

From our Home to Yours



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Summarised
Consolidated
Financial Statements
for the year ended
31 December 2019

Summarised Consolidated Financial Statements

for the year ended 31 December 2019

Contents

Salient features	1
About Libstar	2
Strategic achievements	2 – 3
Group trading and financial performance	4 – 7
Outlook	8
Declaration of cash dividend	9
Changes to the board	9
Forward-looking statements	9
Consolidated statement of profit or loss and other comprehensive income	10
Consolidated statement of financial position	11
Consolidated statement of changes in equity	12 – 13
Consolidated statement of cash flows	14
Consolidated segmental information	15 – 19
Notes to the consolidated financial statements	20 – 26
Corporate information	27



Salient features

The year under review was characterised by another resilient performance by Libstar, driven by the contribution from its food-related categories of Perishables, Groceries, Snacks & Confectionery and Baking & Baking Aids.

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

Excluding the impact of new accounting standards (IFRS 16 and IFRS 9)

Normalised EBITDA
increased by

5.1%

Normalised EPS
increased by

14.3%

Normalised HEPS
increased by

14.1%

Including the impact of new accounting standards (IFRS 16 and IFRS 9)

Normalised EBITDA
increased by

19.2%

Normalised EPS
increased by

11.1%

Normalised HEPS
increased by

10.9%

To facilitate comparison with the operating performance of the Group for 2018 ('the comparative period'), 2019 numbers above and below in the commentary section of these results 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.

Continuing operations

Like-for-like (R'000)

	2019	% change	2018
Revenue	9 892 545	+2.4%	9 659 597
Gross profit margin	24.0%	+1.6 pp	22.4%
Normalised operating profit (margin)	854 799 8.6%	+3.8%	823 525 8.5%
Normalised EBITDA (margin)	1 034 749 10.5%	+5.1%	984 456 10.2%
Normalised EPS (cents)	84.7	+14.3%	74.1
Normalised HEPS (cents)	85.1	+14.1%	74.6
Diluted EPS (cents)	63.1	+30.9%	48.2
Diluted HEPS (cents)	63.5	+30.4%	48.7
Continuing operations			
After adoption of new accounting standards			
Normalised EPS (cents)	82.3	+11.1%	74.1
Normalised HEPS (cents)	82.7	+10.9%	74.6
Diluted EPS (cents)	59.4	+23.2%	48.2
Diluted HEPS (cents)	59.8	+22.8%	48.7

About Libstar

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

LIBSTAR'S STRATEGIC ACHIEVEMENTS DURING THE YEAR UNDER REVIEW

The Group's strategy is to focus on three key areas:

1. Growing its categories through:
 - A focused category approach;
 - Operational excellence; and
 - Commercial excellence
2. Expanding its capabilities through strategic initiatives; and
3. Executing strategic acquisitions

1. GROWING OUR CATEGORIES

1.1. FOCUSED CATEGORY APPROACH

Various activities were undertaken during the year under review, which reflect Libstar's efforts to optimise the Group's business portfolio. This focused category approach forms the basis of its growth strategy.

These actions taken during the year included:

- The disposal of the Group's dairy blend and fruit concentrate business, Elvin, which was held for sale during H1 2019, was completed during H2 2019. Comparative period financial information has been restated to reflect this; and
- The operational amalgamation of the divisions within the Household and Personal Care (HPC) cluster commenced during H2 2019. Whilst some cost-rationalisation benefits were extracted during the year under review, the physical integration of Chet Chemicals' four manufacturing and warehousing facilities is expected to yield significant cost rationalisation benefits from H2 2020

1.2. GROWING CATEGORIES THROUGH COMMERCIAL EXCELLENCE

Libstar's category approach and diverse production capability allowed it to exploit key growth trends in the market during 2019:

On-the-go eating and convenience

- The Amaro Foods division continued to serve the retail and quick service restaurant market with quality tortilla wraps, a category that experienced exceptional growth during the year under review

Healthier eating and wellness

- The Ambassador Foods division relaunched its range of health bars within the retail channel and expanded its market footprint in assorted nuts and mixes
- Hurters Honey performed strongly as a producer of quality honey products within a growing health-conscious market segment

Dealer-own brand (DOB) and private label (PL) products

- DOB and PL constituted approximately 43% of the group's revenue during 2019 and remains a core growth opportunity. Price-sensitive consumers continue to view these products and value-for-money, quality alternatives to branded products. Market data suggests that growth in DOB and PL outstrips that of named brands within Libstar's categories. The Group continued to capitalise on this trend during the year by increasing its market share in PL within Libstar's defined market
- Cape Herb & Spice continued to growth its PL dry condiment offering within the export channel by leveraging its long-standing customer relationships

Environmentally friendly alternatives

- Multi-cup successfully launched a locally produced range of paper straws and compostable packaging
- The Household and Personal Care cluster successfully launched a range of eco-friendly household cleaning products

Innovation

- During the year under review, the Group launched 495 new and renovated products, underpinning Libstar's own-brand, dealer-own brand and private label capabilities

1.3. GROWING CATEGORIES THROUGH OPERATIONAL EXCELLENCE

During the year under review, Libstar continued to invest in the standardisation of systems and development of costing systems to track Group performance against best-practice standards. The Group is pleased to report that it has achieved its target to standardise 90% of Group revenue onto a single software solution by year-end. This assisted in the achievement of gross profit margins and EBITDA margin expansion across categories during the year under review.

2. EXPANDING THE GROUP'S CAPABILITIES THROUGH STRATEGIC INITIATIVES

The investment in capability- and capacity-enhancing projects during the year, totalling R401 million (of which R110 million related to Libstar's work-in-progress projects at year-end), exceeded Libstar's guided 2.0%-3.0% proportion of revenue, as the Group continues to allocate capital to new technologies, efficiency improvements and capacity expansion in key growth categories. Excluding work-in-progress projects, capital expenditure amounted to 2.9% of revenue (2018: 3.0%), within the target range of 2.0%-3.0% of revenue. The projects started or completed during the year are listed below. The majority comprised expansionary capital:

New technologies

- Invested R23 million in the Amaro Foods manufacturing facility to deliver a par-baked frozen bread solution to a key retail customer

Efficiency improvements

- Invested R13 million to upgrade the Cape Herb & Spice tea plant, R22 million to upgrade Ambassador Food's bar lines and R122 million at Lancewood, of which R73 million was earmarked to upgrade the milk-receiving area, distribution centre and certain hard cheese packing lines

Capacity expansion

- Invested R24 million this year (R38 million in total) to triple the convenience-food production capacity of Millennium Foods and add the capability to produce frozen meals to retail and food service customers
- Invested R4 million to facilitate the local production of Kiri and Laughing Cow cheeses on behalf of Bel (France) in strategic partnership

The proportion of capability and capacity-enhancing projects in 2020 is expected to fall back into the upper end of the guided 2.0%-3.0%, as the Group beds down 2019's projects.

3. EXECUTING STRATEGIC ACQUISITIONS

During 2018, the Group's focus was drawn to the integration of three acquired businesses, namely Sonnedal Dairies, Millennium Foods and Khoisan Gourmet. Libstar's bolt-on acquisition strategy has been largely centred around capacity- or capability-enhancing businesses or as an entry into new or high-growth product categories.

Capacity- or capability-enhancing acquisitions

- With the Sonnedal Dairies acquisition fully bedded down during 2019, the Group successfully launched its range of eating yoghurts, which also improved its dairy sales mix and margin
- The year under review was one of consolidation for Millennium Foods, with most of the year dedicated to further capacity expansion and the establishment of a frozen meal capability. This will position Libstar strongly in a growing market segment during 2020

Entering new or high-growth product categories

- Whilst the acquisition of Khoisan Gourmet during 2018 served to expand Libstar's export markets, the significant decline in tea selling prices during the year weighed on performance. Notwithstanding, the Group believes that the valued-added tea export market poses a significant opportunity. In this regard, the Group invested R50 million by acquiring Healthwise, a niche branded tea packer with a significant footprint in the Asian market, with effect from 1 October 2019. The expansion of Healthwise's branded, value-added, export-driven product offering, in combination with Khoisan Gourmet's additional volumes, will be a key focus in 2020

GROUP TRADING AND FINANCIAL PERFORMANCE

To facilitate comparison with the operating performance of the Group for 2018 ('the comparative period'), 2019 numbers above and below in the commentary section of these results 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.

REVENUE

Group revenue for the year was 2.4% higher than the previous year. Revenue growth from food-related categories, which constitute 92% of the Group's revenue, was 3.3%, whilst revenue within the HPC cluster, which represents 8% of the Group's revenue, declined by 6.8%.

GROSS PROFIT MARGINS

Gross profit margins held firm or improved in each of the Group's categories during 2019. As a result, the Group's gross profit margin increased by 1.6 percentage points to 24.0% from 22.4% the previous year. Lower dry-condiment input costs, favourable sales mix changes in dairy, value-added groceries, baking products and baking aids, as well as the Group's continued focus on procurement practices, production efficiencies and overall equipment effectiveness, contributed to the improved margin result.

OTHER INCOME

The Group recorded other income in the amount of R52.6 million compared to R18 million other income recognised during the comparative period. The other income comprised mainly of realised foreign currency translation gains of R38 million (2018: R56 million) and unrealised foreign currency translation profit of R0.2 million (2018: R45 million loss).

OPERATING PROFIT AND EBITDA

Normalised operating profit increased by 3.8% at an improved margin of 8.6% (2018: 8.5%), mainly as a result of the Group's improved gross profit margin performance.

Group Normalised EBITDA increased by 5.1% at an improved margin of 10.5% (2018: 10.2%). Normalised EBITDA before corporate costs from the Group's food categories increased 8.5% over the comparative period, contributing 97% of Group EBITDA, whilst the HPC cluster maintained its Normalised EBITDA before corporate costs relative to the prior year.

NET INTEREST EXPENSES

The Group's net interest expense on interest-bearing debt declined 30.7% to R153.7 million. This follows 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 from continuing operations increased by 20.5% to R506 million (84.7 cents per share), mainly as a result of the significant reduction in the group's net interest expense. Normalised headline earnings from continuing operations increased by 20.3% to R508 million.

The weighted average number of shares in issue increased by 5.5% to 598 million.

The Group's normalised earnings per share from continuing operations increased by 14.3% to 84.7 cents and normalised headline earnings per share from continuing operations increased by 14.1% to 85.1 cents.

CASH FLOWS AND WORKING CAPITAL

Cash generated from operating activities decreased by 10.5% to R452.2 million, mainly due to an increased investment in working capital, which was somewhat offset by a reduced net interest expense. Net working capital as a percentage of revenue, at 14.4% remains within the Group's target of 13.0%–15.0%. However, it was adversely impacted by higher than usual inventory holding of dry condiments (in anticipation of promotional activity post year-end), wet condiments (in anticipation of product launches) and bulk tea (in anticipation of 2020 shipments). The Group continues to invest in capacity-enhancing projects in identified growth areas, with capital expenditure of R401 million (2018: R349 million), representing 4.1% of net revenue.

This was above the Group's target range of 2.0%–3.0%, mainly as a result of the timing of completion of capital projects which span into both the 2019 and 2020 financial years and which resulted in a R110 million balance for work-in-progress projects at 31 December 2019.

Excluding work-in-progress projects, capital expenditure amounted to 2.9% of revenue (2018: 3.0%), within the target range of 2.0%–3.0% of revenue. Capital expenditure this year included R73 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 year under review include the settlement of the Group's annual dividend in respect of the 2018 financial year in the amount of R132 million, declared on 13 March 2019, and a repurchase of shares in the amount of R92 million.

Segmental results

Libstar's Chamonix, Multi-cup and Khoisan Gourmet divisions have been presented in these results as part of the Groceries category (which was previously named Ambient Groceries) and comparative period financial information has been restated accordingly. The Group now reports on five categories, being Perishables, Groceries, Snacks & Confectionery, Baking & Baking Aids, and Household & Personal Care.

	Year ended 31 December 2019 R'000	Year ended 31 December 2018 R'000	Change %
Revenue			
Perishables	4 688 126	4 569 592	2.6
Groceries	3 177 811	3 138 461	1.3
Snacks and Confectionery	537 972	477 391	12.7
Baking and Baking Aids	699 841	627 839	11.5
Household and Personal Care	788 795	846 313	(6.8)
Normalised EBITDA before corporate costs			
Perishables	510 435	454 652	12.3
Groceries	435 042	407 906	6.7
Snacks and Confectionery	82 956	73 051	13.6
Baking and Baking Aids	86 762	92 635	(6.3)
Household and Personal Care	36 331	36 358	(0.1)



PERISHABLES

47%

of group
revenue

44%

of group normalised
EBITDA before
corporate costs

Revenue from Perishables, the Group's single largest contributor to revenue and EBITDA, increased by 2.6%. The category gross profit margin improved to 22.0% (2018: 20.6%).

Category volumes declined by 2.9%, mainly as a result of lower bulk hard cheese sales relative to the comparative period. However, category gross profit margins were improved due to favourable changes in the category sales mix, which was bolstered by the launch of Lancewood's new yoghurt range. The product launch delivered exceptional growth of more than 200% and increased Lancewood's eating yoghurt market share from 0% to 4%, growing ahead of the total eating yoghurt category.

Finlar Fine Foods launched several cost-saving initiatives, which included procurement reviews, yield improvement, water usage reduction and overall equipment effectiveness improvement projects. This culminated in an improved performance during H2 2019 against the backdrop of the lower demand for valued-added chicken products experienced during H1 2019.

Denny continued to build its capability to optimise its key metrics, being utilisation and price realisation, in a competitive supply and demand environment by focusing on cost-containment, picking yields and sales mix. The total operating cost increase this year was limited to 5% against a backdrop of increased labour demands and above-inflationary hikes in fuel and electricity costs.

The above efforts were the main contributors to an increase in the category's Normalised EBITDA of 12.3% at an improved margin of 10.9% (2018: 9.9%).

GROCERIES

32%

of group
revenue

38%

of group normalised
EBITDA before
corporate costs

Revenue from Groceries, the Group's second largest contributor to revenue and EBITDA, increased by 1.3%. Category volumes declined 7.4%, mainly driven by reduced bulk sales of vinegar and water. The category gross profit margin improved to 26.7% (2018: 25.5%).

Whilst the strong revenue growth delivered during H1 2019 from the sale of local private label spices and seasoning and a significant recovery in dry condiment export markets were not repeated to the same extent during H2 2019, the effect of lower input costs bolstered the category's full-year gross profit margin and normalised EBITDA performance.

Rialto Foods delivered a strong performance in its retail channel, particularly with its Asian, pasta, oil and pasta sauce ranges. Food service revenue was bolstered by strong sales of wet-condiments.

Lower demand in H1 2019 from customers within the outsourced manufacturing channel at Dickon Hall Foods, persisted during H2 2019. Furthermore, integration delays following the consolidation of the Montagu and Denny manufacturing facilities, weighed on the category's full-year performance. Tea export volumes recovered strongly, as expected, during H2 2019, although low market prices experienced during H1 2019, persisted.

The combination of factors above contributed to an overall increase in the category's normalised EBITDA by 6.7% at an improved EBITDA margin of 13.7% (2018: 13.0%).

SNACKS AND CONFECTIONERY

6%
of group
revenue

7%
of group normalised
EBITDA before
corporate costs

Revenue from the Snacks and Confectionery category grew 12.7% to R538 million, assisted by the commissioning of the new Pringle potato snack facility during June 2019. This, in conjunction with a snack bar range brand relaunch and promotional activity, contributed to a stronger H2 2019 gross profit and normalised EBITDA performance of the category.

Gross profit margins in the category improved strongly to 28.4% from 23.6% in the prior period, whilst normalised EBITDA increased 13.6% at an improved margin of 15.4% (2018: 15.3%).

BAKING AND BAKING AIDS

7%
of group
revenue

8%
of group normalised
EBITDA before
corporate costs

Revenue from Baking and Baking Aids increased 11.5% to R700 million, mainly as a result of strong growth in the sales of rolls, fruit and sweet buns, flat breads and wraps, which was partially offset by lower revenue from private label soups and jellies. Category volumes improved by 1.5%.

An improved sales mix within Retailer Brands contributed significantly to a stronger category gross profit margin of 29.8% (2018: 27.6%). However, the significant growth in normalised EBITDA from baked goods within the Amaro Foods division was more than offset by an under-recovery of costs in Retailer Brands resulting from lower private label soups and jellies revenue. This contributed to the reduction in category normalised EBITDA of 6.3% at a lower EBITDA margin of 12.4% (2018: 14.8%). Significant cost-rationalisation efforts are underway to rectify the position during 2020.

HOUSEHOLD AND PERSONAL CARE

8%
of group
revenue

3%
of group normalised
EBITDA before
corporate costs

Revenue from Household and Personal Care (HPC) products decreased by 6.8% to R789 million. Although volumes declined by 13.8%, gross profit margins improved to 17.5% (2018: 16.4%) due to an improved sales mix. Category normalised EBITDA decreased by 0.1% at an improved margin of 4.6% (2018: 4.3%).

The HPC cluster of businesses, as a remaining non-food category, has commenced a significant restructuring to ensure its viability, underpinned by the sharing of a sales force and back-office, as well as the consolidation of multiple manufacturing sites into a single facility. Whilst some rationalisation benefits are reflected in the improved margin performance during 2019, the physical integration of four manufacturing facilities from H2 onwards is expected to yield further improvements.

Outlook

Going forward, Libstar's food categories will remain at the heart of its growth strategy.

In line with this focus, product rationalisation within the HPC cluster increased during H2 2019. The HPC cluster is now the only non-food category remaining in the Group portfolio. Although the restructuring will impact the Group's revenue growth during 2020, the category consolidation will unlock value and opportunities through the sharing of both the front-end and back-end resources, and the integration of multiple sites into a single facility. The full benefits of these actions are expected from H2 2020 onwards.

The improved sales mix resulting from the HPC product rationalisation, as well as the Group's continued focus on plant optimisation and investment in systems and plant and machinery, is expected to assist the Group's efforts to improve operating efficiencies in all categories.

The Group's Perishables, Snacks & Confectionery and Baking Aids categories continue to be well-placed to deliver growth. The wet condiment-producing divisions within the Groceries category are expected to deliver stronger performances within the retail channel in 2020, driven by new product launches and cost-saving efforts. However, expected

further reductions in export tea selling prices will adversely impact the Groceries category performance.

Furthermore, demand for wet condiments in the outsourced manufacturing channel continued to weaken in line with market conditions during H2 2019. These conditions are expected to persist during H1 2020.

Against the backdrop of slower dry condiment export shipments in H2 2019, volumes of early H1 2020 shipments have improved. Whilst no materially adverse effects have been experienced to date, the post year-end outbreak of the COVID-19 virus across the globe, does pose a risk for the export sales channel and imported shipments of value-added groceries.

The consolidation of divisions around the Group's categories and capabilities will continue. It will reduce duplication in sales and merchandising, rationalise resources and yield valuable opportunities for collaboration, efficiency and growth.

Despite the difficult market conditions in which Libstar operates and the headwinds discussed above, Libstar is confident of its low-cost manufacturing capabilities, its ability to capitalise on key consumer trends, its value of customer centricity and the delivery of returns from capital projects during 2020 and going forward.



Declaration of cash dividend

The board of Libstar has approved and declared a final cash dividend of 25 cents per ordinary share (gross) in respect of the year ended 31 December 2019.

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

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

Libstar has 681 921 408 ordinary shares in issue.

Libstar's income tax reference number is 9526395174.

Shareholders are advised of the following dates in respect of the final dividend:

Last day to trade <i>cum</i> the final dividend	Monday, 6 April 2020
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Shares commence trading ex the final dividend	Tuesday, 7 April 2020
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Record date to determine those shareholders entitled to the final dividend	Thursday, 9 April 2020
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Payment in respect of the final dividend	Tuesday, 14 April 2020
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Share certificates may not be dematerialised or re-materialised between Tuesday, 7 April 2020 and Thursday, 9 April 2020, both days inclusive.

Changes to the board

- Mr Wahid Hamid resigned as a non-executive director of Libstar, chairman of the Remuneration Committee and member of the Investment Committee with effect from 12 August 2019; and
- Mr Charl de Villiers was appointed as executive director and Group Chief Financial Officer with effect from 1 January 2020.

By order of the Board

WYN Luhabe
CHAIRMAN

AV van Rensburg
CHIEF EXECUTIVE OFFICER

Johannesburg
18 March 2020

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.

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December 2019

	Notes	2019 R'000	2018 R'000
CONTINUING OPERATIONS			
Revenue		9 892 545	9 659 597
Cost of sales		(7 513 655)	(7 493 721)
Gross profit		2 378 890	2 165 876
Other income	5	52 725	18 062
Operating expenses	6	(1 729 857)	(1 562 419)
Operating profit		701 758	621 519
Investment income		54 025	47 617
Finance costs		(262 774)	(269 310)
Profit before tax		493 009	399 826
Income tax expense		(136 325)	(125 907)
Profit for the year from continuing operations		356 684	273 919
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations		(77 057)	(50 906)
Profit for the year		279 627	223 013
Other comprehensive income for the year, net of tax		7 735	(417)
Items that may be reclassified to profit or loss			
Gains on hedging reserves		8 067	–
Items that will never be reclassified to profit or loss			
Defined benefit plan actuarial losses		(332)	(417)
Total comprehensive profit for the year		287 362	222 596
Profit attributable to:			
Equity holders of the parent		278 395	222 224
Non-controlling interest		1 232	789
		279 627	223 013
Total comprehensive income attributable to:			
Equity holders of the parent		286 130	221 807
Non-controlling interest		1 232	789
		287 362	222 596
Basic earnings per share (cents)			
From continuing operations	7	59.5	48.2
From continuing and discontinued operations	7	46.6	39.2
Diluted earnings per share (cents)			
From continuing operations	7	59.4	48.2
From continuing and discontinued operations	7	46.5	39.2
Headline earnings per share (cents)			
From continuing operations	8	59.9	48.7
From continuing and discontinued operations	8	55.7	45.9
Diluted headline earnings per share (cents)			
From continuing operations	8	59.8	48.7
From continuing and discontinued operations	8	55.6	45.9

Consolidated statement of financial position

as at 31 December 2019

	Notes	2019 R'000	2018 R'000
ASSETS			
Non-current assets		6 685 881	6 009 716
Property, plant and equipment	9	1 392 678	1 205 921
Right-of-use assets		655 596	–
Goodwill		2 534 656	2 521 058
Intangible assets		2 092 060	2 269 199
Other financial assets		5 824	8 018
Operating lease asset		–	5 418
Deferred tax assets		5 067	102
Current assets		4 141 076	3 784 159
Inventories		1 199 619	1 121 330
Trade and other receivables		1 763 463	1 628 038
Biological assets		29 407	26 662
Other financial assets		31 593	17 921
Current tax receivable		16 742	2 796
Cash and bank balances		1 100 252	987 412
Total assets		10 826 957	9 793 875
EQUITY AND LIABILITIES			
Capital and reserves attributable to equity holders of the parent		5 424 601	5 410 079
Share capital		4 727 314	4 818 884
Defined benefit plan reserve		(2 089)	(1 757)
Share-based payment reserve		2 211	–
Retained earnings		764 266	668 120
Premium on acquisition of non-controlling interests		(75 168)	(75 168)
Hedging reserves		8 067	–
Non-controlling interests		9 893	8 661
Total equity		5 434 494	5 418 740
Non-current liabilities		3 490 774	2 734 401
Other financial liabilities		2 087 970	1 921 591
Lease liabilities		677 674	–
Deferred tax liabilities		707 000	769 960
Employee benefits		9 583	8 919
Share based payments		8 547	20 811
Operating lease liability		–	13 120
Current liabilities		1 901 689	1 640 734
Trade and other payables		1 462 502	1 401 337
Other financial liabilities		111 737	77 086
Lease liabilities		75 712	–
Share based payments		4 156	–
Current tax payable		1 945	4 239
Bank overdraft		245 637	158 072
Total liabilities		5 392 463	4 375 135
Total equity and liabilities		10 826 957	9 793 875

Consolidated statement of changes in equity

for the year ended 31 December 2019

	Share capital R'000	Defined benefit plan reserve ¹ R'000	Share-based payment reserve R'000
Balance at 1 January 2018	4 187 177	(1 340)	–
Total comprehensive income for the year	–	(417)	–
Profit or loss for the year	–	–	–
Other comprehensive income for the year	–	(417)	–
Transactions with owners of the Company			
Contributions and distributions	631 707	–	–
Capital distribution	(800 000)	–	–
Issue of shares	1 500 730	–	–
Held as treasury shares	(730)	–	–
Share repurchase	(7 964)	–	–
Capitalisation of costs directly attributable to issue of shares	(60 329)	–	–
Changes in ownership interests	–	–	–
Acquisition of non-controlling interest in subsidiary	–	–	–
Movement in put options	–	–	–
Fair value adjustment through equity	–	–	–
Balance at 31 December 2018	4 818 884	(1 757)	–
Adoption of new accounting standard	–	–	–
IFRS 16 Leases adoption	–	–	–
Total comprehensive income for the year	–	(332)	–
Profit or loss for the year	–	–	–
Other comprehensive income for the year	–	(332)	–
Transactions with owners of the Company			
Contributions and distributions	(91 570)	–	–
Share repurchase	(91 570)	–	–
Dividends paid	–	–	–
Share-based payment expenses	–	–	2 211
Group share plan	–	–	2 211
Balance at 31 December 2019	4 727 314	(2 089)	2 211

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.

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	Hedging reserves ⁴ R'000	Non-controlling interests R'000	Total R'000
(63 624)	445 896	(8 836)	–	7 696	4 566 969
–	222 224	–	–	789	222 596
–	222 224	–	–	789	223 013
–	–	–	–	–	(417)
–	–	–	–	–	631 707
–	–	–	–	–	(800 000)
–	–	–	–	–	1 500 730
–	–	–	–	–	(730)
–	–	–	–	–	(7 964)
–	–	–	–	–	(60 329)
(11 544)	–	–	–	176	(11 368)
(11 544)	–	–	–	176	(11 368)
–	–	8 836	–	–	8 836
–	–	8 836	–	–	8 836
(75 168)	668 120	–	–	8 661	5 418 740
–	(50 560)	–	–	–	(50 560)
–	(50 560)	–	–	–	(50 560)
–	278 395	–	8 067	1 232	287 362
–	278 395	–	–	1 232	279 627
–	–	–	8 067	–	7 735
–	(131 689)	–	–	–	(223 259)
–	–	–	–	–	(91 570)
–	(131 689)	–	–	–	(131 689)
–	–	–	–	–	2 211
–	–	–	–	–	2 211
(75 168)	764 266	–	8 067	9 893	5 434 494

Consolidated statement of cash flows

for the year ended 31 December 2019

	2019 R'000	2018 R'000
NET CASH FLOW FROM OPERATING ACTIVITIES	579 769	505 044
Cash generated from continuing operations	944 777	876 187
Finance income received	54 025	47 617
Finance costs paid	(207 689)	(269 310)
Taxation paid	(191 404)	(139 341)
Cash utilised by discontinued operations	(19 940)	(10 109)
NET CASH FLOW FROM INVESTMENT ACTIVITIES	(394 730)	(345 979)
Purchase of property, plant and equipment and computer software	(400 902)	(348 745)
Sale of property, plant and equipment and computer software	7 155	3 505
Proceeds from sale of discontinued operations	46 716	1 000
Other financial assets disposed/(advanced)	2 301	(1 739)
Acquisition of business	(50 000)	–
NET CASH FLOW FROM FINANCING ACTIVITIES	(159 764)	318 948
Proceeds from issue of equity shares	–	1 500 000
Capital distribution	–	(800 000)
Share issue costs	–	(60 329)
Share repurchase	(91 570)	(7 964)
Loans repaid to shareholders	(846)	(17 267)
Loans repaid by shareholders	–	39 648
Proceeds/(repayment) of other financial liabilities	2 235	(34 462)
Repayment of loans from non-controlling interests	–	(28 592)
Purchase of non-controlling interests	–	(11 368)
Principal elements of lease payments	(127 547)	–
Proceeds from term loans and asset-based financing	270 765	2 584 364
Repayment of term loans and asset-based financing	(81 112)	(2 845 082)
Dividend paid	(131 689)	–
Net increase in cash and cash equivalents	25 275	478 013
Cash and cash equivalents at the beginning of the year	829 340	351 327
Cash and cash equivalents at the end of the year	854 615	829 340
Continuing operations	854 615	829 340

Segmental analysis

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 five categories.

The following summary describes each segment:



PERISHABLES

Perishable products are products that are refrigerated.



GROCERIES

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



SNACKS AND CONFECTIONERY

Premium snacks and confectionery products.



BAKING AND BAKING AIDS

Baked goods, specialised gluten-free offering and baking aids.



HOUSEHOLD AND PERSONAL CARE

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

RECLASSIFICATIONS BETWEEN SEGMENTS

During the current year, management reclassified the tea operations of Khoisan Gourmet from the Niche Beverages segment to the Groceries segment. This better aligns the financial disclosure to the commercial practice where tea is considered to be part of the groceries stable.

The dairy blend and fruit concentrate business of Elvin, previously shown in the Niche Beverages category, was sold during the current year.

The remaining Niche Beverages businesses, which comprise Chamonix Springwater and the non-beverage Elvin operations, were reclassified and have been reported under Groceries.

During the current year, management also reclassified the operations previously shown under the Specialised Food Packaging segment to the Groceries segment. This aligns the financial disclosure to the manner in which the Specialised Food Packaging is managed.

Comparative figures of both the Niche Beverages segment and the Specialised Food Packaging segment have been reclassified to show these operations within the Groceries segment.

	Year ended 31 December 2019 R'000	Restated Year ended 31 December 2018 R'000
INFORMATION ABOUT REPORTABLE SEGMENTS		
Revenue from contracts with customers		
Perishables	4 688 126	4 569 593
Groceries	3 177 811	3 138 461
Snacks and Confectionery	537 972	477 391
Baking and Baking Aids	699 841	627 839
Household and Personal Care	788 795	846 313
	9 892 545	9 659 597
Revenue comprised as follows:		
Total revenue for reportable segments	9 917 389	9 692 191
Elimination of inter segment revenue	(24 844)	(32 594)
Perishables	(8 328)	(5 663)
Groceries	(12 141)	(14 954)
Snacks and Confectionery	(722)	(94)
Baking and Baking Aids	(3 434)	(11 599)
Household and Personal Care	(219)	(284)
	9 892 545	9 659 597
Operating profit (EBIT)		
Perishables	402 686	338 942
Groceries	313 249	239 401
Snacks and Confectionery	60 666	58 723
Baking and Baking Aids	60 916	64 731
Household and Personal Care	(6 364)	5 492
Corporate	(129 395)	(85 770)
	701 758	621 519
Reconciliation of operating profit per segment to profit before tax		
Operating profit	701 758	621 519
Investment income	54 025	47 617
Finance costs	(262 774)	(269 310)
Profit before tax	493 009	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.

	Year ended 31 December 2019 R'000	Restated Year ended 31 December 2018 R'000
Normalised EBIT and EBITDA		
Group – continuing operations		
Operating profit	701 758	621 519
Amortisation of customer contracts and brands with definitive useful lives	150 172	140 841
Due diligence costs	2 884	3 319
Expenses relating to share based payments	6 948	(13 208)
Government grants	(155)	(46)
Impairment losses on assets	–	556
Gain on disposal of property, plant and equipment	466	3 190
Costs and fees attributable to the Initial Public Offering	–	5 007
Retrenchment and settlement costs	16 646	7 050
Securities transfer tax	281	66
Straight-lining of operating leases	–	3 694
Strategic advisory fees	301	43
Unrealised loss on foreign exchange	11 035	45 494
Donation	–	6 000
Normalised EBIT (after adoption of IFRS 16)	890 336	823 525
Amortisation of software	10 913	8 017
Depreciation of property, plant and equipment	272 427	152 914
Normalised EBITDA (after adoption of IFRS 16)	1 173 676	984 456
Impact of IFRS 16 (lease payments and lease modifications)	(138 927)	–
Normalised EBITDA (excluding adoption of IFRS 16)	1 034 749	984 456
Perishables		
Operating profit	402 686	338 942
Amortisation of customer contracts	43 610	44 677
Due diligence costs	797	–
Government grants	(155)	–
Impairment losses	–	243
Loss on disposal of property, plant and equipment	45	365
Retrenchment and settlement costs	6 610	2 024
Straight-lining of operating leases	–	3 530
Unrealised loss on foreign exchange	2 094	5 455
Normalised EBIT (after adoption of IFRS 16)	455 687	395 237
Amortisation of software	2 090	306
Depreciation of property, plant and equipment	90 159	59 109
Normalised EBITDA (after adoption of IFRS 16)	547 936	454 652
Impact of IFRS 16 (lease payments and lease modifications)	(37 501)	–
Normalised EBITDA (excluding adoption of IFRS 16)	510 435	454 652

	Year ended 31 December 2019 R'000	Restated Year ended 31 December 2018 R'000
GROCERIES		
Operating profit	313 249	239 401
Amortisation of customer contracts	71 239	70 173
Government grants	–	(46)
Impairment losses	–	313
Loss on disposal of property, plant and equipment	371	2 275
Retrenchment and settlement costs	357	2 306
Straight-lining of operating leases	–	257
Unrealised loss on foreign exchange	8 578	39 904
Normalised EBIT (after adoption of IFRS 16)	393 794	354 583
Amortisation of software	2 404	4 485
Depreciation of property, plant and equipment	93 161	48 839
Normalised EBITDA (after adoption of IFRS 16)	489 359	407 907
Impact of IFRS 16 (lease payments and lease modifications)	(54 317)	–
Normalised EBITDA (excluding adoption of IFRS 16)	435 042	407 907
SNACKS AND CONFECTIONERY		
Operating profit	60 666	58 723
Amortisation of customer contracts	4 402	4 402
(Profit)/loss on disposal of property, plant and equipment	(4)	44
Retrenchment and settlement costs	790	–
Straight-lining of operating leases	–	(112)
Strategic advisory fees	118	–
Unrealised loss/(gain) on foreign exchange	589	(116)
Normalised EBIT (after adoption of IFRS 16)	66 561	62 941
Amortisation of software	3 821	809
Depreciation of property, plant and equipment	19 957	9 301
Normalised EBITDA (after adoption of IFRS 16)	90 339	73 051
Impact of IFRS 16 (lease payments and lease modifications)	(7 383)	–
Normalised EBITDA (excluding adoption of IFRS 16)	82 956	73 051
BAKING AND BAKING AIDS		
Operating profit	60 916	64 731
Amortisation of customer contracts	6 870	9 406
Loss on disposal of property, plant and equipment	98	59
Retrenchment and settlement costs	–	280
Straight-lining of operating leases	–	(666)
Unrealised (gain)/loss on foreign exchange	(61)	258
Normalised EBIT (after adoption of IFRS 16)	67 823	74 068
Amortisation of software	876	794
Depreciation of property, plant and equipment	35 091	17 774
Normalised EBITDA (after adoption of IFRS 16)	103 790	92 636
Impact of IFRS 16 (lease payments and lease modifications)	(17 029)	–
Normalised EBITDA (excluding adoption of IFRS 16)	86 761	92 636

	Year ended 31 December 2019 R'000	Restated Year ended 31 December 2018 R'000
HOUSEHOLD AND PERSONAL CARE		
Operating (loss)/profit	(6 364)	5 492
Amortisation of customer contracts and brands with definitive useful lives	24 051	12 183
(Profit)/loss on disposal of property, plant and equipment	(27)	407
Retrenchment and settlement costs	8 655	1 946
Straight-lining of operating leases	–	685
Strategic advisory fees	183	42
Unrealised gain on foreign exchange	(163)	(8)
Normalised EBIT (after adoption of IFRS 16)	26 335	20 747
Amortisation of software	23	(569)
Depreciation of property, plant and equipment	29 140	16 179
Normalised EBITDA (after adoption of IFRS 16)	55 498	36 357
Impact of IFRS 16 (lease payments and lease modifications)	(19 165)	–
Normalised EBITDA (excluding adoption of IFRS 16)	36 333	36 357
CORPORATE		
Operating loss	(129 395)	(85 770)
Due diligence costs	2 087	3 319
Expenses/(income) relating to share based payments	6 948	(13 208)
(Profit)/loss on disposal of property, plant and equipment	(17)	40
Costs and fees attributable to the Initial Public Offering	–	5 007
Retrenchment and settlement costs	234	494
Securities transfer tax	281	66
Unrealised gain on foreign exchange	(2)	–
Donation	–	6 000
Normalised EBIT (after adoption of IFRS 16)	(119 864)	(84 052)
Amortisation of software	1 699	2 193
Depreciation of property, plant and equipment	4 918	1 712
Normalised EBITDA (after adoption of IFRS 16)	(113 247)	(80 147)
Impact of IFRS 16 (lease payments and lease modifications)	(3 531)	–
Normalised EBITDA (excluding adoption of IFRS 16)	(116 778)	(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	1 220 092	1 270 480
Major customers		
During the period under review, revenue from certain customers exceeded 10% of total revenue.		
Customer A	19%	18%
Customer B	13%	14%
Customer C	10%	11%

Notes to the consolidated financial statements

1. REPORTING ENTITY

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

2. BASIS OF PREPARATION AND REPORT OF THE INDEPENDENT AUDITOR

The summary consolidated financial statements of the Group for the year ended 31 December 2019 have been prepared in accordance with the requirements of the JSE Limited Listings Requirements ("The Listings Requirements") for preliminary reports, and the requirements of the Companies Act of South Africa, Act 71 of 2008, as amended, applicable to summary financial statements. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Pronouncements as issued by the Financial Reporting Standards Council and also, as a minimum, to contain the information required by IAS 34 – Interim Financial Reporting. This summarised report is extracted from audited information, but has not been audited.

These summarised consolidated financial statements and the audited consolidated financial statements, were prepared by P Makate CA(SA) under the supervision of CB de Villiers CA (SA), the Group Chief Financial Officer. The results were approved by the board of directors on 17 March 2020 and the directors take full responsibility for the preparation thereof.

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

3. ACCOUNTING POLICIES

The accounting policies applied by the Group in these financial statements are consistent with those applied in the consolidated annual financial statements for the year ended 31 December 2018 except as detailed below:

■ IFRS 16 Leases

The Group has applied IFRS 16 Leases retrospectively from 1 January 2019 and applied the modified retrospective approach. The Group has therefore not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening retained earnings balance on 1 January 2019. The new accounting policies are disclosed in the Accounting Policies section for Leases.

On adoption of IFRS 16 Leases, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 8.97%.

The right-of-use assets were measured on a retrospective basis as if the new rules had always been applied. The prior year straight-line accrual was adjusted directly against retained earnings on 1 January 2019.

In applying IFRS 16 Leases for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use assets at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 Leases and Interpretation 4 Determining whether an Arrangement contains a Lease.

Adjustments recognised in the statement of financial position on 1 January 2019

The change in accounting policy affected the following items in the statement of financial position on 1 January 2019:

- right-of-use assets – increased by R510.3m;
- deferred tax assets – increased by R19.7m; and
- lease liabilities – increased by R588.2m;
- retained earnings – decreased by R50.6m.

First time adoption of IFRS 16 Leases and disclosure of principal elements of lease payment in the published statement of cash flows for the 6-month interim period ended 30 June 2019 (“Interim Results”):

With effect from 1 January 2019, the Group adopted IFRS 16 Leases, the effects of which were disclosed in the Group Interim Results. The principal elements of the Group's lease payments were incorrectly classified as cash flows from operating activities in the published Interim Results, whereas IFRS 16 Leases requires that these payments are classified and disclosed as cash flow from financing activities. This misclassification has no effect on either the previously published interim statement of profit or loss and comprehensive income nor the interim statement of financial position, and accordingly, there is no impact to the previously published HEPS, EPS, NAV and TNAV indicators. The corrected disclosure however does result in the overstatement of cash flows from operating activities by R57.9 million and the understatement of cash flows from financing activities by the same amount over this interim period. The effect of the amended disclosure to the previously published interim statement of cash flows is summarised as follows:

REVIEWED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2019

	2019 Restated R'000	2019 Reported R'000	Difference R'000
NET CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from continuing operations	368 120	310 169	57 951
NET CASH FLOW FROM FINANCING ACTIVITIES			
Principal elements of lease payments	(57 951)	–	(57 951)

4. ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

	2019 R'000	2018 R'000
5. OTHER INCOME		
Bad debts recovered	–	23
Commissions received	38	35
Gain on foreign exchange	26 927	10 337
Realised gain on foreign exchange	37 962	55 831
Unrealised loss on foreign exchange	(11 035)	(45 494)
Government grants ¹	206	137
Insurance claims received	385	2 020
Rebates received	–	67
Discounts and incentives received	871	–
Rental income	5 577	454
Sundry income	18 721	4 989
	52 725	18 062

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

6. OPERATING PROFIT

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

6.1 OPERATING EXPENDITURE

Depreciation of property, plant and equipment	168 824	152 915
Depreciation of right-of-use assets	103 387	–
Amortisation of brands	11 867	–
Amortisation of software	10 913	8 017
Amortisation of customer contracts	138 305	140 841
Loss on disposal of property, plant and equipment	466	3 190
Employee benefits	1 307 546	1 105 388
Salaries and wages	1 290 900	1 099 166
Retrenchment and settlement costs	16 646	6 222
Strategic advisory fees	301	43
Due diligence costs	2 884	8 326
Costs and fees attributable to the Initial Public Offering	–	5 007
Charges relating to share appreciation rights granted (LTI scheme)	(1 456)	(13 203)
Charges relating to long-term incentive scheme (LTIP scheme)	6 194	–
Charges relating to share based payments (GSP)	2 211	–
Securities transfer tax	281	66
Operating lease charges	–	140 451
Premises	–	110 364
Straight-lining of operating leases	–	3 694
Motor vehicles & equipment	–	26 393
Research and development costs expensed as incurred	1 773	430
Auditors remuneration	8 407	7 562

	2019 R'000	2018 R'000
7. EARNINGS PER SHARE		
7.1 BASIC EARNINGS PER SHARE		
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:		
Earnings used in the calculation of basic earnings per share	278 395	222 224
From continuing operations	355 452	273 130
From discontinued operations	(77 057)	(50 906)
Weighted average number of ordinary shares for the purposes of basic earnings per share ('000)	597 519	566 445
Basic earnings per share in cents		
From continuing operations	59.5	48.2
From discontinued operations	(12.9)	(9.0)
From continuing and discontinued operations	46.6	39.2
7.2 DILUTED EARNINGS PER SHARE		
The earnings used in the calculation of diluted earnings per share does not require adjustments. Refer to note 8.1 above for the earnings used in the calculation of diluted earnings per share.		
The weighted average number of ordinary shares used in the calculation of diluted earnings per share are as follows:		
Weighted average number of ordinary shares for the purposes of diluted earnings per share ('000)	598 481	566 445
Diluted earnings per share in cents		
From continuing operations	59.4	48.2
From discontinued operations	(12.9)	(9.0)
From continuing and discontinued operations	46.5	39.2
Reconciliation of weighted average number of shares used as the denominator:		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	597 519	566 445
Adjustments for calculation of diluted earnings per share:		
Deferred Shares – GSP ¹	962	–
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	598 481	566 445

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

	2019 R'000	2018 R'000
7. EARNINGS PER SHARE continued		
7.3 NORMALISED EARNINGS PER SHARE (EPS)		
To arrive at Normalised EPS, the after-tax earnings from continuing operations is adjusted for the after-tax impact of the following:		
Profit for the year from continuing operations	355 452	273 130
Normalised for:	136 368	146 776
Amortisation of customer contracts and brands with definitive useful lives	108 124	101 406
Due diligence costs	2 884	3 319
Expenses/(income) relating to share based payments	5 003	(9 510)
Government grants	(155)	(46)
Costs and fees attributable to the Initial Public Offering	–	5 007
Retrenchment costs	11 985	5 076
Securities transfer tax	281	66
Straight lining of operating leases	–	2 660
Strategic advisory fees	301	43
Donation	–	6 000
Unrealised forex losses	7 945	32 757
Normalised earnings used in the calculation of basic earnings per share	491 820	419 906
Weighted average number of ordinary shares for the purposes of basic earnings per share ('000)	597 519	566 445
Normalised basic earnings per share in cents	82.3	74.1

8. HEADLINE EARNINGS PER SHARE

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

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

2018	Gross	Net of tax
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

	2019 R'000	2018 R'000
Basic earnings from discontinued operations	(77 057)	(50 906)
Adjustments (net of tax)	52 258	35 304
(Profit)/loss on disposal of property, plant and equipment	(7 000)	5 064
Impairment of brands	34 258	30 240
Impairment of goodwill	25 000	–
Headline earnings from discontinued operations	(24 799)	(15 602)
Headline earnings from continuing and discontinued operations	332 975	260 003
Headline earnings per share in cents		
From continuing operations	59.9	48.7
From discontinued operations	(4.2)	(2.8)
From continuing and discontinued operations	55.7	45.9
Diluted headline earnings per share in cents		
From continuing operations	59.8	48.7
From discontinued operations	(4.2)	(2.8)
From continuing and discontinued operations	55.6	45.9

8. HEADLINE EARNINGS PER SHARE continued

8.1 NORMALISED HEADLINE EARNINGS PER SHARE (HEPS)

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

2019	Net
Normalised basic earnings from continuing operations	491 820
Adjustments	2 322
Profit on disposal of property, plant and equipment	2 322
Normalised headline earnings from continuing operations	494 142
Normalised headline earnings per share from continuing operations (cents)	82.7
2018	Net
Normalised basic earnings from continuing operations	419 906
Adjustments	2 475
Loss on disposal of property, plant and equipment	2 475
Normalised headline earnings from continuing operations	422 381
Normalised headline earnings per share from continuing operations (cents)	74.6

9. PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2019, the group acquired plant, equipment and computer software in the amount of R401 million (2018: R349 million). These include major capex of R122 million at Lancewood, of which R73 million was earmarked in respect upgrade the milk-receiving area, distribution centre and hard cheese packing lines, R23 million in respect of a new par-bake frozen facility at Amaro, R22 million in respect of capital enhancing projects which include a bar-line upgrade at Ambassador, R24 million in respect of prepared meal facility at Millennium and R13 million relating to a tea plant upgrade at Cape Herb and Spice.

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.

10. 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.

11. SUBSEQUENT EVENTS

The board of Libstar has approved and declared a final cash dividend of 25 cents per ordinary share (gross) in respect of the year ended 31 December 2019.

Corporate information

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Website
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DIRECTORS

Wendy Yvonne Nomathemba Luhabe (Chairman)
Johannes Petrus (JP) Landman (Lead-independent
non-executive director)
Sibongile Masinga (Independent non-executive
director)
Sandeep Khanna (Independent non-executive
director)
Andries Vlok van Rensburg (CEO)
Charl Benjamin de Villiers (CFO)
Robin Walter Smith (Executive Director)

COMPANY SECRETARY

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LIBSTAR

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