESTMENT ACTIVITIES		(160 304)	(150 845)	(345 979)
Purchase of property, plant and equipment and computer software		(161 525)	(151 582)	(348 745)
Sale of property, plant and equipment and computer software		–	737	3 505
Other financial assets (repaid)/advanced		1 221	–	(1 739)
Proceeds from sale of discontinued operations		–	–	1 000
NET CASH FLOW FROM FINANCING ACTIVITIES		(178 336)	362 533	318 948
Proceeds from issue of equity shares		–	1 500 000	1 500 000
Capital distribution		–	(800 000)	(800 000)
Dividends paid		(131 689)	–	–
Share issue costs		–	(5 483)	(60 329)
Share buyback		(91 570)	–	(7 964)
Loans repaid to shareholders		–	(19 384)	(17 267)
Loans repaid by shareholders		–	41 767	39 648
Repayments of other financial liabilities		(1 047)	(35 040)	(34 462)
Repayment of loans from non controlling interests		–	(28 880)	(28 592)
Purchase of non-controlling interests		–	–	(11 368)
Proceeds from term loans and asset based financing		86 094	846 206	2 584 364
Repayment of term loans and asset based financing		(40 124)	(1 136 653)	(2 845 082)
Net (decrease)/increase in cash and cash equivalents		(219 023)	291 792	478 013
Cash and cash equivalents at the beginning of the period		829 340	351 327	351 327
Cash and cash equivalents at the end of the period		610 317	643 119	829 340
Continuing operations		610 317	646 769	829 340
Discontinued operations		–	(3 650)	–

Condensed Consolidated Segmental Information

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:

	<p>Perishables Perishable products are products that are likely to decay or spoil within a short period of time.</p>
	<p>Ambient Groceries Ambient groceries (also known as "shelf-stable" groceries) is a category of foods that can be stored and preserved at room temperature.</p>
	<p>Snacks and Confectionery Premium snacks and confectionery products.</p>
	<p>Baking and Baking Aids Baked goods, specialised gluten free offering and baking aids.</p>
	<p>Niche Beverages The niche beverages product category consists of beverages that do not fall within the mainstream beverage market.</p>
	<p>Household and Personal Care Detergents and household cleaning products.</p>
	<p>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.</p>
<p>Reclassifications between segments During the period under review, management reclassified the tea operations of Khoisan Gourmet from the niche beverages segment to the ambient groceries segment. This aligns the financial disclosure to the manner in which the tea category is managed.</p>	

	6 months ended 30 June 2019	6 months ended 30 June 2018*	Year ended 31 December 2018*	
	Reviewed R'000	Reviewed R'000	Change %	
			Audited R'000	
INFORMATION ABOUT REPORTABLE SEGMENTS				
Revenue				
Perishables	2 205 332	2 172 598	1,5	4 569 592
Ambient Groceries*	1 311 823	1 218 946	7,6	2 751 397
Snacks and Confectionery	239 167	212 322	12,6	477 391
Baking and Baking Aids	313 925	255 766	22,7	627 839
Niche Beverages*	53 509	71 112	(24,8)	138 156
Household and Personal Care	373 076	377 519	(1,2)	846 313
Specialised Food Packaging	120 044	106 537	12,7	248 909
	4 616 876	4 414 800	4,6	9 659 597
Operating profit (EBIT)				
Perishables	142 444	137 810	3,4	338 942
Ambient Groceries	129 359	64 514	100,5	222 081
Snacks and Confectionery	26 597	30 221	(12,0)	58 723
Baking and Baking Aids	28 896	25 893	11,6	64 731
Niche Beverages	219	2 559	(91,4)	6 918
Household and Personal Care	(2 642)	489	(640,4)	5 492
Specialised Food Packaging	1 470	2 399	(38,7)	10 402
Corporate	(55 775)	(34 925)	59,7	(85 770)
	270 568	228 960	18,2	621 519
Reconciliation of operating profit per segment to profit before tax				
Operating profit	270 568	228 960	18,2	621 519
Investment income	25 219	21 027	19,9	47 617
Finance costs	(128 158)	(153 052)	(16,3)	(269 310)
Profit before tax	167 629	96 935	72,9	399 826

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.

* Comparative figures have been reclassified to show the tea operations within the ambient groceries segment.

	6 months ended 30 June 2019 R'000	6 months ended 30 June 2018 R'000	Change %	Year ended 31 December 2018 R'000
Normalised EBIT and EBITDA				
GROUP – CONTINUING OPERATIONS				
Operating profit	270 568	228 960	18,2	621 519
Amortisation of customer contracts and brands	75 086	70 420		140 841
Due diligence costs	264	738		3 319
Expenses relating to share appreciation rights granted	–	(21 677)		(13 208)
Government grants	–	–		(46)
Impairment losses on goodwill, customer relationships and brands	–	–		556
(Gain)/loss on disposal of property, plant and equipment	(320)	1 399		3 190
Costs and fees attributable to the Initial Public Offering	–	7 303		5 007
Retrenchment and settlement costs	4 545	1 459		7 050
Securities transfer tax	221	–		66
Straight lining of operating leases	–	2 181		3 694
Strategic advisory fees	–	77		43
Unrealised loss/(gain) on foreign exchange	787	32 173		45 494
Donations	–	–		6 000
Normalised EBIT	351 151	323 033	8,7	823 525
Amortisation of software	3 560	2 816		8 017
Depreciation of property, plant and equipment	128 146	75 472		152 914
Normalised EBITDA	482 857	401 321	20,3	984 456
Impact of IFRS 16	(57 951)	–		–
Normalised EBITDA excluding adoption of IFRS 16	424 906	401 321	5,9	984 456
PERISHABLES				
Operating profit	142 444	137 810	3,4	338 942
Amortisation of customer contracts	24 496	22 338		44 676
Due diligence costs	–	81		–
Loss on disposal of non-current assets held for sale (Gain)/loss on disposal of property, plant and equipment	(68)	(177)		365
Retrenchment and settlement costs	1 861	747		2 024
Straight lining of operating leases	–	1 765		3 530
Strategic advisory fees	–	3		–
Unrealised loss/(gain) on foreign exchange	543	(619)		5 455
Normalised EBIT	169 276	161 948	4,5	395 236
Amortisation of software	740	293		306
Depreciation of property, plant and equipment	45 177	27 147		59 109
Normalised EBITDA	215 193	189 388	13,6	454 652
Impact of IFRS 16	(14 476)	–		–
Normalised EBITDA excluding adoption of IFRS 16	200 717	189 388	6,0	454 652

	6 months ended 30 June 2019 R'000	6 months ended 30 June 2018 R'000	Change %	Year ended 31 December 2018 R'000
AMBIENT GROCERIES				
Operating profit	129 359	64 513	100,5	222 081
Amortisation of customer contracts	31 547	31 781		63 561
Loss on disposal of non-current assets held for sale	–	–		313
(Gain)/loss on disposal of property, plant and equipment	(208)	1 781		2 324
Retrenchment and settlement costs	78	491		2 201
Straight lining of operating leases	–	(79)		257
Unrealised (gain)/loss on foreign exchange	(332)	35 043		39 881
Normalised EBIT	160 444	133 529	20,2	330 618
Amortisation of software	1 247	453		4 372
Depreciation of property, plant and equipment	38 004	23 651		44 945
Normalised EBITDA	199 695	157 633	26,7	379 935
Impact of IFRS 16	(20 772)	–		–
Normalised EBITDA excluding adoption of IFRS 16	178 923	157 633	13,5	379 935
SNACKS AND CONFECTIONERY				
Operating profit	26 597	30 221	(12,0)	58 723
Amortisation of customer contracts	2 201	2 201		4 402
(Gain)/loss on disposal of property, plant and equipment	(48)	24		44
Retrenchment and settlement costs	447	–		–
Straight lining of operating leases	–	–		(112)
Strategic advisory fees	–	74		–
Unrealised loss/(gain) on foreign exchange	739	(2 353)		(116)
Normalised EBIT	29 936	30 168	(0,8)	62 941
Amortisation of software	488	365		809
Depreciation of property, plant and equipment	6 907	4 444		9 301
Normalised EBITDA	37 331	34 977	6,7	73 051
Impact of IFRS 16	(1 414)	–		–
Normalised EBITDA excluding adoption of IFRS 16	35 917	34 977	2,7	73 051
BAKING AND BAKING AIDS				
Operating profit	28 896	25 893	11,6	64 731
Amortisation of customer contracts	3 435	4 703		9 406
Loss on disposal of property, plant and equipment	–	–		59
Retrenchment and settlement costs	–	117		280
Straight lining of operating leases	–	(51)		(666)
Unrealised (gain)/loss on foreign exchange	(137)	(67)		258
Normalised EBIT	32 194	30 594	5,2	74 067
Amortisation of software	421	397		794
Depreciation of property, plant and equipment	17 175	8 766		17 774
Normalised EBITDA	49 790	39 758	25,2	92 635
Impact of IFRS 16	(7 931)	–		–
Normalised EBITDA excluding adoption of IFRS 16	41 859	39 758	5,3	92 635

	6 months ended 30 June 2019 R'000	6 months ended 30 June 2018 R'000	Change %	Year ended 31 December 2018 R'000
SPECIALISED FOOD PACKAGING				
Operating profit	1 470	2 399	(38,7)	10 402
Amortisation of customer contracts	1 133	1 133		2 267
Government grants	–	–		(46)
Loss/(gain) on disposal of property, plant and equipment	5	(45)		(65)
Unrealised (gain)/loss on foreign exchange	(26)	9		23
Normalised EBIT	2 582	3 496	(26,1)	12 581
Amortisation of software	50	54		108
Depreciation of property, plant and equipment	1 135	588		1 225
Normalised EBITDA	3 767	4 139	(9,0)	13 914
Impact of IFRS 16	(300)	–		–
Normalised EBITDA excluding adoption of IFRS 16	3 467	4 139	(16,2)	13 914
HOUSEHOLD AND PERSONAL CARE				
Operating profit	(2 642)	489	(640,4)	5 492
Amortisation of customer contracts and brands	12 025	6 092		12 183
(Gain)/loss on disposal of property, plant and equipment	–	(192)		407
Retrenchment and settlement costs	2 159	–		1 946
Straight lining of operating leases	–	546		685
Strategic advisory fees	–	–		42
Unrealised loss/(gain) on foreign exchange	–	160		(8)
Normalised EBIT	11 542	7 095	62,7	20 748
Amortisation of software	12	–		(569)
Depreciation of property, plant and equipment	13 706	8 827		16 179
Normalised EBITDA	25 260	15 922	58,7	36 357
Impact of IFRS 16	(8 457)	–		–
Normalised EBITDA excluding adoption of IFRS 16	16 803	15 922	5,5	36 357
NICHE BEVERAGES				
Operating profit	219	2 559	(91,4)	6 918
Amortisation of customer contracts	249	2 172		4 345
(Gain)/loss on disposal of property, plant and equipment	(1)	(18)		17
Retrenchment and settlement costs	–	105		105
Normalised EBIT	467	4 818	(90,3)	11 384
Amortisation of software	–	–		5
Depreciation of property, plant and equipment	3 620	1 229		2 669
Normalised EBITDA	4 087	6 047	(32,4)	14 058
Impact of IFRS 16	(2 855)	–		–
Normalised EBITDA excluding adoption of IFRS 16	1 232	6 047	(79,6)	14 058

	6 months ended 30 June 2019 R'000	6 months ended 30 June 2018 R'000	Change %	Year ended 31 December 2018 R'000
CORPORATE				
Operating profit	(55 775)	(34 925)	(59,7)	(85 770)
Due diligence costs	264	656		3 319
Expenses relating to share appreciation rights granted	–	(21 677)		(13 208)
Loss on disposal of property, plant and equipment	–	28		40
Costs and fees attributable to the Initial Public Offering	–	7 303		5 007
Retrenchment and settlement costs	–	–		494
Securities transfer tax	221	–		66
Donation	–	–		6 000
Normalised EBIT	(55 290)	(48 615)	(13,7)	(84 052)
Amortisation of software	603	1 253		2 193
Depreciation of property, plant and equipment	2 421	820		1 712
Normalised EBITDA	(52 266)	(46 542)	(12,3)	(80 147)
Impact of IFRS 16	(1 748)	–		–
Normalised EBITDA excluding adoption of IFRS 16	(54 014)	(46 542)	(16,1)	(80 147)
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	568 583	584 560	(2,7)	1 270 480
Major customers				
During the period under review, revenue from certain customers exceeded 10% of total revenue.				
Customer A	19%	19%		18%
Customer B	16%	14%		14%
Customer C	11%	12%		11%

Notes to the Reviewed Condensed Consolidated Financial Statements

1. REPORTING ENTITY

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

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

2. BASIS OF ACCOUNTING

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

This is the first set of the condensed consolidated Group's financial statements in which IFRS 16 (Leases) and hedge accounting have been applied. Changes to significant accounting policies are described in Note 3.

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

The financial results presented have been reviewed by the Group's independent external auditors, Moore Stephens, who expressed an unmodified review conclusion. A copy of the auditor's review report is available for inspection at the Company's registered office.

The auditor's report does not necessarily report on all of the information contained in this announcement. Shareholders are therefore advised that in order to obtain full understanding of the nature of the auditor's engagement they should obtain a copy of that report together with the accompanying financial information from the Company's registered office.

3. ACCOUNTING POLICIES

The accounting policies applied by the Group in these reviewed condensed consolidated interim financial statements are consistent with those applied in the consolidated annual financial statements for the year ended 31 December 2018 with the exception of the adoption of the following accounting standards:

- IFRS 16 – Leases (effective from 1 January 2019).
- IFRS 9 – Financial Instruments (the group has implemented hedge accounting for the first time from 1 January 2019).

3. ACCOUNTING POLICIES continued

3.1 Leases

The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 01 January 2019. Accordingly, the comparative information presented for financial year 2018 has not been changed. IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised a right-of-use asset representing its right to use the underlying assets and lease liabilities representing its obligation to make lease payments.

The Group previously classified leases as operating or financing leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use asset and lease liabilities for most leases.

The Group has elected not to recognise right-of-use asset and lease liabilities for some leases of low-value assets. The Group recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3.2 Hedge accounting

The Group has applied hedge accounting to all forward and swap contracts entered into from 01 January 2019.

The Group hedges the majority of its foreign currency exposures. Import-related exposures are hedged to the value of 6 to 9 months' forecast imports and export-related exposures are hedged to the value of 9 to 12 months' forecast exports, or within 48 hours of receipt of a firm order, whichever date is earlier. Hedging instruments are limited to standard foreign exchange contract (FEC's) only.

A foreign currency transaction is recognised, on initial recognition in South African Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period, the foreign currency monetary items are translated using the closing rate of exchange.

Derivative financial instruments are initially and subsequently recognised at fair value, with changes in fair value being included in profit or loss other than derivatives designated as cash flow hedges.

The Group designates certain derivatives as cash flow hedges. If these cash flow hedges meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion is recognised in profit or loss. A hedge of the foreign currency risk of a firm commitment is designated and accounted for as a cash flow hedge.

Amounts deferred to the hedging reserves are recognised through profit and loss in the same period in which the hedged item affects profit and loss. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to profit or loss for the period.

4. ACCOUNTING JUDGEMENTS AND ESTIMATES

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

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated annual financial statements for the year ended 31 December 2018.

	6 months ended 30 June 2019 Reviewed R'000	6 months ended 30 June 2018 Reviewed R'000	Year ended 31 December 2018 Audited R'000
5. OTHER INCOME			
Bad debts recovered	51	13	23
Commissions received	19	16	35
Gain on disposal of property, plant and equipment	320	–	–
Gain on foreign exchange	8 728	2 851	10 337
Realised gain on foreign exchange	9 515	35 024	55 831
Unrealised loss on foreign exchange	(787)	(32 173)	(45 494)
Insurance claims received	194	159	2 020
Sundry income	4 943	3 590	5 580
	14 255	6 629	17 995
6. OPERATING PROFIT			
Operating profit from continuing operations is calculated after taking into account the following:			
Operating expenditure			
Depreciation of property, plant and equipment	82 271	76 017	152 915
Depreciation of right-of-use assets	45 874	–	–
Amortisation of computer software and brands	3 560	2 842	8 017
Amortisation of customer relationships	75 086	70 784	140 841
Loss on disposal of property, plant and equipment	–	1 383	3 190
Employee benefits	615 220	560 810	1 092 185
Salaries and wages	610 675	559 351	1 085 963
Retrenchment and settlement costs	4 545	1 459	6 222
Strategic advisory fees	–	78	43
Due diligence costs	264	738	8 326
Charges relating to/(reversal of) share appreciation rights granted	–	(21 677)	13 203
Securities transfer tax	–	–	66
Operating lease charges	–	38 240	140 451
Premises	–	30 812	110 364
Straight-lining of operating leases	–	2 181	3 694
Motor vehicles & equipment	–	5 247	26 393

	6 months ended 30 June 2019 R'000	6 months ended 30 June 2018 R'000	Year ended 31 December 2018 R'000
7. LOSS FROM DISCONTINUED OPERATIONS AND OPERATIONS HELD FOR SALE			
Loss from discontinued operations/operations held for sale	(65 807)	(9 760)	(50 906)
Loss from discontinued operations recognised in the Statement of Profit or Loss and Other Comprehensive Income consists of the following:			
7.1 Current year loss from operations held for sale – Elvin			
The Group has entered into a sale of business agreement in respect of the dairy blend and fruit concentrate beverages. The agreement is subject to customary conditions precedent including approval by The Competition Commission of South Africa. The transaction is not categorised in terms of the JSE Listings Requirements.			
The results of the lines classified as a held for sale included in the Condensed Consolidated Statement of Comprehensive Income are set out below:			
Revenue	122 455	113 938	232 698
Cost of sales	(112 210)	(93 461)	(199 870)
Gross profit	10 245	20 477	32 828
Other income	55	423	545
Operating expenses	(87 909)	(26 371)	(79 894)
Operating loss	(77 609)	(5 471)	(46 521)
Investment income	–	–	58
Finance costs	(1 581)	(1 440)	(3 580)
Loss before tax	(79 190)	(6 911)	(50 043)
Income tax	13 383	–	11 760
Loss for the period from operations held for sale	(65 807)	(6 911)	(38 283)
Loss from discontinued operation attributable to:			
Equity holders of the parent	(65 807)	(6 911)	(38 283)
Non-controlling interest	–	–	–
	(65 807)	(6 911)	(38 283)

	6 months ended 30 June 2019 R'000	6 months ended 30 June 2018 R'000	Year ended 31 December 2018 R'000
7. LOSS FROM DISCONTINUED OPERATIONS AND OPERATIONS HELD FOR SALE <i>continued</i>			
7.2 Prior year loss from discontinued operations – Pasta Nova			
During the previous 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 divisions results included in the Condensed Consolidated Statement of Comprehensive income are set out below:			
Revenue	–	15 746	26 000
Cost of sales	–	(12 318)	(21 028)
Gross profit	–	3 428	4 972
Other income	–	35	91
Operating expenses	–	(6 189)	(19 202)
Operating loss	–	(2 726)	(14 139)
Finance costs	–	(123)	(409)
Loss before tax	–	(2 849)	(14 548)
Income tax	–	–	1 925
Loss for the period from discontinued operation	–	(2 849)	(12 623)
Loss from discontinued operation attributable to:			
Equity holders of the parent	–	(2 849)	(12 623)
Non-controlling interest	–	–	–
	–	(2 849)	(12 623)

	6 months ended 30 June 2019 R'000	6 months ended 30 June 2018 R'000	Year ended 31 December 2018 R'000
8 EARNINGS PER SHARE			
8.1 Basic and diluted earnings per share			
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:			
Earnings used in the calculation of basic earnings per share	52 232	63 820	222 224
From continuing operations	118 039	73 580	273 130
From discontinued operations	(65 807)	(9 760)	(50 906)
Weighted average number of ordinary shares for the purposes of basic earnings per share ('000)	599 255	523 347	566 445
Basic earnings per share in cents			
From continuing operations	19,7	14,1	48,2
From discontinued operations	(11,0)	(1,9)	(9,0)
From continuing and discontinued operations	8,7	12,2	39,2
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:			
Profit for the year from continuing operations normalised for:	118 039	73 580	273 130
	58 386	69 260	146 775
Amortisation of customer contracts and brands	54 062	50 964	101 406
Due diligence costs	264	738	3 319
Provision for share appreciation rights	–	(15 608)	(9 510)
Government grants	–	–	(46)
IPO costs	–	7 303	5 007
Retrenchment costs	3 273	1 051	5 076
Securities transfer tax	221	–	66
Straight lining of operating leases	–	1 570	2 659
Strategic advisory fees	–	77	43
Donation	–	–	6 000
Unrealised forex losses	566	23 165	32 755
Normalised earnings used in the calculation of basic earnings per share	176 425	142 840	419 905
Weighted average number of ordinary shares for the purposes of basic earnings per share ('000)	599 255	523 347	566 445
Normalised basic earnings per share in cents	29,4	27,3	74,1

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.

Gross

Net

8 EARNINGS PER SHARE continued

8.4 Headline earnings per share

Headline earnings is calculated based on HEPS Circular 4 of 2018 – Headline Earnings issued by the South African Institute of Chartered Accountants.

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

Six months ended 30 June 2019

Basic earnings from continuing operations	118 039	118 039
Adjustments	(320)	(248)
Profit on disposal of property, plant and equipment	(320)	(248)
Headline earnings from continuing operations	117 719	117 791

Six months ended 30 June 2018

Basic earnings from continuing operations	73 580	73 580
Adjustments	1 383	1 073
Loss on disposal of property, plant and equipment	1 383	1 073
Headline earnings from continuing operations	74 963	74 653

Year ended 31 December 2018

Basic earnings from continuing operations	273 130	273 130
Adjustments	3 190	2 475
Loss on disposal of property, plant and equipment	3 190	2 475
Headline earnings from continuing operations	276 320	275 605

	6 months ended 30 June 2019 R'000	6 months ended 30 June 2018 R'000	Year ended 31 December 2018 R'000
8. EARNINGS PER SHARE continued			
8.4 Headline earnings per share continued			
Basic earnings from discontinued operations	(65 807)	(9 760)	(50 906)
Adjustments (net of tax)	59 412	–	35 304
Impairment of brands	34 412	–	30 240
Impairment of goodwill	25 000	–	–
Loss on disposal of property, plant and equipment and customer contracts	–	–	5 064
Headline earnings from discontinued operations	(6 395)	(9 760)	(15 602)
Headline earnings from continuing and discontinued operations	111 396	64 893	260 003
Headline earnings per share in cents			
From continuing operations	19,7	14,3	48,7
From discontinued operations	(1,1)	(1,9)	(2,8)
From continuing and discontinued operations	18,6	12,4	45,9

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:

	Net
Six months ended 30 June 2019	
Normalised basic earnings from continuing operations	176 425
Adjustments	(248)
Profit on disposal of property, plant and equipment	(248)
Normalised headline earnings from continuing operations	176 177
Normalised headline earnings per share from continuing operations (cents)	29,4
Six months ended 30 June 2018	
Normalised basic earnings from continuing operations	142 840
Adjustments	1 073
Loss on disposal of property, plant and equipment	1 073
Normalised headline earnings from continuing operations	143 913
Normalised headline earnings per share from continuing operations (cents)	27,5
Year ended 31 December 2018	
Normalised basic earnings from continuing operations	419 905
Adjustments	2 475
Loss on disposal of property, plant and equipment	2 475
Normalised headline earnings from continuing operations	422 380
Normalised headline earnings per share from continuing operations (cents)	74,6

9. PROPERTY, PLANT AND EQUIPMENT

During the six-month period ended 30 June 2019, the Group acquired plant, equipment and computer software in the amount of R162 million (2018: R152 million).

There has been no major change in the nature of property, plant and equipment, the policy regarding the use thereof, or the encumbrances over the property, plant and equipment as disclosed in the audited financial statements for the year ended 31 December 2018.

	6 months ended 30 June 2019 R'000	6 months ended 30 June 2018 R'000	Year ended 31 December 2018 R'000
10 LEASES			
Non-current right-of-use asset	464 430	-	-
Non-current lease liabilities	(515 904)	-	-
Current lease liabilities	(38 976)	-	-
The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 01 January 2019. Accordingly, the comparative information presented for financial year 2018 has not been changed.			
The impact of the adoption of IFRS 16 (Leases) on the consolidated financial statements of the Group is as follows:			
Consolidated Statement of Comprehensive Income			
Reduction of lease rental expense	57 951	-	-
Depreciation of right-of-use asset	(45 874)	-	-
Finance costs in respect of lease liability	(24 601)	-	-
Reduction in profit before tax	(12 524)	-	-
Consolidated Statement of Financial Position			
Right-of-use asset			
Right-of-use asset recognised on 01 January 2019	510 304	-	-
Depreciation for the period	(45 874)	-	-
Increase in assets	464 430	-	-
Equity			
Retrospective adjustment to opening retained earnings at 01 January 2019	(50 560)	-	-
Movement for the period	(9 017)	-	-
Decrease in retained earnings	(59 577)	-	-
Deferred tax asset			
Retrospective adjustment to deferred tax asset at 01 January 2019	19 662	-	-
Movement for the period	3 507	-	-
Increase in deferred tax asset	23 169	-	-
Finance Lease Liability			
Lease liability recognised as at 01 January 2019	588 230	-	-
Add: finance costs	24 601	-	-
Less: lease payments	(57 951)	-	-
Increase in financial liabilities	554 880	-	-

11. FINANCIAL INSTRUMENTS

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

	6 months ended 30 June 2019 R'000	6 months ended 30 June 2018 R'000	Year ended 31 December 2018 R'000
12. CASH GENERATED FROM CONTINUING OPERATIONS			
Profit before taxation from continuing operations	167 629	96 935	399 826
Adjustments for:	239 141	301 283	568 391
Depreciation, amortisation and impairments	160 917	149 643	301 773
Depreciation of right-of-use assets	45 874	–	–
Loss/(gain) on disposal of property, plant and equipment	(320)	1 383	3 190
Lease payments	(57 951)	–	–
Investment income	(25 219)	(21 027)	(47 617)
Finance costs	128 158	153 052	269 310
Fair value adjustment on forward exchange contracts	(11 398)	36 794	47 257
Foreign exchange losses	12 156	–	–
Movements in employee benefits	(231)	(175)	547
Movements in operating lease assets and accruals	–	3 290	7 139
Movements in share appreciation rights	(12 845)	(21 677)	(13 208)
Changes in working capital:	(96 601)	(86 385)	(92 030)
Inventories	(90 518)	(54 517)	15 777
Trade and other receivables	70 213	126 781	(9 930)
Biological assets	(973)	(828)	(500)
Trade and other payables	(75 323)	(157 821)	(97 377)
	310 169	311 833	876 187

13. SUBSEQUENT EVENTS

The following events occurred during the period subsequent to 30 June 2019 but prior to the date of issue of this announcement:

- The Board appointed Mr Sandeep Khanna as chairman of the Remuneration Committee with effect from 03 September 2019
- The Board appointed Mr JP Landman as a member of the Remuneration Committee with effect from 03 September 2019.

Corporate information

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JP Landman (Lead-independent)
Sandeep Khanna
Sibongile Masinga
Andries van Rensburg (CEO)
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