Long4Life Limited

INTEGRATED REPORT

for the year ended 28 February 2019

BUILDING ON **OUR VISION**

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2019 in review

Pleasing performance from trading operations

This year marks the first full twelve-month period of operation

Revenue of
R3.6 billion

Trading profit of
R454.2 million
and margins maintained

Strong operating cashflows

Cash and cash equivalents of
R1.1 billion

Acquisitions well integrated and providing a solid platform for future growth

HEPS
38.7 cents

Substantial balance sheet capacity provides us with capability to be opportunistic

About our report

Scope and boundary

We are pleased to present our stakeholders with the 2019 integrated annual report for Long4Life Limited and its subsidiaries (collectively referred to as "Long4Life", "L4L", "the company" or "the group"). This is Long4Life's second integrated annual report and strives to outline our business performance and those initiatives that we have embarked on in transitioning, enhancing and growing the group of companies.

The purpose of this report is to provide our stakeholders with a complete overview of our business, providing insight regarding the group's business model, strategy, past performance and future prospects. The report also includes all statutory reporting specifically required relating to financial information.

The report further outlines the group's objectives, and reports on the progress and plan for the next financial year and beyond. The report covers both financial and the non-financial performance and provides related insights.

The reporting information relates to the financial year from 1 March 2018 to 28 February 2019. The contents of this document addresses the group's material issues, except where material transactions have occurred post-year-end. Long4Life is in its second year of trading, and comparatives are for an 11-month period as a result of a change in financial year-end in the prior period.

The annual report also outlines the group's business strategy and how we envisage growing and expanding the group's portfolio of assets through an organic and acquisitive business model.

The goup currently consists of, and reports on, three divisions as represented on page 26, 28 and 30.

Materiality

Materiality relates to matters which the board and management believe are relevant to stakeholders and those which could potentially impact value creation. This report focuses on those matters and all other issues that are considered material to the business.

All matters and issues included have been identified and prioritised after taking into consideration:

- Our strategy, business model and corporate values
- External factors that could potentially impact the group's ability to create value
- Strategic objectives and key business risks
- Key stakeholder engagement

Reporting approach and framework

This report, which includes financial and other information, has been prepared in accordance with the frameworks listed below:

- King IV Report on Corporate Governance™ for South Africa 2016 (King IV™)
- International Financial Reporting Standards (IFRS)
- The Companies Act of South Africa, No. 71 of 2008, as amended
- JSE Listings Requirements
- The International Integrated Reporting Council's <IR> Framework (the Framework)

Matters were identified using the Framework's process guidance and applied to the group based on relevance and materiality.

Our reporting suite

Non-financial information provided in this report was not externally assured, other than as indicated below:

Reporting element and purpose	Framework	Assurance status and provider
Annual financial statements	IFRS Companies Act	Audited by Deloitte & Touche
Governance report	King IV™ Report Companies Act	Audit and risk committee and L4L board
Remuneration committee report	King IV™ Report Companies Act	Remuneration committee and L4L board
Social and ethics report	King IV™ Report Companies Act	Social and ethics committee and L4L board
B-BBEE credentials and scorecard	BEE Act	Assured by Empowerdex

Financial statements

The auditors, Deloitte & Touche have issued their opinion on the consolidated financial statements for the year ended 28 February 2019. Their unmodified report can be found on pages 69 to 72. Any forecast financial information or statement contained herein has not been reviewed or reported on by the company's external auditors.

Assurance

The Long4Life board is satisfied with the integrity of the report and the level of assurance applied in the 2019 annual financial statements which have been audited by the independent external auditor, Deloitte & Touche. The group is currently in the process of designing and establishing an internal audit function at group level to assist and facilitate independent oversight over controls and control self-assessments performed by management at each of the divisions.

The board is satisfied with the level of assurance of the integrated annual report and does not believe that it should be subject to further external assurance at this point.

Control self-assessments are regularly performed on controls that have been deemed significant to the operations and stores, and these have been deemed adequate, sufficient and appropriate. This process will assist in the evolution of the combined assurance model being implemented by the group.

The broad-based black economic empowerment (B-BBEE) ratings of Long4Life, as well as those of its subsidiaries, are independently verified by Empowerdex.

Forward-looking statements

This report includes statements about Long4Life and its subsidiaries that are, or may be deemed to be, forward-looking statements. By their nature, forward-looking statements involve known and unknown uncertainties, assumptions and other important factors, because they relate to events and depend on circumstances that may or may not occur in the future, whether or not outside of the control of Long4Life or its subsidiaries.

Such factors may cause Long4Life or its subsidiaries' actual results, financial and operating conditions, liquidity and the developments within the industry in which it operates to differ materially from those made in, or suggested by, the forward-looking statements contained in this report. Long4Life cautions that forward-looking statements are not guarantees of future performance.

Board approval

The board, assisted by the audit and risk committee, is ultimately responsible for overseeing the preparation, presentation and integrity of the integrated annual report. This was achieved through the formation of a sub-committee to oversee the reporting process.

The directors confirm that they reviewed the output of the reporting process and the content of the integrated annual report. The directors believe that this integrated annual report addresses the group's material issues and is a fair presentation of the integrated performance of the group and therefore approve the report for release.

ABOUT OUR **BUSINESS**

Who is Long4Life?

Long4Life Limited was listed on the JSE Limited in April 2017. It has been established as a lifestyle-themed group that operates a decentralised business model, which invests in high-quality assets and partners with experienced and entrepreneurial management. We strive to be the best at delivering unique and flexible investment solutions in terms of capital and strategy.

Core acquisitions made over the last 24 months have integrated well and the returns on trading assets in each of the businesses are largely meeting management's expectation.

The group is currently structured into three operating divisions, each with their own management teams:

- Sport and Recreation
- Beverages
- Personal Care and Wellness

Long4Life has substantial balance sheet capacity which provides the capability to be opportunistic and, as such, management is exploiting additional opportunities in both mature and emerging consumer categories.

Our business philosophy

- Long4Life operates a decentralised management structure, providing **FINANCIAL, STRATEGIC AND MANAGEMENT SUPPORT** to its investee companies.
- We embody an **ETHOS OF RESPONSIBILITY.** Our operating companies are motivated to achieve independently.
- We embrace our founder's **PROVEN ENTREPRENEURIAL BUSINESS PHILOSOPHY,** in conjunction with that of a like-minded management team.
- We offer an attractive listed vehicle to encourage vendors to sell their businesses and **PARTICIPATE ON A LISTED EQUITY BASIS** to maximise their potential.
- We are obsessed with **UNDERSTANDING THE BUSINESSES OF OUR INVESTMENT AND TRADING PARTNERS** and the markets in which they trade and compete. We **BUILD CAPABILITY AND CAPACITY ACROSS THE BRANDED LIFESTYLE SPACE** – preferably within categories which speak to the emerged and emerging consumer.
- We actively support our businesses by mobilising financial, human resources and intellectual capital, including **IDENTIFYING OPPORTUNITIES.**
- We run a small Corporate Office with a **SKILLED AND EXPERIENCED TEAM.**
- We are disciplined in our deployment of capital, but **AMBITIOUS IN OUR EXPECTATION OF RETURNS.**

Strategic objectives

The company's overriding objectives will continue to be expansion at a pragmatic rate and driving above-average growth. This will be achieved by delivering quality operating earnings from strong cash-generating businesses, where we aim to own the cash flows in the main. Additional acquisitions will be pursued with appropriately assessed risk characteristics and our strictly decentralised operating philosophy.

Chairman's letter

> We remain at heart a company led by entrepreneurs, and a culture of innovation prevails across the group.

Graham Dempster

The management of Long4Life has done a tremendous amount of work in the year under review in order to steadily improve the capability and capacity of the company.

After successfully concluding the initial acquisitions, Long4Life set about arranging these into core divisions, appointing new leadership of those divisions, and putting in place focus, governance, reporting and financial infrastructure to facilitate their growth.

This has been a significant step forward, and the result of a committed, skillful effort. I gratefully acknowledge the team for these efforts and contributions in ensuring that these necessary steps are all in place, which now enables the continued development of Long4Life.

We remain at heart a company led by entrepreneurs, and a culture of innovation prevails across the group. Sportsmans Warehouse is pioneering innovative store concepts, Chill Beverages is experimenting very successfully with own-brand development, Sorbet is extending its offerings into new markets, and from a corporate office perspective we are positioned and alert to synergies and the possibility of accretive acquisitions to strengthen our existing businesses.

In a struggling economy, this speaks clearly to the resilience which abides among management. This is resilience born out of an entrepreneurial spirit, but a resilience too, which has been strengthened through the forthright appraisal of strategy and performance by a very experienced executive team and board.

For a small company with limited resources, the experience we have on the board, both in terms of our executive and non-executive directors, is value enhancing. Each of our three divisions now has a strategy that has been conceived and agreed together with the corporate office, and they are moving forward with confidence that their plans have been evaluated in-depth.

Each of the acquired businesses are delivering in terms of the original investment business case, which in a very challenging economy, is testament to the initial due diligence performed, the strength of the underlying management and market positioning, and the value that can be added by the corporate centre. We are proud of the management teams for their achievements under worse economic circumstances than they might have anticipated.

We are very pleased with the appointment of Mireille Levenstein, who assumed the role of chief financial officer following the retirement of Peter Riskowitz who did sterling work in establishing the function, and of Parvesh Chetty as group risk and internal audit manager. They have already done much to enhance our governance, risk, reporting and financial procedures. The quality of management information and insight, in particular, has been dramatically enhanced, as has our understanding of how best to encourage the business divisions to work collaboratively with the centre.

We are a growth-oriented, acquisitive company, and certain opportunities were considered in 2018. Though no sizeable acquisitions, with the exception of Chill Beverages, were consummated, we remain actively engaged in seeking out opportunities, but are also unwilling to compromise on our investment criteria, or on our emerging corporate identity.

Work of the Committees

The social, ethics and transformation committee has considerably advanced the process of establishing strong social and ethical frameworks in our divisions. Although work has been done, we have not yet advanced our B-BBEE positioning and this remains a pressing goal of ours.

Our remuneration framework is evolving as we continue to work towards embedding a logical set of incentives and rewards for an entrepreneurial, growth-oriented investment company.

The audit and risk committee has discharged its duties admirably to ensure that Long4Life's governance, compliance, policies and procedures are entrenched and support the developing corporate structure.

Returns on trading assets in each of the businesses delivering in terms of the original business cases

Continuous engagement and assessment of acquisitive possibilities which will deliver on our investment criteria and create value

Conclusion

The weekend following the announcement of our annual results for 2019, representatives from each of the divisions and the corporate office attended our inaugural awards dinner where some of our highly talented and committed people were recognised for outstanding performance. It was, for many of us, an emotional evening. What began not very long ago as a small group of people with funds to invest has become an exciting company comprising increasingly defined and mutually supportive divisions, and generating very good results.

We have established a decentralised way of operating, which allows for autonomy at the divisional level within an enabling set of strategic and operating guidelines set by the corporate centre, with clarity provided by an effective reporting structure. It is a way of operating that is proving gratifyingly effective in supporting the ongoing focus of the board and management, which in the short, medium and long term remains to unlock growth opportunities from the existing businesses and through potential acquisitions.

I thank the board for their enthusiastic and professional approach to their responsibilities and, as the board, we extend our thanks and appreciation to the Long4Life family. Brian Joffe and his team at the corporate office, as well as all employees within the divisions, have contributed unstintingly and are collectively moving the group along its intended growth trajectory. I am certainly looking forward to the unfolding events that will further build Long4Life into South Africa's most exciting lifestyle-focused group.

Graham Dempster
Chairman

Investment case

Long4Life aims to deliver quality operating earnings from good cash-generating businesses with low- to medium-risk characteristics and reasonable line of sight on profitability

Long4Life's collective wealth of operational and deal-making experience provides an entrepreneurial, nimble and innovative approach to transactions and management of assets

We will gear our balance sheet prudently to build scale through acquisitions, while we also intend to continue achieving scale in all our existing businesses by enhancing models, systems, products, services and logistics to improve market share and efficiencies while building customer acceptance

Long4Life has the support of a strong shareholder base and we look to invest in companies where key management have meaningful interests

Use of scrip will be carefully considered so as not to be dilutive and to be value accretive for all shareholders


Sorbet
get that feeling
HYDRATING
BODY WASH
ULTRA-MOISTURISING
splash out
Sorbet
get that feeling
BALANCING
HAND & NAIL CREAM
UPLIFTING
blue me a kiss
Sorbet
get that feeling
FIRMING
BODY BUTTER
AGE-CONTROL
butter me up

Board of directors

Executive directors

BRIAN JOFFE

Chief executive officer

CA(SA), Honorary Doctorates in Commerce from the University of Witwatersrand and the University of South Africa

Age 72, appointed 2 June 2016

Brian founded the Bidvest Group in 1988 where he served as executive chair and subsequently as chief executive until 17 August 2017. Brian still remains on the board of Bidcorp, which unbundled from Bidvest.

Over the last three decades, Brian has served as chairman and/or director on numerous boards in South Africa and internationally. He has also participated on various industry, business and other bodies and associations.

Among numerous awards received, Brian was voted Sunday Times' Business Person of the Year in 1992 and 2007, and was listed as one of the Top 100 Africans of the Year in 2001. Brian has been awarded honorary doctorate degrees in Commerce by UNISA, in 2008, and the University of the Witwatersrand, in 2016. In 2010, he was selected by the Wits Business School Journal as one of South Africa's top 25 business leaders, having made a significant impact on business in South Africa. Brian has also been listed by Forbes Magazine as one of the 20 most powerful people in African business.

MIREILLE LEVENSTEIN

Chief financial officer

BCom, BAcc, CA(SA), HDip tax

Age 50, appointed 15 October 2018

Having spent 16 years as chief financial officer (CFO) of Paracon Holdings Limited (Paracon), a company previously listed on the JSE, Mireille has extensive experience in financial strategy, operational management and corporate finance. After the acquisition of Paracon by Adcorp Holdings Limited (Adcorp), Mireille remained with Adcorp, providing corporate finance services and executive management, and served as a director on the boards of several of its subsidiaries.

COLIN DATNOW

Chief operating officer

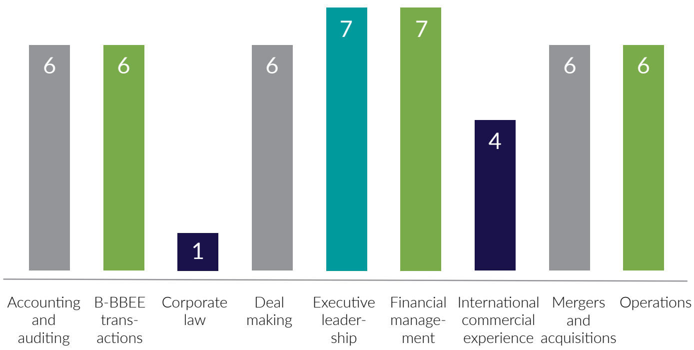
BCom

Age 71, appointed 22 March 2017

Colin has had an active role as an entrepreneur in the distribution industry for over 40 years. Colin is the founder and former chief executive officer of Brandcorp Holdings Limited, which is focused on the distribution and retailing of branded consumer and industrial products to a broad spectrum of the market. Colin is also the founding member, shareholder and a non-executive director of the Cosyro group of companies. In addition, he serves as chairperson to one of South Africa's largest public benefit organisations.

INDUSTRY EXPERIENCE

SKILL SETS



Independent non-executives

GRAHAM DEMPSTER

Chairman

BCom, CA(SA), Harvard Business School, INSEAD AMP

Age 64, appointed 22 March 2017

Graham has over 30 years' experience in the financial services industry both in South Africa and internationally. Graham currently serves as a non-executive director of listed companies AECI, Motus Holdings, Imperial Logistics, Sun International and Telkom SA SOC.

TASNEEM ABDOOL -SAMAD

Independent non-executive director

BCom, CA(SA)

Age 45, appointed 22 March 2017

Tasneem commenced her career at Deloitte & Touche. She later moved to the University of the Witwatersrand as a lecturer in auditing from 2003 to 2006. Tasneem subsequently re-joined Deloitte as a Partner from 2006 to 2014, and is a former member of the Deloitte South Africa board. Tasneem currently serves as a non-executive director of Absa Group Limited and Reunert Limited.

LIONEL JACOBS

Independent non-executive director

BCom, MBA

Age 75, appointed 27 March 2017

Lionel previously served as an executive director of The Bidvest Group Limited, retiring four years ago. He is currently independent non-executive chairman of Vunani Limited and chairman of its nomination and remuneration committees. He has 30 years' experience in B-BBEE transactions. Currently he is also chairman and director of Specialised Solar Systems and executive chairman of Powerhouse Africa, both in the renewable energy and infrastructure sectors.

SYD MULLER

Independent non-executive director

BCom (Hons), CA(SA), MBA, AMP (Harvard)

Age 70, appointed 24 October 2017

Appointed chairman of the Holdsport board in 2007, Syd was formerly the executive chairman of Woolworths Holdings and a Director of other companies in the Wooltru group. Syd is the chairman of the Africa review board of Air Liquide SA. Syd is a founding member, shareholder and Director of the Cosyro group of companies.

KENEILWE MOLOKO

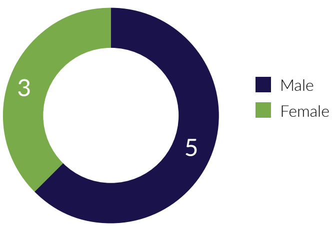
Independent non-executive director

BSc (QS), BCom, CA(SA)

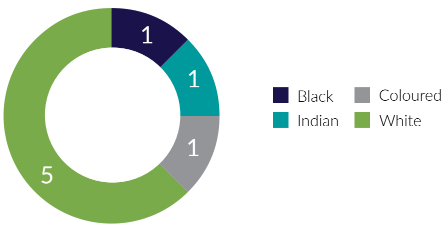
Age 50, appointed 1 November 2017

Keneilwe started her career as a quantity surveyor and then qualified as a chartered accountant after nearly a decade in the construction industry. Keneilwe served as non-executive director of Holdsport from 2014 and is s an independent non-executive director on the boards of Brimstone Investment Corporation Limited and Motus Corporation Limited.

GENDER



RACE



Our group structure

Our divisions

Sport and Recreation division

Sportsmans Warehouse – winning starts here
Outdoor Warehouse – for every adventure
Performance Brands
OTG Active
Shelflife
Veldskoen™ – The sole of South Africa

Beverages division

Chill Beverages – in the mix
Inhle Beverages (Pty) Ltd

Personal Care and Wellness division

Sorbet
Lime Light – Hair & Beauty Products
ClaytonCare Group – Planning your journey to wellness
Lighthouse – Wellness Brands

Our brands


INFORMATION


Fitch & Leedes
CHEEKY CRANBERRY
Fitch & Leedes
PINK TONIC

How we create value

Long4Life is an investment holding company that focuses predominantly on lifestyle businesses with attractive growth prospects, led by strong, entrepreneurial-minded management teams. The Long4Life board, who collectively have a wealth of operational and deal-making experience across various industries is responsible for capital allocation and play an active role in identifying and approving attractive investment opportunities. Long4Life operates a decentralised management structure, providing financial, strategic and management support to its investee companies.

Our team

Our **human and intellectual capital** includes our team's competencies, their know-how and those intangibles that create a competitive advantage. It is also the skill and experience of our employees, which we rely on to deliver our products and services and create economic value.

INPUTS

- Strategic optimisation of financial capital
- Assistance with key relationships, employee knowledge, skills and intellectual property and systems
- The board's wealth of operational and dealmaking experience across various industries
- A proficient investment team
- Strong and committed leadership with an experienced and dynamic executive and senior management
- Franchisee employees who ensure high standards are upheld

OUTPUTS

Delivery and development

- The executives' track-record, experience and operational knowledge of adding value
- The balance sheet management and assessment expertise that is provided to the operations
- Intellectual capital used to support divisions and franchisees in running successful businesses
- Ongoing training for group employees to ensure appropriate skills to continue contributing to positive results
- Ongoing and regular communication to all employees

How we performed

Our **financial capital** includes the capital of the group that was generated following the successful JSE listing, as well as from the operations, interest income and other investments. **Manufactured capital** relates to the infrastructure relating to stores and processes which enables us to deliver quality products and services to our consumers.

INPUTS

- Strong cash flow generated by our operations
- Equity and debt funding (gearing)
- Interest earned on capital raised
- Funding for future growth (organic growth, acquisitions, expansion and capital expenditure)
- Plant and equipment used in the manufacturing process
- Land and buildings from which the businesses operate
- Furniture, fittings, computer equipment and vehicles

OUTPUTS

Focused on performance

- Reinvestment of retained earnings
- Capital investment and acquisitions
- Finished stock of goods manufactured at these facilities

Building relationships

Our **social and relationship capital** goes to brand reputation and the relationships and networks that we have established and enhanced with customers, suppliers and business partners.

INPUTS

- Online customers, and followers on Facebook and Instagram
- Long-term investment focus and key stakeholder relationships
- Loyalty programs

OUTPUTS

Beyond products and services

- Brand-building initiatives to develop loyalty and build reputation
- The establishment of a broad shareholder profile
- Community work carried out within each division

Stewardship

In our definition of **natural capital** we measure the natural resources that we use in the production of goods and consider in relation to our environmental impact.

INPUTS

- Environmental resources related to electricity and water
- Raw materials

OUTPUTS

Responsible stewardship

- Beverages, beauty products and garments produced and distributed through our channel partners and stores
- The group manages its environmental impact through various programmes to increase energy efficiency and responsible recycling, reduce water usage and waste

Value added

Revenue generated of R3.6 billion and total wealth created of R1.3 billion

Employees:	Government (taxes):	Providers of capital:	Retained for growth:
37%	18%	17%	28%

Material issues

The group's overriding objectives will continue to be expansion at a pragmatic rate and driving above average growth. This will be achieved by delivering quality operating earnings from strong cash-generating businesses and acquisitions with appropriately assessed risk characteristics.

We have identified material issues based on items that could potentially create disruptions or have a significant impact on the group's ability to achieve our strategic objectives over the short, medium and long term.

Identification of material issues

The material issues relating to the divisions and the group are reviewed quarterly by the board, executive and operational management. All factors are evaluated for potential opportunities, disruptions and impact levels to the group. Considerations are based on internal factors, macroeconomic influences, industry changes and/or requirements, as well as the needs, expectations and concerns from consumers, suppliers, employees and other stakeholders.

Management of the divisions and subsidiaries are required to identify and assess their material issues on a regular basis and report thereon to their divisional executive committees on a monthly basis. Long4Life management host regular challenge sessions to ensure that adequate and appropriate steps are being taken to address and mitigate the issues.

Although the group's risks continue to evolve as new risks emerge and appropriate mitigating activities are introduced to reduce the overall residual risk, the strategic risks of Long4Life are reassessed on a biannual basis by the Long4Life board, by considering the divisional risks, emerging risk trends and the current market conditions in which the group operates.

Key risks and mitigation actions have been identified as follows:

Risk description	Risk mitigation actions
South African political and economic climate	
• The uncertainty around the South African political environment poses a risk to the group, due to all operations being locally based. The instability creates negativity among investors and consumers and therefore limits or inhibits consumer spending due to price increases and foreign currency volatility. • The current economic climate has negatively affected consumers' purchasing power. • The instability of electricity supply by Eskom causes disruptions to operations.	• Close monitoring of political changes and policy to understand developments relating to conditions in South Africa. • Creating awareness and assurance among investors and consumers relating to group and operational strategy. • Close monitoring of political and economic conditions to understand and predict consumer spending. • Formulate strategy to ensure that pricing, manufacturing and cost increases are minimised and that affordability for the consumer is prioritised. • Back-up power installations where possible and implementation of processes for operations when power limited.
Acquisition strategy	
• It is essential that the L4L acquisition strategy identify appropriate quality operations that fit the profile of the group in order to enhance shareholder returns and produce growth in earnings. • The inability to generate value through the execution and enhancement of acquired entities in line with the business strategies will result in loss of confidence among stakeholders.	• The setting of strict criteria ensuring alignment with strategy. • Performance of robust due diligence. • Ensuring that the target operation fits the organisational culture profile.
Increased competition	
• New entrants into the South African sports and outdoor retail, beauty and beverage space may result in a loss of market share, reduction in revenue and potentially decline of margins. • The industry has seen new market entrants and new product lines at reduced pricing. • Competitors are reducing their prices to maintain or gain market share in a price-sensitive market.	• Continuous assessment of business strategy to attract and retain customers. • Strong value positioning ensuring good execution in stores and manufacturing excellence. • Strong marketing and promotional activity • Continued product innovations. • Regular engagement with major brands and key suppliers on strategic and tactical matters, including satisfactory delivery performance.

Risk description	Risk mitigation actions
Key-man dependency • Key-man dependencies in the group relate to the CEO and other key management executives within the operations. • The CEO has been instrumental in driving investment into the group and investors have strong beliefs and trust in his influence, business acumen and strategic thinking to drive the business forward. • The executives have valuable industry and business operational knowledge which is required to ensure that the businesses are positioned for growth.	• Executive team comprises a number of senior experienced personnel. • Continuous engagement with investors with regard to the group strategy and achievement thereof. • Service contracts and agreements with key personnel to ensure continuity of operations. • Ensuring adequate succession planning and knowledge transfer mechanisms are in place.
Product integrity • Due to the group being involved in manufacturing operations, it is important that the products being manufactured and sold by the group maintain quality standards to ensure that they may not affect consumers and influence the brand's reputation. • Customer experience from inferior quality products may result in financial losses and reputational damage.	• Ensuring that manufactured products are made to the highest standards and quality to ensure customer satisfaction. • Regular quality checks performed by both internal and external providers. • Strict adherence to food, health and safety standards.
Transformation • The long-term success of businesses in South Africa is critically dependent on transformation.	• Support industry and government initiatives aimed at transforming the country's economy, including initiatives to fund and support the development of high-growth small and medium enterprises. • Regular monitoring of transformation progress within operations, and updating the social and ethics committee on such. • Investment in training and development of appropriate employees to drive internal transformation. • Development of improvement plans within each business to implement steps to address B-BBEE. • Developing and formulating appropriate strategies to further diversify the current workforce and create a diverse and inclusive culture.
Online offering and digitalisation • The trend of modern consumers relates to online offerings and the digitisation of the retail industry. Companies are creating innovative ways to enable easy access to products via digital platforms. • A lack of innovation and enhancement of information technology platforms within the group may reduce access to the modern consumer.	• Expanding on our e-commerce business model to ensure that the group is competitive among online retail platforms. • Ensuring multiple access points for consumers to the group's products and services. • Modernisation of stores to embrace the digital transformation and customer experience.

OUR STRATEGY AND PERFORMANCE

CEO's report

We are committed to delivering our strategic initiatives to drive organic growth and efficiencies, while continuing to focus on acquisitive opportunities.

Brian Joffe

I am pleased to present Long4Life's annual report for the year ended 28 February 2019. This year marks an important event in our short history: it is effectively the first full 12-month period of operation for the company and will therefore always be seen as the year from which we measure our financial performance, and therefore as the real beginning of Long4Life.

It is also the year in which our asset base and management teams were appropriately structured. The establishment of this early platform has been pivotal, as it has also set the scene for our ongoing efficiency improvement and cost-control processes.

These early measures have all resulted in a pleasing set of results over the last year, despite the South African economy's unfavourable performance. I attribute this acceptable performance to the strength of our operating teams, as well as the well-respected brands, products and services we offer.

Management continues to focus on better positioning and aligning the various businesses, and we are well set to benefit from these initiatives in future years.

Our imperative is scale

Wherever possible we are enhancing models, systems, products, services and logistics to improve market share and further build customer acceptance. Additionally, and should the economic environment in South Africa improve, we believe the strategic initiatives implemented over the past year will lead to enhanced profitability and return.

To achieve sustainable growth, and following the recent national election, the most important issue is for our government to reduce the uncertainty that prevails in the country. Government must now focus on creating the opportunities – the fertile soil – necessary for the private sector to build wealth and grow the economy to the benefit of all its people and job creation will, as a consequence, follow. I am personally very confident that our new regime will create this enabling environment, but it remains up to us, as South Africans, to make sure that it works, specifically by contributing to the future confidence of our great nation.

Proud of our progress

Despite the constrained market in which we operate, we have continued our investment activities. We spent R426.1 million on acquisitions (mainly Chill), and utilised R155.3 million to invest in infrastructure and other transformational and capital-expansion projects throughout all businesses. Over the past year, we also concluded the Lime Light and ClaytonCare acquisitions and we continue to pursue a number of other opportunities.

We bought-back an aggregate 36.5 million Long4Life shares at an average share price of R4.38 per share, which we deemed appropriate to maximise shareholder return at current price levels.

The board has not declared a dividend for the year under review. In arriving at this decision, we have taken into consideration the R159.6 million spent on the share repurchase programme in the past year, which has enhanced shareholder return as well as the investment funds required for ongoing and continued growth and development of the asset base.

Our strategic intent remains expansion by way of acquisition and organic growth. Considering current market valuations, we will continue to exercise caution and only pursue those acquisitions that make sense, strategically, financially and/or from an opportunistic point of view.

Pleasing results and good cash generation

Notwithstanding a weak consumer market, revenue of R3.642 billion for the year was achieved and gross profit amounted to R1.446 billion, while trading profit for the year was R454.2 million. Headline earnings per share amounted to R349 million or 38.7 cents (30.2 cents in the previous period) calculated on a weighted average number of shares in issue of 902 million this year and 564 million shares in the last financial period.

The group retains cash of R1.1 billion from the approximately R2 billion capital raised at the JSE listing. As the group has no gearing and earns interest on the funds raised, this somewhat mutes the growth on headline earnings per share. Cash inflows from trading amounted to R465.1 million.

Return on funds employed (ROFE) amounted to 42%. ROFE is a key focus area for our entire leadership team, and we believe the necessary imperatives have been implemented for this to improve our returns across the group, on a sustainable and continual basis.

Three core divisions formed

Sport and Recreation division

The Sport and Recreation executive team has done a good job over the last year in a retail environment that remains depressed.

Sports Retail: Sales continue to rise, but management has been focused on better positioning for the future. Sportsmans Warehouse has introduced a new mall-based concept with a smaller footprint, with three of these new concept stores opened during the year, and another planned for early in the new financial year. The new concept has been well received and is trading successfully, and this new concept is being introduced across the existing store base.

Outdoor Warehouse: Sales performed satisfactorily but were impacted by price deflation and the shorter than normal December holiday, which restricted customers' traditional camping vacations.

Performance Brands: External sales were down and sales to the group's retail divisions increased by 0.5% year on year. The synergies that exist between the various group outlets provide an opportunity for sales leverage going forward, specifically among some of the key and important brands within this unit.

Beverages division

The strategic progress made within this division's plants, which have different capabilities and capacities, is important. The pursuit of synergy within this division has been a key focus area, and it will serve its respective markets well going forward while ensuring efficiency and productivity gains.

The classification of the business into three units: Own Brands, Contract Packing and Private Label, has also delivered better focus and alignment.

- **Own Brands** are products (such as Score Energy, Bashews and Fitch & Leedes) where the trademarks and intellectual property are owned.
- The manufacture of products for third parties is referred to as **Contract Packing**.
- **Private Label** develops products according to the needs of a specific customer.

Overall total volumes for this division increased year on year, with Own Brands, Contract Packing and Private Label accounting for 53%, 41% and 6% of the division's revenue respectively. Growth in Own Brands was particularly pleasing, with a 50% increase in volumes year on year.

Personal Care and Wellness division

This division comprises the beauty and grooming businesses Sorbet and Lime Light, as well as ClaytonCare, which is our first healthcare investment.

Sorbet: Performance has exceeded expectations for the year and annual revenue reached the R100 million mark for the first time. Most gratifying has been the significantly improved performance and returns, with trading profit up year on year by 74%. Sorbet now includes Sorbet Salons, Nail Bars, Dry Bars, Sorbet Man and Candi & Co, and the brand has exceptionally strong recognition and a loyal client base. A revamp of some 60 existing franchise stores is planned for the current year.

Lime Light: This business procures and distributes hair and beauty products and equipment. The opportunity that exists is for the creation of a strong distribution channel that will augment the division as a professional services and brands supplier. The business is building its portfolio of products as part of its ongoing strategy and has acquired certain exclusive distribution rights for various international brands.

ClaytonCare: Clayton is small, and currently has two facilities. However, we see the sub-acute healthcare model as attractive in terms of the rising demand for cost-effective healthcare and Clayton provides us with an opportunity to expand in the sector and create opportunities to participate in the transformation of the current healthcare delivery model.

Our confidence remains intact

We are cautiously optimistic about South Africa's economic future and we remain very confident in our business model.

The group's balance sheet strength, access to an appropriate transactional pipeline, as well as a wide spectrum of investors, are all catalysts for our ongoing, yet diligent assessment of organic and acquisitive possibilities. The focus is on those businesses that can provide satisfactory growth and returns to shareholders and where Long4Life's capital and strategic capability can be successfully leveraged. We are continuing to consider acquisitions and trading opportunities on which to capitalise and grow market share.

Strategically, our aim is to 'own' the cash flows in the businesses in which we invest, and we will continually seek businesses that deliver quality trading profits from good cash generating businesses, with low to medium risk characteristics. We will also continue to enhance the philosophy of decentralisation as well as the spirit of entrepreneurship that is now prevalent in the group.

My sincere thanks and appreciation go to every person within the group for their unstinting and determined effort, hard work and contribution over the past year. I also wish to thank my colleagues on the board of directors as well as our executive committee for their support and stewardship. The creation of a commercially and strategically minded corporate office that has the experience and ability to access potential transactions, while sourcing competitively priced funding, will serve us well into the future.

Our experienced and enthusiastic leadership and management teams throughout the group must be commended for their invaluable input, and their careful and diligent execution of our strategic intent.

I remain exceptionally proud of the group's achievements over the past two years, which have been delivered despite a difficult and competitive environment. The past year, specifically, has increased my confidence with regard to our ability to execute strategy, while continuing to focus on enhancing efficiencies and improving cash flows.

The big vision that has always been a feature of the group has not changed and our objective of creating the lifestyle group of choice in South Africa remains firm, and intact.

Brian Joffe
Chief executive officer

CFO's report

> We achieved pleasing trading results for the year ended 28 February 2019. The group achieved revenues of R3.6 billion and HEPS of 38.7 cents, underpinned by a strong balance sheet to support the ongoing growth strategy.
>
> **Mireille Levenstein**

Financial overview

The group achieved pleasing performances across its various businesses in the 2019 financial year, the second year of trading since the group's listing in April 2017. Overall the group's results reflect a credible operating performance against the backdrop of a challenging economic retail climate and weak consumer market and were in line with management expectations.

As 2019 is the group's first full 12-month trading period since listing, comparatives are largely not meaningful. The results for the previous financial period include trading results for a four-month period and incorporate finance income earned on cash balances for 11 months. Holdsport, Sorbet and Inhle were acquired in November 2017 and Chill Beverages was acquired with effect from 1 March 2018 and contributed for the full 12 months under review. Given this backdrop, comparatives have therefore not been included in reviewing trading performance for the year.

Strategic financial focus

In the past year, our strategic financial priorities have focused on the following areas:

- Investment in the various drivers of growth, both organically by expansion of existing offerings as well as pursuing appropriate acquisition opportunities to create value
- Bedding down acquisitions with the continued close engagement of management teams and exploring opportunities for synergies across the group
- Ensuring appropriate capital allocation among group companies
- Focusing the management teams within the underlying businesses on return of funds employed as a business metric, together with growth in market share
- Implementing robust and meaningful financial reporting by subsidiaries
- Establishing risk management frameworks at both corporate level and within the underlying operations

Return of Funds Employed (ROFE) and Return on Equity

The philosophy of the group continues to be predicated on the cash-generating potential of the underlying operating entities and management of ROFE is a measurement of performance of the trading operations. ROFE is an internal measurement of returns from trading and separates investment and financing decisions from trading performance. The ROFE calculation measures return from all trading assets (working capital and property, plant and equipment) and excludes goodwill, intangibles, cash, borrowings and taxation.

We have set clear cash flow and capital allocation targets based on cost of capital, while ROFE hurdle rates have been implemented across the group. Both short- and long-term incentives introduced have now been linked to achievement of various minimum ROFE targets and it is anticipated that the effects of this focus will reap benefit in the medium- to long-term. ROFE is also used as a key decision support tool for internal capital expansion expenditure and in respect of evaluating potential acquisitions. As such, a group ROFE weighted target in excess of 35% is the stated management objective. In this regard, and as above, the group outperformed its target and ROFE of 42% has been achieved in the year under review.

The return on equity (ROE) for the group for the year amounted to 7.6%, and is reflective of the fact that the group has excess cash, no gearing and is in its infancy having acquired the businesses in the past 16 months. The group is not fully invested and has adequate capacity to grow and achieve future optimal returns.

Financial position

Property, plant and equipment

Property, plant and equipment amounting to R526.5 million comprises a significant component in the balance sheet. Property, plant and equipment increased significantly from the previous year with the acquisition of Chill Beverages. The net carrying value of the Chill Beverages plant and equipment amounts to R263.3 million, which also includes land and buildings in Stellenbosch, where the facility is located.

Goodwill and intangibles

Goodwill and intangibles (trademarks and brands) comprising R2.253 billion and R786 million respectively, are the group's largest assets. An assessment of the carrying value of the goodwill and intangibles was done at year end to assess whether any impairment is required. For purposes of goodwill, a consideration of the performance of the various cash-generating units (CGUs) to which goodwill relates was assessed. Given the performance of the businesses, no impairments were required.

Working capital management

With the introduction of ROFE as a measuring tool for underlying business performance, working capital management is a key focus area.

Inventory – Inventory levels have increased in both the Sport and Recreation as well as in the Beverage businesses in the year under review. Inventory in Sport and Recreation, which comprises 79% of the total group inventory, grew by 12% to R638.6 million from the 2018 year end. Inventory carried at new stores, which were not represented at 2018, accounted for 4% of this growth. Stock turnover has decreased slightly from 2.2 times in 2018 to 2.0 times as a result of softer than expected sales in the past year. In the Beverages division, inventory levels increased year on year to support the growth in cases produced – in particular, the growth in our own brands has resulted in higher levels of inventory. We are currently holding higher than desired levels of raw materials to accommodate the demand in our own brands, and therefore working capital management and optimisation will be a primary focus in the forthcoming year.

We anticipate yielding improvements in asset management by an increased focus and awareness on inventory and supply chain in the year ahead.

Trade receivables – The growth year on year in the trade receivables is mainly represented by the Chill Beverages acquisition, which accounts for 67% of the year-end balance. The debtors book has adequate provisions and is well managed with 96% of total gross trade receivables outstanding not exceeding 90 days. Sportmans Warehouse and Outdoor Warehouse do not offer credit.

Working capital by division is set out below:

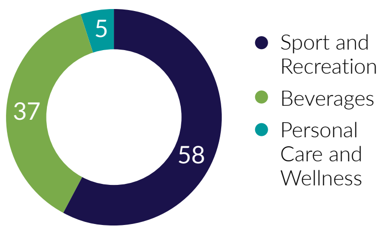
R'000	Inventory	Receivables	Payables	Net Working Capital
Sport and Recreation	638 646	37 110	(158 580)	517 176
Beverages	149 874	223 864	(290 329)	83 409
Personal Care and Wellness	24 005	30 670	(35 155)	19 520
Corporate	–	124	(13 431)	(13 307)
Group	**812 525**	**291 768**	**(497 495)**	**606 798**

Financial performance

Revenue

Revenue for the year amounted to R3.642 billion. Sport and Recreation, which contributed 58% of group revenue, achieved revenue of R2.113 billion while the Beverages division contributed R1.355 billion (37% of group revenue) and the Personal Care and Wellness division contributed R173.9 million.

REVENUE (%)



Sport and Recreation revenue increased by 7.9% year on year against a retail price deflation movement of 0.9%, which is against a comparative 1.4% retail inflation in 2018. Comparable store sales were 4.0% and 4.1% higher across Sports Retail and Outdoor Warehouse, respectively. Performance Brands external sales were 2.5% lower than the previous year, while sales to the group's retail divisions increased by 0.5% year on year. Given the tough retail environment, the performance of the Sport and Recreation division was satisfactory.

The Beverages division's sales of Own Brands comprised 53% of its total revenue. Total volumes for this division, which includes Own Brands, Contract Packing and Private Label, increased by 19% year on year. This division's brands have gained strong market share and delivered superior sales growth despite the difficult trading conditions. This was achieved through a focus on quality and innovation, together with the capital investment in the plant to support the volume growth.

Personal Care and Wellness' turnover was derived mainly from the Beauty business. The Sorbet brand has national recognition and annual revenue, comprising franchise fees, reached the R100 million mark for the first time, a growth of 19% year on year. The newly acquired sub-acute ClaytonCare group contributed R43.4 million to revenue.

Gross profit

Gross profit of R1.446 billion was achieved with a gross margin of 39.7%. Notwithstanding the tough market conditions, the group was able to maintain margins across its businesses albeit with continued pricing pressure from a price sensitive consumer, the increase in VAT, the devaluation in the Rand and rising global manufacturing costs. In the Sport and Recreation division, gross margins were tightly managed and cost pressure was offset by a foreign exchange profit of R12.2 million in the year under review. In the Beverages business, the introduction of the sugar tax levy in April 2018 put additional pressure thereon. Rising labour and manufacturing costs, as well as tight competition in the market, means that there is a need to manage production closely to ensure we deliver highly efficiently.

Expenses

While the businesses closely manage occupancy, manufacturing and operating costs, group expenses have increased year on year at higher rates than inflation.

The increase in expenditure was primarily driven by planned growth initiatives, including ongoing store development, implementation and expansion of new canning lines and significant investment in marketing and advertising initiatives. The group has a high fixed cost base, with occupancy and staff-related expenditure amounting to an excess of 75% of the total cost base.

Trading profit

Trading profit for the 12 months amounted to R454.2 million with trading margins of 12.5%. Sport and Recreation contributed R321.1 million to group trading profit with margins of 15.2% and Beverages contributed 34% of trading profit with R153.8 million with margins of 11.3%. Personal Care and Wellness comprised 9% of group trading profit at R38.9 million with trading margins of 22.4% (Beauty at 26.7% and Healthcare at 11.3%). Central costs amounted to R59.6 million and, while well managed and tightly controlled, the head office represents an infrastructure capable of managing a larger platform of businesses.

The Sport and Recreation and Beverages divisions' high fixed cost base results in high levels of operating leverage and thus profitability is sensitive to the gross profit achieved by the businesses. All three operating divisions in the group have seasonality with the second half of the year traditionally reflecting substantially higher trading. Beverage consumption as well as demand for beauty treatments increases significantly in the summer months and the Sport and Recreation retail stores experience a higher increase in trading over the holidays and Christmas period. Operating leverage in the second half was clearly evident in the year under review with trading profit in the second half of the year up 54% from the first half.

Headline earnings per share

Headline earnings per share amounted to 38.7 cents per share (2018: 30.2 cents) calculated on 902.1 million weighted average number of shares in issue (2018: 564.1 million shares).

A portion of the group result is generated from interest earned on cash balances, as the group is not fully invested and retains a portion of the capital raised at listing. Given the group has no gearing and earns interest on the funds raised, this mutes the growth on headline earnings per share.

Share incentive scheme

The group has three share incentive schemes in place at year end. These include a Share Appreciation Rights Plan (SARs), a Conditional Share Plan (CSP) and a Forfeitable Share Plan (FSP). The FSP was introduced during the year under review and shares were awarded to participants with effect from 1 November 2018. The FSP expense therefore represents four months of the expense in the year under consideration. Going forward, shares awarded under the FSP plan shall be awarded on or around July each year.

The CSP was introduced at the time of the group's listing, with targets only based on external market conditions. In terms of IFRS 2, if incentive targets are based on market conditions and not company specific, the expense is still raised even if the likelihood of vesting is slim. Further detail is set out in note 10.1 to the financial statements. No awards have been made under this plan in the past year as the FSP scheme was introduced to replace the CSP plan.

Cash flows

The R465.1 million of cash inflow from trading, after absorbing R71.9 million for working capital, was strong. Working capital is typically absorbed in the first half of the year and generated in the second half of the year due to seasonality. The various operators of the businesses manage their working capital for their particular requirements. The excellent cash conversion ratio of 102% before accounting for capital expenditure reflects the quality of the earnings.

Cash flows from investing activities amounted to R566.5 million with the group spending R426.1 million to acquire businesses. This amount includes a net cash consideration for Chill Beverages of R346.7 million. The group also utilised a net R155.3 million to invest in infrastructure and other transformational and capital expansion projects as follows:

R'000	Refurbishment and maintenance	Expansion	Total
Sport and Recreation	68 858	22 100	90 958
Beverages	868	60 532	61 400
Personal Care and Wellness	1 000	1 875	2 875
Corporate	–	83	83
Group	**70 726**	**84 590**	**155 316**

Capital expenditure in the Sport and Recreation division comprised mainly the continued investment in its store refurbishment program, with R68.9 million spent on refurbishment of existing stores and R22.1 million spent on new store set-up. The division will continue its investment program in the year ahead with refurbishment of existing stores, new stores and expanding logistics and distribution capacity. Within the Beverages division, continued investment is planned in both the Stellenbosch and Heidelberg plants, to ensure both efficiencies in production, in order to meet the required demand and, in particular, to support growth in Own Brands. The group remains committed to its expansion program and to investment in the various businesses to support organic growth.

Cash outflows from financing activities amounted to R427.3 million comprising the acquisition of treasury shares for R159.6 million, the settlement of third-party debt in Holdsport and Chill Beverages amounting to R215.9 million and dividends paid of R51.8 million.

Treasury and cash management

We have continued to adopt a conservative approach in terms of depositing surplus cash, opting for uncomplicated short- to medium-term fixed or notice deposits with the primary banking institutions. Notwithstanding this cautious philosophy, we have achieved satisfactory rates, particularly considering the associated flexibility which the particular arrangements afford us. Net finance income of R71.6 million included R84.4 million interest earned on cash balances and interest paid of R12.9 million, primarily on the mortgage bond over the Chill property.

Share buy backs

During the year under review, the group acquired in aggregate 36.5 million shares at an average price of R4.38 per share, amounting to R159.6 million spent. From this purchase, 13.2 million shares were acquired for shares awarded as per the 2018 FSP incentive scheme.

Accounting policies

The accounting policies applied in in the preparation of the annual financial statements are in terms of IFRS and are consistent with those applied in the previous year's consolidated financial statements. There was no significant impact from the adoption of IFRS 15: *Revenue from Contracts with Customers* and IFRS 9: *Financial Instruments*. Therefore, no transition adjustments have been processed on implementation thereof.

The new lease standard IFRS 16, which requires lessees to recognise all lease contracts on the Balance Sheet as a right of use of an asset with the associated liability will be adopted for the group for the year ending 28 February 2020. The group is adopting the cumulative catch up (modified retrospective) approach and measuring the right of use asset using the transition discount rate/incremental borrowing rate applied on a lease by lease basis. Note 12.3 to the financial statements sets out the impact on the financial statements had the lease standard been adopted with effect 1 March 2018.

Appreciation

My sincere thanks and appreciation are directed at the broader finance teams at operating level and the corporate office whose contribution and efforts were outstanding. As Long4Life is in an evolving state, we have undergone the process of implementation of standardised financial and risk reporting. The diligence and commitment displayed has been critical to our ability to provide quality information that informs the decision-making of management, the board and our stakeholders. I also express my deep appreciation to my fellow board members for their support.

Mireille Levenstein
Chief financial officer

Divisional overviews

Sport and Recreation division

The Sport and Recreation division comprises Sports Retail, Outdoor Warehouse, a dedicated e-commerce division and Performance Brands. The group also has a 49% share in the brand, Veldskoen®.

We are pleased with the performance of the Sport and Recreation division, and with the significant strategic progress achieved within all entities.

Developing a strong management team is fundamental as Long4Life pursues its objective of generating superior returns. To this end, the group is fortunate to have highly capable, passionate and energised individuals driving and managing this division. The CEO of the Sport and Recreation division is Cobus Loubser, while each business is managed by experienced and competent CEOs, namely Brad Moritz (Sports Retail), Kobus Potgieter (Outdoor Warehouse), Stuart Young (Performance Brands) Johan Strydom (e-Commerce), Nick Herbert (Shelflife) and Nick Dreyer (Veldskoen®).

The division represents 58% of the Long4Life group's revenue and 71% of group trading profit.

Sports Retail

Sports Retail, which comprises Sportsmans Warehouse, OTG Active and Shelflife, increased total sales year on year by 10.1% (2018: 5.1%) and by 4.0% on a like-for-like basis (2018: 2.6%), this in spite of a difficult economic environment.

The Sportsmans Warehouse mall-based concept is gaining traction and is being rolled out to new locations. These mall-based stores, while smaller than our traditional stores, still offer an authentic and all-encompassing shopping experience to our customers.

During the year, mall-based stores were opened in the Rosebank Mall, Sandton City and Eikestad Mall in Stellenbosch. This brings the total number of Sportsmans Warehouse stores to 43 (2018: 40 stores). These new stores have been very well received by customers and have traded successfully. Additionally, we have opened the same format Sportsmans Warehouse store in the Eastgate Shopping Centre during May 2019.

This new and exciting concept creates additional opportunities in a number of mall-based locations where our group is not currently represented. In addition, we have rolled out the new store design fitout across our larger existing stores. Over the coming years, all stores within the chain will be refurbished with the new fitout. The design elevates the merchandise displays and enhances the customer's experience. The Somerset West and Nelspruit stores have been recently expanded facilitating a more comprehensive product offering. We continue to evaluate opportunities around new locations, around the expansion of product lines, and the introduction of new product categories.

The presentation of women's athleisure merchandise has been enhanced in Sportsmans Warehouse. We now have three OTG Active stores focusing on this category and will plan to open additional stores in prime mall locations. The Shelflife business, offering unique sneaker footwear ranges for both retail and online continues to trade well. Shelflife relocated its store in Rosebank during the year under review, offering a unique and elevated shopping experience to customers.

Outdoor Warehouse

Outdoor Warehouse is a destination store with a comprehensive range of outdoor equipment, apparel and footwear with in-store services and specialist advice.

During the year under review, sales increased by 3.3% year on year (2018: 8.8%) and by 4.1% on a like for like basis (2018: 6.1%). The performance must be considered in the context of a strong performance in the previous financial year as a result of the water shortages in the Cape which set a high base for comparison. During this financial year, the business experienced price deflation and the shorter than normal December holiday restricted customers' traditional camping vacations and demand for product.

Trading densities and cost efficiencies are continuously evaluated, and new and existing stores are sized and planned accordingly. This year saw the completion of the refurbishment of all stores to the latest store design concept. Outdoor Warehouse traded from 26 stores in the year and we have contracted to open a new store in Randburg in F2020. On a weighted basis trading space increased by 1.3% year on year (2018: 7.1%).

Performance Brands

This business owns, designs, procures, manufactures and distributes the First Ascent, Capestorm, Second Skins, OTG Active and Africa Nature Brands. Performance Brands' external sales were 2.5% lower than the previous year, while sales to the group's retail divisions increased by 0.5% (2018: 4.6%). This division continues to grow successfully within the Sportsmans Warehouse and Outdoor Warehouse chains.

Performance Brands acquired the African Nature and Second Skins businesses in 2016 and completed the integration of these businesses when it moved into its new manufacturing facility early in 2018. This integration has proved to be successful.

We are determined to build powerful manufacturing capacity with unique technical skills which support design excellence and provide customised merchandise to corporates, schools, clubs and the tourism sector. This will be an important competitive differentiator in the future and we are proud of the progress made by Performance Brands to advance this strategy.

Veldskoen®

Veldskoen® was established in 2017. The business designs, produces and distributes a collection of footwear, to both retail and online customers. The business, in which we have a 49% shareholding, generated sales of R9.2 million for the year resulting in a loss of R3.2 million, of which R1.6 million is attributable to Long4Life. While a disappointing result, we are most encouraged by the positive trajectory of this business. It has invested appropriately in infrastructure and the necessary skills that drive the business forward. The business has gained traction in foreign markets with the establishment of a strategic partnership in the USA and the setup of a distribution network in Europe.

Trading overview

Total sales increased by 7.9% year on year (2018: 7.1%) to R2.11 billion and retail sales increased 8.4% year on year (2018: 6.0%) to R2.01 billion. We measured retail price deflation of 0.9% across our retail business (2018: inflation of 1.4%).

The weighted trading area increased by 3.5% relative to the prior corresponding period (2018: 4.4%). Overall trading density increased by 3.6% to R21 204 per m^2 (2018: R20 473 per m^2).

Gross margin at 48.0% (2018: 48.5%) was slightly lower than last year due *inter alia* to the 1% increase in the VAT rate which we could only partially pass onto customers.

Total trading expenses increased by 8.2% (2018: 11.4%) driven by the 3.5% weighted increase in trading space and general inflation.

During this year, we incurred an aggregate foreign exchange profit of R12.2 million compared to an aggregate loss of R0.1 million during the prior period. It is our policy to take out forward exchange contracts to cover all imported merchandise commitments and this has been applied consistently with previous years. This accounting adjustment does not have an operational or cash-flow effect.

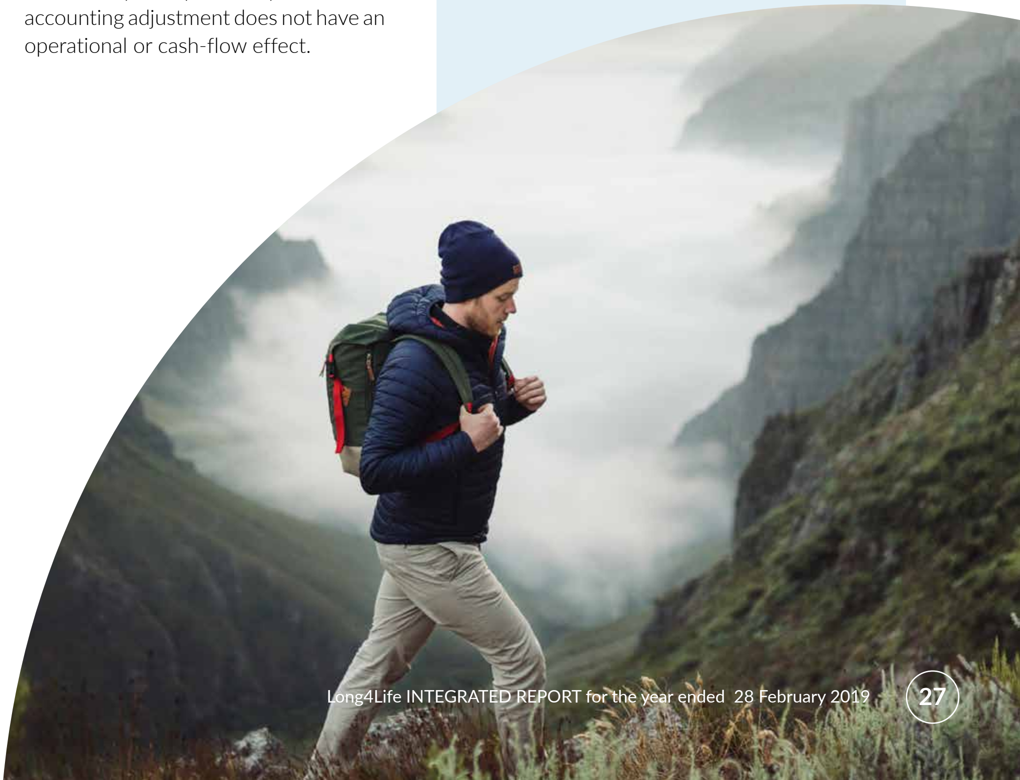
Prospects

Our strategy firmly embraces an offer to our customers of unique and branded product, supported by high levels of service. We launched innovative member rewards programmes which, coupled with our strong e-commerce platform and other digital initiatives, have enabled new and exciting ways to engage with customers.

The strategic focus on our design and procurement skills enables the Sport and Recreation division to maintain and enhance our unique and credible offering to customers.

The ongoing positive cash flow of the business remains one of our key strengths. We expect to increase our time-weighted trading space by at least 2.5% for the next financial year through the opening of new stores and expansions.

The local environment continues to demonstrate weak economic growth over the short and medium term. We anticipate little respite from the difficult trading conditions in the near future but are confident in the ability of our experienced team to achieve satisfactory growth. The strategic focus of the businesses is clear and management teams are motivated and capable to tackle the challenges that abound.



Divisional overviews

Beverages division

The Beverages division comprises two business units: Chill Beverages (Chill) and Inhle Beverages (Inhle).

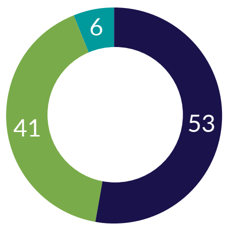
Grant Hobbs, a founding member and CEO of Chill, heads the Beverages division, strongly supported by Chill COO John Steyn and Niel Botha, co-founder and CEO of Inhle. To ensure that the Beverages division maximises its returns on funds employed and optimises divisional strategy, the division has formed an executive committee which comprises individuals from both Inhle and Chill.

The division contributed 37% of Long4Life group revenue and 34% of group trading profit.

The Beverages division has three main offerings – Own Brands, Contract Packing and Private Label. Own Brands (which includes Score Energy, Fitch & Leedes and Bashews) are products where the trademarks and intellectual property are owned, with formulations being developed inhouse. Strong marketing initiatives and high levels of customer service are core to the success of the brands. The manufacture of products under licence for and on behalf of third parties is referred to as contract packing. Customers for contract packing include both multinational and local beverage brands. Private Label, primarily for retail chains, develops products to the needs of a specific customer, and can include a combination of product development, manufacture and/or distribution.

All three of these offerings performed well this year, with overall total volumes increasing by 19% year on year. Own Brands, Contract Packing and Private Label accounted for 53%, 41% and 6% of the division's revenue respectively.

CONTRIBUTION TO BEVERAGES REVENUE (%)



- Own Brands
- Contract Packing
- Private Label

Chill

The Chill product development, manufacturing and distribution facility is located in Stellenbosch in the Western Cape. Chill manufactures own brand soft drinks and bespoke upmarket premium mixers, house-brand drinks for retailers, and contract packs drinks of varying size and requirements.

In the year under review, Chill's turnover was up 29% year on year. Investment in capacity resulted in plant and equipment increasing by 22% – glass capacity rose by 50% and canning capacity by 27%.

Inhle

Inhle is located in Heidelberg, Gauteng. Inhle is a contract packing drinks business predominantly focused on the filling and packing of aluminium beverage cans. Energy drinks are currently the largest category at 90% of production. Inhle is a low-cost producer with canning and filling expertise and modern machinery and plant, which allows private-label customers to compete with beverage majors.

Inhle increased its investment in property, plant and equipment by 38% in the period under review due to investment in additional production capability. Canning production capacity increased by 20%, and the remainder of the investment was by way of the addition of a new warehouse and customer centre.

Inhle's Gauteng location ensures it is well-placed from both a logistics and cost of production perspective to service the northern and eastern provinces of the country. There is ample additional land and water on the Heidelberg property and fruitful discussions have taken place for additional power capacity. Post year-end, we have commissioned the construction of additional warehousing facilities at Inhle. In due course we will evaluate investment in introducing additional manufacturing capacity at Inhle to meet increased demand.

Trading overview

Beverages achieved revenue of R1.4 billion in the year and a trading profit of R153.8 million with a trading margin of 11.3%. Long4Life acquired Inhle effective 1 November 2017 and Chill effective 1 March 2018, and thus the results under review include a full twelve months' performance from both businesses.

The business is seasonal with most volumes moving in the summer months. In the 2019 financial year the division produced 59% and 63% of its sales and trading profit, respectively, in the second half of the financial year.

The now familiar demand and supply challenges faced by the South African economy affected the Beverages division to varying degrees. Power outages and load-shedding had some minor negative influence over both the Stellenbosch and Heidelberg plants' production output, and water shortages in the Western Cape did not affect production at the Stellenbosch plant materially.

As the Beverages division produces and distributes its own brands within a highly competitive environment where the consumer is experiencing significant pricing pressure, optimisation and management of costs is imperative. We need to ensure we are disciplined in the deployment of capital while being ambitious on returns.

Sugar Tax

The Health Promotion Levy on sugary beverages, commonly referred to as the "Sugar Tax", became effective on 1 April 2018. This levy has had a significant impact on the South African beverage industry, which has responded through a combination of downsizing serving portions to maintain affordable price-points; reformulating to reduce the volume of sugar per litre; or adjusting the price of a beverage to pass the burden of the levy on to the consumers. Within the Beverages division, while the sugar tax has not significantly affected beverage consumption volumes, it has had a small impact on gross margins.

Capital expenditure

Suitable capital expenditure is necessary to ensure adequate capacity, capability, and flexibility while retaining efficiencies. There has been a substantial upgrade to the division's canning and glass packaging capacity as well as new infrastructure, which resulted in total capital expenditure of R61.4 million for the year, of which R60.5 million was for expansion.

Innovation

The beverage industry is characterised by constantly shifting preferences between beverage categories, with single-serve formats sometimes growing to multi-serve formats. These shifting preferences are driven by a combination of constantly changing mega-consumer trends, including wellness, eco-footprint, authenticity, urbanisation, de-formalisation, function, flavour and e-commerce. Continued product innovation and incremental growth in targeted categories through the introduction of new brands and flavours is continuing, while attention is being focused on digitisation, which is important to achieve future efficiency gains and insightful consumer interaction.

Prospects

The various synergies that exist between Chill and Inhle, coupled with a broader national coverage afforded by their respective operational locations, presents exciting opportunities for the group to enhance its presence in the growing South African beverage space.

While South Africa remains our primary market, we have identified certain markets to export our own brands and we believe this is a promising growth area. We are investing in talent, capability and some infrastructure to ensure we are able to explore and take advantage of the potential export markets. The division's production facilities are ideally situated geographically to service the South Africa market as well as beyond its borders.

Investment in product innovation, together with a capable in-house team, allows for ongoing development of new brands, flavours and formulations. This capability allows us to be agile, to anticipate and respond to market trends quickly.

As the Beverages division expands, we continually explore opportunities to enhance both growth and our return on the assets deployed. There are several initiatives that we are working on to maximise value in the medium term from our manufacturing operations. These initiatives are expected to enhance the division's competitiveness and to expand its customer base within southern Africa.

Divisional overviews

Personal Care and Wellness division

The Personal Care and Wellness division currently comprises the beauty and personal care businesses. These include the Sorbet group and Lime Light (a distribution channel for spa and salon products and equipment); and an investment into the sub-acute healthcare industry, through the ClaytonCare Group (ClaytonCare).

The Sorbet business is headed up by Rudi Rudolph who has been with Sorbet since inception, Ashley Wood is CFO and they are ably supported by a strong and experienced executive committee. Lime Light is run by its founder, Jonathan Lieman, who has significant experience in this space. L4L Health is led by Bobby Favish with ClaytonCare management Mario Greyling and Riaan du Preez offering the relevant management expertise. Bobby and his team have significant experience in the broader healthcare industry.

The division represents 5% of the Long4Life group's revenue and 9% of trading profit.

The Sorbet Group

Sorbet's revenue increased by 19% year on year to R102.8 million with trading profit growing strongly to R31.4 million. Meaningful benefits were derived in the year under review through planned refinements to the supply chain and improved efficiencies in several areas of the business.

Sorbet's highly recognised and respected brand, its national footprint and proven business model, have enabled the business to grow sustainably over the last few years. The Sorbet group operates through various franchised store formats including Sorbet Salon (for all-round beauty therapy), Sorbet Nails, Sorbet Dry Bar (express hairstyling), Sorbet Man (men's grooming) and Candi & Co (ethnic hair treatments and hairstyling). In addition, Sorbet recently launched Sorbet SK-N, a high-end skin and aesthetic treatment offering, with the first store having opened in May 2019 in Hyde Park Corner, Johannesburg.

The overall store base has grown to 207 outlets countrywide, and interest from potential franchisees remains strong. Sorbet Man in particular exceeded growth expectations, with this offering now extended to 21 stores. Three of the stores are company owned, which offers a great opportunity to test new products and concepts.

Through the ongoing modernisation programme, a revamp of some 60 existing franchise stores is planned for the current year.

Sorbet strongly aligns itself to high standards in both the quality of its services and the products sold in its stores. Additional growth opportunities have been identified including the extension of merchandise and product ranges sold by the franchisees instore as well as through online sales.

The Sorbet brand has exceptionally strong recognition and a loyal client base, with over 500 000 online loyalty members on its database. Focus in the year ahead will be placed on the rewards programme and expanding the online offering.

Lime Light

Lime Light was acquired by the group on 1 March 2018 to create a distribution channel that could enhance the position of the group as a supplier of a variety of products to the professional salon industry. Lime Light's revenue for the year amounted to R27.3 million with a trading profit of R4.5 million.

Lime Light's portfolio of products includes a comprehensive range of consumables and furniture serving professional beauty, nail, hair and skin cares industries. Lime Light products are sold nationwide by a highly experienced team. Efficient distribution facilitates superior service levels with door-to-door delivery.

Through Lime Light we have increased our distribution partners and we have recently become sole distributors in South Africa for American Crew (men's hair and cosmetic product range) and Oway (organic Italian hair and beauty product range). Both of these products are sold exclusively into the professional market.

L4L Health

ClaytonCare

Through its 59% stake in Long4Life Health, the group has acquired 61% of ClaytonCare, which has resulted in an effective 36% economic interest therein. ClaytonCare is a sub-acute rehabilitation medical group with facilities in Randview and Midstream. It has 83 sub-acute beds with 16 beds being high care. ClaytonCare contributed R42.5 million in revenue for the year and R4.5 million in trading profit, at a 10.6% trading margin.

Sub-acute care can best be defined as comprehensive inpatient care that is designed for patients with acute illness, injury, or exacerbation of a disease process. The sub-acute model is attractive in terms of the rising demand for cost-effective healthcare. ClaytonCare provides the group with an opportunity to expand in the post-acute sector and create opportunities to participate in the transformation of the current healthcare delivery model.

Long4Life will consider utilising this investment as a strategic initiative to create platforms for additional opportunities to enter the higher-growth wellness space.

Prospects

Significant potential exists for the Personal Care and Wellness division to grow within the personal care, beauty and grooming market.

The division intends to expand its geographical distribution footprints and channels both organically and through acquisitions. Additional growth opportunities include an extension to various merchandisers and product ranges offered by the group, as well as through the creation of online platforms and sole distribution agreements for beauty products. Meaningful benefits are anticipated through planned refinements to the supply chain and improved efficiencies in several areas of the business.

OUR GOVERNANCE

Corporate governance, risk management and compliance

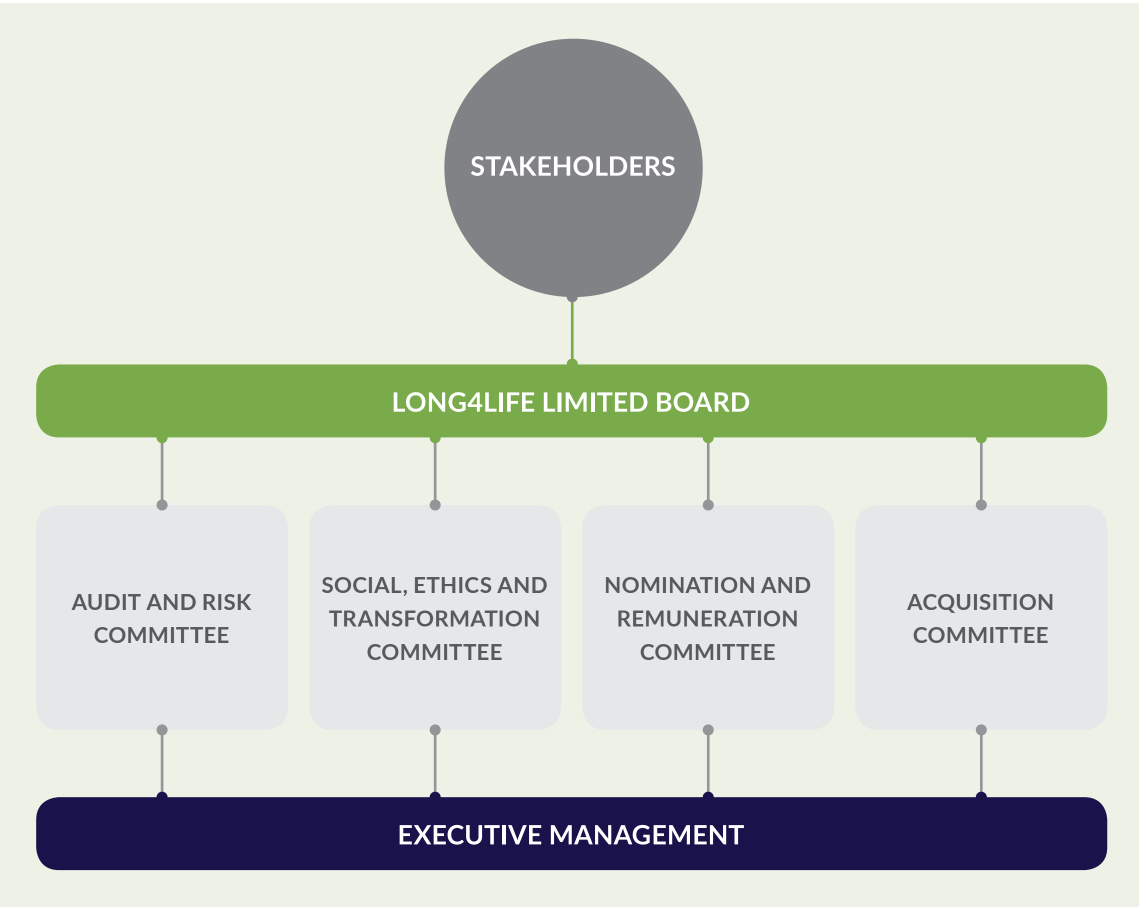
The board and management of Long4Life are fully committed to the principles of effective corporate governance and the application of the highest ethical standards in the conduct of its business and affairs, and therefore ensure that adequate governance structures, processes and procedures are implemented and enhanced to maintain ethical behaviour and corporate governance, while taking into consideration the interests of all stakeholders.

The board has considered the group's application of King IV™ and believes Long4Life Limited has adequately applied its principles and has attained the fundamental objectives thereof.

The board is further of the opinion that, for the period 1 March 2018 to 28 February 2019, the requirements of the Companies Act and the JSE Listings Requirements were met, and that it fulfilled its responsibilities in accordance with its charter.

Governance framework

The organogram below depicts Long4Life governance structure. More information regarding the composition and summary roles and responsibilities of the board and committees are included on pages 35 and 36 of the report.



Board and governance structures

Board composition

The Long4Life group has a unitary board which both leads and controls the group. The board has primary responsibility for, and is the custodian of, corporate governance across the group, and is ultimately accountable for the group's overall performance. The mission of the board is to maintain focus and challenge management's strategies as well as evaluate performance against expectations and benchmarks. The board currently comprises eight directors; including three executive directors and five independent non-executive directors.

A formal limits of authority (LOA) has been implemented and is in place for the board. The LOA grants specific levels of authority whereby a director is able to commit the group to financial obligations of set limits.

The board is satisfied that its composition is appropriate and reflects an adequate balance of power and authority. The board further believes that its directors are sufficiently objective and have the necessary integrity to act independently as required by the Companies Act. The board is of the opinion that the benefit that the group obtains from these directors exceeds the perceived potential risk of them not being independent.

Key changes to the board

Peter Riskowitz resigned from the board and as the group chief financial officer on 31 October 2018. Mireille Levenstein was appointed as an executive director and group chief financial officer with effect from 15 October 2018 and 1 November 2018 respectively.

Chairman of the board

The chairman of the board is a non-executive director. The board appointed Graham Dempster to serve as the chairman and considers him to be independent.

The main responsibilities of the chairman include, *inter alia*:

- to act as Long4Life's leading representative, which will involve the presentation of the company's strategy and policies;
- to take the chair at general meetings and board meetings;
- to take a leading role in determining the composition and structure of the board, which includes the regular review of the overall size of the board, the balance between executive and non-executive directors and the balance of age, experience and personality of the directors; and
- to ensure effective communication with shareholders and, where appropriate, the stakeholders.

Lead independent director

Syd Muller (non-executive director) was appointed as the lead independent director (LID) to ensure a clear balance of authority and that no one director has significant decision-making power.

The LID is responsible for, *inter alia*:

- performing all functions that cannot be performed by the chairman due to potential conflict of interest;
- leading the board in the annual assessment of the independence of the independent non-executive directors;
- serving as principal liaison between the independent non-executive directors and the chairman; and
- providing regular formal feedback on progress against matters requiring improvement.

Directors' responsibility

Management reports to the board on the material risks and opportunities that could impact the group's performance and provides directors with the information necessary to make objective judgements and effective decisions regarding the group's affairs.

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards (IFRS), in terms of the Companies Act, No 71 of 2008, as amended, of South Africa, and the interpretations adopted by the International Accounting Standards Board and the JSE Limited Listings Requirements.

The directors' responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management.

The directors have assessed the group and company's ability to continue as a going concern and there is no reason to believe that the group and company will not be going concerns in the foreseeable future.

Directors' independence

The board is satisfied that each director acted with independence of mind and in the best interests of the group.

Board committees

The board bears the ultimate responsibility for leading and directing the group. The board has delegated certain of its roles and responsibilities to various committees to assist with the effective discharge of its duties. It applies judgement on decision-making by reviewing information, opinions, recommendations, reports and statements presented by the respective committees.

The board confirms that each of the committees has satisfied its respective responsibilities in accordance with their mandates for the reporting period.

	Audit and risk committee	Social, ethics and transformation committee	Nomination and remuneration committee	Acquisition committee
Members	Tasneem Abdool-Samad (Chair) Lionel Jacobs Keneilwe Moloko	Lionel Jacobs (Chair) Tasneem Abdool-Samad Keneilwe Moloko	Syd Muller (Chair) Lionel Jacobs Tasneem Abdool-Samad	Graham Dempster (Chair) Syd Muller Brian Joffe
Invitees	CEO, COO, CFO, external audit partner, risk and internal audit manager	CEO, COO, CFO, risk and internal audit manager	CEO, COO, CFO	COO, CFO
Meetings per year	3	2	3	1

Details of board meetings and committees attended by each of the directors are as follows:

	Board	Audit and risk committee	Nomination and remuneration committee	Social, ethics and transformation committee	Acquisition committee
Number of meetings	4	3	3	2	1
Meetings attended					
Independent non-executive directors					
Graham Dempster	4	–	–	–	1
Tasneem Abdool-Samad	4	3	3	2	–
Lionel Jacobs	4	3	3	2	–
Syd Muller	4	–	3	–	1
Keneilwe Moloko	3	2	–	1	–
Executive directors					
Brian Joffe	4	–	3	–	1
Colin Datnow	4	–	3	–	1
Mireille Levenstein*	2	2	2	1	–
Peter Riskowitz**	3	2	2	1	1

** Mireille Levenstein was appointed with effect from 15 October 2018.*

*** Peter Riskowitz resigned with effect from 31 October 2018.*

Performance and evaluation

The LID facilitates a process whereby the performance of the board and its committees are continuously monitored. The process is in line with King IV™ practices and recurs every two years, which provides sufficient time for the considered implementation of remedial action and measuring the effectiveness thereof.

This process was performed in the previous financial year and will only be undertaken again in the next financial year. The board is satisfied that the process to review performance and evaluation is robust and enables performance and effectiveness.

Audit and risk committee

The audit and risk committee is a committee of the board whose function is to monitor and review the group's accounting policies, integrity of financial controls and quality of reporting; oversee the group's engagements with external and internal auditors; ensure adequate compliance with relevant regulations and legislation; and review the assessment, mitigation and reporting of material risks of the group. More information regarding the duties, roles and responsibilities of the audit and risk committee is included on page 65 of the report.

Social, ethics and transformation committee

The Social, ethics and transformation committee assists the board with the monitoring and reporting of social and ethical matters of the group according to relevant regulations and legislation. More information regarding the duties, roles and responsibilities of the social, ethics and transformation committee is included on pages 39 and 40 of the report.

Nomination and remuneration committee

The nomination and remuneration committee governs the development, implementation and maintenance of a transparent remuneration policy in the group and the appointment and development of directors.

The primary responsibilities of the nomination and remuneration committee are as follows:

- review and recommend the size and composition of the board;
- assist the board in identifying the necessary and desirable competencies of board members and maintaining an appropriate mix of skills, experience, expertise and diversity on the board;
- ensure adequate succession planning for executive and non-executive directors;
- formulate a process to evaluate the performance and assess the independence of the board, its committees and individual directors; and
- identify, assess and enhance the skill sets of all directors.

The nomination and remuneration committee's report is set out on pages 42 to 52.

Acquisition committee

The acquisition committee reviews significant acquisitions to formulate a decision as to whether the acquisition should be pursued or not considered further. The committee must ensure that the best interests of the shareholders and future growth of the group are prioritised.

Company secretary

During the period under review, and in compliance with JSE Listings Requirements, the board evaluated the company secretary, and is satisfied that she is competent, suitably qualified and experienced.

Furthermore, the company secretary is not a director, nor is she related to or connected to any of the directors, thereby negating a potential conflict of interest, and it was confirmed that she maintains an arm's length relationship with the board.

Risk management

Good corporate governance dictates that both the structures and processes of risk management be instituted to ensure effective risk mitigation. Risk management is a process that is required to be embedded into daily operations and decision-making in order to ensure enterprise value and stakeholder interest.

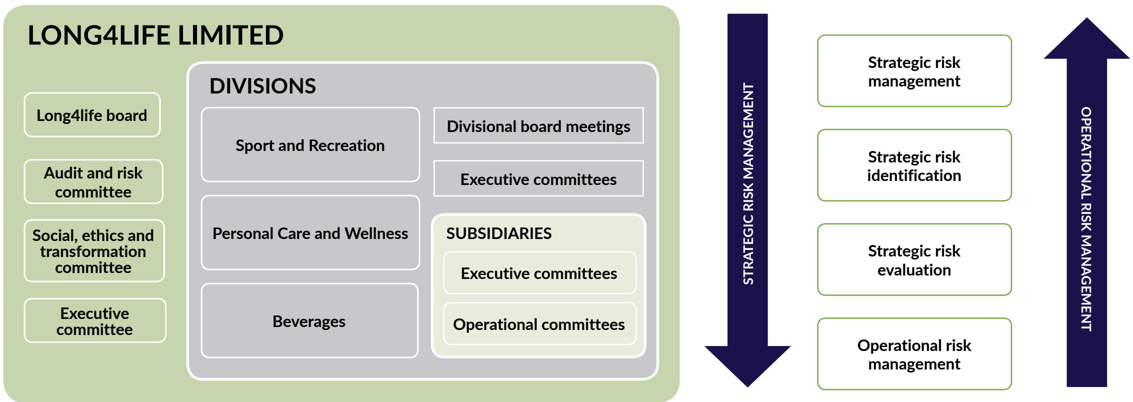
Risk management is performed through understanding what drives the business forward, and the way in which we assess the opportunities, challenges and potential issues that may arise as we grow and develop the group of companies, and as we look to build on the current lifestyle businesses and investments.

Strategic and operational risk management is key to ensuring that timely, adequate and appropriate decisions are considered and made when required.

As a recently established entity which is listed on the JSE, we have had to make significant strides in terms of corporatising certain of the acquired businesses. Through this enhancement process we have established risk management frameworks for the underlying operations to abide by. We are currently establishing risk management at a strategic level for operations to identify and address their key challenges.

Framework

The current risk management framework relating to the management and reporting of risk:



The Long4Life board evaluates and manages strategic and key operational risks at a group level. This is conducted by overseeing the risk governance and risk management processes.

The audit and risk committee reviews and provides an opinion to the board on the assessment of financial information provided by management with input from internal and external audit, relating to internal controls and opinion of financial information.

Risks are collated and reported to divisional executive committees by the operations. These risks are then evaluated, and mitigation actions assessed.

Significant and material risks are escalated to:

- the Long4Life board and executive committee;
- the audit and risk committee (financial and material non-financial risks); and
- the social, ethics and transformation committee (non-financial risks).

Approach and process

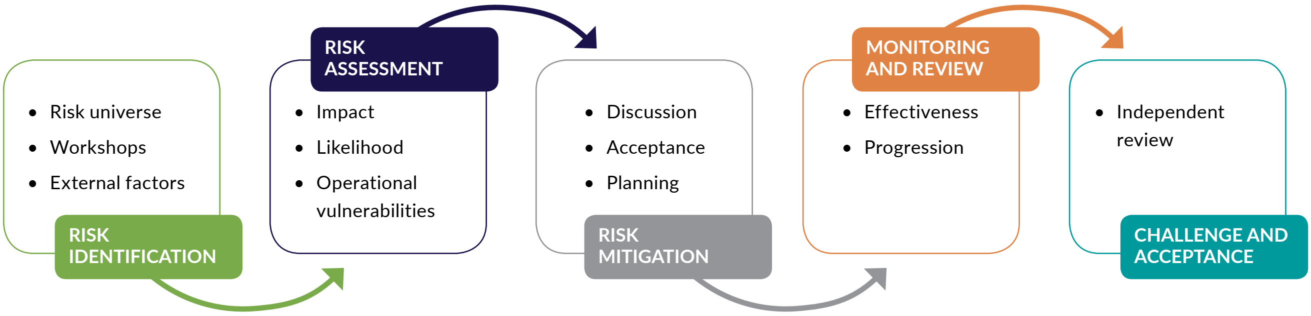
In line with the business model that Long4Life Limited has adopted, our subsidiaries' executive management are responsible for the design and customisation of their enterprise risk management processes as per their operational requirements. To date, Long4Life has assessed the risk maturity levels at each of the operations and assisted management to develop and implement a framework for enterprise risk management that aligns to their levels and future enhancement requirements. This implementation will allow for the efficient integration of risk awareness into each operation in order to add maximum benefit and value.

This approach has been adopted as risk management is a process that should be embedded into day-to-day activities and not placed as a parallel function with isolated responsibilities. Risk management processes should always be based on the risk exposure of the business and adhere to the minimum requirements, which are outlined in our risk management policy and guideline. The group reassesses the risk management policies and guidelines annually after careful consideration of the exposure and risk appetite levels.

The risk management framework and activities are based on the principles of King IV™ and ISO 31000.

Our approach to risk management as utilised by our subsidiaries is as follows:

- all subsidiaries generate and maintain a risk universe which aligns to their business model, strategy and industry;
- risks are identified through operational, strategic and emerging trends;
- assessments are performed on current and newly identified risks on a regular basis;
- all key risks are continuously evaluated and monitored to ensure the alignment and update of mitigation plans; and
- mitigation plans are reviewed on a monthly basis to ensure that the actions are delivered.



Management of the subsidiaries are further required to report on their key risks and risk response on a quarterly basis to the divisional executive committees. Risk registers have been established and implemented for all operations, and these are updated and managed on a monthly basis by operations. Long4Life management host regular challenge sessions to understand how the operations manage, monitor and follow up on actions to ensure that adequate and appropriate steps have been taken to mitigate the risk.

The strategic risks of Long4Life are reassessed on a biannual basis by considering the divisional risks, emerging risk trends and the current market conditions in which the group operates. Internal and external environments are further considered to ensure completeness of the risk landscape.

The group's strategy revolves around building a company that can deliver quality operating earnings from good cash-generating businesses, with low- to medium-risk characteristics and with a reasonable line-of-sight to profitability over the short, medium and long term. With this being said, the Long4Life board of directors reviews the appropriateness of the strategic objectives on an annual basis and measures performance against key targets. The group identifies material issues that could significantly impact profitability and value creation as well as strategy.

Compliance

In keeping with the decentralised operating philosophy of the group, all divisions within the group are responsible for ensuring that the applicable regulatory landscape is updated on a regular basis and that self-assessments are continuously performed based on the requirements of applicable laws and regulations. The group function will also be responsible for facilitating legal compliance and assigning responsibility for legal compliance, including giving recommendations on applicable rules.

We have commenced with an exercise to enhance the current legal and compliance frameworks within the divisions with regard to their reassessment of the current laws and regulations. This will be performed in order to better understand any potential compliance gaps within the divisions and to implement monitoring structures where required.

This will further assist with regularly updating the regulatory landscape and in monitoring management's assessment processes and internal reporting structures to adequately address any regulatory compliance breaches within the organisation. All appropriate legislation will be prioritised in terms of significance and will be assessed accordingly. Management will be further responsible for drafting legal compliance risk management plans and legal risk registers for key pieces of legislation. This will ensure alignment to the group's risk management process and ensure adequate monitoring of legal compliance by the operations, and appropriate reporting on findings and updates to management.

Any significant compliance deficiencies and concerns are currently reported to the social, ethics and transformation committee and in turn to the audit and risk committee. This assurance is provided as a part of the second line of assurance.

Based on an assessment of key laws and regulations that were effective as at 28 February 2019, the group has no knowledge of any material areas of non-compliance. Long4Life will continue to focus on the enhancement process over the next financial year, as well as identify other relevant legislative developments that may arise.

Social, ethics and transformation committee report

Introduction

The social, ethics and transformation committee (the committee) was constituted in compliance with the requirements of the Companies Act (Act No. 71 of 2008, as amended) and operates in accordance with formal terms of reference. The terms of reference contain detailed provisions relating to the duties, composition, role and responsibilities of the committee.

Composition of the committee

The committee comprises of three members, who are all independent non-executive directors. Standing invitees include the group's chief financial officer, chief operating officer and group risk and audit manager. The committee members, their qualification(s) and experience are detailed in the board report on pages 10 to 11.

The committee met twice during the financial year. Meetings are convened and conducted in terms of a detailed agenda accompanied by supporting documents and reports. These presentations cover the core mandate of the committee and represent a material methodology used by the committee to monitor its responsibilities. The committee actively engages with management during the meetings and discussions of agenda items.

We acknowledge that there is much work to be performed if the committee is to be fully effective. The group listed in April 2017 and has since acquired, save for the Sport and Recreation division, family-run businesses with limited to no formalised social and ethics frameworks. We have established a plan to ensure that these frameworks and strategies are developed and implemented into each of the operations, based on the needs and requirements of the respective operations.

Matters that have been considered by the committee include:

- ensuring that the group aligned itself with the principle of good corporate governance and citizenship which includes the promotion of equality and the prevention of unfair discrimination;
- a review of significant labour and employment issues;
- an assessment of the group performance towards social and economic development, including transformation (Employment Equity Act (Act No. 55 of 1998) and the Broad-based Black Economic Empowerment Act (Act No. 53 of 2003);
- a review of the group's code of conduct to determine compliance with statutory requirements, its alignment with the culture of the group and its coverage of ethical matters;
- the monitoring, reviewing and assessment of the group's compliance with environment, health and safety, including the impact of the group's activities and of its products or services; and
- reporting on the group's compliance with all applicable legislation and codes of good practice.

As a part of the committee's mandate, the committee has reviewed and satisfied itself with the group's code of conduct to determine compliance with statutory requirements by:

- taking reasonable measures to ensure compliance with all applicable legislation and codes of good practice;
- adequately monitoring the group's transformational requirements;
- reviewing and monitoring the group's compliance with health and safety legislation and regulations and ensuring environmental compliance; and
- assessing and monitoring the committee's statutory obligations, good corporate governance and corporate citizenship including the divisions' corporate social initiatives.

Furthermore, the committee has ensured that the group has aligned itself with the required culture and ethical values. The committee is also of the opinion that the group is fully committed and dedicated to addressing any issues that may be the responsibility of the committee in terms of its statutory mandate.

The committee conducts an annual evaluation of its functioning, and is satisfied that it has fulfilled its responsibilities according to its charter during this reporting period. Details of fees paid to committee members appear on pages 108 to 109.

Functioning of the committee

The committee is responsible for fulfilling the functions set out in the Companies Act and provides oversight of its mandate relating to the reviewing and monitoring of the group and its subsidiaries' activities with regard to relevant environmental, labour, social and corporate investment legislation, charters and codes of best conduct. The committee also considers any relevant legislation and other legal requirements or prevailing codes of best practice during the discharge of its duties.

Much of the work of the committee during 2019 has focused on the group's compliance with Regulation 43 of the Companies Act, and with safety, health and environmental compliance and applicable policies across all subsidiaries. In order to carry out its functions, the committee is entitled to request information from any directors or employees of the group, attend and be heard at general shareholders' meetings, and receive notices in respect of such meetings. The committee meets a minimum of twice per financial year. *Ad hoc* meetings are held to consider special business.

The group is considered compliant with the United Nations Global Compact principles and the recommendations of the OECD Anti-Bribery Convention. We have further enhanced our protected disclosures policy and implemented a protected disclosures hotline that is available to all employees, consumers and suppliers throughout the group.

The Long4Life group has a gender diversity policy which supports the principle of gender diversity in line with the country's population demographics. Diversity involves recognising and valuing the unique contribution people can make because of their individual background, skills, experiences and perspectives. Diversity at board level encompasses age, gender, ethnicity, cultural background, race, industry experience, business experience, international experience and personal attributes. The board is 38% female, with race diversity at the same level.

All divisions are obliged to consider their impact on the environment and strive to ensure that, where manufacturing occurs, they monitor emissions and potential hazards.

Health and safety remain a priority for the divisions, and management continuously assess the business environment for any potential challenges. Environmental, health and safety reviews were performed by independent providers and no significant challenges have been identified.

Due to decentralisation, each division and/or subsidiary has their own advertising and compliance representatives and ensure that they trade in accordance with the requirements of the Consumer Protection Act and are not in breach of relevant regulations.

As a group we provide equal opportunities for employees who meet the applicable performance criteria, provide fair remuneration for the category of work being performed and have adequate working facilities that are aligned to promoting a good work culture and environment.

Further to this, we ensure that adequate employee relations are in place that the divisions constantly communicate with employees.

Social

Our people – rewarding performance

Rewarding high performance and instilling a culture of celebration and recognition are central to our values. Our group thrives on happy, motivated employees. We encourage the achievement of personal goals, and incentivise and reward generously for exceptional performance. During the year we implemented well-defined targets in most of the businesses linked to both short-term and long-term incentives. Further details are contained in the remuneration committee report on pages 42 to 52.

Appointing and retaining talent

As a newly formed group, developing and retaining home-grown talent is important to us and will remain a core focus area in the future. Currently we are determined to retain our top talent through our ability to promote and offer management training platforms in our various businesses.

As a group we encourage celebration of team and personal achievements to assist in reinforcing the spirit of performance and building a strong positive culture. One example is the recent introduction of an annual group awards dinner to celebrate the employees who have made extraordinary contributions over the year. These highly valued individuals embody the group's culture and core beliefs and demonstrate consistently high dedication and performance.

Leadership development

The group recognises and rewards leadership innovation and leaders are encouraged to be forward thinking in their approach while also building high-performing teams with positive and constructive attitudes. We encourage an entrepreneurial mind-set among managers as the foundation of the group's success as a progressive retailer, manufacturer and employer.

The growth and development of our leaders and managers is supported by performance feedback. Succession planning in all divisions is actively monitored to ensure the constant availability of high-quality managers and executives.

Health and safety

Safe working practices are encouraged throughout our businesses and are closely monitored. As a group we ensure the highest standards are complied with in terms of health and safety. In the year under review no major incidents were reported and we aim to achieve zero incidents.

We further ensure that the quality of products receives the full focus of management. In our beverage businesses we monitor the canning process closely and any incidents relating thereto. We further ensure that all materials are appropriately tested and inspected before being utilised in the manufacturing process.

Customer health and safety and consumer protection form part of compliance management and are the responsibility of each of the trading divisions.

Ethics

The tone at the top, including among the board, executive management and senior business leadership, is a key contributor to achieving a tangible ethical culture. Ethics is governed by the board and through delegation to the committee. The committee directs the group's approach to ethics by approving codes of conduct and policies to give effect to this to address key ethical risks and set the tone for interaction with internal and external stakeholders. The committee also ensures ongoing oversight of the management of ethics to ensure that what happens in practice aligns with policy.

All divisions must practice organisational ethics on a daily basis in the form of appropriate business conduct, decision-making and relationships with stakeholders. The group's approach to ethics is formalised in a code of conduct, and acknowledged by all employees through the employee on-boarding process.

The group has further implemented a tip-off hotline which all employees, suppliers and customers have access to in order to report any potential unethical behaviour.

Transformation

Broad-based black economic empowerment (B-BBEE)

The role of the committee is to achieve sustainable empowerment, and it has an ongoing responsibility to govern and oversee all aspects of the group's B-BBEE strategies, namely ownership, management control, skills development, enterprise and supplier development and socio-economic development. Transformation of the group is a key strategy to ensuring local economic growth. The group is reviewing its strategy to ensure that clear guidelines are defined for each of the five elements of B-BBEE.

L4L is committed to meeting the requirements of B-BBEE introduced under the revised codes of good practice and recognises the group's responsibility to improve our B-BBEE status.

While some of the group's divisions have conducted annual validations in terms of the revised code, the group's first validation as a consolidated entity was in May 2018. The result of the group's validation was a non-compliant status; however, the group has made progress in some of its underlying entities. We continue to work closely with management to design an adequate strategy and further implement appropriate action plans to secure appropriate B-BBEE levels.

Remedial actions by the group include, but are not limited to, considering current management structures within the operations and ensuring that they align with the transformation requirements, considering various training programmes and reviewing employment processes, considering supplier development programmes to ensure that we further assist with value and job creation within the country and establishing enterprise development programmes to assist small business development.

The group recognises the value in diversity and the need for its workforce to be representative of South Africa's national and regional demographics. It is committed to employing and developing people from designated groups to further its employment equity objectives. Further details of the group's employee demographics and numbers are reflected in our sustainability report on pages 54 to 59.

The committee has reviewed the efforts and activities of the subsidiaries to address shortcomings identified and is confident that remedial actions have been discussed and scheduled for implementation. The group's corporate office will continue to monitor the required remedial actions to ensure that these tasks have been adequately completed.

The committee is satisfied that it has fulfilled its responsibilities in accordance with its mandate for the 2019 financial year and there are currently no specific matters that the committee would like to highlight or draw the attention of the shareholders towards.

Lionel Jacobs
Chairman: Social, ethics and transformation committee

Nomination and remuneration committee report

Part 1:

Report from the chairman of the nomination and remuneration committee

I am pleased to present the Long4Life Limited (L4L) nomination and remuneration report for the year ended 28 February 2019. This report is presented in three parts as required by the King IV Report on Corporate Governance for South Africa (King IV™), as follows:

Part 1: Report from the chairman of the nomination and remuneration committee.

Part 2: Remuneration philosophy, policy and framework to be tabled at the group's Annual General Meeting (AGM) for a non-binding advisory vote by the group's shareholders.

Part 3: Implementation of the remuneration policy in the 2019 financial year, to be tabled at the group's AGM for a non-binding advisory vote by the group's shareholders.

Significant progress has been made across the group in relation to the implementation of the committee's mandate and the group's remuneration policy, which work has been guided by the remuneration principles as set out in King IV™.

During 2019, Long4Life used the services of PricewaterhouseCoopers (PWC) as independent advisers on remuneration matters, trends and market benchmarks where it was appropriate to do so. Further details of the key areas of focus of work undertaken in conjunction with PWC during the year are set out in part 2 of this report. Considering the decentralised structure and management of the group, the committee provides oversight and effectively governs the group's approach to remuneration, including executive remuneration at group and divisional levels, while each of the group's divisions are responsible for the implementation of the group's remuneration philosophy, principles and division-specific requirements within their respective businesses.

Long4Life achieved a pleasing performance across its various businesses in the 2019 financial year, the second year of trading since the group's listing in March 2017, against the backdrop of a challenging economic environment and weak retail and consumer markets.

Stakeholder engagement

The group presented the remuneration policy and the implementation report as two separate non-binding votes to shareholders for approval at the AGM held in August 2018. The group received support from shareholders, with an 89.8% non-binding advisory vote in favour of the remuneration policy and an 82.7% non-binding advisory vote in favour of the remuneration implementation report.

These two reports will be presented to the group's stakeholders for their consideration and approval in terms of a non-binding advisory vote at the group's AGM in August 2019 as recommended by King IV™.

In the event that either the remuneration policy resolution and/or implementation report resolution is voted against by 25% or more of the voting rights exercised, the following steps will be taken to facilitate resolution of the dissent:

- Executive management will drive an engagement process with dissenting shareholders aimed at understanding differences and their reasons/concerns underlying their votes; and
- Reasonable concerns and differences will be addressed in the most appropriate manner, which may include, where appropriate, amendments to the policy and/or other policies or governance processes to align to market norms.

This engagement process should be completed within a four-month period failing which feedback should be provided to the chairman of the committee.

Compliance statement

The committee is satisfied that it has fulfilled its responsibilities in accordance with its charter for the 2019 financial year and that the group's remuneration philosophy and policies are aligned to its strategy.

SA Muller
Chairman: Nomination and remuneration committee

Part 2: Remuneration philosophy, policy and framework

Objectives of our policy

The key objectives that shape the group's remuneration approach and policy are to:

- attract, motivate, reward and retain human capital;
- promote the achievement of strategic objectives within the group's risk appetite;
- set out the remuneration philosophy and principles to support and assist the board, through the committee, in the execution of its mandate; and
- promote an ethical culture and responsible corporate citizenship through fair and responsible remuneration that is transparent and promotes the achievement of the group's strategic objectives.

Policy philosophy and strategy

The group's policy is designed to support a high-performance environment. A key pillar of the group's remuneration policy is adherence to the decentralised philosophy that drives the business strategy of the group. To this end, the group takes the view that while certain core elements of remuneration are standardised at group level, each division is best placed to implement specific remuneration practices that will best serve their individual businesses and the group.

The core elements of the group's remuneration philosophy are that:

- performance-driven short-term incentives (STI) are crucial in providing a high level of motivation and performance;
- long-term incentives (LTI), which may include specified performance criteria as embodied in its share-ownership plans, properly align the interest of management and shareholders; and
- the package of benefits provided should periodically be assessed against appropriate surveys that verify that Long4Life employees are well rewarded relative to the market.

Committee governance, mandate and attendance at meetings

The nomination and remuneration committee is constituted as a committee of the board and has been delegated responsibility for overseeing the remuneration activities of the group and the nominations activities in respect of the board. The committee is governed by a term of reference that sets out its mandate and key responsibilities, and reports are provided to the group's board on a biannual basis. The committee members and their qualifications are detailed on page 10 to 11 of the report.

The board, which is ultimately responsible for the remuneration policy and implementation thereof, seeks to deliver the most desirable outcomes and practices in a transparent and integrated manner. The committee oversees the group's approach to ensure fair, responsible and transparent remuneration in support of the group's strategy and is responsible for ensuring that activities are carried out in line with the group's remuneration policy. In addition, the committee oversees the composition and performance of the board and its committees.

At year-end, the committee comprised three independent non-executive directors (SA Muller [chairman], T Abdool-Samad and LI Jacobs). The group's executive directors attend meetings by invitation.

The committee held three meetings during the 2019 financial year, attended by all members (refer to page 35 for further details).

Activities undertaken by the committee during the year

The committee has reviewed and addressed several policy aspects impacting all employees across the group. The key issues that were considered by the committee during the current year included the following:

- reviewed and approved defined performance conditions and thresholds in relation to LTIs awarded to executives;
- reviewed performance of the group's executive directors and the performance assessments of divisional executives as conducted by their respective manager, for the approval of STIs;
- enhanced the "pay for performance" culture in the group by linking performance objectives to the group and/or divisional strategies through the identification of market and non-market-related performance indicators;
- enhanced the group's remuneration framework and execution across the group in conjunction with PWC by:
  - standardising the performance-management process and providing best-practice guidance in respect of performance principles;
  - benchmarking of selected divisional executive pay packages and scales;
  - formalising the annual remuneration review process and principles to be applied across the group;

Activities undertaken by the committee during the year (continued)

  - reviewing the non-executive directors' fee structure and benchmarking against a peer group of similar size and industry; and
  - reviewing the group's various incentive schemes and drafting a forfeitable share plan (FSP) in line with best practice for consideration and approval at the AGM.
- implemented the JSE and shareholder-approved FSP across the group's business; and
- ensured robust service contracts for key executive management.

Elements of remuneration

Remuneration comprises three components (as applicable) designed to balance short and long-term objectives, while aligning to shareholder interests and a high-performance environment, as follows:

Pay element	Application
Guaranteed pay	The fixed element of remuneration is referred to as total guaranteed pay and consists of the employee's cost to company (CTC). Benefits provided over and above total guaranteed pay differ from subsidiary to subsidiary within the group and are determined by the management of each subsidiary as and where relevant. Annual increases in CTC are based on a review of the market at the time and a consideration of individual performance and are determined in conjunction with the group's executive management. CTC is fixed for a period of 12 months and is subject to an annual review during June each year, with the resultant increase in CTC effective 1 July.
Short-term incentives (STI)	An annual short-term incentive is paid in cash to qualifying employees, with payment levels based on company and individual performance. Targets in relation to the group and divisional STIs are reviewed annually. These recognise the prevailing economic and trading conditions in the markets in which the group operates to ensure that a well-balanced set of measurables are designed. Qualifying employees are eligible to participate in the group's STI which are made up of a composite of financial and non-financial parameters. Financial targets comprise the majority of the STI performance conditions and are measured on headline earnings per share (HEPS), return on funds employed (ROFE) and trading profit. Performance against the defined set of financial parameters is in all instances measured against budget and prior-year performance. In certain cases, a stretch target incentive may be paid for exceptional performance. Non-financial parameters or individual Key Performance Indicators (KPI) targets would include initiatives in respect of strategic objectives, acquisitions, expansion, values, leadership, demonstrated performance, innovation, effort, teamwork and transformation. In line with the decentralised model on which the group operates and manages its business, divisional executives' performance is measured against their individual divisions' targets and prior-year performance. Targets vary within divisions and include growth in trading profit, return on funds employed and personal KPIs. Remuneration decisions in relation to divisional executives are managed by the chief operating officer with the relevant oversight from the committee, which ensures a uniform approach to the group's remuneration philosophy and adherence to the group's remuneration policy. Full-time salaried employees across the group (excluding employees represented by unions) are appraised by the responsible line managers, which appraisals were utilised to identify eligible employees for participation in the annual STI. Union-represented employees across the group (mostly in the group's Beverages division) receive a 13th cheque with the agreement between the union and the employing company. For employees to receive their STI, they must be in the group's employ at the bonus payment date, unless, due to specific circumstances, the committee has approved alternative arrangements. In addition to the above, the committee has discretion, when warranted by exceptional circumstances and where considerable value has been created for the shareholders of Long4Life by specific key employees, to award special bonuses or other *ex gratia* payments to individuals. In exercising this discretion, the committee must satisfy itself that such payments are fair and reasonable and are disclosed to shareholders if required by remuneration governance principles.

Pay element	Application
Long-term incentives (LTI)	Long-term incentives available for use across the group include awards in terms of a forfeitable share plan (FSP), conditional share plan (CSP) and a share appreciation rights scheme (SAR). All three of these plans are equity settled and comprise awards with and without performance conditions, except for the SAR, and will vest if there is an increase in the share price between the award date and the exercise date. The SAR has no additional performance conditions.

Allocations are made annually, on a consistent basis and by taking into consideration the employee's salary, position, performance, retention requirements and market benchmarks.

The group's nomination and remuneration committee has the absolute discretion to nominate employees for participation in a specific and/or combination of share award schemes, or call upon the underlying entities in the group to nominate employees to participate in the share scheme or combination of share schemes.

Forfeitable share plan
Shares issued in terms of this scheme are subject to group performance criteria made up of market and non-market-related indicators, which criteria are tested over a period of three years with no retesting following the third anniversary – the FSP awards shall vest on or about 1 June each year as follows:

- 75% on the third anniversary of the award date; and
- 25% on the fourth anniversary of the award date.

The FSP was approved by the group's shareholders in August 2018 and implemented shortly thereafter. The FSP scheme will furthermore be used in future for the award of all long-term incentives to qualifying employees and executives.

A total of 13.2 million FSPs were awarded to executives and employees across the group for the year under review, of which 3.2 million FSPs were awarded to group executive directors. All L4L shares awarded in terms of the FSP were repurchased on the open market at a total cost of R59.3 million.

CEO, executive directors and head office executives
Financial performance conditions associated with awards made to the CEO, executive directors and head office executives are measured against the group's results as set out in its audited financial statements at year-end and measured over the preceding three years as follows:

Performance condition	Weighting	Vesting
L4L relative total shareholder return (against peer group)	20%	0% – 100% on incremental linear basis
L4L ROFE	25%	0% – 100% on incremental linear basis
L4L HEPS growth	25%	0% – 100% on incremental linear basis
Continued employment	30%	
Divisional executives		
L4L relative total shareholder return (against peer group)	10%	0% – 100% on incremental linear basis
L4L ROFE	10%	0% – 100% on incremental linear basis
L4L HEPS growth	15%	0% – 100% on incremental linear basis
Divisional trading profit growth	20%	0% – 100% on incremental linear basis
Divisional ROFE	15%	0% – 100% on incremental linear basis
Continued employment	30%	

No performance conditions are associated with the awards made to the remaining population of qualifying employees.

<table>
<tr><th>Pay element</th><th>Application</th></tr>
<tr><td>Long-term incentives</td><td>
Conditional share plan
Executive directors were awarded conditional share awards in terms of the CSP as approved by shareholders in March 2017, prior to the group's listing on the Johannesburg Stock Exchange. Details of the awards made at the time of listing were accordingly published in the group's pre-listing statement. The initial performance conditions (market-related only) and targets were set prior to the group's listing and prior to any acquisitions being made. As such, these are considered neither reflective nor a fair measure of the group's performance to date. The expense associated with the CSPs awarded is fully accounted for in the group's results and in line with the requirements of IFRS 2. The CSP expense will remain even in the event the awards don't vest. The share awards do not carry voting rights normally attributable to ordinary shareholders.
A total of 23.6 million conditional shares were awarded, of which 5 million conditional shares have been forfeited to date (2 million of these in the financial year) as a result of the resignation of directors. The current 18.6 million awards in issue are held by four head office executives. The CSP has since been discontinued and replaced by the FSP which will be used for long-term incentives in future. Accordingly, no further awards will be made in terms of the CSP.
Awards are subject to the following market-related performance conditions, measured over a three-year period from date of the award:
<table>
<tr><th>Performance condition</th><th>Weighting</th><th>Vesting</th></tr>
<tr><td>Absolute total shareholder return</td><td>50%</td><td>0% – 100% on linear basis</td></tr>
<tr><td>Relative total shareholder return against benchmark (FTSE/JSE SA Industrial Index (JSE INDI))</td><td>50%</td><td>0% – 100% on linear basis</td></tr>
</table>
Share appreciation rights
Participants are entitled to receive resultant shares equal in value to the growth in the share price on a defined number of rights between the date of grant and the date of conversion to resultant shares.
Shares issued under this scheme are subject to the growth in the group's share price between the grant date and vesting date and continued employment. The exercise price for the SAR award is determined using the closing price of the Long4Life share on the JSE for the business immediately preceding the award date. Awards not exercised within seven years following the award date lapse. Participants are only entitled to exercise their awards if they are in the employment of the group in accordance with the terms of the plan rules, unless otherwise recommended by the nomination and remuneration committee. These awards are not subject to any other performance conditions.
A total of 7 million SARs have been awarded, of which 275 000 were forfeited in 2019 due to resignations. A total of 6.8 million SARs were outstanding at year-end with a contractual life of six years from grant date. SARs awarded to date were made to general employees, excluding group executives.
Vesting of LTIs on termination
In line with the scheme rules, the group's nomination and remuneration committee must consider and resolve whether, based on the circumstances, a portion of the unvested LTI may vest as a result of a no-fault termination, which would include death, redundancy, medical disability and a participant's employer company ceasing to be a member of the group for the reasons as set out in the schemes' rules.
In the case of normal retirement, the participant remains entitled to all shares that vest. In the case of early retirement, the committee applies defined decision-making guidelines when determining if a portion of the shares will vest.
All shares and rights are forfeited upon an employee's resignation or dismissal in terms of the schemes' rules.
</td></tr>
</table>

Non-executive directors' term of office and expenses

Non-executive directors may not be appointed for an indefinite term or for life. A third of the group's directors are required to retire from office at each annual general meeting of the company, provided that if a director is appointed as an executive director or as an employee of the company in any other capacity, he shall not, while he continues to hold that position or office, be subject to retirement by rotation and he shall not, in such case, be taken into account in determining the rotation or retirement of directors. All retiring directors shall be eligible for re-election.

All non-executive directors are paid a committee fee based on the number of committees on which they serve and their attendance at the respective committee meetings, and are reimbursed for all travel expenses incurred during the course and scope of their duties.

Non-executive directors do not receive any payments linked to organisational performance, nor are they entitled to take part in any LTI/share schemes. The group's non-executive directors do not have service contracts with the group, apart from Syd Muller who receives a consulting fee for services to the group's Sport and Recreation division.

Non-binding advisory vote

Shareholders will be requested to cast a non-binding advisory vote on Part 2 of this report at the group's AGM to be held on 20 August 2019.

Part 3:
Implementation of remuneration policy

Guaranteed pay increases and short-term incentive outcomes

An overall guaranteed pay increase of *circa* 5.0% has been approved across the group with effect from 1 July 2019; an increase of *circa* 5.5% was approved in the prior year with effect from 1 July 2018.

The details of the remuneration of group executive directors for the financial year ending 28 February 2019 on the basis of the single, total figure of remuneration as required by King IV™ are set out on page 51 of this report and in note 10.2 of the annual financial statements on page 108. All executive directors and head office executives of L4L have been granted a 5% increase with effect from 1 July 2019.

CEO CTC

To date, the group CEO's CTC has been settled by way of a share issue of 250 000 shares on a quarterly basis at R5 per share, with his annual increase provided for in cash as disclosed in the group's pre-listing statement and prior-year remuneration implementation report respectively. Following due consideration by the committee, the CEO's CTC will be settled in cash on a monthly basis with effect from 1 July 2019.

CEO, executive directors and head office executives

Parameters and weightings applied for the determination of STIs relating to the 2019 financial year are as follows:

Performance condition	% weighting
L4L HEPS	45
L4L ROFE	35
Sub-total	80
Individual KPIs	20
Total	100

Group executive directors and head office executives' STIs in relation to their performance in the financial period ended February 2018 were determined based on the successful listing of the group in April 2017, the core acquisitions concluded and a range of deliverables which set the group up to achieve and execute on its investment strategy.

Group executive directors and head office executives' STIs in relation to their 2019 performance have been determined after due consideration of the group's achievement of its financial targets (HEPS and ROFE) and individual KPIs.

Executive directors and head office executives have been awarded STIs in relation to the 2019 financial year at a maximum of 50% of annual CTC, while the CEO has been awarded 87% of annual total CTC. These STIs are payable in June 2019 and the expense will therefore be reflected in the 2020 annual report.

Divisional executives

Divisional executives have been awarded STIs in relation to the 2019 financial year based on their achievement of the individual divisions' financial targets and non-financial parameters, which includes the consideration of performance against divisional HEPS, ROFE and trading profit targets. The consideration and awarding of STIs to divisional teams are in line with the group's decentralised approach with oversight from the chief operating officer. STIs granted to divisional executives in relation to the 2019 financial year did not exceed 60% of annual CTC.

Employees

STIs awarded to the remaining number of qualifying salaried employees (excluding unionised employees) do not have any associated performance conditions.

Long-term incentives

Awarded in 2019

FSP awards were granted on 1 November 2018. Performance conditions are measured over the period 1 November 2018 to 30 October 2021. 75% of the awards will vest post 30 October 2021 and 25% will vest post 30 October 2022. The following performance conditions are applicable to the FSPs awarded in 2018 and will be measured on results as set out in audited financial statements at year-end and measured over the preceding three years.

Performance condition and weighting	Description of the performance condition	Hurdle	Sliding scale of vesting profile – vesting of award on linear basis
CEO, executive directors and head office executives			
L4L relative total shareholder return (20%)	Compound annual growth rate (CAGR) of share price over three-year vesting period against a peer group* as defined	Less than 1 above JSE peer group	0% of allocation
		1.01% – 2% above JSE peer group	25% of allocation
		2.01% – 3% above JSE peer group	50% of allocation
		3.01% – 4% above JSE peer group	75% of allocation
		More than 4% above JSE peer group	100% of allocation
L4L ROFE (25%)	Annualised (average) of ROFE over three-year period	>35%	0% of allocation
		35% – 40%	80% of allocation
		More than 40%	100% of allocation
L4L HEPS growth (25%)	CAGR of HEPS over preceding three-year period	Less than CPI	0% of allocation
		0.01% – 1% above CPI	25% of allocation
		1.01% – 2% above CPI	50% of allocation
		2.01% – 3% above CPI	75% of allocation
		More than 3% above CPI	100% of allocation
Continued employment (30%)			

** The peer group consists of companies listed on the JSE with comparable market capitalisation, and in similar industries etc.*

Performance condition and weighting	Description of the performance condition	Hurdle	Sliding scale of vesting profile – vesting of award on linear basis
Divisional executive management			
L4L relative total shareholder return (10%)	(CAGR) of share price over three-year vesting period against a peer group* as defined	Less than 1% above JSE peer group	0% of allocation
		1.01% – 2% above JSE peer group	25% of allocation
		2.01% – 3% above JSE peer group	50% of allocation
		3.01% – 4% above JSE peer group	75% of allocation
		More than 4% above JSE peer group	100% of allocation
L4L ROFE (10%)	Annualised (average) of ROFE over three-year period	>35%	0% of allocation
		35% – 40%	80% of allocation
		More than 40%	100% of allocation
L4L HEPS growth (15%)	CAGR of HEPS over preceding three-year period	Less than CPI	0% of allocation
		0.01% – 1% above CPI	25% of allocation
		1.01% – 2% above CPI	50% of allocation
		2.01% – 3% above CPI	75% of allocation
		More than 3% above CPI	100% of allocation
Divisional trading profit growth* (20%)	Compound divisional segment trading profit growth over three-year period*	Less than CPI 0.01% – 5% above CPI	0% of allocation 1% to 100% of allocation on a linear basis
Divisional ROFE* (15%)	Annualised (average) of ROFE over three-year period*	>30% 30% – 70%	0% of allocation 1% to 100% of allocation on a linear basis
Continued employment (30%)			

** Divisional ROFE and trading profit hurdles and vesting profiles differ from division to division.*

All other employees

No financial performance conditions are associated with these awards. Employees need to be in the employ of the group at the time of vesting in order to qualify for these awards.

Awarded prior to 2019

CSPs were awarded to group executives at the time of the group's listing in April 2017 and in February 2018 – no further CSPs have been awarded. 75% of the awards vest on the third anniversary of the award date and 25% on the fourth anniversary. The following market-related performance conditions are applicable to the CSPs awarded and will be measured over a three-year performance period:

Performance condition and weighting	Description of the performance condition
Absolute total shareholder return (50%)	CAGR of the share price over three-year period
Relative total shareholder return against benchmark (50%)	CAGR of the share price over three-year period against JSE INDI

Computations in relation to the above performance conditions and the resulting vesting profiles are as follows:

Absolute total shareholder return

CAGR in invested NAV over three-year period	Minimum total three-year return	Minimum absolute hurdle price	Vesting ratio
<9%	0 – 30%	<R6.48	0% of allocation
9.01% – 10%	30%	R6.48	25% of allocation
10.01% – 12%	33%	R6.66	50% of allocation
12.01% – 15%	40%	R7.02	75% of allocation
15.01% – 20%	52%	R7.60	100% of allocation
>20%	73%	>R8.64	120% of allocation

Relative total shareholder return against benchmark

CAGR in L4L share price over three-year period (performance per annum)	Vesting ratio
<2% above JSE INDI return	0% of allocation
2.01% – 4% above JSE INDI return	25% of allocation
4.01% – 6% above JSE INDI return	50% of allocation
6.01% – 10% above JSE INDI return	100% of allocation
>10% above JSE INDI return	120% of allocation

Vested during 2019

No long-term incentive awards had a performance period which ended during the 2019 financial year.

Group executive directors' long-term incentives and details of outstanding long-term incentives

The details of all unvested remuneration awards of directors for the financial year ending 28 February 2019, including the FSPs issued during 2019, are set out below and in note 10.1 of the annual financial statements on pages 106 to 107.

CSP awards	No of awards granted	Fair value at grant date* (per share)	Grant date	Vesting date	Fair value of awards expected to vest
Brian Joffe					
CSPs	**12 600 000**	**R2.45**	**April '17**		**–**
1st tranche	9 450 000		01 April '17	01 April '20	–
2nd tranche	3 150 000		01 April '17	01 April '21	–
FSPs	**600 000**	**R4.14**	**Nov '18**		**R2 359 800**
1st tranche	450 000		01 Nov '18	31 Oct '21	
2nd tranche	150 000		01 Nov '18	31 Oct '22	
Colin Datnow					
CSPs	**2 000 000**	**R2.77**	**Feb '18**		**–**
1st tranche	1 500 000		14 Feb '18	28 Feb '21	–
2nd tranche	500 000		14 Feb '18	28 Feb '22	–
FSPs	**600 000**	**R4.14**	**Nov '18**		**R2 359 800**
1st tranche	450 000		01 Nov '18	31 Oct '21	
2nd tranche	150 000		01 Nov '18	31 Oct '22	
Mireille Levenstein					
FSPs	**2 000 000**	**R4.14**	**Nov '18**		**R7 866 000**
1st tranche	1 500 000		01 Nov '18	31 Oct '21	
2nd tranche	500 000		01 Nov '18	31 Oct '22	

** Fair values at grant date are determined using an independent actuarial valuation model and take into account the various targets.*

As Peter Riskowitz had ceased to be employed during the year, all awards granted were forfeited.

The FSP scheme was introduced in November 2018. The CSP and FSP awards made to date have been expensed in line with the requirements of IFRS 2 relating to share-based payments. Following Peter Riskowitz's resignation effective 30 November 2018, the share-based payment expense associated with the CSPs awarded to him and accounted for to date was reversed as required by IFRS 2. No CSPs or SARs were awarded during the 2019 financial year.

Single figure of remuneration

The remuneration paid to executive directors while in office of the company during the 2019 financial year is as follows:

Executive directors	2019 R'000 Basic Salary	2019 R'000 STI[1]	*Ex gratia* payment	2019 R'000 LTI[6]	2019 R'000 Total single figure of remuneration	2018 R'000 Total single figure of remuneration
Brian Joffe[2]	**5 200**	**5 000**		**–**	**10 200**	4 584
Colin Datnow[3]	**3 120**	**750**		**–**	**3 870**	500
Kevin Hedderwick	**–**	**–**		**–**	**–**	1 269
Mireille Levenstein[4]	**1 650**	**–**		**–**	**1 650**	–
Peter Riskowitz[5]	**2 930**	**1 890**	500	**–**	**5 320**	3 150
Total	**12 900**	**7 640**	500	**–**	**21 040**	9 503

[1] *STIs paid relate to performance in the 2018 financial year.*

[2] *Brian Joffe's executive remuneration is settled by way of a share issue of 250 000 shares on a quarterly basis at R5 per share. An annual increase has been provided in cash. With effect from 1 July 2019, the CEO's remuneration will be settled in cash on a monthly basis.*

[3] *Colin Datnow was appointed as an executive director on 1 January 2018.*

[4] *Mireille Levenstein was appointed on 1 September 2018 and as an executive director on 15 October 2018.*

[5] *Peter Riskowitz resigned and left the employ of the group on 30 November 2018 and received an ex gratia bonus of R500 000.*

[6] *No value is included in the LTI reflected as no awards had a performance period ending in the year under review.*

The disclosure of basic salaries in the prior-year annual financial statements comprises the full single figure of remuneration for that year – no STIs were awarded during the prior year.

Non-executive directors' fees

The non-executive directors' (NED's) remuneration paid, excluding VAT, during the year under review (as approved by shareholders at the company's AGM in August 2018) and the total comparative figure for 2018 are disclosed below.

Fees payable to NEDs comprise an annual fee based on the role(s) fulfilled by each director and their attendance of the various sub-committee meetings for those committees on which they serve. All travel and accommodation expenses incurred by NEDs in relation to their attendance at board and sub-committee meetings are reimbursed by the company.

Name	Directors' fees R'000	Audit and risk committee R'000	Nomination and remuneration committee R'000	Social, ethics and transformation committee R'000	Acquisitions committee R'000	Service fees R'000	Total 2019 R'000	Total 2018 R'000
Graham Dempster	275	–	-	–	25	–	300	417
Tasneem Abdool-Samad	184	136	68	44	–	–	432	576
Lionel Jacobs	184	102	68	55	–	–	409	490
Syd Muller	184	–	85	–	20	711*	1 000	137
Keneilwe Moloko	136	66	–	20	–	–	222	70
Colin Datnow	–	-	–	-	–	–	–	440
Total	**963**	**304**	**221**	**119**	**45**	**711**	**2 363**	**2 130**

* *Consulting fees paid to Syd Muller for the year ended 2019 relate to services to the group's Sport and Recreation division.*

The following fees (excluding VAT) will be proposed to shareholders at the company's 2019 Annual General Meeting in August for consideration and approval. The increase in NED fees compared to August 2018 is 6%, in line with market practice:

	Current approved fee per meeting Rand	Proposed fee per meeting Rand	increase
Chairman of the board	75 000	79 500	6.0%
Board members	48 000	50 880	6.0%
Chairman of the audit and risk committee	48 000	50 880	6.0%
Members of the audit and risk committee	36 000	38 160	6.0%
Chairman of the nomination and remuneration committee	30 000	31 800	6.0%
Members of the nomination and remuneration committee	24 000	25 440	6.0%
Chairman of the social, ethics and transformation committee	30 000	31 800	6.0%
Members of the social, ethics and transformation committee	24 000	25 440	6.0%
Chairman of the acquisition committee	25 000	26 500	6.0%
Members of the acquisition committee	20 000	21 200	6.0%

Non-binding advisory vote

Shareholders will be requested to cast a non-binding advisory vote on Part 3 of this report (Remuneration implementation report) at the group's AGM to be held on 20 August 2019.

Approval

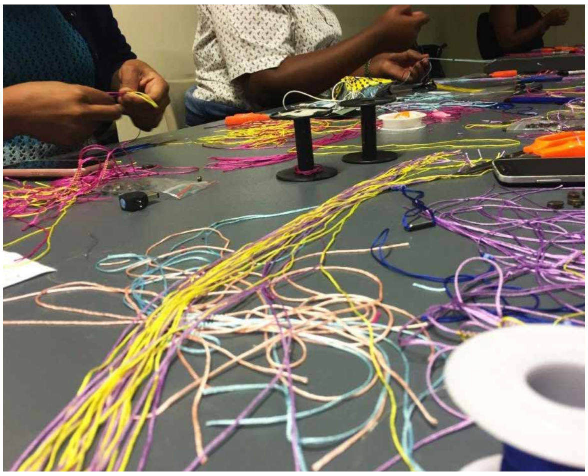
This nomination and remuneration report was approved by the nomination and remuneration committee of Long4Life Limited, as mandated by the board of directors, on 29 May 2019.

Corporate citizenship

Our community initiatives

This past year has seen the group continue with its ongoing corporate social responsibility (CSR) initiatives as well as identify new opportunities. We are committed to nurturing healthy relationships with our employees, promoting a culture of diversity and unity across all our businesses, adding value and changing lives.

The Sorbet Empowering women (SEW) initiative launched by Sorbet in 2014 provided accredited skills training and support, through the Beauty Therapy Institute. Beneficiaries received entry level manicure and pedicure training and additional soft skills training. We created job opportunities within the Sorbet Group by providing sponsored skills development, we enabled unemployed women to enter the beauty industry. SEW aims to improve the career goals and earning potential, living circumstances and financial independence of historically disadvantaged women in South Africa. To date 184 lives have been impacted through these training programs.



An initiative supported by the Beverages division is the Western Province Rugby Outreach HUBS (Help us Build Society) Development Programme. The success of this Programme has deterred many children from the negative elements of society - giving players an opportunity to participate in a structured environment, keeping children off the street and away from drugs and criminal activities. Our involvement ranged from identifying mentors and coaches to providing refreshments and supplying kit.

Chill Beverages factory workers have soccer running through their veins and use this popular sport as an opportunity to relax, build positive relationships and maintain a healthy lifestyle. They compete weekly at the Kayamandi sport fields. All soccer kits are sponsored by Score, Chill Beverage's explosive energy drink, in support of this great team-building initiative.

Reaching thousands of people across south Africa, over a variety of sporting categories and community projects, we are proud to work together in giving back through the channel of sport, hosting schools and Scout groups providing demonstrations and tips in-store and creating awareness of the wilderness environment.

Sustainability

Approach

In our initial year of operation, our approach to sustainability was guided at a minimum by the requirements of our listing on the JSE Limited (JSE). We previously identified and adopted critical environmental, labour and social indicators that we believed were of relevance to the group. Since then we have continued to develop and position our sustainability strategy to enable us to focus on the creation of value – in terms of financial sustainability, products and services, human capital and corporate social responsibility.

We have continued and will continue to work with our divisions to enhance and ensure that we adopt the relevant and required standards, policies and corporate culture. Due to the diversified nature of our businesses and our policy of decentralised management, the ultimate responsibility for management of corporate sustainability rests with the various businesses.

Our strategy's foundation is being built on the following pillars:

- **Products and services**
- **Corporate social responsibility**
- **Financial sustainability**
- **Human capital**

Governance

All sustainability issues at a group level are overseen by the social, ethics and transformation committee of the board, which has been constituted in accordance with section 72(4) of the Companies Act (No. 71 of 2008) and in alignment with the recommendations of the King IV Report on Corporate Governance for South Africa 2016.

Sustainable risk management

Due to our divisions having differing risk profiles according to the type of businesses that they conduct and with regard to the various sectors in which they operate, Long4Life is currently in the process of customising the risk-management process. Previously, we reported on common focus areas, however, our opinion is that each division requires a sustainability strategy that is unique to their businesses. Management of the businesses will be fully accountable to ensure that targets are adequately monitored and achieved to ensure the desired sustainability objectives.

From a products and services perspective these include the use and supply of energy and water, and the provision of certified waste-disposal sites for our businesses and other matters relating to advertising and consumer protection.

Reporting area	Progress
Product health and safety	Our commitment to responsible and sustainable practices means that we source products from suppliers that share the group's aspirations. The safety and quality of products produced are of the highest importance to our group. We perform batch testing during all production runs to ensure they conform with the specifications of the product and are safe to consume and trade. All products and services offered within our franchised stores are also tested to make sure all elements are safe to use before being distributed to our franchisees for sale One of our group strategies is to move away from plastic bags towards biodegradable paper bags. This project is under way for Outdoor Warehouse and Sportsmans Warehouse and Sorbet and we are looking to have this implemented by the second half of the 2020 financial year.
Environmental issues	The environment is a priority to the group. We ensure that all waste from our manufacturing plants is treated and disposed of in an environmentally safe manner. The group regularly recycles all waste. The group is constantly looking to produce products in a sustainable manner by not depleting natural resources and by producing in-demand products in a manner that is not harmful for the environment. Solar energy provides a more sustainable electricity source. The group further ensures that we utilise an effluent plant and utilise the water to irrigate land.

Reporting area	Progress
Advertising	With the increased digitisation of advertising, the group has decided to embrace the digital migration and since 2018, have begun our rollout of a digital advertising campaign for Sorbet, Sportsmans Warehouse and Outdoor Warehouse stores. The campaign is aimed at reducing the use of paper and printing for instore collaterals through the use of digital screens.
Consumer protection	We strive to ensure that we put our customers first in terms of experience and quality. Our customers have access to our social media platforms and customer-care lines to lodge any compliments and complaints they may have. IT systems within the group are regularly updated and upgraded in line with our third-party agreements to ensure protection of our consumers' personal information as required by impending legislation. Employees are further required to sign a privacy policy.

Financial sustainability relates to ensuring that business or investment decisions are made for the lasting benefit of both clients and society at large. It ensures that we continuously ensure economic development of both the group and the South African economy.

Reporting area	Progress
Economic development	Economic development, through managing resources such as land, natural resources, labour and capital, is embedded into the Long4Life culture. Our divisions are conscious of ensuring that all resources are effectively utilised and that we carefully manage them to ensure sustainable economic growth. As a group, we recycle and restore water resources utilised in production. We partner with youth accelerator programme and community development projects, and train and employ eligible previously disadvantaged youth.
Corruption prevention	Work ethics training sessions are held for employees who join the group, and are reinforced by an ethics guide, disciplinary codes and work contracts, which each employee signs. All suppliers are vetted, reputable and we conclude all transactions on an arm's - length basis. We have launched a protected disclosures line, available to all employees and consumers, in order to report any suspected suspicious or corrupt activities. The group regularly updates its ethics and compliance policies. We have zero tolerance for any unethical or fraudulent behaviour.
Community and development	At Long4Life, giving back is part of our culture. The group supports charitable and worthy initiatives each year, such as the Volunteer Fire Fighting Challenge, the Smile Foundation and the Red Cross Children's Hospital Cancer Foundation, local netball and soccer teams. We have reached thousands across South Africa, within a variety of sporting categories and community project and are proud to work together in giving back. Community activities include Sportsmans Warehouse establishing an ongoing partnership with Sporting Chance to sponsor the Khayelitsha team within their Cape Town Street Soccer festival. This programme mobilises communities, creates empowerment opportunities, transfers skills and educates communities. This provides employment for the 12 coaches and involves 86 children under the Sportsmans brand. Other activities include activities in the Sorbet group which supports the SEW Foundation (Sorbet Empowering Women). The foundation creates opportunities for previously disadvantaged women to be trained as nail therapists and employed within the group.
Public health and safety	Public health and safety is a priority throughout the group. We perform quality assurance reviews to ensure that health and safety standards are maintained for all products. All our divisions adhere to responsible advertising. All claims used in advertising and labelling follow industry regulations and conform with suppliers' terms and conditions.

Reporting area	Progress
Environmental impacts	Most stores make use of independent electronic meters to raise awareness of consumption. In 2019, we will be introducing recycling programme for plastic and paper products utilised at all stores. Effluent is treated, all waste is recycled as far as possible, solar panels are used to reduce our carbon footprint, and water use is limited to water that may be abstracted from underground water sources.

Performance

In reporting our numbers, we opted for an operational control approach in which we reported on owned assets and on leased assets, where we have control over the operational fabric of the assets such as lighting and water.

The sustainability figures provided are for a 12-month period to 28 February 2019:

		Sport and Recreation division	Beverages division	Personal Care and Wellness division	Corporate office	Total Long4Life
Boundary description		Head office, distribution centre, stores*	Manufacturing plants, offices**	Head office, Regional offices, stores***	Head office	
Indicator	**Unit**					
Total diesel (fleet and stationary)	litres	52 108	65 348	–	–	**117 456**
Total petrol (fleet)	litres	233 556	54 833	5 760	2 771	**296 920**
Total LPG (fleet and stationary)	kilograms	–	8 360	–	–	**8 360**
Renewable electricity	kilowatt-hours	–	143 659	–	–	**143 659**
Non-renewable electricity	kilowatt-hours	13 989 569	8 101 109	298 752	119 154	**22 508 584**
Total energy	gigajoules	50 362	29 164	1 076	429	**81 031**
Electricity cost	ZAR	28 080 107	2 709 549	396 107	270 253	**31 456 016**
Waste to landfill	tonnes	–	54	10	–	**64**
Recycled waste	tonnes	–	219	–	–	**219**
Municipal water	kilolitres	285 955	324 203	6 262	67	**616 487**
Other water (borehole)	kilolitres	–	39 223	–	–	**39 223**

* *Inclusive of 43 Sportsmans Warehouse, 2 OTG Active and 26 Outdoor Warehouse stores in South Africa and Windhoek, Namibia. All stores are leased, through the Sport and Recreation division which maintains operational control.*

** *Inclusive of manufacturing plants and offices situated in Stellenbosch and Heidelberg.*

*** *Exclusive of 203 stores across five brands in South Africa (Sorbet Salon, Sorbet Dry Bar, Sorbet Nail, Candi and Co and Sorbet Man) that are franchisee-owned and over which Sorbet does not have direct operational control.*

Sport and Recreation

Although the chain of Sportsmans Warehouse and Outdoor Warehouse stores across South Africa and in Windhoek, Namibia are all leased, operational control is held by the division. The largest impact is in electricity consumption, where the division has successfully either maintained consumption at or reduced it to below previous annual levels. Approximately 70% of electricity use is a result of lighting, with air conditioning accounting for a further 25%.

Due to certain periods of unsteady supply from the relevant electricity grids, the use of alternative electricity generation (generators) was occasionally required at some of the stores. Further to this, the stores affected by power outages implemented uninterruptible power supplies and made use of natural lighting in their effort to minimise downtime.

Water consumption in these stores is minimal and reported by landlords, while waste-management-recycling practices are still to be implemented. The division's own fleet of 80 vehicles, mostly used at its distribution centre and stores, accounts for all petrol and diesel consumption, bar a minimal amount of diesel for generator maintenance.

Beverages

The Beverages divisions' environmental impact is contained within its canning and bottling plant and offices located in Stellenbosch, Cape Town and Heidelberg, Gauteng.

Situated at the site of a natural spring and borehole point, Inhle's operations are both South African Bureau of Standards (SABS) approved for the handling and bottling of water of a subterranean nature and the relevant drinks manufacturing activities. In addition, both operations hold the international Food Safety System Certification 22 000 for the manufacturing and bottling of still, carbonated and flavoured water and canned carbonated soft drinks. All current certifications extend through to 2020.

Most of the division's water (municipal and borehole) is utilised in production. Strict monitoring is exercised over both the quality and consumption of the water, and 24 hours of backup municipal water storage is held in the event of any loss of supply.

Inhle have installed solar panels to provide supportive renewable electricity to its operations and, in the event of power shortages, diesel generators are in place. All logistics of product in and out of the plant are controlled and operated on behalf of suppliers and customers.

Waste-management contracts are in place with local recycling operations, who are responsible for the extraction and deposition of all waste from the plant. A significant amount of waste relates to cardboard and plastic packaging and these items are sent for recycling. Measurement of waste to landfill, although minimal, is to be implemented in the future.

Personal Care and Wellness

Sorbet is the biggest beauty care franchise in South Africa, employing on average 3 000 people throughout the network of 207 stores nationally. Its operational control extends to its head office, regional offices in Cape Town and Durban and the four stores that it owns. Sorbet brands are franchisee owned, and this accounts for 207 stores nationwide.

Sorbet introduced various water-efficient practices to reduce its consumption significantly. This process has created significant savings and ensured that customer satisfaction was not compromised.

Diesel and petrol usage are confined to Sorbet's vehicles servicing the head office and regional offices.

Corporate office

The corporate office in Johannesburg is 608 square metres and occupied by 11 full-time employees. The office is leased; however, we continue to track electricity, water, diesel (generator) and petrol (motor vehicle) usage to ensure that these costs are minimised.

Employee matters

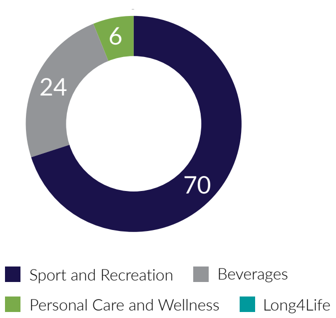
	Sport and Recreation division R'000	Beverages division R'000	Personal Care and Wellness division R'000	Corporate R'000	Total group
Total employees	1 891	639	150	11	**2 691**
Total expenditure on employee training (ZAR)	1 517	829	153	3	**2 502**
Total employee benefits (ZAR) ***	28 619	2 952	3 599	825	**35 995**
Total cost of salaries, wages and benefits (ZAR)	241 340	117 520	53 808	44 854	**457 522**
Average hours of training per employee per year	14	3	6	–	**23**
Lost time injury frequency rate (per 200 000 hours)	–	–	–	–	**–**
Fatalities	–	–	–	–	**–**

** A = African; I = Indian; C = Coloured; W = White; F = Foreign national*

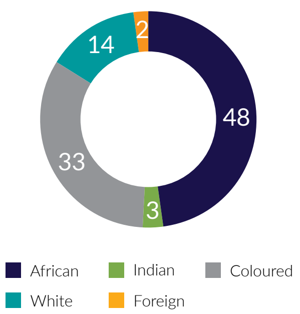
*** M = Male; F = Female*

**** Corporate office employees are currently responsible for their own pension, provident fund and medical-aid contributions.*

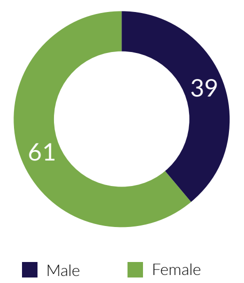
TOTAL PERMANENT EMPLOYEES (%)



EMPLOYEES DIVERSITY (%)

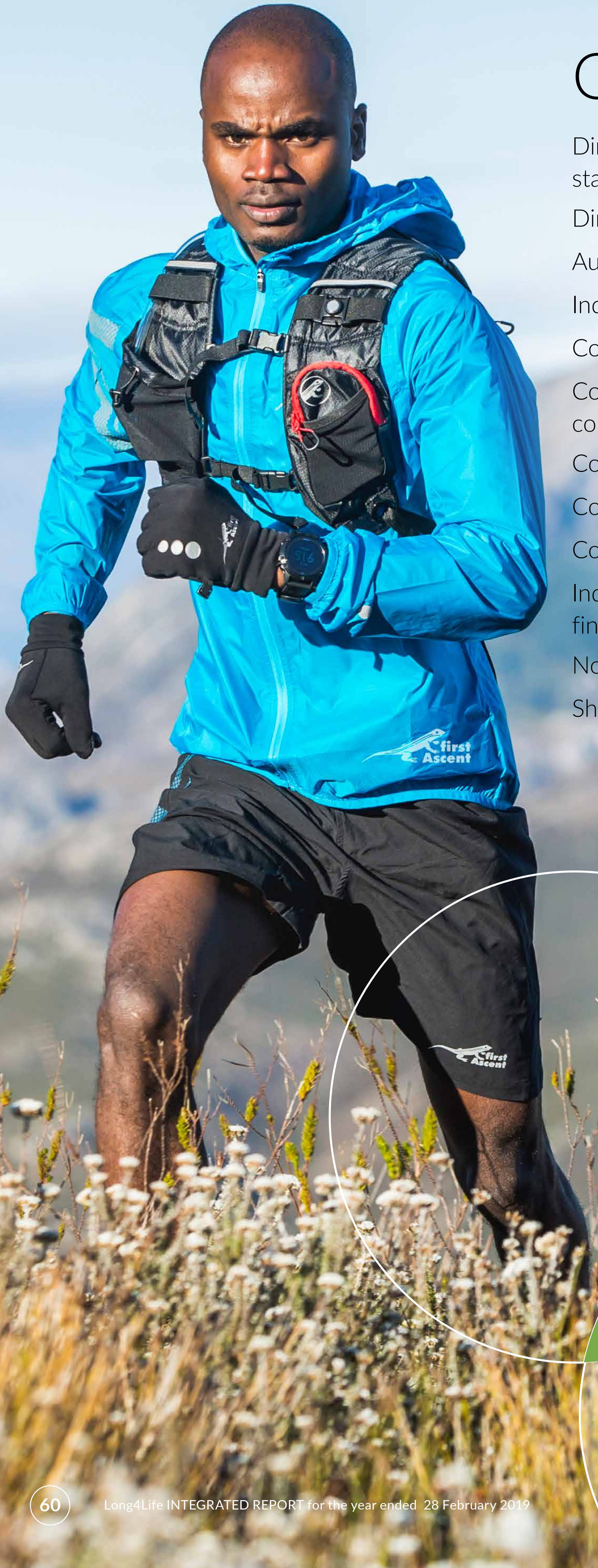


EMPLOYEE GENDER (%)



From a human capital perspective, much of our focus is on our employees and ensuring that proper staff diversity, skills development, and remuneration policies are in place.

Reporting area	Progress
Decent working conditions	The group businesses are very conscious of their consumers and employees and ensure that regular quality inspections are performed for all owned and franchised stores to protect our consumers and ensure that excellent service levels are maintained. All franchised and owned stores have to be registered with COIDA in case of an employee injury in work time.
Employee health and safety	All operations and stores have trained first-aid representatives. Hygiene levels are checked monthly by managers in unannounced quality visits to ensure that both staff and guests are protected. No employee works more than 45 hours a week, and work-life balance is actively promoted. The group continues to drive more awareness of health and safety.
Employee relations	Comprehensive induction training is performed for all employees across the group. Certain of our divisions will offer employees confidential counselling and support services as part of an ongoing citizen-wellness campaign. Formal grievance policies are also in place for all employees within the respect divisions. All citizens who belong to the bargaining council also have the right to lodge complaints on unfair labour practice with the council or CCMA, ensuring that a neutral platform is available to resolve any labour disputes.
Employee education	The group is embarking on a management training programme to strengthen the pool of talent to effectively manage our stores. The training will also have the benefit of equipping store managers to progress their careers, and will see senior managers engage in training and mentoring days with junior and middle management employees to transfer skills. Various training days are conducted by training managers.
Human rights	The group holds zero tolerance for discrimination of any sort based on ethnicity, religion or sexual orientation. We believe in the spirit of Broad-Based Economic Empowerment and have set targets in place for the next three years.



OUR **RESULTS**

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards (IFRS), in terms of the Companies Act, No 71 of 2008, as amended, of South Africa (Companies Act) and the interpretations adopted by the International Accounting Standards Board and the JSE Limited Listings requirements (JSE).

The directors' responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the group and company's ability to continue as a going concern and there is no reason to believe that the group and company will not be going concerns in the foreseeable future.

The independent auditors are responsible for reporting on whether the consolidated and separate financial statements are fairly presented in accordance with IFRS and the Companies Act; their unmodified report appears on page 69 to 72.

The consolidated and separate financial statements for the year ended 28 February 2019 were approved by the board of directors and are signed by:

Brian Joffe
Authorised director
Chief executive officer

Mireille Levenstein
Authorised director
Chief financial officer

14 May 2019

Declaration by company secretary

In my capacity as company secretary, I certify that to the best of my knowledge and belief, Long4Life Limited, in terms of section 88(2)(e) of the Companies Act, has lodged with the Commissioner of the Companies and Intellectual Property Commission, all such returns and notices as prescribed by the Companies Act and that all such returns and notices appear to be true and up to date.

Marlene Klopper
Company secretary

14 May 2019

Preparer of financial statements

The consolidated and separate financial statements have been prepared by Sarah Bishop CA(SA) (group financial manager) under the supervision of Mireille Levenstein CA(SA) (chief financial officer) and have been audited in compliance with section 30(2) of the Companies Act.

Directors' report

The directors have pleasure in presenting their report for the period ended 28 February 2019.

Nature of business

Long4Life Limited (L4L or the company) listed on the JSE on 7 April 2017 as an investment company with a lifestyle focus that seeks to generate superior returns to its shareholders over the medium and long term. The L4L and its subsidiaries (the group) invest in businesses with attractive growth prospects, led by strong, entrepreneurial-minded management teams.

The board, who collectively have a wealth of operational and deal-making experience across various industries, are responsible for capital allocation and play an active role in identifying, approving and executing attractive investment opportunities.

L4L's philosophy is to operate a decentralised management structure, providing financial, strategic and management support to its investee companies. L4L intends taking a long-term view on its chosen investments, while retaining the flexibility to dispose of investments which no longer meet its investment criteria.

Financial reporting

The directors are required by the Companies Act to produce financial statements which fairly present the state of affairs of the group and company as at the end of the financial period and the profit or loss for that financial year, in conformity with IFRS and the Companies Act.

Comparatives – L4L's year-end was changed in the 2018 to the end of February, to align the company's financial year to that of its largest investee company, Holdsport. The comparative year's financial statements therefore represent an 11 month period from 1 April 2017 to 28 February 2018, while the current year's financial statements represent performance for 12 months. In addition, the group's performance for the year needs to be considered in the context that the comparative period comprised of finance income earned on cash balances for 11 months and four months of trading from its operations while this year's results includes a full 12 months of trading by the group's three divisions namely – Sport and Recreation, Beverages and Personal Care and Wellness.

The group achieved revenue of R3.642 billion, trading profit of R454 million and profit attributable to ordinary shareholders amounted to R352 million. Total assets amounted to R5.853 billion and equity attributable to shareholders of the company amounted to R4.871 billion.

The financial statements on pages 73 to 121 fully set out the financial results of the group and company and its operations.

The financial statements as set out in this report have been prepared by management in accordance with IFRS and the Companies Act and are based on appropriate accounting policies supported by reasonable and prudent judgements and estimates.

The directors are of the opinion that the financial statements fairly present the financial position of the group and of the company as at 28 February 2019 and the results of their operations and cash flows for the year then ended.

The directors are satisfied that the group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going-concern basis in preparing the financial statements.

Stated capital

The company's authorised stated capital is 4 000 000 000 no par value ordinary shares. During the current period 24 134 142 no par value ordinary shares were issued. The total no par ordinary shares in issue as at and for the year ended 28 February 2019 was 913 909 909 (2018: 889 775 767). As at 28 February 2019 the group held 36 523 695 ordinary no par value shares as treasury shares (2018: 134 103).

Acquisitions

L4L acquired 100% of the issued share capital of Chill Beverages Proprietary Limited (Chill) and other acquisitions including EMSA Distribution Proprietary Limited, trading as Lime Light (Lime Light) for R492.8 million and R58.0 million respectively both effective 1 March 2018. In addition, with effect from 1 September 2018, Long4Life Health Proprietary Limited (L4L Health) of which 59% is held by L4L acquired a 61% equity stake in ClaytonCare Group Proprietary Limited (ClaytonCare) resulting in an effective 36% economic interest therein. A 49% stake in lifestyle footwear company Veldskoen Shoes Proprietary Limited (Veldskoen) was acquired for R5.0 million.

These acquisitions form part of the group's strategic expansion plans in lifestyle sectors. Goodwill arose on the acquisitions as the anticipated value of future cash flows that were taken into account in determining the purchase consideration exceeded the net assets acquired at fair value.

Events after the reporting date

There are no material subsequent events from the reporting date.

Dividends

No dividend has been declared for the year. In arriving at this decision, the board took into consideration the R159.6 million spent on a share repurchase programme in the year. (A dividend of 5.4 cents per share amounting to R49.2 million was declared and paid in June 2018 for the 2018 financial year).

While the company has no formal dividend policy, this position will be reviewed and assessed by the board annually.

Directorate

The directors who were in office during the year and the details of board meetings attended by each of the directors are as follows:

	Board	Audit and risk committee	Nomination and remuneration committee	Social, ethics and transformation committee	Acquisitions committee
Number of meetings	4	3	3	2	1
Meetings attended					
Independent non-executive directors					
Graham Dempster*	4	–	–	–	1
Tasneem Abdool-Samad	4	3	3	2	–
Lionel Jacobs	4	3	3	2	–
Syd Muller	4	–	3	–	1
Keneilwe Moloko	3	2	–	1	–
Executive directors					
Brian Joffe	4	–	3	–	1
Colin Datnow	4	–	3	–	1
Mireille Levenstein**	2	2	2	1	–
Peter Riskowitz***	3	2	2	1	1

* *Graham Dempster attends sub-committee meetings by invitation.*

** *Mireille Levenstein was appointed with effect from 15 October 2018.*

*** *Peter Riskowitz resigned as director with effect from 31 October 2018.*

Directors' shareholdings

Beneficial

The individual beneficial interests declared by the current directors and officers in the company's stated capital at 28 February 2019 held directly or indirectly were:

	2019 Number of shares		2018 Number of shares	
Director	Direct	Indirect	Direct	Indirect
Independent non-executive directors				
Graham Dempster	**1 000 000**	**–**	1 000 000	–
Lionel Jacobs	**536 573**	**–**	536 573	–
Syd Muller	**2 989 386**	**–**	2 989 386	–
Tasneem Abdool-Samad	**–**	**541 900**	–	541 900
Keneilwe Moloko	**–**	**–**	–	–
Executive directors				
Brian Joffe	**7 750 100**	**21 040 960**	6 750 100	21 040 960
Colin Datnow	**–**	**5 678 836**	–	5 678 836
Peter Riskowitz	**–**	**–**	100 000	18 000
Mireille Levenstein	**16 357**	**–**	–	–
Total	**12 292 416**	**27 261 696**	11 376 059	27 279 696

There has been no change in the directors' shareholding since year-end.

Directors' report

Directors' and officer's disclosure of interest in contracts

At 28 February 2019, no contracts were entered into in which directors and officers of the company had an interest and which significantly affected the business of the group. The directors had no interest in any third party or company responsible for managing any of the business activities of the group.

Company secretary

During the period under review, and in compliance with paragraph 3.84 (h) of the JSE Listings Requirements, the board evaluated Ms Marlene Klopper, the company secretary, and is satisfied that she is competent, suitably qualified and experienced.

Furthermore, as she is not a director, nor is she related to or connected to any of the directors, thereby negating a potential conflict of interest, it was confirmed that she maintains an arm's length relationship with the board.

The business and postal addresses of the company secretary, which is also the registered address of the company, is 7th floor, Rosebank Towers, 13-15 Biermann Avenue, Rosebank, 2196 and PO Box 521870, Saxonwold, 2132, respectively.

Change in directorate

During the period Peter Riskowitz resigned from the board and as the group chief financial officer, on 31 October 2018. Mireille Levenstein was appointed as an executive director and as group chief financial officer with effect from 15 October 2018 and 1 November 2018 respectively.

Special resolutions

It is noted that the group passed the following special resolutions at the Annual General Meeting held in August 2018:

1. General authority to repurchase company shares up to 10% of the number of shares in issue of 911 978 057 at 27 August 2018 which was the date the Annual General Meeting took place.
2. Approval of the non-executive directors' remuneration for service as directors.
3. General authority to provide financial assistance. General financial assistance defined in sections 44 and 45 of the Companies Act specifically refers to intra-group loans and other assistance for purposes of funding the group's activities.

Audit and risk committee report

The Long4Life Limited audit and risk committee (the committee) is pleased to present its report. The report is prepared in accordance with the recommendations of King IV™, the JSE Listings Requirements and the requirements of the Companies Act (No. 71 of 2008), as amended (Companies Act).

The committee is constituted as a statutory committee in respect of its duties in terms of S 94(7) of the Companies Act, and has been delegated the responsibility to provide meaningful oversight to the following functions; internal and external audit, finance, IT governance and compliance functions.

The report describes how the committee has discharged its statutory and additional duties assigned to it by the L4L board in respect of the financial year ended 28 February 2019.

Committee members, appointment dates and attendance

The committee comprises three independent non-executive directors (as set out in the table below) and is chaired by Ms Tasneem Abdool-Samad. The committee members and their qualifications and experience are detailed in the annual report on pages 10 to 11. All the committee members are suitably skilled and experienced to carry out their duties within the requirements of the board.

Committee member	Appointment date	Number of meetings held	Number of meetings attended
Tasneem Abdool-Samad (Chair)	22 March 2017	3	3
Lionel Jacobs	27 March 2017	3	3
Keneilwe Moloko	1 November 2017	3	2

In terms of the committee's mandate, the committee is required to meet at least three times annually. The committee has adopted an annual work plan in which it allocates specific objectives for each meeting, in order to ensure that all its duties and requirements have been adequately addressed and performed.

Meetings are attended by invitation, by the chief executive officer, chief financial officer, company secretary, group risk and internal audit manager, external audit partner and other representatives of the external auditors.

Duties and responsibilities

The committee's role and responsibilities include its statutory duties as per the Companies Act, and the recommendations of King IV™, as well as the responsibilities assigned to it by the L4L board and set out in the audit and risk committee terms of reference. The committee has formally adopted its terms of reference which is reviewed and updated on an annual basis.

It is the duty of the committee, *inter alia*, to monitor and review:

- the adequacy and revisions of group policies and procedures;
- ensuring ongoing compliance with applicable legislation, requirements of regulatory authorities and the group's code of ethics;
- validating the integrity of the interim and annual financial reports prepared by management by ensuring that their content is accurate and reliable and to recommend them to the board for approval;
- reviewing and approving the appointment, financial reports and findings of external auditors;
- reviewing the effectiveness of the internal audit function and the assessment and status of the control environment within the group;
- reviewing the governance and effectiveness of the group's technology and systems;
- the performance of the chief financial officer and the financial team; and
- oversee, discuss and review the enterprise risk management policy and process as well as highlight significant key issues and challenges to the board.

The board is satisfied that the committee complied with its terms of reference, and with its legal and regulatory responsibilities as set out in the Company's Act, King IV™ and the JSE Listings Requirements.

Audit and risk committee report

External audit and independence

Deloitte & Touche are the current auditors of the group. They are currently in the third year of assurance and are in line with the rotation requirements. In conducting its duties, the committee has performed the following statutory duties relating to external audit:

- Recommended Deloitte & Touche and Mr Trevor Brown who, in the opinion of the committee, is independent of the group, to the shareholders for appointment as the external auditors and group audit engagement partner respectively for the financial year ended 28 February 2019.
- Ensured that the appointment of the external auditors complies with the provisions of the Companies Act, and any other legislation relating to the appointment of auditors.
- Ensured that a formal policy is in place to govern the process whereby the external auditors of the group are considered for non-audit services. In terms of the policy, the committee is responsible for determining the nature and extent of any non-audit services that the external auditors may provide and pre-approves any proposed contract with the external auditors for the provision of non-audit services. The committee is satisfied that it has adhered to this policy in all respects.
- The committee, in consultation with L4L's executive management, agreed to the external auditors' terms of engagement. The audit fee for external audit was considered and approved taking into consideration such factors as the timing of the audit, the extent of the work required and the scope.
- The committee approved the annual audit plan presented by the external auditors and monitored progress against the plan, which is designed to provide management with the necessary assurance on risk management, the internal control environment and IT governance.
- The committee reviewed and assessed the independence of the external auditors and confirmed that the criteria for independence, as set out in the rules of the Independent Regulatory Board Auditors (IRBA), has been adhered to. The committee is therefore satisfied that the group's external auditors, Deloitte & Touche, are independent of the group and are able to conduct their audit functions without any influence from the group. Deloitte & Touche have been the auditors of L4L for the past three financial years (inclusive of the current financial year). In addition, the external auditors had unrestricted access to the committee, the committee chairman and the chairman of the board, ensuring that the external auditors were and are able to maintain their independence.
- The committee is comfortable that the external auditors and the designated audit partner have not exceeded their mandatory rotation periods which are set at ten and five years respectively.
- The committee satisfied itself with the quality of the audit performed and that the appointments of Deloitte & Touche and Mr Trevor Brown comply with all legal and regulatory requirements for the appointment of an auditor.

Based on the details set out above and in accordance with the JSE Listings Requirements paragraph 3.84(g)(iii) and 22.15(h), the committee recommends that Deloitte & Touche be reappointed for the 2020 financial year and that Mr Trevor Brown be reappointed as the group audit engagement partner for the year ending 29 February 2020.

Internal financial control and internal audit

The committee has oversight and is responsible for assessing the system of internal financial controls and information technology systems of the group. It must further ensure that the group's internal audit function is independent and has the necessary resources, standing and authority in the group to discharge its duties.

Currently, the group has progressed with the establishment of an internal audit department as part of the combined assurance model. A group risk manager has been appointed to develop, implement and enhance the internal audit function. The L4L executives and management are responsible for ensuring that effective internal controls are implemented and complied with. With the appointment of a group risk manager, an evaluation of key controls over key areas was undertaken during the year to establish the reliance thereon. The committee was satisfied that controls over key areas could be relied upon.

The committee has evaluated reports provided on the effectiveness of the systems of internal financial controls and considered information provided by management and the external auditors.

The committee is of the opinion that the systems of internal financial controls are effective and form a basis for the preparation of reliable financial statements. This opinion is based on the information and explanations given by management and the review of control self-assessments performed by the group internal audit function.

The committee has, furthermore, and as required in terms of paragraph 3.84(g)(ii) of the JSE Listings Requirements, established and confirmed that the group has established appropriate financial reporting procedures and that those procedures are operating effectively across the group.

IT governance

The committee has oversight and delegated responsibility of IT governance. It must oversee the implementation and execution of effective technology and information management. The board assumes responsibility for assessing the direction on how technology and information should be approached and addressed by the divisions.

IT governance in the group is still in the early stages of maturity and with the group operating a decentralised model, each division is responsible for monitoring and managing third-party outsourced IT providers as well as determining an adequate direction and strategy for IT.

The committee has assessed and evaluated reports from management relating to the performance of the third-party IT providers and is of the opinion that the IT governance was adequate and effective. This opinion is based on the information and explanations given by management and the review of IT assessments performed by external third parties.

Combined assurance

The committee has considered the most effective design for a fit-for-purpose combined assurance model. This model is currently being implemented across the group and will be rolled out over the next two financial years. The model considers the evolution of the group and the scalability of the expanding asset portfolio. The design of the model has incorporated the operating model of an internal audit function in respect of the group as well as the establishment of an enterprise risk management framework and process.

The committee has the following responsibilities relating to the combined assurance model:

- to satisfy itself that the combined assurance model is effective and sufficiently robust to be able to place reliance on the underlying statements that the board makes concerning the integrity of the group's external reports; and
- to review the group's internal and external assurance model and recommend to the board the engagement of an external assurance provider on material sustainability issues when deemed necessary.

Key areas of judgement

The committee has applied its mind to the key areas of judgement and has considered all significant matters in relation to the financial statements. The committee is aligned with the key audit matters identified by the external auditors and is comfortable that they have been adequately addressed and disclosed.

The key areas of judgement related to:

- **Acquisition of Chill Holdings Proprietary Limited (Chill Beverages) and identification and valuation of identified assets and liabilities**

  A purchase price allocation (PPA) was performed to determine the fair value of the assets and liabilities on date of acquisition of Chill, effective 1 March 2018 in accordance with IFRS 3 – *Business Combinations*. The directors engaged PricewaterhouseCoopers to perform the valuation of certain intangible assets within Chill Beverages. Goodwill of R241.6 million and identifiable intangible assets of R136.9 million were recognised. Refer to note 8.1.

- **Assessment of the carrying value of goodwill and indefinite useful life intangible assets**

  Significant judgement and key assumptions are required to carry out impairment testing of the carrying value of goodwill and indefinite useful life intangible assets held by the group. As disclosed in note 7.2, 8.2 and 8.3, carrying values of the indefinite useful life intangible assets at 28 February 2019 are R784.8 million (2018: R644.1 million) and in note 8.2, the carrying value of goodwill as at 28 February 2019 is R2 252.9 million (2018: R1 927.6 million) respectively. Note 8.3 sets out the key assumptions used in performing the impairment test.

Audit and risk committee report

Expertise and experience of the chief financial officer and finance function

The committee has satisfied itself with the appropriateness of the expertise and experience of the incumbents that represented the group as chief financial officer (CFO). The CFO of the group is Mireille Levenstein, appointed on 1 November 2018, whose curriculum vitae appears in the annual report on page 10. With the change of CFO during the year, the committee ensured that the transition was efficient and that all matters relating to the handover was complete.

The committee further assessed the competency, skills and resourcing of the group's finance function, and satisfied itself on the overall adequacy and appropriateness of the finance function and that of its wholly owned subsidiaries.

Going concern

The committee has considered the going concern status of the group and has made a recommendation to the board after considering various factors, including but not limited to, the current financial position and performance of the group. The committee recommends to the board that the group will continue to be considered on a going-concern basis for the foreseeable future and that it is considered solvent.

Audit and risk committee recommendation to the board

Based on information from and discussion with management and external auditors, the committee has no reason to believe that there was any material breakdown in design and operating effectiveness of internal financial controls during the year, and the financial records may be relied upon as the basis for preparation of the consolidated and separate financial statements.

In discharging its responsibilities, the committee evaluated significant judgements and reporting decisions; determined that the going-concern basis of reporting is appropriate; evaluated the material factors and risks that impact the financial statements and associated reports; and evaluated the completeness of the financial statements and the disclosure included therein.

The committee is of the opinion that the consolidated and separate financial statements comply in all material respects with the statutory requirements of the various regulations governing their disclosure and reporting. These include IFRS, the SAICA Financial Reporting Guides issued by the accounting practices committee and Financial Reporting Pronouncements issued by the Financial Reporting Standards Council, as well as the requirements of the Companies Act and the JSE Listings Requirements. The committee accordingly recommended the consolidated and separate financial statements to the board for its approval.

Tasneem Abdool-Samad
Chairman: Audit and risk committee

Johannesburg

14 May 2019

Independent auditors' report

Deloitte.

Deloitte & Touche
Registered Auditors
Audit & Assurance -
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To the Shareholders of Long4Life Limited

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of Long4Life Limited (the group) set out on pages 73 to 121, which comprise the statements of financial position as at 28 February 2019, and the statements of profit or loss, the statements of other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the group as at 28 February 2019, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

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

Key audit matters

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

We have determined that there are no key audit matters to communicate in our audit report with regard to the separate financial statements of the company for the year.

Independent auditors' report

The following key audit matters relate to the consolidated financial statements:

Acquisition of Chill Holdings Proprietary Limited Group (Chill Beverages) and identification and valuation of identified assets and liabilities as part of the allocation of the purchase price in accordance with IFRS 3: *Business Combinations*

Key audit matter	How the matter was addressed in the audit
The group acquired Chill Beverages with an effective date of 1 March 2018, as disclosed in note 8.1, for a total consideration of R492.8 million. The directors have performed a purchase price allocation (PPA) to determine the fair value of the acquired assets and liabilities at 1 March 2018 in accordance with IFRS 3 – *Business Combinations* (IFRS 3). The directors engaged an independent expert to perform the valuation of certain identified intangible assets within Chill Beverages. Goodwill of R241.6 million was recognised as a result of the acquisition along with identifiable intangible assets of R136.9 million. Significant judgements were made by the directors in: • the identification of the intangible assets (trademarks); • the methods used to value these in accordance with IFRS 3; and • assumptions used in the valuation of the intangible assets, in particular the estimated future financial performance and cash flows, growth rates and associated discount rates. Accordingly, due to the significance of the acquisition and the resulting goodwill and indefinite useful life assets, together with the significant judgements involved, this was considered to be a key audit matter.	We confirmed, through inspection of the terms and conditions of the purchase agreements, that the effective date of the acquisition was the date that the group gained control of Chill Beverages and is therefore in compliance with IFRS 3. We performed an independent review of the business to identify potential previously unrecognised intangible assets and liabilities and compared these to the intangible assets identified by the directors. We noted that customer relationships exist but were not recognised as intangible assets by the directors as they are not considered to be material. We performed an independent assessment of the fair values of the identified assets and liabilities on acquisition date. This independent assessment was evaluated against the directors' assessment by performing the following procedures: • assessed the competence, capabilities and objectivity of the directors' independent expert acquired and verified their qualifications; • assessed the scope of work of experts to determine that there were no matters affecting their independence and objectivity and that no scope limitations were imposed upon them; • confirmed that the valuation techniques used are consistent against industry norms; • engaged our Deloitte valuation experts to perform an independent assessment of the assumptions and methods used by the directors' independent expert in determining the fair value of the brand names acquired as part of the Chill Beverages acquisition; • considered the assumptions and valuation techniques used by the directors to value the other identifiable assets and liabilities to be consistent with industry norms; • assessed that identifiable assets acquired and liabilities assumed were appropriately valued in all material respects; and • assessed that the total consideration, including the value of the shares issued, was determined appropriately. We found that the goodwill and intangible assets recognised as a result of the PPA are appropriate in all material respects and the disclosures required by IFRS 3 were sufficient and appropriate.

Carrying value of goodwill and indefinite useful life intangible assets

Key audit matter	How the matter was addressed in the audit
IAS 36 *Impairment of Assets*, requires that an entity, irrespective of whether there is any indication of impairment, test goodwill and indefinite useful life intangible assets for impairment annually. As disclosed in note 7.2 and 8.2, the carrying values of indefinite useful life intangible assets and goodwill at 28 February 2019 are R784.8 million (2018: R644.1 million) and R2 252.9 million (2018: R1 927.6 million) respectively. Significant judgement is required by the directors in assessing the impairment of goodwill and indefinite useful life intangible assets, which is determined with reference to the value in use, based on the cash flow forecast for each cash generating unit (CGU). Given the newness of the Long4Life group, this level of judgement this is considered to be a key audit matter. We pinpointed the key audit matter to the following key assumptions in the impairment assessment models: • the methodology used in determining the value in use, and the mathematical accuracy of the model; • forecasted cash flows including the growth rates applied in determining these; and • the weighted average cost of capital, being the discount rate used in the goodwill models. As disclosed in note 8.3, the assumptions with the most significant impact on the impairment assessment models were: • weighted average cost of capital (WACC) rates; • cash flow growth rates; and • terminal growth rates.	We assessed the value in use calculations prepared by the directors, with a particular focus on the WACC rate, year-one cash flow forecasts, forecasted growth rate, and terminal growth rate. We performed various procedures, including the following: • tested the inputs into the cash flow forecast against historical performance and compared the forecast to the approved budgets in respect of each CGU; • involved our valuation specialists to assist with the testing of the WACC rate, assessing the methodology and its application within the directors' impairment model. The specialists' procedures included comparison with third-party information and industry risk factors; • considered the growth rates used in determination of the forecasted cash flows, within all CGUs, taking into consideration historical growth rates in the CGUs, the industries and inflationary environments in which the businesses operate; • compared terminal growth rates to historical growth rates, inflation and future growth rates as published in the International Monetary Fund economic outlook; • tested the logic and methodology used in the impairment models; and • considered the appropriateness of the directors' disclosures. We consider the assumptions in the impairment model and the directors' disclosures relating to the carrying value of goodwill and indefinite useful life intangible assets including the sensitivity of the carrying value of those assets to changes in key assumptions to be appropriate.

Other information

The directors are responsible for the other information. The other information comprises the directors' report, the audit and risk committee's report and the declaration by the company secretary as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Integrated Report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

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

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

Independent auditors’ report

Auditor’s responsibilities for the audit of the consolidated and separate financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

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

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Long4Life Limited for three years.

Deloitte & Touche
Registered Auditor
Per: Trevor Brown
Partner
14 May 2019

Buildings 1 and 2
The Woodlands
Woodlands Drive
Woodmead
2052

Consolidated statement of profit or loss

for the year ended 28 February 2019

	Notes	2019 R'000	11 months 2018 R'000 Restated*
Revenue	3.1	**3 642 342**	884 750*
Cost of sales		**(2 196 554)**	(466 220)*
Gross profit		**1 445 788**	418 530
Operating expenses		**(929 467)**	(263 046)
Staff and personnel costs		**(445 274)**	(129 092)
Premises and related costs		**(270 488)**	(85 494)
Other costs		**(213 705)**	(48 460)
Other income		**18 618**	15 717
Trading profit before amortisation and depreciation		**534 939**	171 201
Amortisation		**(41)**	(453)
Depreciation		**(80 741)**	(23 298)
Trading profit		**454 157**	147 450
Share-based payment expense		**(21 939)**	(12 100)
Acquisition costs		**(8 285)**	(16 839)
Net capital items		**4 752**	(1 469)
Operating profit	3.3	**428 685**	117 042
Net finance income	6.2	**71 579**	122 298
Share of losses from associate	9.1	**(1 572)**	–
Profit before taxation		**498 692**	239 340
Taxation	4.1	**(142 676)**	(69 680)
Profit for the year		**356 016**	169 660
Attributable to			
Shareholders of the company		**351 512**	168 948
Non-controlling interests		**4 504**	712
		356 016	169 660

* *Refer to note 3.2.*

Basic earnings per share (cents)	5.1	**39.0**	30.0
Diluted basic earnings per share (cents)	5.2	**38.5**	29.6

Consolidated statement of other comprehensive income

for the year ended 28 February 2019

	2019 R'000	11 months 2018 R'000
Profit for the year	**356 016**	169 660
Other comprehensive income (loss) net of taxation		
Items that may be reclassified subsequently to profit and loss		
Exchange differences on translating foreign operations	**(25)**	(393)
Total comprehensive income for the year	**355 991**	169 267
Attributable to		
Shareholders of the company	**351 520**	169 061
Non-controlling interest	**4 471**	206
	355 991	169 267

Consolidated statement of financial position

at 28 February 2019

	Notes	2019 R'000	2018 R'000
Assets			
Non-current assets		**3 597 478**	2 800 362
Property plant and equipment	7.1	**526 502**	198 955
Goodwill	8.2	**2 252 854**	1 927 606
Intangible assets	7.2	**785 887**	644 127
Deferred taxation assets	4.2	**22 762**	6 692
Interests in associate	9.1	**3 428**	–
Investments and loans	9.2	**6 045**	22 982
Current assets		**2 199 185**	2 344 015
Inventories	7.3	**812 525**	580 363
Trade and other receivables	7.4	**291 768**	66 642
Taxation receivable	4.3	**6 747**	5 348
Cash and cash equivalents	6.3	**1 088 145**	1 691 662
Total assets		**5 796 663**	5 144 377
Equity and liabilities			
Capital and reserves		**4 871 375**	4 523 863
Stated capital	11.1	**4 314 291**	4 339 723
Reserves attributable to shareholders of the company	11.1	**496 795**	163 361
Non-controlling interests		**60 289**	20 779
Non-current liabilities		**398 284**	257 089
Deferred taxation liabilities	4.2	**227 419**	159 610
Long-term borrowings	6.5	**74 839**	–
Other financial liability	6.4	**48 000**	48 000
Long-term provisions		**–**	2 126
Long-term portion of straight-lining of leases	7.7	**48 026**	47 353
Current liabilities		**527 004**	363 425
Trade and other payables	7.5	**497 495**	200 377
Borrowings	6.5	**18 105**	160 338
Taxation payable	4.3	**11 404**	2 710
Total equity and liabilities		**5 796 663**	5 144 377

Consolidated statement of cash flows

for the year ended 28 February 2019

	Notes	2019 R'000	11 months 2018 R'000
Cash flows from operating activities		**390 195**	200 135
Cash generated by operations	3.5	**465 090**	151 702
Finance income received	6.2	**84 437**	128 481
Finance charges paid	6.2	**(12 858)**	(6 183)
Taxation paid	4.3	**(146 474)**	(73 865)
Cash effects of investment activities		**(566 462)**	(489 878)
Additions to property, plant and equipment	7.1	**(155 316)**	(41 234)
Proceeds on disposal of property, plant and equipment		**6 456**	15 650
Additions to intangible assets	7.2	**(4 782)**	(58)
Acquisition of subsidiaries	8.1	**(426 132)**	(399 309)
Acquisition of associate		**(5 146)**	–
Acquisition of investments		**(6 368)**	(64 927)
Proceeds on disposal of investments		**24 826**	–
Cash effects of financing activities		**(427 250)**	1 981 411
Capital raised on listing	11.1	**–**	2 000 000
Purchase of treasury shares	11.1	**(159 573)**	–
Borrowings repaid	6.5	**(215 887)**	(17 850)
Dividends paid	11.2	**(51 790)**	(739)
Net (decrease) increase in cash and cash equivalents		**(603 517)**	1 691 668
Cash and cash equivalents at beginning of year		**1 691 662**	*
Effects of exchange rate fluctuations on cash and cash equivalents		**–**	(6)
Cash and cash equivalents at end of year		**1 088 145**	1 691 662

** Amount below R1000.*

Consolidated statement of changes in equity

for the year ended 28 February 2019

	Notes	2019 R'000	2018 R'000
Equity attributable to shareholders of the company		**4 811 086**	4 503 084
Stated capital	11.1	**4 314 291**	4 339 723
Balance at beginning of the year		**4 339 723**	*
Shares issued during the year		**134 141**	4 339 723
Treasury shares held by subsidiaries		**(159 573)**	–
Transactional costs for issuing equity instruments	11.1	**(20 435)**	(20 435)
Balance at beginning of the year		**(20 435)**	(18 763)
Transaction costs incurred		**–**	(1 672)
Foreign currency translation reserve	11.1	**(385)**	(393)
Balance at beginning of the year		**(393)**	–
Exchange differences on translating foreign operations		**8**	(393)
Equity-settled share-based payment reserve	11.1	**41 068**	15 371
Balance at beginning of the year		**15 371**	–
Recognition of share-based payments expense		**21 939**	12 100
Deferred taxation recognised directly in reserve		**3 758**	3 271
Retained earnings		**471 097**	168 818
Balance at beginning of the year		**168 818**	(130)
Profit for the year		**351 512**	168 948
Dividends paid	11.2	**(49 233)**	–
Deferred consideration	11.1	**5 450**	–
Equity attributable to non-controlling interests of the company		**60 289**	20 779
Balance at beginning of the year		**20 779**	–
Other comprehensive income		**4 471**	206
Profit for the year		**4 504**	712
Exchange differences on translating foreign operations		**(33)**	(506)
Dividends paid	11.2	**(2 557)**	(739)
Arising on acquisition of subsidiaries	8.1	**37 596**	21 312
Total equity		**4 871 375**	4 523 863

** Amount below R1 000.*

Index to the notes to the consolidated financial statements

for the year ended 28 February 2019

Notes to the consolidated financial statements

for the year ended 28 February 2019

1. Basis of preparation

Accounting policies

The accounting policies applied in the consolidated and separate financial statements are in terms of IFRS and, where applicable, are consistent with those applied in the consolidated financial statements for the period ended 28 February 2018, except for the adoption of new accounting standards as detailed below. During the year additional accounting policies, where required, were adopted. The financial statements are presented in South African rand, which is the group's functional currency. All financial information has been rounded to the nearest thousand unless stated otherwise.

The company's year-end was changed in the 2018 to the end of February, to align the company's financial year to that of its largest investee company, Holdsport. The comparative year's financial statements therefore represent an 11-month period from 1 April 2017 to 28 February 2018, while the current year's financial statements represent performance for 12 months.

Adoption of new accounting standards

Effective from 1 March 2018 the group adopted IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers. As reported previously, the adoption of these standards had no material impact on the group's performance and results.

IFRS 9: *Financial instruments*

The objective of IFRS 9 is to establish principles for the classification and measurement of financial assets and liabilities, hedging and the introduction of the expected credit loss (ECL) model for the measurement of impairment allowances for financial assets.

The impact of IFRS 9 for the group relates to the application of the ECL model in the measurement of the impairment allowance of our trade and other receivables (through the application of the simplified approach). In terms of IAS 39, trade and other receivables were impaired when there was objective evidence of default. IFRS 9 dictates that the impairment is based on the lifetime expected credit losses on trade and other receivables. In general, the ECL model is expected to result in a higher impairment allowance than the historical incurred loss model, as provision rates must now reflect all possible future losses based on past experience as well as future economic factors.

To measure ECLs, trade receivables are assessed on an individual basis. The ECL rates are based on historical credit loss experienced during the period, adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the debtor to settle the receivable.

The group applied IFRS 9 with an initial application date of 1 March 2018. The group applied the standard retrospectively but has elected not to restate comparative information, which continues to be reported under IAS 39.

IFRS 15: *Revenue from contracts with customers*

IFRS 15 relates to the measurement, classification and disclosure of revenue from contracts with customers and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised as the group satisfies performance obligations and transfers control of goods or services to its customers as opposed to the application of the risks and rewards criteria under IAS 18.

The measurement of revenue is determined based on the amount to which the group expects to be entitled, allocated to each specific performance obligation. Depending on whether certain criteria are met, revenue is recognised either over time or at a point in time, as or when control of goods or services is transferred to the customer.

IFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue', however the Standard does not prohibit an entity from using alternative descriptions in the statement of financial position. The group has adopted the terminology of 'deferred income' to describe such balances. The only impact on adoption of this standard was on classification of deferred income, previously disclosed as other payables as part of the trade and other payables note. Refer to note 7.5.

Relevant prior period financial information has been restated, with no impact on the group's previously reported earnings and headline earnings.

1. Basis of preparation continued

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), in issue and effective for the group, the SAICA Financial Reporting Guides as issued by the accounting practices committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, and the requirements of the Companies Act and the Listings requirements of the JSE Limited.

The consolidated financial statements as at and for the year ended 28 February 2019 comprise the company and its subsidiaries (together referred to as the "group" or "consolidated" and separately "separate" or "company").

Judgements made in the application of IFRS that have had an effect on the financial statements and estimates with a risk of adjustment in the next year are discussed in note 12.1.

Basis of measurement

The financial statements have been prepared on the historical cost basis, except for the measurement of certain financial instruments at fair value, and incorporate the principal accounting policies set out below.

2. Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiaries. Subsidiaries are entities controlled by the group. Control is achieved when the company has the power over an investee, is exposed or has rights to variable returns from its involvement with an investee and has the ability to use its power to affect its returns. The company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of these three elements. When the company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The company considers all relevant facts and circumstances in assessing whether or not the company's voting rights in an investee are sufficient to give it power, including the size of the company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders; potential voting rights held by the company, other vote holders or other parties; rights arising from other contractual arrangements; and any additional facts and circumstances that indicate that the company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made.

Consolidation of a subsidiary begins when the company obtains control over the subsidiary and ceases when the company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the company gains control until the date when the company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with the group's significant accounting policies.

Non-controlling interests in subsidiaries are identified separately from the group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated into South African rand at rates of exchange ruling at the reporting date. Income, expenditure and cash flow items are translated into South African rand at rates approximating to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on translation are recognised directly in equity as a foreign currency translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to the statement of profit or loss.

Acquisitions and disposals of foreign operations are accounted for at the exchange rate ruling on the date of the transaction.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the group are eliminated on consolidation.

3. Operational performance

3.1 Revenue

	2019 R'000	2018 R'000 Restated*
Sale of goods	**3 523 242**	859 522*
Rendering of services	**48 739**	2 688
Franchise income, royalties and administration fees	**69 432**	22 540
Other – Rental income	**929**	–
	3 642 342	884 750*

** Refer to note 3.2.*

The application of IFRS 15 has not had an impact on the financial position and/or financial performance of the group as the group is not involved in material multiple-element arrangements with customers. Therefore, no transition adjustments have been processed to retained earnings.

Composition of revenue

The group recognises revenue from the following major sources:

- sale of goods to both retail and wholesale markets;
- rendering of health services to patients in sub-acute facilities;
- rendering of beverage co-packing and private label services;
- rendering of services to franchisees; and
- franchise income and royalties.

Recognition of revenue

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

Sale of goods

Revenue from the sales of goods to the wholesale market is recognised when control of the goods has transferred, being when the goods have been delivered to the wholesaler's specific location. Following delivery, the wholesaler has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the group when the goods are delivered to the wholesaler as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Revenue from the sale of retail goods is recognised when control of the goods has transferred, being at the point the customer purchases the goods at the retail outlets. Payment of the transaction price is due immediately at the point the customer purchases the goods.

Rendering of services

Revenue from services rendered is recognised in profit and loss when the services are rendered. For fixed-price contracts relating to the co-packing business, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. This is determined based on the actual units produced relative to the total contracted units.

Franchise income and royalties

The franchise income and royalties is recognised when the service or sale of product occurs at the underlying franchisee and the group is entitled to receive the income in accordance with the substance of the relevant agreements.

Notes to the consolidated financial statements
for the year ended 28 February 2019

3. Operational performance continued

3.2 Restatement

A reporting error in the Sport and Recreation segment which comprises Holdsport Limited's financial information arising from the elimination of intergroup revenue and costs of sales in the period prior to acquisition by Long4Life, has required a restatement of the group's results for the period ending 28 February 2018 as set out below. This restatement had no impact on the group's profit, earnings per share, headline earnings per share or financial position.

	As previously reported 11 months 2018 Audited R'000	Adjusted R'000	Restated 11 months 2018 Audited R'000
Revenue	730 661	154 089	884 750
Cost of sales	(312 131)	(154 089)	(466 220)
Gross profit	418 530	–	418 530

3.3 Operating profit

	2019 R'000	2018 R'000
Determined after charging (crediting)		
Amortisation	41	453
Computer software	41	33
Trademarks	–	420
Auditors' remuneration	5 642	3 912
Audit fees	5 519	2 088
Fees for other services[1]	123	1 824
Services performed in prior period	–	1 281
Services performed in current year	123	543
Depreciation of property, plant and equipment	80 741	23 298
Freehold buildings and leasehold premises	3 257	1 290
Plant and equipment	13 191	924
Office equipment, furniture and fittings	62 238	19 878
Vehicles	2 055	1 206
Foreign exchanges (gains)/losses	(8 336)	6 761
Impairment of associate	–	1 364
(Profit) loss on sale of disposal of property	(780)	105
Staff and personnel costs:	445 274	129 092
Directors' remuneration (refer to note 10.2)	23 663	11 456
Executive directors	21 040	9 503
Non-executive directors	2 623	1 953
Salaries and wages	383 178	106 209
Pension, medical aid and other staff-related expenses	38 433	11 427
Premises costs:	270 488	85 494
Building and office rent expense	170 990	50 569
Straight-lining of leases	121	4 483
Repairs and maintenance	11 448	2 403
Security	22 216	6 091
Electricity, water, rates and taxes	53 111	17 258
Other	12 602	4 690

[1] *All fees for non-audit services were approved by the audit and risk committee.*

3.4 Segmental performance

The group has identified that the chief executive officer, in conjunction with the group executive committee, fulfils the role of the chief operating decision-maker (CODM). The executive committee, as distinct from the board of directors, consists only of senior executives. All operating segments' results are reviewed regularly by the CODM to make decisions about the allocation of resources to the operating segments and to assess its performance. Reportable segments have been identified after applying the quantitative thresholds per IFRS 8: *Operating Segments*, and after aggregating operating segments with similar economic characteristics.

Performance is measured based on segmental trading profit as included in the monthly management reports reviewed by the CODM. As this is the first full year of trading, trading profit was deemed as the appropriate measure in the current financial year for measuring segmental performance. Net finance income and income taxes are managed on a group basis and are not allocated to operating segments.

For management purposes, the following operating divisions have been identified as the group's reportable segments:

- Sport and Recreation division comprising Sports Retail (Sportsmans Warehouse, OTG and Shelflife), Outdoor Warehouse and Performance Brands.
- Beverages division comprising the operations of Chill and Inhle.
- Personal Care and Wellness comprising the beauty and grooming division (Sorbet and Lime Light) and the healthcare business (ClaytonCare).
- Corporate provides services to the trading divisions including but not limited to secretarial, finance, advisory, risk management, corporate finance, group legal, treasury, internal audit, group marketing and other related services.

For the year ending 28 February 2019	Sport and Recreation	Beverages	Personal Care and Wellness	Corporate	Total
Revenue	**2 113 026**	**1 355 450**	**173 866**	**–**	**3 642 342**
Trading profit before depreciation and amortisation	**379 682**	**172 172**	**40 801**	**(57 716)**	**534 939**
Depreciation and amortisation	**(58 549)**	**(18 419)**	**(1 891)**	**(1 923)**	**(80 782)**
Trading profit	**321 133**	**153 753**	**38 910**	**(59 639)**	**454 157**
Share-based payment expense					**(21 939)**
Acquisition costs					**(8 285)**
Net capital items					**4 752**
Operating profit					**428 685**
Net finance income					**71 579**
Share of losses from associate					**(1 572)**
Profit before tax					**498 692**

For the year ending 28 February 2018	Sport and Recreation	Beverages	Personal Care and Wellness	Corporate	Total
Revenue	791 597*	60 384	32 769	–	884 750*
Trading profit before depreciation and amortisation	159 455	23 855	10 128	(22 237)	171 201
Depreciation and amortisation	(20 922)	(1 185)	(380)	(1 264)	(23 751)
Trading profit	138 533	22 670	9 748	(23 501)	147 450
Share-based payment expense					(12 100)
Acquisition costs					(16 839)
Net capital items					(1 469)
Operating profit					117 042
Net finance income					122 298
Profit before tax					239 340

** Refer to note 3.2.*

	2019 R'000	2018 R'000

3. Operational performance continued

3.5 Cash generated by operations

Reconciliation of operating profit to cash generated by operations:

	2019 R'000	2018 R'000
Operating profit	**428 685**	117 042
Acquisition costs	**8 285**	11 384
Depreciation and amortisation	**80 782**	23 751
Non-cash items:	**19 192**	17 569
Share based payment expense	**21 939**	12 100
Unrealised profit/(loss) on investments	**–**	(5 631)
Increase in charges for straight-lining of leases	**526**	2 032
Executive remuneration settled by way of share issue	**5 000**	4 584
Fair value (gain) loss on foreign exchange contracts	**(3 703)**	5 334
(Profit) loss on sale of property, plant and equipment	**(780)**	105
Gain on reacquired intangible asset	**(3 024)**	–
Other non-cash items	**(766)**	(955)
Cash generated by operations before working capital changes	**536 944**	169 746
Working capital changes	**(71 854)**	(18 044)
(Increase) decrease in inventories	**(104 017)**	29 171
(Increase) decrease in trade and other receivables	**(37 145)**	992
Increase (decrease) in trade and other payables	**69 308**	(48 207)
Cash generated by operations	**465 090**	151 702

4. Taxation

4.1 Income taxation expense

	2019 R'000	2018 R'000
Current taxation	**145 232**	75 468
Current year	**143 632**	75 468
Prior period under provision	**1 600**	–
Deferred taxation	**(2 556)**	(5 789)
Current year	**(2 505)**	(5 789)
Prior period over provision	**(51)**	–
Total taxation per consolidated statement of profit or loss	**142 676**	69 680
The reconciliation of the effective taxation rate with the South African Company taxation rate is:		
Taxation for the year as a percentage of profit before taxation	**28.6%**	29.1%
Exempt portion of capital gains	**0.1%**	0.1%
Prior year under provision	**(0.3%)**	–
Difference as a result of the capital gains tax rate	**(0.1%)**	
Exempt income	**0.6%**	–
Deferred tax asset not raised	**–**	(0.2%)
Deferred tax asset raised not previously recognised	**0.4%**	–
Disallowable items that are individually immaterial	**(1.3%)**	(1.0%)
Rate of South African company taxation	**28.0%**	28.0%

The nature of disallowable expenses relates to professional fees in relation to acquisitions (0.9%), shareholder related costs considered non tax-deductible (0.4%) and donations (0.0%). The nature of the exempt income relates to the gain on reacquired intangible asset.

	2019 R'000	2018 R'000

4.2 Deferred taxation

	2019 R'000	2018 R'000
Deferred taxation assets	**22 762**	6 692
Deferred taxation liabilities	**(227 419)**	(159 610)
Net deferred taxation liability	**(204 657)**	(152 918)
Movement in net deferred taxation assets and liabilities		
Balance at beginning of year	**(152 918)**	–
Per consolidated statement of profit or loss	**2 556**	5 789
Items recognised directly in equity and other comprehensive income	**3 758**	3 271
On acquisition of businesses	**(58 053)**	(161 978)
Balance at end of year	**(204 657)**	(152 918)

Temporary differences	Assets R'000	Liabilities R'000	Net R'000
2019			
Differential between carrying values and tax values of property, plant and equipment	**–**	**(36 503)**	**(36 503)**
Differential between carrying values and tax values of intangible assets	**–**	**(219 455)**	**(219 455)**
Share-based payments	**14 456**	**–**	**14 456**
Staff related allowances and liabilities	**12 743**	**–**	**12 743**
Operating lease liabilities	**13 549**	**–**	**13 549**
Inventory obsolescence provision	**5 527**	**–**	**5 527**
Prepayments	**–**	**(5 038)**	**(5 038)**
Provision for doubtful debts	**318**	**(48)**	**270**
General provisions	**2 482**	**–**	**2 482**
Receipts in advance	**5 219**	**–**	**5 219**
Difference in rate as result of Capital Gains Tax	**319**	**–**	**319**
Estimate tax loss	**1 774**	**–**	**1 774**
	56 387	**(261 044)**	**(204 657)**
2018			
Differential between carrying values and tax values of property, plant and equipment	–	(5 613)	(5 613)
Differential between carrying values and tax values of intangible assets	–	(180 103)	(180 103)
Estimated taxation losses	1 060	–	1 060
Share-based payments	6 660		6 660
Staff related allowances and liabilities	6 115	–	6 115
Operating lease liabilities	13 259	–	13 259
Inventory obsolescence provision	6 799	–	6 799
Unrealised fair value gains and losses on investments	–	(887)	(887)
Prepayments	(6 654)	–	(6 654)
Provision for doubtful debts	228	–	228
General provisions	595	–	595
Receipts in advance	5 623	–	5 623
	33 685	(186 603)	(152 918)

Where entities within the group are expecting to be profitable and have a high prospect of utilising any assessable losses in the future, deferred tax assets are recognised. The assessments are performed on a continuous bases and if required the deferred tax asset is impaired.

Unrecognised tax losses at 28 February 2019 amounted to R8.1 million and mainly relates to operations within Sorbet to the extent that they are considered to be in the foreseeable future.

4. Taxation continued

4.3 Taxation paid

	2019 R'000	2018 R'000
Amounts receivable at beginning of year	**2 638**	–
Current taxation charge	**(145 232)**	(75 468)
Businesses acquired	**(8 537)**	4 241
Amounts (payable) receivable at end of year	**(4 657)**	2 638
Amounts paid	**(146 474)**	(73 865)

Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current taxation comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted or substantially enacted at the reporting date, and any adjustment of tax payable for previous periods.

5. Basic and headline earnings per share

5.1 Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the group by the weighted average number of ordinary shares in issue during the year, excluding those held as treasury shares.

Weighted average number of shares in issue is calculated as the number of shares in issue at the beginning of the year, increased by shares issued during the year, weighted on a time basis for the period during which they have participated in the profit of the group.

	2019 R'000	2018 R'000
Basic earnings		
Profit attributable to equity holders of the group for the year (R'000)	**351 512**	168 948
Weighted number of ordinary shares in issue ('000)	**902 054**	564 067
Basic earnings per share (cents)	**39.0**	30.0

5.2 Diluted basic earnings per share

Diluted basic earnings per share is calculated by adjusting the weighted average number of shares outstanding by the number of ordinary shares to be issued and potential ordinary shares which may vest in terms of the company's share incentive schemes as set out below.

	2019 R'000	2018 R'000
Profit attributable to equity holders of the group for the year (R'000)	**351 512**	168 948
Weighted average number of ordinary shares in issue ('000)	**902 054**	564 067
Potential dilutive impact of outstanding share options and conditional awards ('000)	**11 622**	7 662
Contingently issuable shares in terms of conditional share plan	**–**	6 281
Contingently returnable shares in terms of forfeitable share plan	**10 234**	–
Shares to be issued in terms of acquisitions	**1 000**	–
Number of outstanding share appreciation rights	**388**	1 381
Dilutive weighted average number of shares ('000)	**913 676**	571 729
Diluted earnings per share (cents)	**38.5**	29.6

	2019 R'000	2018 R'000

5.3 Headline earnings per share

	2019 R'000	2018 R'000
Profit attributable to equity holders of the group for the year	**351 512**	168 948
Adjusted for:	**(2 698)**	1 440
Profit on disposal of property, plant and equipment	**(780)**	–
Gain on reacquired intangible asset	**(3 024)**	–
Loss on disposal of non-current assets held for sale	**–**	105
Impairment of associate	**–**	1 364
Tax effects	**1 106**	(29)
Headline earnings	**348 814**	170 388
Weighted average number of shares in issue ('000)	**902 054**	564 067
Headline earnings per share (cents)	**38.7**	30.2

5.4 Diluted headline earnings per share

	2019 R'000	2018 R'000
Headline earnings (R'000)	**348 814**	170 388
Diluted weighted average number of shares ('000)	**913 676**	571 729
Diluted headline earnings per share (cents)	**38.2**	29.8

6. Financial risk management and net debt

6.1 Financial risk management

Financial risk management objectives

The group has exposure to the following risks capital risk, liquidity risk, market risk (including interest rates and foreign exchange) and credit risk.

This note presents information about the group's exposure to each of the aforementioned risks, the group's objectives, policies and processes for measuring and managing risk, and the group's management of capital.

L4L's philosophy is to empower management through a decentralised structure thereby making operational management responsible and accountable for the performance of their operations, including managing the financial risks of the operation. The operational management report to the CEO who in turn reports to the board of directors. Operational management's remuneration is based on their operation's performance resulting in a decentralised and entrepreneurial environment.

The audit and risk committee approves written principles for overall financial risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative instruments, and investment of excess liquidity. The audit and risk committee is governed by a charter and reports regularly to the board of directors on its activities.

The overall process of risk management in the group, which includes the related system of control, is the responsibility of the L4L board of directors.

6. Financial risk management and net debt continued

6.1 Financial risk management continued

Carrying amount and maturity profile of financial instruments

The carrying amount and maturity profile of financial assets and liabilities including their levels in the fair value hierarchy (refer note 12.2) were as follows:

At 28 February 2019	Notes	Carrying amount R'000	Within 1 year R'000	1 – 2 years R'000	2 – 5 years R'000	More than 5 years R'000
Financial assets						
At amortised cost						
Trade and other receivables (excluding prepayments and VAT)	7.4	**261 843**	**261 843**	**–**	**–**	**–**
Cash and cash equivalents	6.3	**–**	**–**	**–**	**–**	**–**
Unlisted loans	9.2	**269**	**269**	**–**	**–**	**–**
At fair value						
Investment in listed shares – *level 1*	9.2	**5 776**	**5 776**	**–**	**–**	**–**
Total		**267 888**	**267 888**	**–**	**–**	**–**
Financial liabilities						
At amortised cost						
Borrowings	6.5	**(92 944)**	**(18 105)**	**(39 052)**	**(20 616)**	**(15 171)**
Trade and other current liabilities (excluding FECs and VAT)	7.5	**(463 435)**	**(463 435)**	**–**	**–**	**–**
At fair value						
Foreign exchange contracts – *level 1*	7.5	**(1 631)**	**(1 631)**	**–**	**–**	**–**
Other financial liability – *level 3*	6.4	**(48 000)**	**–**	**(23 721)**	**(24 279)**	**–**
Total		**(606 010)**	**(483 171)**	**(62 773)**	**(44 895)**	**(15 171)**

The expected maturity of financial liabilities are not expected to differ from the contractual maturities as disclosed above. There were no defaults or breaches of any of the borrowing terms and conditions during the current financial year.

At 28 February 2018	Notes	Carrying amount R'000	Within 1 year R'000	1 – 2 years R'000	2 – 5 years R'000	More than 5 years R'000
Financial assets						
At amortised cost						
Trade and other receivables (excluding VAT)	7.4	39 077	39 077	–	–	–
Cash and cash equivalents	6.3	1 691 662	1 691 662	–	–	–
At fair value						
Investment in listed shares – *level 1*	9.2	22 982	22 982	–	–	–
Total		1 753 721	1 753 721	–	–	–
Financial liabilities						
At amortised cost						
Borrowings	6.5	(160 338)	(160 338)	–	–	–
Trade and other current liabilities (excluding FEC's and VAT)	7.5	(189 713)	(189 713)	–	–	–
At fair value						
Foreign exchange contracts – *level 1*	7.5	(5 334)	(5 334)	–	–	–
Other financial liability – *level 3*	6.4	(48 000)	–	(23 721)	(24 279)	–
Total		(403 385)	(355 385)	(23 721)	(24 279)	–

6.1 Financial risk management continued

Carrying amount and maturity profile of financial instruments

Financial instruments are recognised when the group or company becomes party to the contractual provisions of the arrangement. Financial instruments are initially measured at fair value plus, for instruments not carried at fair value through profit or loss, any directly attributable transaction costs. All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Listed and unlisted investments are classified as investments at fair value through profit or loss. Fair value of listed investments is calculated by reference to stock exchange quoted selling prices at the close of business on the reporting date. Fair value of unlisted investments is determined by using appropriate valuation models.

Where a derivative financial instrument is used to economically hedge the foreign exchange exposure of a recognised financial asset or liability, no hedge accounting is applied and any gain or loss on the hedging instrument is recognised in profit or loss.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when the company has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial risk management techniques

Capital risk management

The group's objectives when managing capital are to maintain a strong capital base to sustain the group's ability to continue as a going concern, to provide sustainable returns for shareholders, benefits for other stakeholders and to maintain, over time, an optimal structure to reduce the cost of capital. Capital consists of total shareholders' equity, excluding non-controlling interests.

From time to time the group purchases its own shares on the market; the timing of these purchases depends on market prices. The board considers various options regarding the existing treasury shares as there is currently no specific intention or purpose for these shares other than improving returns on shareholder equity and enhancing earnings per share. The group does not have a defined share buy-back plan. However, depending on the availability of cash, prevailing market prices and committed capital expenditure, shares may be repurchased.

The board of directors determines the level of distributions to ordinary shareholders as well as the return on capital. There have been no changes to the group's approach to capital management during the year.

Liquidity risk management

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the group's reputation.

The group's liquidity risk is mitigated by the availability of funds to cover future commitments. The group has significant cash resources and access to capital.

The group has no formal significant credit facilities in place with its bankers. Given that the group has a favourable relationship and credit rating with its principal bankers and a strong statement of financial position, the board is of the view that credit could be secured to manage any short-term liquidity risk, if the need arose.

Significant liquid resources were held at year-end. The group had the following undrawn facilities available at 28 February:

	2019 R'000	2018 R'000
Unsecured bank overdraft facility, reviewed annually and payable on 360 days notice	**150 000**	160 000
Utilised	**–**	–
Unutilised	**150 000**	160 000
Secured loan facilities	**91 469**	160 000
Utilised	**91 649**	160 000
Unutilised	**–**	–
Other facilities – utilised	**–**	338

6. Financial risk management and net debt continued

6.1 Financial risk management continued

The contractual maturities of the financial liabilities are set out in note 6.5.

	2019 R'000	2018 R'000
Schedule of repayment of borrowings		
Undiscounted contractual cashflows		
Within 1 year	**19 935**	160 338
Within 1 to 5 years	**89 645**	–
Thereafter	**17 853**	–
	127 433	160 338

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the group's income or carrying values of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Foreign exchange risk

The group interacts with international suppliers and is exposed to foreign exchange risk arising from various currency exposures, mainly in that it imports merchandise for resale and raw materials used in manufacture. The currency in which transactions are entered into is mainly denominated in US Dollar (USD).

The group's presentation currency is South African rand, and while it has some small operations (retail stores) in neighbouring countries, these are not significant.

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency and from net investments in foreign operations. The group has limited exposure to foreign operations as its foreign operations comprise a small number of retail stores in neighbouring countries. The group's presentation currency is the South African rand.

The group uses foreign exchange contracts (FECs) transacted with commercial banks to manage foreign exchange risk arising from future commercial transactions and recognised assets and liabilities. Foreign exchange contracts are used to eliminate or reduce the exposure of the group's foreign currency denominated liabilities, and to hedge future transactions and cash flows. The group does not use forward cover contracts or other derivative contracts for speculative purposes.

Foreign currency exposure at statement of financial position date:

	2019	2018			
	USD	USD	AUD	GBP	EUR
Foreign exchange contracts	**3 990**	3 826	40	45	11
Exchange rates used for conversion of foreign denominated items	**14.77**	11.79	9.25	16.33	14.55
Rand value	**58 932**	45 109	370	735	160

Sensitivity

A 10% fluctuation on exchange rates will not have a material impact on profit and loss.

Interest rate risk

The group has interest-bearing assets that mainly consist of investments in money market accounts. The group's income and operating cash flows are substantially independent of changes in the market interest rates.

The group's interest rate risk arises from a mix of long-term and short-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates economically expose the group to fair value interest rate risk. The variable rates are influenced by movements in the prime rate.

The risk is managed by the group in light of the net cash position. Investments in equity securities accounted for as held-for-trading financial assets, trade and other receivable and trade and other payables are not exposed to interest rate risk. The variable rates are influenced by movements in the prime rate.

6.1 Financial risk management continued

Financial risk management techniques continued

Interest rate risk *continued*

Investments in equity securities accounted for as held-for-trading financial assets, trade and other receivable and trade and other payables are not exposed to interest rate risk.

At the reporting date the interest rate profile of the group's interest-bearing financial instruments was:

	2019 R'000	2018 R'000
Variable rate instruments		
Financial assets		
Cash and cash equivalents	–	1 691 662
Financial liabilities		
Borrowings	**(92 944)**	(160 338)

Sensitivity analysis

This sensitivity has been prepared using average rates for cash and borrowings for the financial year as the actual balances at 28 February are not representative of cash and borrowings during the year.

Impact on post tax profits		
1% increase	**(12 398)**	11 969

A decrease in interest rates would have an equal and opposite effect on profit after tax, on the basis that all other variables remained consistent.

Credit risk management

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the group's cash and short-term deposits, as well as trade and other receivables. The group is not exposed to significant credit risk arising from sales as the majority of sales are cash based.

To manage credit risk the group deposits the surplus cash with major banks with high-quality credit standing and maintains an appropriate spread of cash deposits between various financial institutions to limit exposure to any one counterparty. Consequently the board considers the residual credit risk relating to cash balances to be managed to an acceptable level.

The group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The group evaluates credit risk relating to customers on an ongoing basis. Customers' credit quality is assessed, taking into account their financial position, past experience and other factors, and a credit limit is assigned to each customer. The group establishes an allowance for impairment that represents the estimate of expected losses at the reporting date in respect of trade receivables. The group does not consider there to be any significant concentration of credit risk which has not been adequately provided for at the year-end.

6.2 Net finance income

	2019 R'000	2018 R'000
Finance income		
Interest received – on bank balances	**84 437**	128 481
Finance charges	**(12 858)**	(6 183)
Interest paid – financed assets	**(2 213)**	(418)
Interest paid – long-term borrowings	–	(5 363)
Interest paid – on bank overdrafts	**(1 407)**	–
Interest paid – short-term borrowings	**(9 227)**	(402)
Interest paid – other	**(11)**	–
Net finance income	**71 579**	122 298

6. Financial risk management and net debt continued

6.2 Net finance income continued

	2019 R'000	2018 R'000

Finance income and charges comprises interest receivable and payable on funds invested and borrowed. Finance income and charges are recognised using the effective interest method. Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the group and the amount of income can be measured reliably. Interest income is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

6.3 Cash and cash equivalents

	2019 R'000	2018 R'000
Bank balances and deposits	**1 088 145**	1 691 662

Bank balances and deposits comprise cash on hand, deposits held on call with banks and investments in money market instruments, all of which are available for use by the group unless otherwise stated. Bank balances, deposits and bank overdrafts are measured at cost.

6.4 Other financial liability

The group has the following put options that arose at acquisition:

	2019 R'000	2018 R'000
Put option liability to non-controlling interest – *level 3*	**48 000**	48 000

Where a minority shareholder has the right to put equity instruments of a subsidiary to another group entity, the group records a financial liability, being the present value of the estimate future purchase price for its obligation to pay the put option exercise price and derecognises the related non-controlling interest. This recognition occurs when the put option contract is signed. Where the put option is entered into as part of a business combination, the put option is accounted for as a financial liability and is recognised as a component of the consideration transferred.

Subsequent to this recognition, the put option liability is remeasured as a financial liability at fair value through profit or loss. When the put option is exercised, the amount paid by the group will be recognised as a reduction in the put option liability. If the put option is not exercised, the put option liability is reclassified as a non-controlling interest on the date when the option lapses.

ShelfLife Proprietary Limited (Shelflife) put option – Through a put arrangement, the group has the right to acquire and management has the right to sell all shares held by management in two tranches; the first option is exercisable after 1 March 2020 and the second put option after 1 March 2022. The option expires on 31 May 2025. As the put arrangement is a consequence of a business combination, it is accounted for as a financial liability and no non-controlling interest is recorded. The exercise price is based on a formula which is designed to approximate the fair value of the shares. The acquisition of the management shares will be performed on the basis of a multiple of profit after tax as set out in the audited financial results of Shelflife at the applicable years as mentioned above.

The put option is a level 3 fair value valuation.

Valuation technique

The value of the put option liability was determined using a profit multiple designed to approximate the fair value of the management shares' by review of the proportionate share of the profit after tax for the period ending 28 February 2019, the budgeted profit after tax for 2020 – 2022, discounted using a risk-adjusted discount rate.

Significant unobservable inputs	2019	2018
Profit after tax growth rates	**30% to 35%**	25% to 32%
Profit after tax multiple	**8.5 to 9.0**	9.0 to 9.5
Risk-adjusted discount rate	**16%**	16%

Inter-relationship between significant unobservable inputs and fair value measurement

The estimated fair value would increase (decrease) if:

– profit after tax were higher (lower); or

– the risk-adjusted discount rate were lower (higher)

6.5 Borrowings

	Nominal interest rate %	Financial year of maturity	2019 R'000	2018 R'000
Loans secured by mortgage bonds over fixed property (refer note 7.1)	10.3% – 11.5%	2023 – 2027	**90 315**	–
Loans secured by property, plant and equipment in terms of suspensive sale agreements (refer note 7.1)	10.0% – 10.3%	2020 – 2021	**1 334**	
Loans secured by moveable assets (refer note 7.1)	Jibar + 1.85%	2019	**–**	160 000
Unsecured borrowings		2021 – 2025	**1 295**	338
Borrowings			**92 944**	160 338
Less short-term portion of borrowings			**(18 105)**	(160 338)
Long-term portion of borrowings			**74 839**	–
Schedule of repayment of borrowings				
Within 1 year			**18 105**	160 338
Within 1 to 5 years			**59 668**	–
Thereafter			**15 171**	–
			92 944	160 338
Effective weighted average rate of interest on:				
South African borrowings excluding overdrafts			**10.21%**	Jibar +1.85%
Movement in borrowings				
Carrying value at the beginning of the year			**160 338**	–
Borrowings repaid			**(215 887)**	(17 850)
On acquisition of business			**148 831**	178 869
On restructuring of business			**(338)**	(681)
			92 944	160 338

Borrowings are initially measured at fair value net of transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method.

Loans are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability of at least 12 months after the reporting period.

7. Net operating assets

7.1 Property, plant and equipment

	2019 R'000	2018 R'000
Freehold land and buildings	**147 921**	15 746
Cost	**153 936**	18 996
Accumulated depreciation	**(6 015)**	(3 250)
Leasehold premises	**30 002**	11 332
Cost	**33 063**	12 711
Accumulated depreciation	**(3 061)**	(1 379)
Plant and equipment	**167 959**	25 475
Cost	**275 904**	56 313
Accumulated depreciation	**(107 945)**	(30 838)
Office equipment, furniture and fittings	**164 233**	127 406
Cost	**505 268**	428 873
Accumulated depreciation	**(341 035)**	(301 467)
Vehicles	**16 387**	10 264
Cost	**31 227**	20 137
Accumulated depreciation	**(14 840)**	(9 873)
Capital work-in-progress	**–**	8 732
	526 502	198 955
Movement in property, plant and equipment		
Carrying value at beginning of year	**198 955**	–
Capital expenditure	**155 316**	41 234
Freehold land and buildings	**14 698**	30
Leasehold premises	**1 251**	6 765
Plant and equipment	**39 051**	–
Office equipment, furniture and fittings	**95 798**	24 540
Vehicles	**4 518**	1 167
Capital work in progress	**–**	8 732
Acquisition of businesses	**258 648**	196 774
Freehold land and buildings	**118 994**	28 224
Leasehold premises	**20 471**	5 682
Plant and equipment	**107 893**	26 399
Office equipment, furniture and fittings	**6 971**	126 016
Vehicles	**4 319**	10 453
Disposals	**(5 676)**	(15 755)
Leasehold premises	**(9)**	(12 333)
Office equipment, furniture and fittings	**(5 006)**	(3 272)
Vehicles	**(661)**	(150)
Depreciation (refer note 3.3)	**(80 741)**	(23 298)
Carrying value at end of year	**526 502**	198 955

Property, plant and equipment are reflected at cost to the group, less accumulated depreciation and accumulated impairment losses. Land is stated at cost and is not depreciated. The present value of the estimated cost of dismantling and removing items and restoring the site in which they are located is provided for as part of the cost of the asset. Depreciation is provided for on the straight-line basis over the estimated useful lives of the property, plant, equipment and vehicles to anticipated residual values.

7.1 Property, plant and equipment continued

Estimated useful lives are:

Freehold buildings	20 years
Leasehold premises	Over the period of the lease to 25 years
Plant and equipment	3 to 15 years
Office equipment, furniture and fittings	4 to 6 years
Vehicles	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the group.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Property, plant and equipment with an estimated carrying value of R140.3 million (2018: R134.0 million) were pledged as security for borrowings of R91.6 million (2018: R160.0 million) (refer note 6.5).

A register of land and buildings is available for inspection by shareholders at the registered office of the company.

7.2 Intangible assets

	2019 R'000	2018 R'000
Trademarks	**784 833**	644 057
Cost	**785 253**	644 477
Accumulated amortisation and impairments	**(420)**	(420)
Computer software	**34**	70
Cost	**826**	821
Accumulated amortisation and impairments	**(792)**	(751)
Other intangible assets	**1 020**	–
	785 887	644 127
Movement in intangible assets		
Carrying value at beginning of year	**644 127**	–
Additions	**4 782**	58
Computer software	**4**	58
Other intangible assets	**1 020**	–
Trademarks	**3 758**	–
Acquisition of businesses	**136 945**	644 575
Trademarks	**136 945**	644 530
Computer software	**–**	45
Exchange rate adjustments	**74**	(53)
Trademarks	**74**	(53)
Amortisation (refer note 3.3)	**(41)**	(453)
Carrying value at end of year	**785 887**	644 127

Intangible assets other than goodwill acquired by the group are stated at cost less accumulated amortisation and accumulated impairment losses. Expenditure on research, internally generated goodwill and brands is recognised in the statement of profit or loss as an expense when incurred.

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Notes to the consolidated financial statements
for the year ended 28 February 2019

7. Net operating assets continued

7.2 Intangible assets continued

Amortisation is charged to the statement of profit or loss on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life are systematically tested for impairment at the reporting date. Other intangible assets are amortised from the date they are available for use.

The estimated useful lives are currently:

Trademarks	Indefinite
Computer software	Two to three years
Other intangible assets	Indefinite

Assessment of indefinite life trademarks

	2019 R'000	2018 R'000
The carrying amounts of the trademarks with indefinite lives are allocated to the following cash-generating units:		
Sport and Recreation	**563 480**	563 480
Beverages	**136 945**	–
Personal Care and Wellness	**84 408**	80 577
	784 833	644 057

Trademarks with indefinite lives include the following brands:

- Sportsmans Warehouse, Outdoor Warehouse, African Nature, Capestorm, First Ascent, Second Skins and Shelf Life;
- Fitch and Leedes and Score Energy; and
- the Sorbet brand.

All trademarks/brands are assessed with the below criteria when considering if the brand has an indefinite life:

- The trademarks can be managed effectively by another management team and are therefore not linked to the tenure of current management.
- Management does not intend to change the current brands identity or discontinue a product line.
- The brands are all well established within the areas of trading.
- The group's ongoing investment ensures that the above brands remain up to date, fashionable and relevant.

The directors evaluated the impairment of indefinite life intangible assets together with goodwill at the reporting date and concluded that no impairment loss was recognised as the recoverable amount exceeded the carrying amount of all cash-generating units (refer note 8.3).

7.3 Inventories

	2019 R'000	2018 R'000
Raw materials	**87 813**	35 095
Work in progress	**934**	5 716
Merchandise	**656 712**	546 485*
Finished goods	**96 995**	–
Goods-in-transit	**9 247**	17 350
Provision for inventory obsolescence	**(39 176)**	(24 283)
	812 525	580 363
Write-down of inventory to net realisable value charged to the income statement	**6 325**	713
Cost of inventories recognised as an expense during the period in the statement of profit and loss	**2 196 554**	466 220*
Movement in provision for inventory obsolescence:		
Balance at the beginning of the year	**24 283**	–
Utilised during the year	**(82)**	–
Provided during the year	**6 325**	713
On acquisition of business	**8 650**	23 570
Balance at year-end	**39 176**	24 283

**Refer to note 3.2.*

7.3 Inventories continued

Inventories are stated at the lower of cost and estimated net realisable value.

Estimated net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of raw materials and finished goods is determined on either the first-in first-out or average cost basis. The cost of manufactured inventory and work-in-progress includes materials, direct labour, other direct costs and includes an appropriate portion of overheads, but excludes interest expense. The carrying amount of inventory is recognised as an expense in the period in which the related revenue is recognised.

7.4 Trade and other receivables

	2019 R'000	2018 R'000
Trade receivables	**263 736**	32 854
Expected loss allowance	**(4 585)**	(815)
Accrued discounts and rebates	**(5 097)**	–
Net trade receivables	**254 054**	32 039
Prepayments	**27 142**	23 766
Other receivables	**7 789**	7 038
Value added tax receivable	**2 783**	3 799
	291 768	66 642

Trade receivables consist of a widespread customer base. The majority of sales in the retail business are to retail customers and settled in cash or using major credit cards. Where appropriate ongoing credit evaluation is performed by the operational management on the financial condition of the operation's customers.

Trade receivables are measured initially at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit and loss by using the ECL model. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate method.

The directors consider that the carrying amounts of trade receivables and other current assets approximate their fair values due to the short-term nature of these assets. The total amount receivable represents the maximum exposure to the credit risk for trade receivables and other current assets.

There is no significant concentration of credit risk.

Included in the group's trade receivables balance are debtors with a carrying value of R4.6 million (2018: R0.8m) which are past due. At the reporting period, specific provision has been made for these debtors. These amounts are still considered recoverable. The group does not hold any collateral over these balances.

In determining the recoverability of a trade receivable, the group considers any change in the credit quality of the trade receivable from the date the credit was initially granted up to the reporting date. With the exception of a few trade debtors, the concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the impairment allowance.

An allowance of R4.6 million (2018: R0.8 million) has been made for estimated irrecoverable amounts from the sale of goods, franchise fees and royalty income.

The review of the impairment allowances in respect of trade and other receivables is monitored under the oversight of the operational management teams. The operations' average credit period depend on each operation's trends as well as the credit worthiness of their customers. The majority of the customers are either cash customers or have a credit period of 30 days from statement date. The largest impairment raised for a specific trade receivable was obtained for each reporting operation and calculated as a percentage of the group's total impairment allowance. It was determined that such percentage did not exceed 8.4% (2018: 12.8%) of the total allowance raised at year-end.

7. Net operating assets continued

7.4 Trade and other receivables continued

The group measures the loss allowance for trade receivables on an individual basis. The ECL rates are based on historical credit loss experienced during the period, adjusted to reflect current and forward looking information on macro economic factors affecting the ability of the debtor to settle the receivable at the current reporting date. The group has recognised a loss allowance against all receivables because historical experience has indicated that these receivables are generally not recoverable.

There has been no change in estimation techniques or significant assumptions made during the current reporting year.

The following table details the risk profile of trade receivables. As the group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for credit losses is therefore based on past due status without disaggregating into further risk profiles. The directors consider the balances past due but not impaired to be recoverable.

	ECL rate %	2019 R'000	2018 R'000
Ageing of past due but not impaired receivables			
Current	0.044%	**182 330**	19 531
30 days or less	0.053%	**66 311**	9 544
30 – 90 days	0.116%	**8 180**	2 134
90 – 180+ days	3.428%	**2 330**	830
Total		**259 151**	32 039
Movement in impairment allowance in respect of trade receivables			
Balance at the beginning of the year		**(815)**	–
Allowances raised during the year		**(123)**	(180)
Bad debts written off during the year		**10**	184
Acquisition of businesses		**(9 366)**	(819)
Allowances reversed during the year		**5 709**	–
Balance at the end of the year		**(4 585)**	(815)

7.5 Trade and other payables

	2019 R'000	2018 R'000
Trade payables	**304 584**	108 023
Deferred income	**28 006**	23 571
Forward exchange contracts liability	**1 631**	5 334
Accrued expenses	**77 522**	39 259
SARS excise duty and sugar beverage levy	**39 371**	–
Salary and wage related creditors	**41 958**	18 576
Short-term portion of operating lease smoothing accrual	**137**	284
Value added tax liability	**4 286**	5 330
	497 495	200 377

The majority of trade and other payables mainly consist of amounts outstanding for trade purchases and ongoing costs.

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Deferred income relates to prepaid gift cards which can be redeemed as cash against future purchases. Gift cards are redeemable on demand and expire three years after the purchase date. The balance outstanding at the end of the year represents the fair value of the revenue received in advance.

The directors consider that the carrying amounts of trade payables and other current liabilities approximates their fair values.

7.6 Segmental operating assets and liabilities

	Sport and Recreation	Beverages	Personal Care and Wellness	Corporate	Total Group
For the year ending 28 February 2019					
Segmental assets	**649 632**	**764 917**	**202 327**	**5 016 935**	**6 633 811**
Inter-group eliminations					**(837 148)**
					5 796 663
Segmental liabilities	**393 416**	**664 080**	**109 440**	**595 500**	**1 762 436**
Inter-group eliminations					**(837 148)**
					925 288
Segmental capital expenditure					
Spent on expansion	**22 100**	**60 532**	**1 875**	**83**	**84 590**
Spent on replacement	**68 858**	**868**	**1 000**	**–**	**70 726**
	90 958	**61 400**	**2 875**	**83**	**155 316**
For the year ending 28 February 2018					
Segmental assets	3 962 188	101 146	104 573	5 095 365	9 263 272
Inter-group eliminations					(4 118 895)
					5 144 377
Segmental liabilities	2 968 997	26 411	39 225	1 704 776	4 739 409
Inter-group eliminations					(4 118 895)
					620 514
Segmental capital expenditure					
Spent on expansion	5 512	8 774	62	7 583	21 931
Spent on replacement	–	19 003	300	–	19 303
	5 512	27 777	362	7 583	41 234

7.7 Operating leases

	2019 R'000	2018 R'000
Operating lease smoothing accrual	**48 163**	47 637
Less short-term portion included in trade and other payables	**(137)**	(284)
Long-term portion	**48 026**	47 353
Operating lease commitments		
Land and buildings	**692 206**	617 439
Due in one year	**167 486**	155 772
Due after one year but within five years	**474 693**	394 569
Due after five years	**50 027**	67 098
Less amounts raised as liabilities	**(48 163)**	(47 637)
	644 043	569 802

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

Leases which have fixed determinable escalations are charged to the statement of profit or loss on a straight-line basis and liabilities are raised for the difference between the actual lease expense and the charge recognised in the statement of profit or loss. The liabilities are classified based on the timing of the reversal which will occur when the actual cash flow exceeds the statement of profit or loss amounts.

7. Net operating assets continued

7.8 Capital commitments

The board of directors' policy is to maintain a strong capital base so as to sustain future growth of the business so that it can continue to generate benefits to its shareholders.

	2019 R'000	2018 R'000
Capital expenditure approved:		
Contracted for	**37 992**	17 500
Not contracted for	**166 266**	89 700
	204 258	107 200

Capital expenditure is in respect of property, plant and equipment, and it is anticipated that capital expenditure will be financed out of existing cash resources.

8. Acquisitions and goodwill

8.1 Acquisition of subsidiaries

During the reporting year, the group acquired the following subsidiaries:

- With effect 1 March 2018, the group acquired 100% of Chill Beverages, a leading producer, packer and distributor of a range of beverages.
- Effective 1 September 2018, L4L through a 59% stake in newly established L4L Health, acquired 61% of the ClaytonCare Group. ClaytonCare is a sub-acute rehabilitation medical group which is located in two facilities in Gauteng.
- The group made a number of smaller acquisitions during the year, including 100% of Lime Light with effect 1 March 2018, a company that distributes hair and beauty products and equipment to professional salons.

The acquisitions were funded through a combination of cash and shares as set out below.

Goodwill represents the value paid in excess of the fair value of the acquisitions. This consists largely of the values assigned to the unique operating models, future growth and future market development of the businesses acquired. The benefits are not separately recognised from goodwill because they do not meet the recognition criteria for identifiable intangible assets. The acquisitions have enabled the group to further establish its presence in the lifestyle sector and as a consequence, has broadened the group's base in the market place.

The group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The group has measured the identifiable assets and liabilities of the acquisitions at their acquisition date fair values as presented below.

8.1 Acquisition of subsidiaries continued

The impact of these acquisitions on the group's results is summarised below:

	2019			
	Chill Beverages R'000	ClaytonCare R'000	Other R'000	Total R'000
Property, plant equipment	235 480	2 538	20 630	258 648
Trademarks	136 945	–	–	136 945
Other investments and loans	347	(24)	–	323
Inventories	121 670	323	6 152	128 145
Trade and other receivables	166 307	18 645	3 022	187 974
Cash and cash equivalents	22 683	14 582	878	38 143
Borrowings	(143 170)	(1 607)	(4 054)	(148 831)
Trade and other payables	(224 100)	(7 237)	(345)	(231 682)
Deferred taxation	(57 178)	879	(1 754)	(58 053)
Taxation	(7 796)	(1 033)	292	(8 537)
Total identifiable net assets at fair value	**251 188**	**27 066**	**24 821**	**303 075**
Cash	367 539	39 869	48 728	456 136
Issue of shares	125 295	–	3 846	129 141
Deferred consideration	–	–	5 450	5 450
Consideration transferred	**492 834**	**39 869**	**58 024**	**590 727**
Consideration transferred	492 834	39 869	58 024	590 727
Non-controlling interest	–	37 596	–	37 596
Less: Identifiable assets at fair value	(251 188)	(27 066)	(24 821)	(303 075)
Goodwill arising at acquisition	**241 646**	**50 399**	**33 203**	**325 248**
Consideration paid in cash	(367 539)	(39 869)	(48 728)	(456 136)
Cash acquired	22 683	14 582	878	38 143
Costs incurred in respect of acquisitions	(1 798)	(572)	(170)	(2 540)
Cost incurred in respect of potential acquisitions	–	–	(5 599)	(5 599)
Net amounts paid	**(346 654)**	**(25 859)**	**(53 619)**	**(426 132)**
Contribution to results for the year				
Revenue	1 205 632	42 513	28 237	1 276 382
Trading profit	96 884	4 455	5 006	106 345

As all the acquisitions save for ClaytonCare were acquired effective 1 March 2018 and were therefore included in the results for the 12 months, the directors consider the financial statements to represent an approximate measure of the performance of the combined group for the full year. The group holds an effective 36% of ClaytonCare and results from this acquisition are not significant in relation to the group performance.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at acquisition date. The group recognises any non-controlling interest, at the non-controlling interest's proportionate share of the subsidiary's net assets on an acquisition-by-acquisition basis. When a business combination is achieved in stages, the group's previously held equity interest in an entity is remeasured to its acquisition date fair value and the resulting gain or loss recognised in profit or loss. The excess of the consideration transferred, the amount of any non-controlling interest in the entity and the acquisition date fair value of any previous equity interest in the business over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss as a bargain purchase gain.

8. Acquisitions and goodwill continued

8.1 Acquisition of subsidiaries continued

L4L acquired 100% of Holdsport, Sorbet and Inhle during the 2018 financial period. The effective date of each of these transactions was 1 November 2017 and were funded through a combination of cash and shares. Goodwill arose on the acquisitions as the anticipated value to the group exceeded the fair value of the net assets acquired. The consideration paid for the business combinations effectively included amounts in relation to the benefit of revenue growth and future market development of Holdsport, Sorbet and Inhle.

The impact of these acquisitions on the group's results is summarised below:

	2018			
	Holdsport R'000	**Sorbet R'000**	**Inhle R'000**	**Total R'000**
Property, plant equipment	145 585	7 981	43 208	196 774
Trademarks	563 900	80 630	–	644 530
Other intangible assets	–	45	–	45
Other investments and loans	92 790	–	–	92 790
Inventories	598 381	5 812	5 341	609 534
Trade and other receivables	41 782	9 716	16 136	67 634
Cash and cash equivalents	12 139	(5 294)	41 511	48 356
Straight lining of leases	(44 676)	(465)	–	(45 141)
Borrowings	(160 000)	(331)	(18 538)	(178 869)
Put option liability	(48 000)	–	–	(48 000)
Trade and other payables	(180 017)	(27 954)	(15 651)	(223 622)
Provisions	–	(136)	(2 000)	(2 136)
Deferred taxation	(140 256)	(17 679)	(4 043)	(161 978)
Taxation	12 067	52	(7 878)	4 241
Total identifiable net assets at fair value	893 695	52 377	58 086	1 004 158
Cash	181 613	39 820	214 848	436 281
Issue of shares	2 203 907	75 150	56 916	2 335 973
Fair value of previously held interest	45 408	–	–	45 408
Inter-group loan	92 790	–	–	92 790
Deferred consideration				
Consideration transferred	2 523 718	114 970	271 764	2 910 452
Consideration transferred	2 523 718	114 970	271 764	2 910 452
Non-controlling interest	6 355	14 957	–	21 312
Less: Identifiable assets at fair value	(893 695)	(52 377)	(58 086)	(1 004 158)
Goodwill arising at acquisition	1 636 378	77 550	213 678	1 927 606
Consideration paid in cash	(181 613)	(39 820)	(214 848)	(436 281)
Cash acquired	12 139	(5 294)	41 511	48 356
Costs incurred in respect of acquisitions	(8 269)	(1 703)	(1 412)	(11 384)
Net amounts paid	(177 743)	(46 817)	(174 749)	(399 309)
Contribution to results for the year				
Revenue	791 597*	32 769	60 384	884 750*
Trading profit	133 722	8 261	22 621	164 604

** Refer to note 3.2.*

Had these acquisitions been effective from 1 April 2017, the revenue of the group would have been R2.1 billion and the profit before taxation would have been R407.6 million for period ended 28 February 2018. The directors consider this to represent an approximate measure of the performance of the combined group for the full 11 months. In determining the profit before taxation on this basis the directors have excluded once off pre-acquisition costs not associated with ordinary operating activities.

8.2 Goodwill

	2019 R'000	2018 R'000
Carrying value at the beginning of the year	**1 927 606**	–
Acquisition of businesses	**325 248**	1 927 606
Carrying value at the end of the year	**2 252 854**	1 927 606
The carrying value of goodwill was allocated to the following cash-generating units:		
Sport and Recreation	**1 636 378**	1 636 378
Beverages	**469 951**	213 678
Personal Care and Wellness	**146 525**	77 550
	2 252 854	1 927 606

Goodwill arising on acquisition of a business is carried at cost, as established at the date of the acquisition of the business, less accumulated impairment losses. Goodwill is tested annually for impairment. For the purposes of impairment testing, goodwill is allocated to each of the group's cash-generating units that are expected to benefit from the synergies of the business combination. Goodwill is monitored at an operating segment level.

Goodwill acquired through business combinations, is allocated for impairment testing purposes to cash-generating units (CGU) which reflect how it is monitored for internal management purposes, namely the various segments of the group. The carrying amount of goodwill was subject to an annual impairment test using either the fair value less costs to sell method or the discounted cash flow method. The recoverable amount was determined by using the higher of the fair value less costs to sell and the discounted cash flow for each CGU.

There were no goodwill impairments recorded during the year. (2018: nil)

8.3 Impairment assessment: Indefinite life intangible assets and goodwill

In accordance with the group's accounting policies, impairment tests on intangible assets with indefinite lives and goodwill is performed annually or whenever there is an indication of impairment. In this regard, the directors determined the recoverable amounts of the cash-generating units to which the trademarks and goodwill are allocated (refer to note 7.2 and 8.2), based on their values in use.

The valuation is based on a projected sustainable cash flows methodology, the latest budgets and forecasts are utilised. A five-year time horizon is used to project the cash flows. Cash flows are discounted using a discounting factor, which was determined taking into account both systematic and unsystematic risks.

The following key assumptions have been applied to calculate the recoverable amount of the cash-generating units based on a value in use:

- Profit before depreciation growth rates: Profit before depreciation growth rates are based on actual growth rates achieved to date, the 2020 budget and projected growth rates for the sector by the cash-generating units as follows:
  - Holdsport – Profit before depreciation growth rates of 5.8% derived from revenue growth rates of 6.4% and expenditure growth of 6.9%, for the forecast period of four years
  - Chill – Profit before depreciation growth rates of 14.7% derived from revenue growth rates of 10.9% and expenditure growth of 9.5%, for the forecast period of four years
  - Inhle – Profit before depreciation growth rates of 6.8% derived from revenue growth rates of 9.3% and expenditure growth of 13.2%, for the forecast period of four years
  - Sorbet – Profit before depreciation growth rates of 11.2% derived from revenue growth rates of 18.7% and expenditure growth of 9.1%, for the forecast period of four years
- Growth of 5.5% in capital expenditure and working capital changes were estimated after consideration of the approved budget for the year ahead in line with historical movement after adjusting for non-recurring major projects.
- Post-tax cash flows were discounted at a post-tax discount rate of between 13.75% and 16.85%, being the risk-free rate of 9.3% (the R186 South African Government Bond rate) adjusted for risk factors.
- Long-term growth rates: These rates are based on the longer-term inflation expectations. Growth in perpetuity of cash flows beyond the five-year forecast horizon was estimated at 5%.

8. Acquisitions and goodwill continued

8.3 Impairment assessment: Indefinite life intangible assets and goodwill continued

No impairment loss was recognised as the recoverable amount exceeded the carrying amount of all cash-generating units as at 28 February 2019. Due to valuations of the fair values of subsidiaries acquired in the prior period being finalised close to the period end as part of the purchase price allocation in terms of IFRS 3: *Business Combinations* and no impairment indicators existed at the time. No impairment testing was performed in the prior period.

The assumptions above have been used to calculate the recoverable amount of the cash-generating units based their value in use or fair value less cost to sell.

	2019 R'000	2018 R'000

9. Investments

9.1 Interest in associate

	2019 R'000	2018 R'000
Investment in unlisted associate at cost		
Veldskoen (Proprietary) Limited	**5 000**	–
Attributable share of post-acquisition losses of associate		
Share of current year losses	**(1 572)**	–
	3 428	–

An associate is a company over which the group has significant influence, but not control. Significant influence is the power to participate in the financial and operating policy decisions of a company but is not control over those policies.

The equity method of accounting for associates is adopted in the group financial statements. In applying the equity method, account is taken of the group's share of accumulated retained earnings and movements in reserves from the effective dates on which the companies became associates and up to the effective dates of disposal. In the event of associates making losses, the group recognises the losses to the extent of the group's exposure.

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated. Unrealised gains arising from equity accounted investees are eliminated against the investment to the extent of the group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

A list of the group's associates, their country of incorporation and principal place of business, the group's percentage shareholding and an indication of their nature of business is included in note 11.4.

The associate is considered to be insignificant, thus no summarised financial information is supplied in these financial statements.

9.2 Investments and loans

	2019 R'000	2018 R'000
Listed investments held at fair value through profit and loss	**5 776**	22 982
Unlisted loans held at amortised cost	**269**	–
	6 045	22 982
Fair value hierarchy of investments		
Investments held at fair value as determined on inputs based on:		
Unadjusted quoted prices in an active market for identical assets – *level 1*	**5 776**	22 982

A register of the investments is available for inspection by shareholders at the registered office of the company.

10. Remuneration

10.1 Share-based payments

L4L's current management share incentive plans comprise of a Share Appreciation Rights Plan (SARs), a Conditional Share Plan (CSP) and a Forfeitable Share Plan (FSP).

Forfeitable Share Plan (FSP)

Forfeitable share awards which are made to qualifying participants grants such participants a right to own the shares in L4L awarded to the participant, subject to certain predetermined conditions and targets. FSPs participants were granted share awards that vest in tranches after three years (75%) and four years (25%), referred to below as tranche 1 and tranche 2 respectively.

Participants to this scheme were awarded forfeitable shares in terms of the L4L forfeitable share plan, approved by shareholders on 27 August 2018.

These awards carry voting rights attributable to ordinary shareholders and entitle participants to the scheme to dividends during the performance period. The fair value of services received in return for the forfeitable share awards has been determined by multiplying the number of forfeitable share awards expected to vest, by the share price at the date of the award discounted by anticipated future distribution flows. A total number of 5.32 million of the 5.6 million FSP awards to executives are expected to vest, taking into account the performance of the group to date and forecasts to the end of the performance period, against the targets set at the time of the award.

The number of forfeitable share awards to executives and employees in terms of the FSP are:

FSP awards

	Group executive FSP Number	Divisional executives FSP Number	Employee FSP Number	Total FSP Number
Tranche 1 – vesting 31 October 2021	4 575 000	2 756 025	2 568 584	9 899 609
Tranche 2 – vesting 31 October 2022	1 525 000	918 675	856 195	3 299 870
	6 100 000	3 674 700	3 424 779	13 199 479

The fair value of the share awards granted on 1 November 2018 and the assumptions used are:

	Group executive FSP	Divisional executives FSP	Employee FSP
Fair value at measurement date (Rand)	4.14	4.26	4.39
Expected volatility (%)	37.71%	37.71%	–
Option life (years)	4	4	4
Distribution yield (%) – tranche 1	4.49%	4.49%	4.49%
Distribution yield (%) – tranche 2	4.50%	4.50%	4.50%
Risk-free interest rate (%) – tranche 1	7.73%	7.73%	7.73%
Risk-free interest rate (%) – tranche 2	7.90%	7.90%	7.90%

The volatility was calculated using the exponentially weighted moving average volatility method. Since L4L is newly listed, insufficient share price history exists and hence, a proxy company was used to calculate an appropriate volatility for the valuation of the FSPs.

61 676 of the forfeitable share awards made in terms of the employee FSP were forfeited during the current year. The average discounted share price used in the calculation of the share-based payment charge on the forfeitable share awards allotted during the year is R4.14, R4.26 and R4.39 per share for the group executive, divisional executive and general employee awards respectively.

The fair value of services received in return for share awards granted is measured based on a Monte Carlo model as it best captures the path dependent nature and specific features of these awards.

The L4L share incentive awards enables share award participants to acquire shares in the holding company, L4L. The fair value of share awards granted is recognised as an employee expense with a corresponding increase in equity. All L4L share incentive awards are treated as equity-settled share-based payment schemes at a group and subsidiary level. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the share awards.

10. Remuneration continued

10.1 Share-based payments continued

The fair value of the options is measured using a binomial model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the number of awards for which related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

Conditional Share Plan (CSP)

Conditional share awards which are made to selected executives of L4L grants such executives a conditional right to receive shares in L4L free of any cost, subject to certain predetermined conditions and targets. CSPs participants were granted share awards that vest in tranches after three years (75%) and four years (25%) respectively.

Executive directors were awarded conditional share awards in terms of the CSP, approved by shareholders on 29 March 2017. Initial performance conditions and targets were determined and set at the time of the company's listing and awards made as set out below. The performance conditions and targets associated with the CSP awards were set prior to the group's listing and prior to any acquisitions being made and are thus neither reflective nor a fair measure of the group's performance to date. It is thus unlikely that the awards made will vest. Notwithstanding this, in terms of IFRS 2 as the CSPs are based on market-related performance indicators, the expense associated with these awards is fully raised.

The CSP has since been discontinued and replaced by a Forfeitable Share Plan (FSP) which will be used for long-term incentives in future. Accordingly, no further awards will be made in terms of the CSP.

These share awards do not carry voting rights attributable to ordinary shareholders. The fair value of services received in return for the conditional share awards has been determined by multiplying the number of conditional share awards expected to vest, by the share price at the date of the award discounted by anticipated future distribution flows.

The number of conditional share awards in terms of the CSP are:

CSP awards

	2019		2018	
	Number	Spot Price R	Number	Spot Price R
Beginning of the year	**20 600 000**		–	
Granted	**–**		20 600 000	
April 2017	**–**	**5.00**	12 600 000	5.00
June 2017	**–**	**6.13**	7 000 000	6.13
February 2018	**–**	**5.56**	4 000 000	5.56
Forfeited	**(2 000 000)**		(3 000 000)	
End of the year	**18 600 000**		20 600 000	
Share awards outstanding by end of year of grant were:	**18 600 000**		20 600 000	

The fair value of the share awards granted on the below mentioned dates and the assumptions used are:

	1 Apr 2017	15 Jun 2017	14 Feb 2018
Fair value at measurement date (Rand)	2.45	4.34	2.77
Expected volatility (%)	23.36%	21.02%	23.39%
Option life (years)	7	7	7
Distribution yield (%)	3.16%	2.78%	2.95%
Risk-free interest rate (based on South African Government Bonds) (%)	7.44%	7.05%	7.12%

The volatility was calculated using the exponentially weighted moving average volatility method. Since L4L is newly listed, insufficient share price history exists and hence, a proxy company was used to calculate an appropriate volatility for the valuation of the CSPs.

During the current period 2 000 000 conditional share awards were forfeited (2018: 3 000 000) as a result of the resignation of a director. The average discounted share price used in the calculation of the share-based payment charge on the conditional share awards allotted during the year is R2.88 per share.

10.1 Share-based payments continued

The fair value of services received in return for share awards granted is measured based on a Monte Carlo model as it best captures the path dependent nature and specific features of these awards.

The L4L share incentive awards enable share award participants to acquire shares in the holding company, L4L. The fair value of share awards granted is recognised as an employee expense with a corresponding increase in equity. All L4L share incentive awards are treated as equity-settled share-based payment schemes at a group and subsidiary level. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the share awards.

The fair value of the options is measured using a binomial model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the number of awards for which related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

Share Appreciation Rights Plan (SARs)

SARs participants were granted share awards (Awards) that vest in tranches after three years (50%), four years (25%) and five years (25%) respectively. The exercise price for the SAR award is determined using the closing price of the L4L share on the Johannesburg Stock Exchange, for the business day immediately preceding the award date. Awards not exercised within a seven-year period following the award date, lapse. The scheme has been classified as an equity-settled scheme, and therefore an equity-settled share-based payment reserve has been recognised. Participants are only entitled to exercise their awards if they are in the employment of the group in accordance with the terms of the SAR plan rules, unless otherwise recommended by the nomination and remuneration committee.

The number and weighted average exercise prices of the SAR are:

SAR awards

	2019		2018	
	Number	Average price	Number	Average price
Beginning of the year	**7 050 606**	**R4.46**	–	–
Granted	**–**	**–**	7 050 606	R4.46
Forfeited	**(275 000)**	**–**	–	–
End of the year	**6 775 606**	**R4.46**	7 050 606	R4.46
Share awards outstanding by end of year of grant were:	**6 775 606**	**R4.46**	7 050 606	R4.46

The awards outstanding at 28 February 2019 have a weighted average strike price of R4.46 (2018: R4.46) contractual life of six years from the grant date (2018: seven years). The fair value of services received in return for share awards granted is measured based on a modified binomial tree model. The contractual life of the awards is used as an input into this model.

The fair value of the share awards granted on the below mentioned dates and the assumptions used are:

	1 Nov 2017	18 Dec 2017	7 Feb 2018
Fair value at measurement date (Rand)	1.18	1.29	1.53
Strike price (Rand)	5.01	4.21	5.29
Expected volatility (%)	17.51%	20.28%	22.57%
Option life (years)	7	7	7
Distribution yield (%)	4.02%	4.39%	3.34%
Risk-free interest rate (based on South African Government Bonds) (%)	8.03%	8.09%	7.67%

During the current year 275 000 share awards were forfeited (2018: nil) as a result of performance conditions not being met. The volatility was calculated using the exponentially weighted moving average volatility method. Since L4L is newly listed, insufficient share price history exists and hence, a proxy company was used to calculate an appropriate volatility for the valuation of the SARs.

10. Remuneration continued

10.2 Remuneration of directors

Directors' remuneration

The remuneration paid to executive directors while in office of the company during the period ended is analysed as follows:

	2019 R'000 Total	2019 R'000 Basic salary	2019 R'000 Bonus 2018 financial period[1]	2018 R'000 11 months Basic salary
Remuneration and benefits paid to directors by the company				
Director				
Brian Joffe[2]	**10 200**	**5 200**	**5 000**	4 584
Colin Datnow[3]	**3 870**	**3 120**	**750**	500
Kevin Hedderwick	**–**	**–**	**–**	1 269
Mireille Levenstein[5]	**1 650**	**1 650**	**–**	–
Peter Riskowitz[6]	**5 320**	**3 430**	**1 890**	3 150
Total	**21 040**	**13 400**	**7 640**	9 503

[1] *Bonuses paid relate to performance in the 2018 financial period.*

[2] *As previously approved by shareholders Brian Joffe's executive remuneration is settled by way of a share issue of 250 000 shares on a quarterly basis at R5 per share. An annual increase has been provided in cash.*

[3] *Colin Datnow was appointed as an executive director on 1 January 2018.*

[5] *Mireille Levenstein was employed on 1 September 2018 and appointed as an executive director from 15 October 2018.*

[6] *Peter Riskowitz resigned on 30 November 2018 and received an ex gratia payment of R500 000 which was included in his basic salary.*

Share-based payment expense (forfeiture)

	2019			2018 11 months
	R'000 Total	R'000 CSP	R'000 FSP	R'000 Total
Director				
Brian Joffe	**10 837**	**10 646**	**191**	7 851
Colin Datnow	**1 913**	**1 722**	**191**	56
Mireille Levenstein	**636**	**–**	**636**	–
Peter Riskowitz[1]	**(1 827)**	**(1 827)**	**–**	1 827
Total	**11 559**	**10 541**	**1 018**	9 734

[1] *All CSP awarded to Peter Riskowitz were forfeited on his resignation*

10.2 Remuneration of directors continued

Share plan awards

	CSP Number of awards			
	Balance at 28 February 2019	Awarded during the year	Forfeited during the year	Balance at 1 March 2018
Director				
Brian Joffe	**12 600 000**	**–**	**–**	12 600 000
Colin Datnow	**2 000 000**	**–**	**–**	2 000 000
Mireille Levenstein	**–**	**–**	**–**	–
Peter Riskowitz[1]	**–**	**–**	**(2 000 000)**	2 000 000
Total	**14 600 000**	**–**	**(2 000 000)**	16 600 000

[1] *All CSP awarded to Peter Riskowitz were forfeited on his resignation*

	FSP Number of awards			
	Balance at 28 February 2019	Awarded during the year	Forfeited during the year	Balance at 1 March 2018
Director				
Brian Joffe	**600 000**	**600 000**	**–**	–
Colin Datnow	**600 000**	**600 000**	**–**	–
Mireille Levenstein	**2 000 000**	**2 000 000**	**–**	–
Peter Riskowitz[1]	**–**	**–**	**–**	–
Total	**3 200 000**	**3 200 000**	**–**	–

Directors and other related fees

The remuneration paid to non-executive directors (including VAT) while in office of the company during the year ended 28 February 2019 is analysed as follows:

	Directors' fees (including VAT) R'000	Fees for other services (including VAT) R'000	2019 (including VAT) R'000	11 months 2018 R'000
Non-executive director				
Colin Datnow [1]	**–**	**–**	**–**	440
Graham Dempster	**345**	**–**	**345**	417
Keneilwe Moloko	**222**	**–**	**222**	70
Lionel Jacobs	**409**	**–**	**409**	490
Syd Muller[2]	**332**	**818**	**1 150**	137
Tasneem Abdool-Samad	**497**	**–**	**497**	576
Total	**1 805**	**818**	**2 623**	2 130

[1] *Colin Datnow's status was changed from non-executive director to that of executive director on 1 January 2018*

[2] *Fees received for consulting services provided to the Sport and Recreation division*

Prescribed officers

The group has no prescribed officers. Due to the nature and decentralised structure of the group, the directors have concluded that there is no single executive who exercises general executive control and/or management of the whole or a significant portion of the business and activities of the group.

	2019 R'000	2018 R'000

11. Equity, distributions and group information

11.1 Capital and reserves attributable to shareholders of the company

	2019 R'000	2018 R'000
Stated capital		
Balance at beginning of the year	**4 339 723**	*
	134 141	4 339 723
Shares issued pursuant to listing on the JSE	**–**	2 000 000
Shares issued for business acquisitions	**129 141**	2 335 973
Shares issued for executive remuneration	**5 000**	3 750
Less: Shares held by subsidiary as treasury shares	**(159 573)**	–
Balance at the end of the year	**4 314 291**	4 339 723
** Amount below R1 000.*		
Reserves		
Transactional costs for issuing equity instruments	**(20 435)**	(20 435)
Foreign currency translation reserve	**(385)**	(393)
Equity-settled share-based payment reserve	**41 068**	15 371
Retained earnings	**471 097**	168 818
Deferred consideration	**5 450**	–
Total reserves	**496 795**	163 361
Total capital and reserves comprise		
Amounts attributable to shareholders of the company	**4 811 086**	4 503 084
Amounts attributable to non-controlling interests	**60 289**	20 779
	4 871 375	4 523 863

Stated capital and treasury shares

No par value ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new no par value ordinary shares are deducted against the stated capital account.

Shares in the company, held by its subsidiary, are classified as the group's shareholders' interest as treasury shares. These shares are treated as a deduction from the issued and weighted average number of shares. The cost price of the treasury shares is presented as a deduction from total equity. Distributions received on treasury shares are eliminated on consolidation.

Incremental costs directly attributable to the issuance of new no par value ordinary shares are deducted from the stated capital account.

Foreign currency translation reserve

The translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations.

Equity-settled share-based payment reserve

The equity-settled share-based payment reserve includes the fair value of the SAR, FSP and CSP awards granted to executive directors and staff, which have been recognised over the vesting period at fair value with a corresponding expense recognised in the statement of profit or loss.

Deferred consideration

The deferred consideration entitles the previous owner of the business to obtain an earn-out payment based on a predetermined number of L4L shares on contracted dates. Any excess or shortfall is charged directly in retained earnings on the statement of changes in equity.

11.1 Capital and reserves attributable to shareholders of the company continued

Authorised
4 000 000 000 ordinary shares of no par value
(2018: 4 000 000 000 ordinary shares of no par value)

Issued
913 909 909 ordinary shares of no par value
(2018: 889 775 767 ordinary shares of no par value)

Treasury shares

During the year, group subsidiaries acquired 36 389 582 (2018: 134 103) Long4Life Limited shares at an average cost of R4.38 (2018: R0) per share, totalling R159.6 million (2018: nil).

A total of 13 199 478 of the company's shares are held in escrow on behalf of participants of the L4L Forfeitable Share Plan (refer note 10.1), at a cost of R59.3 million.

At the reporting date, the group owned 36 523 695 (2018:134 103), Long4Life Limited shares held by subsidiaries, at a total cost of R159.6 million (2018: Nil).

Reconciliation of number of shares in issue	2019 Number	2018 Number
Balance at beginning of the year	**889 775 767**	100
	24 134 142	889 775 667
Shares issued for listing on the JSE	**–**	405 000 000
Shares issued for business acquisitions	**23 134 142**	484 025 667
Shares issues for executive remuneration	**1 000 000**	750 000
	913 909 909	889 775 767
Less: Treasury shares	**(36 523 695)**	(134 103)
Balance at the beginning of the year	**(134 103)**	–
Acquired during the year	**(36 389 592)**	(134 103)
	877 386 214	889 641 664

A total of 67 996 332 unissued no par value ordinary shares are under the control of the directors until the next annual general meeting.

11.2 Dividends paid

	2019 R'000	2018 R'000
Ordinary shareholders of the company		
Final dividend paid of 5.4 cents per share (2018: nil)	**49 233**	–
Non-controlling interests	**2 557**	739
	51 790	739

11.3 Net asset value and tangible net asset value per share

	2019	2018
Equity attributable to ordinary shareholders of the company (R'000)	**4 811 086**	4 503 084
Ordinary no par value shares in issue net of treasury shares ('000)	**877 386**	889 642
Net asset value per share attributable to ordinary shareholders of the company (cents)	**548**	506
Tangible net asset value (excluding intangible assets and goodwill) (R'000)	**1 772 345**	1 931 351
Ordinary no par value shares in issue net of treasury shares ('000)	**877 386**	889 642
Tangible net asset value per share attributable to ordinary shareholders of the company (cents)	**202**	217

11. Equity, distributions and group information continued

11.4 Group composition

The consolidated financial statements include the accounts of L4L and all of its subsidiaries for the year ended 28 February 2019.

Long4Life Limited is registered in South Africa and operates primarily in South Africa.

The group holds a majority voting rights in most of its subsidiaries. Non-controlling shareholders have significant interests in four of the group's subsidiaries.

The group also holds interest in one associate. This associate is not material to the group.

Subsidiaries	Nature of business	Country of incorporation	Effective holdings % 2019	Effective holdings % 2018
Directly held				
Chill Holdings (Pty) Ltd	1	South Africa	**100**	–
Holdsport Limited	4	South Africa	**100**	100
Inhle Beverages (Pty) Ltd	1	South Africa	**100**	100
Long18 (Pty) Ltd	2	South Africa	**100**	100
Long36 (Pty) Ltd	2	South Africa	**100**	100
Long4Life Health (Pty) Ltd	3	South Africa	**59**	–
Long4Life Personal care and wellness	3	South Africa	**100**	–
Long4Life Properties (Pty) Ltd	3	South Africa	**100**	–
Sorbet Holdings (Pty) Ltd	3	South Africa	**100**	100
Indirectly held				
Candi&Co (Pty) Ltd	3	South Africa	**100**	100
Chill Bottling (Pty) Ltd	5	South Africa	**100**	–
Chill Canning (Pty) Ltd	5	South Africa	**100**	–
K2014120553 (Pty) Ltd	5	South Africa	**100**	–
K2014120556 (Pty) Ltd	5	South Africa	**100**	–
K2014120563 (Pty) Ltd	5	South Africa	**100**	–
Urban Zest (Pty) Ltd	5	South Africa	**100**	–
Chill Beverages International (Pty) Ltd	1	South Africa	**100**	–
Score Energy Drink (Pty) Ltd	5	South Africa	**100**	–
Zacabix (Pty) Ltd	5	South Africa	**100**	–
EMSA Distribution (Pty) Ltd (Trading as Lime Light)	3	South Africa	**100**	–
Ninja Energy (Pty) Ltd	5	South Africa	**100**	–
Inhle Beverages SA (Pty) Ltd	5	South Africa	**100**	100
KTR Sport (Pty) Ltd	4	South Africa	**100**	100
Moresport (Pty) Ltd	4	South Africa	**100**	100
Moresport Namibia (Pty) Ltd	4	Namibia	**100**	100
Moresport Namibia Branch	4	Namibia	**100**	100
Performance Brands (Pty) Ltd	4	South Africa	**100**	100
S I Holdings Limited	3	Guernsey	**100**	63
Second Skins (Pty) Ltd	4	South Africa	**100**	100
Sew Trust (Pty) Ltd	3	South Africa	**100**	100
Shelf Life (Pty) Ltd	4	South Africa	**51**	51
Sorbet Brands (Pty) Ltd	3	South Africa	**75**	75
Sorbet Man (Pty) Ltd	3	South Africa	**100**	100
Clayton Care Group (Pty) Ltd	3	South Africa	**61**	–
The Sorbet Experience (Pty) Ltd	3	South Africa	**100**	100
Associate				
The Sorbet Experience UK Limited	3	United Kingdom	**–**	27
Veldskoen (Pty) Ltd	4	South Africa	**49**	–

Nature of business

1. Beverages
2. Group Services and Investments
3. Personal Care and Wellness
4. Sport and Recreation
5. Dormant

	2019 R'000	2018 R'000

11.5 Related-party transactions

The group has a related-party relationship with its subsidiaries and associates. During the year ending 28 February 2019, there were no material transactions with related parties.

Associate

The group has an investment in Veldskoen which is an equity-accounted associate. Refer to note 9.1 for further information.

	2019 R'000	2018 R'000
Outstanding loans due at year end to associates (note 6.5)	**–**	338

Directors and directors related entities

No direct loans were made to or received from any director an no other transactions were entered into with any director and no other transactions were entered into with any directors, except for conditional share plan awards to executive directors.

	2019 R'000	2018 R'000
Purchases from related entity controlled by Brian Joffe – t/a Jair (Pty) Ltd	**186**	210

Key management

Key management are those persons having authority and responsibility for planning, directing and controlling the activities of the group, directly or indirectly. Key management personnel has been defined as the executive and non-executive directors of the company. Refer to note 3.3 and 10.2 for details on directors' remuneration. There were no material transactions with related parties.

12. Other notes

12.1 Accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management and directors to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Significant areas of estimation, uncertainty and critical judgements made in applying the group's accounting policies that potentially have a significant effect on the amounts recognised in the financial statements are as follows:

Property, plant and equipment

The residual values of these assets are reviewed annually after considering expected future market conditions, the remaining life of the asset and projected disposal values. The estimation of the useful lives is based on historic performance as well as expectation about future use and, therefore, requires a degree of judgement to be applied. The depreciation rates represent management's current best estimate of the useful lives of the assets. All properties are accounted for as own use assets and are thus held at cost less depreciation. Refer to note 7.1.

Goodwill and indefinite life intangible assets

The group has assessed the carrying value of goodwill and indefinite life intangibles to determine whether any of the amounts have been impaired. The carrying values were assessed using the discounted cash flow model as well as actual and budgets for future years. Refer to note 7.2, 8.2 and 8.3 for key assumptions applied.

Trademarks acquired during the period related to the acquisitions of Chill. The trademarks acquired has been determined to have indefinite useful lives, as management believes there is no foreseeable limit over which the group will continue to generate revenues from their continued use. Supporting this assumption is the fact that the trademarks held are established, well known, and can reasonably be expected to generate revenues beyond the group's current strategy. Trademarks with indefinite useful lives on acquisition is considered level 3 financial assets and was valued using an independent third party with suitable skills and expertise.

12. Other notes continued

Deferred taxation asset

Deferred taxation assets are recognised to the extent it is probable that the taxable income will be available against which they can be utilised. Future taxable profits are estimated based on business plans which include estimates and assumptions regarding economic growth, interest, inflation and taxation rates and competitive forces. Refer to note 4.2.

Inventories

An obsolescence provision is raised against inventory when it is considered that the amount realisable from such inventory's sale is considered to be less than its carrying amount. The obsolescence provision represents management's estimate, based on historic sales trends and its assessment of quality and volume, of the extent to which merchandise on hand at the reporting dates will be sold below cost. Refer to note 7.3.

Trade receivables

Management identifies possible impairment of trade receivables on an ongoing basis. An impairment allowance in respect of doubtful debts is raised against the receivable when their collectability is considered to be doubtful. Management believe that the impairment adjustment is conservative and there are no significant receivables that are doubtful and have not been impaired or provided for. In determining whether a particular receivable could be doubtful, the age, the customer's current financial status and disputes with the customer are taken into consideration. Refer to note 7.4.

Put option liability

The group has entered into put arrangement where management of a subsidiary is entitled to sell certain of their holding in a subsidiary to the group at future contracted dates. The value of the put option liability was determined using a profit multiple designed to approximate the fair value of the shares of the management's proportionate share of the profit after tax for the period ending 28 February 2019, discounted using a risk-adjusted discount rate. Refer to note 6.4.

12.2 Determination of fair values

A number of the group's accounting policies and disclosures require the determination of fair values, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The group uses a three-level hierarchy to categorise inputs used in measuring fair value. The levels within the hierarchy reflect the significance of the inputs used in measuring fair value and is described below:

Level 1: Measured using unadjusted, quoted prices in an active market for identical financial instruments.

Level 2: Valued using techniques based significantly on observable market data. Instruments in this category are valued using:

- (a) Quoted prices for similar instruments or identical instruments in markets which are not considered to be active, or
- (b) Valuation techniques where all the inputs that have a significant effect on the valuation are directly or indirectly based on observable market data.

Level 3: Valued using valuation techniques that incorporate information other than observable market data and where at least one input (which could have a significant effect on instruments' valuation) cannot be based on observable market data.

Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market values of other assets are based on the quoted market prices for similar items. Refer to note 7.1 and 8.1.

12.2 Determination of fair values continued

Forward exchange contracts

The fair value of forward exchange contracts is based on their market prices. Refer to note 6.1.

Borrowings

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. Refer to note 6.1 and 6.5.

Investments held at fair value through profit and loss – Level 1

Listed and unlisted investments are classified as investments at fair value through profit or loss or available-for-sale financial assets. Fair value of listed investments is calculated by reference to stock exchange quoted selling prices at the close of business on the reporting date. Fair value of unlisted investments is determined by using appropriate valuation models. Refer to note 6.1 and 9.2.

Inventory – Level 2

The fair value of inventory acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the efforts required to complete and sell the inventory. Refer to note 8.1.

Share-based payments – Level 2

The fair value of the conditional share plan awards are measured using a Monte Carlo method, as it best captures the path dependent nature and specific features of these awards. The path dependency of the share award arises from the interaction between dividends and the performance hurdle in the valuation model, as well as the dependency of the valuation on the level of achievement of the vesting conditions at the performance period end dates. The evolution of L4L's and the peer group members' total shareholder returns are modelled using the market-accepted log-normal share price process taking into account input parameters which are based on historical share price data.

The fair value of the share appreciation right awards are measured using a binomial model. Measurement inputs include share price at measurement date, exercise price of the instrument, expected volatility (based on the historic volatility), option life, distribution yield and the risk-free interest rate (based on national South African Government Bonds).

The fair value of the forfeitable share plans is measured using a binomial model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the number of awards for which related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. Refer to note 10.1.

Goodwill and indefinite life intangible assets – Level 3

The value of indefinite useful life intangible assets is based on the value in use or fair value less cost to sell. Refer to note 7.2, 8.3 and 12.1.

Other financial liability – Put option – Level 3

The fair value of the put option liability was determined using a profit multiple designed to approximate the fair value of the management shares by review of the proportionate share of the profit after tax for the period ending 28 February 2019, the budgeted profit after tax for 2020 – 2022, discounted using a risk-adjusted discount rate. Refer to note 6.4.

12. Other notes continued

12.3 Accounting standards and interpretations not effective at 28 February 2019

A number of new standards, amendments to standards and interpretations were not yet effective for the year period 28 February 2019. These include the following standards and interpretations and amendments to standards that are applicable to the business of the group, and have not been applied in preparing these financial statements:

Standard/interpretation	Description
IFRS 16: Leases	IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer (lessee) and the supplier (lessor). IFRS 16 replaces the previous leases Standard, IAS 17: *Leases*, and related interpretations. IFRS 16 has one model for lessees which will result in almost all leases being recorded on the statement of financial position. No significant changes have been included for lessors. The group does not intend on early adopting IFRS 16. IFRS 16 will be adopted for the group for the year ending 28 February 2020. Under the previous guidance in IAS 17: *Leases*, a lessee had to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). The new standard requires the lessee to recognise all lease contracts on the balance sheet – the only optional exemptions are for certain short-term leases and leases of low-value assets. The group anticipates that the implementation of the standard will have the following effect: • The recognition of a lease asset of R601.5 million and additional depreciation of R144.5 million to be recognised over the lease term. • The recognition of a lease liability of R720.7 million and additional interest of R68.6 million to be recognised over the lease term. • The derecognition of the current straight-lining lease liability of R48 million. • Current lease rental expenses of R200.9 million will no longer have an impact on the statement of profit and loss.
IFRIC 23: Uncertainty over Income Tax Treatments	IFRIC 23 addresses the determination of taxable profit (tax losses), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. Effective for annual periods from 1 January 2019. Annual improvements to IFRS 2015 – 2017 cycle makes the following amendments: IFRS 3 – requiring the remeasurements of a previously held interest in a joint operation where control is obtained; IFRS 11 – clarifying that there is no remeasurement of previous interests upon obtaining joint control of a business that is a joint operation; IAS 12 – clarifying that all income tax consequences of dividends should be recognised in profit or loss regardless of how the tax arises; and IAS 23 – clarifying that a specific borrowing that remains outstanding after the related asset is ready for use, becomes part of general borrowings for purposes of interest capitalisation effective for annual periods on or after 1 January 2019.
IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associates or joint ventures effective period to still be determined.

12.4 Events after the reporting period

No material events have occurred between the reporting date up to the date of the financial statements.

12.5 Going concern

The directors are satisfied that the group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

12.6 Contingent liabilities

The group has outstanding legal and other claims arising out of its normal ongoing operating activities, which are individually immaterial and are not expected, in aggregate, to result in material losses.

Separate statement of comprehensive income

for the year ended 28 February 2019

	Notes	2019 R'000	11 months 2018 R'000
Revenue – dividends received		55 000	–
Operating expenses		(3 064)	–
Acquisition costs		(2 920)	–
Operating profit		49 016	–
Finance income		8 500	–
Profit before taxation		57 516	–
Taxation	1	(2 265)	–
Profit for the year attributable to shareholders		55 251	–

Separate statement of financial position

for the year ended 28 February 2019

	Notes	2019 R'000	2018 R'000
Assets			
Non-current assets		3 454 765	2 919 653
Investment in subsidiaries	2	3 449 765	2 919 653
Interest in associate	3	5 000	–
Current assets		1 072 670	1 567 705
Amounts owing by subsidiaries	4	408 534	1 558 269
Cash and cash equivalents	5	664 136	9 436
Total assets		4 527 435	4 487 358
Equity and liabilities			
Capital and reserves		4 479 882	4 339 723
Stated capital	6	4 473 864	4 339 723
Retained earnings		6 018	–
Current liabilities		47 553	147 635
Other payables		643	–
Amounts owing to subsidiaries	4	45 409	147 635
Taxation		1 501	–
Total equity and liabilities		4 527 435	4 487 358

Separate statement of changes in equity

for the year ended 28 February 2019

	Notes	2019 R'000	2018 R'000
Equity attributable to shareholders of the company		**4 479 882**	4 339 723
Stated capital	6	**4 473 864**	4 339 723
Balance at beginning of the year		**4 339 723**	*
Shares issued during the year		**134 141**	4 339 723
Retained earnings		**6 018**	–
Balance at beginning of the year		**–**	–
Attributable profit		**55 251**	–
Dividends paid to ordinary shareholders		**(49 233)**	–

** Amount below R1000.*

Separate statement of cash flows

for the year ended 28 February 2019

	2019 R'000	11 months 2018 R'000
Cash generated by operations	**5 316**	–
Operating profit	**49 016**	–
Add: Acquisition costs	**2 920**	–
Add: Increase in trade and other payables	**643**	–
Less: Dividend received	**(55 000)**	–
Cash utilised by operations	**(2 421)**	–
Finance income	**8 500**	–
Taxation paid	**(763)**	–
Cash effects of investment activities	**745 843**	(2 138 199)
Acquisition of subsidiaries	**(403 890)**	(579 930)
Acquisition of associate	**(5 000)**	–
Movement in intercompany receivable	**1 154 733**	(1 558 269)
Cash effects of financing activities	**(96 459)**	2 147 635
Proceeds from shares issued	**–**	2 000 000
Movement in intercompany payable	**(102 226)**	147 635
Dividends received	**55 000**	–
Dividends paid	**(49 233)**	–
Increase in cash and cash equivalents	**654 700**	9 436
Cash and cash equivalents at beginning of period	**9 436**	*
Cash and cash equivalents at end of year	**664 136**	9 436

** Amount below R1000.*

Notes to the separate financial statements

for the year ended 28 February 2019

	2019 R'000	11 months 2018 R'000

1. Taxation

	2019 R'000	11 months 2018 R'000
Current year	**2 265**	–
Reconciliation of the effective tax rate with the South African company tax rate:		
Taxation for the year as a percentage of profit before taxation	**4%**	–
Exempt income	**27%**	–
Disallowable expenditure	**(3%)**	–
Rate of South Africa company taxation	**28%**	–

Disallowable expenditure consists of acquisition costs and costs apportioned in terms of Practice note 22/1994 of Income Tax Act of South Africa.

2. Investment in subsidiaries

		2019 %	2018 %	2019 R'000	2018 R'000
Holdsport Limited	4	**100**	100	**2 523 719**	2 523 719
Inhle Beverages (Pty) Ltd	1	**100**	100	**271 764**	271 764
Sorbet Holdings Limited	3	**100**	100	**124 170**	124 170
Long18 (Pty) Ltd	2	**100**	100	*****	*
Long36 (Pty) Ltd	2	**100**	100	*****	*
Chill Holdings (Pty) Ltd	1	**100**	–	**490 243**	–
L4L Property (Pty) Ltd	2	**100**	–	*****	–
L4L Personal care and wellness (Pty) Ltd	3	**100**	–	*****	–
L4L Healthcare (Pty) Ltd	3	**59**	–	**39 869**	–
				3 449 765	2 919 653

Nature of business

1. Beverages
2. Group Services and Investments
3. Personal Care and Wellness
4. Sport and Recreation

Investment in subsidiaries are reflected at cost less accumulated impairment losses. Impairment tests on the investment in subsidiaries is performed annually or whenever there is an indication of impairment. Impairment valuations in the current financial year is based on a projected sustainable cash flows methodology, the latest budgets and forecasts are utilised. A five-year time horizon is used to project the cash flows. Cash flows are discounted using a discounting factor, which was determined taking into account both systematic and unsystematic risks. No impairment was identified for the current financial year (2018: Rnil). Refer to note 8.2 and 8.3 of the consolidated financial statements.

A list of indirectly held subsidiaries is included in note 11.4 of the consolidated financial statements.

** Amounts below R1 000.*

Notes to the separate financial statements
for the year ended 28 February 2019

	2019 R'000	2018 R'000

3. Investment in associate

	2019 R'000	2018 R'000
Unlisted associate	**5 000**	–

The company holds a 49% equity stake in Veldskoen (Pty) Limited.

4. Amounts owing by/(to) subsidiaries

	2019 R'000	2018 R'000
Amounts owing by subsidiaries	**408 534**	1 558 269
Long18 (Pty) Ltd	**388 926**	1 558 269
L4L Personal Care and Wellness (Pty) Ltd	**3 846**	–
L4L Properties (Pty) Ltd	**15 762**	–
Amounts owing to subsidiaries	**(45 409)**	(147 635)
Long18 (Pty) Ltd	**–**	(9 436)
Long36 (Pty) Ltd	**(45 409)**	(45 409)
KTR Sport (Pty) Ltd	**–**	(59 501)
Moresport (Pty) Ltd	**–**	(32 812)
Performance Brands (Pty) Ltd	**–**	(477)

The inter-company equity loans are interest free and have no fixed terms.

5. Cash and cash equivalents

	2019 R'000	2018 R'000
Bank and cash deposits	**664 136**	9 436

Bank balances and deposits comprise cash on hand, deposits held on call with banks, net investments in money market instruments, all of which are available for use by the group unless otherwise stated. Bank balances, deposits and bank overdrafts are measured at amortised cost.

6. Stated capital

	2019 R'000	2018 R'000
Stated capital		
Balance at beginning of the year	**4 339 723**	*
Shares issued during the year	**134 141**	4 339 723
Shares issued pursuant to listing on the JSE	**–**	2 000 000
Shares issued for business acquisitions	**134 141**	2 335 973
Shares issued for executive remuneration	**–**	3 750
Balance at the end of the year	**4 473 864**	4 339 723

** Amount below R1 000.*

Stated capital

Authorised

4 000 000 000 ordinary shares of no par value

(2018: 4 000 000 000 ordinary shares of no par value)

Issued

913 909 909 ordinary shares of no par value

(2018: 889 775 767 ordinary shares of no par value)

6. Stated capital continued

	Number	Number
Reconciliation of number of shares in issue		
Balance at beginning of the year	**889 775 767**	100
Shares issued during the year	**24 134 142**	889 775 667
Shares issued for listing on the JSE	**–**	405 000 000
Shares issued for business acquisitions	**23 134 142**	484 025 667
Shares issues for executive remuneration	**1 000 000**	750 000
	913 909 909	889 775 767

A total of 67 996 332 unissued no par value ordinary shares are under the control of the directors until the next annual general meeting.

Stated capital

Shares in the company, held by its subsidiary, are classified as treasury shares. These shares are treated as a deduction from the issued and weighted average number of shares. The cost price of the treasury shares is presented as a deduction from total equity. Distributions received on treasury shares are eliminated on consolidation.

Incremental costs directly attributable to the issuance of new no par value ordinary shares are deducted from the stated capital account.

7. Events after the reporting date

No material subsequent events have arisen since 28 February 2019.

8. Related parties

The subsidiaries and associates of the group are related parties of the company. The company has made loans to, and has received loans from, certain of these entities (refer note 4).

9. Going concern

The financial statements have been prepared on a going-concern basis as the directors have every reason to believe that the company has adequate resources in place to continue in operation in the foreseeable future.

Shareholders' information

BENEFICIAL SHAREHOLDINGS	Total shareholding	%
Major shareholders holding 3% or more of the shares in issue		
Investec	61 610 254	6.74
Old Mutual Group	57 923 133	6.34
Liberty Group	41 533 075	4.54
PSG	37 850 426	4.14
Allan Gray	32 858 469	3.60

INVESTMENT MANAGEMENT SHAREHOLDINGS	Total shareholding	%
Fund managers holding 3% or more of the shares in issue		
Stanlib Asset Management	57 671 376	6.31
Coronation Fund Managers	51 030 049	5.58
Old Mutual Investment Group	49 729 317	5.44
Allan Gray	47 106 432	5.15
Mazi Capital	43 278 202	4.74
PSG Asset Management	38 559 687	4.22

BENEFICIAL SHAREHOLDER CATEGORIES	Total shareholding	%
Assurance companies	72 097 232	7.89
BEE Entities	6 304	0.00
Close corporations	2 144 283	0.23
Collective investment schemes	233 414 167	25.54
Custodians	80 605 385	8.82
Foundations % charitable funds	11 373 712	1.24
Hedge funds	9 369 660	1.03
Insurance companies	3 266 706	0.36
Investment partnerships	3 216 580	0.35
Managed funds	1 282 494	0.14
Medical aid funds	2 316 635	0.25
Organs of state	23 467 975	2.57
Private companies	84 768 033	9.28
Public companies	69 714 153	7.63
Public entities	1 032 017	0.11
Retail shareholders	166 838 629	18.26
Retirement benefit funds	56 712 774	6.21
Scrip lending	11 169 074	1.22
Share schemes	3 494	0.00
Stockbrokers and nominees	2 288 627	0.25
Trusts	78 821 975	8.62
Total dematerialised holding	913 909 909	100

GEOGRAPHICAL SPLIT OF BENEFICIAL SHAREHOLDERS	Total shareholding	%
REGION		
South Africa	824 821 030	90.25
United Kingdom	60 199 025	6.59
United States	20 550 696	2.25
Namibia	3 840 358	0.42
Rest of the world[1]	4 498 800	0.49
	913 909 909	100.00

[1] *Represents all shareholdings except those in the above regions.*

ANALYSIS OF SHAREHOLDING	Number of holders	% of total shareholders	Number of shares	% of issued capital
1 – 1 000 shares	3 450	28.71	988 940	0.11
1 001 – 10 000 shares	4 922	40.96	22 734 995	2.49
10 001 – 100 000 shares	3 008	25.03	90 960 794	9.95
100 001 – 1 000 000 shares	508	4.23	151 644 154	16.59
1 000 001 shares and above	128	1.07	647 581 026	70.86
Total	12 016	100.00	913 909 909	100.00
Shareholder spread				
Non-public shareholders	8	0.07	39 339 212	4.30
Public shareholders	12 008	99.93	874 570 697	95.70
Total	12 016	100.00	913 909 909	100.00


Fitch & Leedes
Fitch & Leedes
PEACH
LEMONADE
SPARKLING PEACH & LEMON FLAVOURED DRINK
BESPOKE MIXERS FOR
THE DISCERNING
INDIVIDUAL

AGM

Notice of Annual General Meeting

Long4Life Limited
Registration number: 2016/216015/06
Share code: L4L
ISIN: ZAE000243119
(**the company** or **L4L**)

Notice is hereby given that the second annual general meeting (the **Annual General Meeting**) of shareholders of the company will be held at the company's offices on the 7th Floor, Rosebank Towers, 13–15 Biermann Avenue, Rosebank, Johannesburg on Tuesday, 20 August 2019 at 09:00.

In terms of section 59(1) of the Companies Act, No 71 of 2008 as amended (the **Companies Act**), this notice has been sent to shareholders of the company who were recorded as such in the company's securities register on Friday, 21 June 2019, being the record date as set by the board of directors of the company in terms of the Companies Act for determining which shareholders are entitled to receive this notice of Annual General Meeting.

The last date to trade to be registered in the register of members of the company and therefore be eligible to participate in and vote at the Annual General Meeting is Monday, 5 August 2019.

Only shareholders who are recorded in the register of members of the company on Thursday, 8 August 2019 will be entitled to participate in and vote at the Annual General Meeting.

Salient dates

Important event	Date
Audited provisional summarised results uploaded on www.long4life.co.za	Wednesday, 15 May 2019
Record date for receipt of notice of Annual General Meeting	Friday, 21 June 2019
Distribute Annual General Meeting notice and audited financial statements	Friday, 28 June 2019
Last day to trade in order to be eligible to participate in and vote at the Annual General Meeting	Monday, 5 August 2019
Record date to determine which L4L shareholders are entitled to participate in and vote at the Annual General Meeting	Thursday, 8 August 2019
Last day to lodge forms of proxy with the transfer secretaries for the Annual General Meeting	Monday, 19 August 2019
Hand proxy to chairman prior to the commencement of the meeting if not lodged by 19 August 2019	Tuesday, 20 August 2019
Annual General Meeting to be held at 09:00	Tuesday, 20 August 2019
Results of Annual General Meeting released on SENS	Tuesday, 20 August 2019

Approval required for resolutions

Ordinary resolutions numbers 1 to 6 and resolution number 8 contained in this notice of Annual General Meeting require the approval of more than 50% of the votes exercised on the resolutions by shareholders present or represented by proxy at the Annual General Meeting, subject to the provisions of the Companies Act, the Memorandum of Incorporation of the company and the JSE Listings Requirements.

Ordinary resolution number 7 and special resolutions numbers 1 and 2 contained in this notice of Annual General Meeting require the approval by at least 75% of the votes exercised on the resolutions by shareholders present or represented by proxy at the Annual General Meeting, subject to the provisions of the Companies Act, the Memorandum of Incorporation of the company and the JSE Listings Requirements.

Attendance and voting by shareholders and proxies

Shareholders who have not dematerialised their shares or who have dematerialised their shares with "own name" registration, are entitled to attend and vote at the Annual General Meeting and are entitled to appoint a proxy or proxies (for which purpose a form of proxy is attached hereto) to attend, speak and vote in their stead. The person so appointed as a proxy need not be a shareholder of the company. Shareholders are requested but are not obliged to deliver their completed forms of proxy to the transfer secretaries of the company, Computershare Investor Services Proprietary Limited, 1st Floor, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg or posted to the transfer secretaries at PO Box 61051, Marshalltown, 2017, South Africa, to be received by them not later than 09:00 on Monday, 19 August 2019. The purpose of this request is to provide certainty to the chairman of the Annual General Meeting regarding the number of participants. Accordingly, shareholders will not be prejudiced in any manner if they do not deliver their completed forms of proxy to the company's transfer secretaries by the aforementioned time and date and will still be able to deliver their completed forms of proxy to the chairman of the Annual General Meeting at any time prior to the commencement of the Annual General Meeting (although this could delay the commencement of the Annual General Meeting).

Notice of Annual General Meeting

Forms of proxy must only be completed by shareholders who have not dematerialised their shares or who have dematerialised their shares with "own name" registration.

If you hold dematerialised shares other than with "own name" registration you may:

- instruct your Central Securities Depository Participant (CSDP) or broker to vote at the Annual General Meeting on your behalf by providing your CSDP or broker with your voting instructions in terms of the custody agreement entered into between you and your CSDP or broker. You must not complete the attached form of proxy; or
- attend the Annual General Meeting in person by instructing your CSDP or broker to issue you with the necessary letter of representation to attend the Annual General Meeting in terms of the custody agreement entered into between you and your CSDP or broker.

On a show of hands, every shareholder of the company present in person or represented by proxy shall have 1 (one) vote only. On a poll, an ordinary shareholder is entitled to 1 (one) vote per ordinary share held. An ordinary shareholder's instructions to the proxy must be indicated by inserting the relevant number of votes exercisable by the ordinary shareholder in the appropriate box(es). An 'X' in the appropriate box indicates the maximum number of votes exercisable by that shareholder. Failure to comply with the above will result in the proxy not being authorised to vote or to abstain from voting at the Annual General Meeting in respect of the shareholder's votes, except in the case where the Chairman of the Annual General Meeting is the proxy. An ordinary shareholder or his/her proxy is not obliged to use all the votes exercisable by the ordinary shareholder, or to cast all those votes exercised in the same way, but the total of the votes cast and in respect whereof abstention is recorded may not exceed the total of the votes exercisable by the ordinary shareholder.

Electronic participation

Shareholders may participate (but not vote) electronically in the Annual General Meeting, in accordance with the provisions of the Companies Act. Shareholders wishing to participate electronically in the Annual General Meeting are required to deliver written notice to the company secretary at the company's business address at 7th Floor Rosebank Towers, 13-15 Biermann Avenue, Rosebank, Johannesburg, 2196 or by email to the company secretary on info@long4life.co.za by no later than 10:00 on Thursday, 15 August 2019 that they wish to participate via electronic communication at the Annual General Meeting (Electronic Notice).

Teleconferencing facilities will be made available for this purpose and may be accessed at the shareholder's cost. In order for the Electronic Notice to be valid it must contain:

- if the shareholder is an individual, a certified copy of his identity document and/or passport;
- if the shareholder is not an individual, a certified copy of a resolution by the relevant entity and a certified copy of the identity documents and/or passports of the persons who passed the relevant resolution, which resolution must set out who from the relevant entity is authorised to represent the relevant entity at the Annual General Meeting via electronic communication; and
- a valid e-mail address, telephone number and/or facsimile number (the contact address/number).

The company shall use its reasonable endeavours on or before Friday, 16 August 2019, to notify each shareholder who has delivered a valid Electronic Notice, at its contact address/number, of the relevant details through which the shareholder can participate via electronic communication. Such shareholders, should they wish to have their vote counted at the Annual General Meeting, must to the extent applicable:

- complete and submit the form of proxy; or
- contact their CSDP or broker, in both instances, as set out above.

Summary of shareholders' rights in terms of section 58(8)(b)(i) of the Companies Act

A shareholder represented by a proxy has the following rights:

- an ordinary shareholder entitled to attend and vote at the Annual General Meeting may appoint any individual (or individuals) as a proxy/ies to attend, participate in and vote at the Annual General Meeting in place of the shareholder. A proxy need not be a shareholder of the company.
- a proxy appointment must be in writing, dated and signed by the shareholder appointing a proxy and subject to the rights of a shareholder to revoke such appointment, remains valid until the end of the Annual General Meeting.
- a proxy may delegate his/her authority to act on behalf of the shareholder to another person, subject to any restrictions set out in the instrument appointing a proxy.
- the appointment of a proxy is suspended at any time and to the extent that the shareholder who appointed such proxy chooses to act directly and in person in exercising any rights as a shareholder.
- the appointment of a proxy is revocable by the shareholder cancelling this in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and to the company. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of:
  - the date stated in the revocation instrument, if any; and
  - the date on which the revocation instrument is delivered to the company as required in the first sentence of this paragraph.

If the instrument appointing the proxy or proxies has been delivered to the company, as long as that appointment remains in effect, any notice required by the Companies Act or the company's Memorandum of Incorporation to be delivered by the company to the shareholder, must be delivered by the company to:

- the shareholder; or
- the proxy or proxies,

if the shareholder has:

- directed the company to do so in writing; and
- paid any reasonable fee charged by the company to do so.

Attention is also drawn to the notes to the form of proxy.

Completing a form of proxy does not preclude any shareholder from attending the Annual General Meeting.

Proof of identification required

In terms of section 63(1) of the Companies Act, any shareholder or proxy who intends to attend or participate at the Annual General Meeting is required to provide reasonably satisfactory identification at the Annual General Meeting for such shareholder or proxy to attend and participate at the Annual General Meeting before or at the Annual General Meeting. A green bar-coded identification document or identification card issued by the South African Department of Home Affairs, a driver's licence or a valid passport will be accepted at the Annual General Meeting as sufficient identification.

Purpose of the meeting

The purpose of the meeting is to:

- present the audited consolidated financial statements of the company and its subsidiaries (the **group**) for the period ended 28 February 2019 (including the directors' report, the independent external auditor's report and the audit and risk committee report) as contained in the Integrated Annual Report, which is available on the company's website at www.long4life.co.za;
- deal with any other business as may be lawfully dealt with at the Annual General Meeting; and
- consider and, if deemed fit, pass, with or without modification, the ordinary and special resolutions set out below in the manner required by the Companies Act and/or the JSE Listings Requirements.

Ordinary business

1. Ordinary resolution number 1: Presentation of the audited consolidated financial statements

Presentation of the audited consolidated financial statements of the company and the group for the year ended 28 February 2019, as approved by the board of directors of the company, including the directors' report, independent external auditor's report and the report of the audit and risk committee of the company, in accordance with the provisions of section 61(8)(a) of the Companies Act. Shareholders are advised that all these documents are published and available on the company's website, www.long4life.co.za.

2. Ordinary resolution number 2: Re-election of directors retiring by rotation

Resolved that Mr LI Jacobs, who retires by rotation in terms of clause 39.3.2 of the company's Memorandum of Incorporation and being eligible and willing, be and is hereby re-elected as an independent non-executive director of the company.

3. Ordinary resolution number 3: Re-appointment of independent external auditors

Resolved that the re-appointment of the independent external auditors, Deloitte & Touche, as recommended by the company's audit and risk committee, as independent registered auditors of the company, and to note Mr T Brown as the designated audit partner, for the financial year ending 28 February 2020, be and is hereby approved.

4. Ordinary resolution number 4: Appointment of audit and risk committee members

Resolved that in terms of section 94(4) of the Companies Act, the following independent non-executive directors of the company, who fulfil the requirement of section 94(4) of the Companies Act, be and are hereby elected (by way of separate ordinary resolutions) as the members of the company's audit and risk committee, to hold office until the conclusion of the next Annual General Meeting:

- T Abdool-Samad (Chairman)
- KR Moloko
- LI Jacobs

The board of directors and the nomination and remuneration committee are satisfied that the company's audit and risk committee members are suitably skilled and experienced independent non-executive directors. Collectively they have sufficient qualifications and experience to fulfil their duties, as contemplated in regulation 42 of the Companies Regulations 2011. The board of directors and the nomination and remuneration committee therefore unanimously recommend Ms T Abdool-Samad, Ms KR Moloko and Mr LI Jacobs for election to the audit and risk committee.

5. Ordinary resolution number 5: Advisory Endorsement of the group's remuneration policy

In accordance with Principle 14 of the King Report on Corporate Governance™ for South Africa, 2016 (King IV™), the company's remuneration policy is tabled for consideration by shareholders. These votes enable shareholders to express their views on the remuneration policies adopted by the company and on the implementation thereof.

L4L's remuneration policy and philosophy, as set out on pages 43 to 46 of the group's Integrated Annual Report, is hereby submitted to shareholders for a non-binding advisory vote in terms of the recommendation in the Code on Corporate Governance for South Africa 2016 (King IV™) and as now required by the JSE Listings Requirements.

Resolved that the remuneration policy be and is hereby approved by way of a non-binding advisory vote.

6. Ordinary resolution 6: Advisory Endorsement of the group's remuneration implementation report

In accordance with Principle 14 of the King Report on Corporate Governance™ for South Africa, 2016 (King IV™), the company's remuneration implementation report is tabled for consideration by shareholders. These votes enable shareholders to express their views on the remuneration policies adopted by the company and on the implementation thereof.

L4L's remuneration implementation report, as set out on pages 47 to 52 of the group's integrated annual report, is hereby submitted to shareholders for a non-binding advisory vote in terms of the recommendation in the Code on Corporate Governance for South Africa 2016 (King IV™) and as now required by the JSE Listings Requirements.

Resolved that the remuneration implementation report be and is hereby approved by way of a non-binding advisory vote.

7. Ordinary resolution number 7: General authority to issue shares for cash

Resolved that, subject to the restrictions set out below, the board of directors of the company be and is hereby authorised by way of a general authority and subject to the provisions of the Companies Act and the JSE Listings Requirements, to issue ordinary shares for cash, subject to the following limitations:

- the authority contained in this ordinary resolution is valid until the company's next Annual General Meeting or for a period of 15 months from the date of passing this ordinary resolution number 7, whichever period is the shorter;
- the allotment and issue of the ordinary shares must be made to persons qualifying as public shareholders, as defined in paragraphs 4.25 to 4.27 of the JSE Listings Requirements, and not to related parties as defined in the JSE Listings Requirements;
- the ordinary shares which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such shares or rights that are convertible into a class already in issue;
- the total aggregate number of shares which may be issued for cash in terms of this authority may not exceed 10% (ten percent) of the issued ordinary shares of 877 669 139 shares (which number excludes 36 740 770 treasury shares) as at the date of this notice of Annual General Meeting, being 87 766 914 ordinary shares, provided that:
  - any shares issued under this authority prior to this authority lapsing shall be deducted from the aforesaid maximum number of ordinary shares the company is authorised to issue in terms of this authority for the purpose of determining the remaining number of shares that may be issued in terms of this authority;
  - in the event of a sub-division or consolidation of ordinary shares prior to this authority lapsing, the existing authority shall be adjusted accordingly to represent the same allocation ratio;
  - the maximum discount at which ordinary shares may be issued is 10% (ten percent) of the volume weighted average traded price on the JSE of those shares over the 30 (thirty) business days prior to the date that the price of the issue is determined or agreed between the company and the party/(ies) subscribing for the shares; and
  - after the company has issued shares for cash which represent, on a cumulative basis within a financial year, 5% (five percent) or more of the number of shares in issue prior to that issue, the company shall publish an announcement containing full details of the issue (including the number of shares issued, the average discount to the volume weighted average traded price on the JSE of the shares over the 30 (thirty) business days prior to the date that the price of the issue is agreed in writing between the company and the party/ies subscribing for the shares and an explanation, including supporting documentation (if any), of the intended use of the funds arising from the subscription).

Threshold for approval

In order for this ordinary resolution number 7 to be adopted the support of at least 75% of the votes cast by the shareholders present or represented by proxy at the Meeting and entitled to vote on this ordinary resolution is required. The effect of ordinary resolution number 7 is that the directors will be able to issue the authorised but unissued ordinary shares in the company for cash, subject to the requirements of the JSE, the restrictions/conditions set out in the authority, the Companies Act and the company's Memorandum of Incorporation. Such issue may not exceed 10% of the number of issued ordinary shares (excluding treasury shares) as at the date of this notice, the number of ordinary shares in issue as at the date of this notice being 877 669 139 shares.

Special business

Shareholders are requested to consider and, if deemed fit, pass the following special resolutions with or without modification:

1. Special resolution number 1: General authority to repurchase company shares

Resolved that the board of directors of the company be and is hereby authorised, by way of a renewable general authority, to approve the purchase of its own shares by the company, or to approve the purchase of ordinary shares in the company by any subsidiary of the company, upon such terms and conditions as the board of directors of the company may from time to time determine, provided that:

- this general authority shall be valid until the company's next Annual General Meeting or for 15 months from the date of passing of this resolution, whichever period is the shorter;
- repurchases of shares must be effected through the order book operated by the JSE trading system, and done without any prior understanding or arrangement between the company and the counterparty;
- at any point in time, the company may only appoint one agent to effect repurchases on its behalf;
- the company (or any subsidiary) must be authorised thereto in its Memorandum of Incorporation;
- the number of ordinary shares which may be acquired pursuant to this authority in any financial year (the current financial year having commenced on 1 March 2019) may not in the aggregate exceed 10% (ten percent) of the number of ordinary shares in issue;
- repurchases of shares may not be made at a price more than 10% (ten percent) above the volume weighted average traded price on the JSE of the shares in question for the 5 (five) business days immediately preceding the repurchase;
- subject to the exemptions contained in the JSE Listings Requirements, repurchases may not take place during a prohibited period (as defined in paragraph 3.67 of the Listings Requirements) unless a repurchase programme (where the dates and quantities of shares to be repurchased during the prohibited period are fixed) is in place and has been submitted to the JSE in writing prior to the commencement of the prohibited period;
- after the company has acquired shares which constitute, on a cumulative basis, 3% (three percent) of the number of shares in issue (at the time that authority from shareholders for the repurchase is granted), the company shall publish an announcement containing full details of such repurchases; and
- prior to a repurchase, the board of directors of the company must resolve that the repurchase is authorised, the company has passed the solvency and liquidity test as set out in section 4 of the Companies Act, and since that test was performed, there have been no material changes to the financial position of the group.

Reason for and effect of special resolution number 1:

The reason for and effect of special resolution number 1 is to grant the company's board of directors a general authority to approve the company's repurchase of its own ordinary shares and to permit a subsidiary of the company to purchase ordinary shares in the company.

For the purposes of considering special resolution number 1 and in compliance with the JSE Listings Requirements, the following disclosures are contained in the company's integrated annual report:

- major shareholders of the company, pages 122 and 123
- share capital of the company, pages 110 and 111
- directors' responsibility statement hereunder.

The directors, whose names appear on pages 10 and 11 of the integrated annual report, collectively and individually certify to the best of their knowledge and belief, that there are no other facts, the omission of which would make any statement false or misleading, that they have made all reasonable enquiries in this regard and that this resolution contains all information required by law and the JSE Listings Requirements.

Litigation statement

There are no legal or arbitration proceedings (including any such proceedings that are pending or threatened of which the company is aware) which may have or have had a material effect on the company and the group's financial position.

Notice of Annual General Meeting

Material change

Other than the facts and developments reported on in the integrated annual report and in any SENS announcements released by the company, there has been no material change in the trading or financial position of the company and its subsidiaries since the date of signature of the independent external auditor's report contained in the audited consolidated financial statements and up to the date of this notice.

2. Special resolution number 2: Non-executive directors' remuneration for service as directors

Resolved that in terms of sections 66(8) and 66(9) of the Companies Act, the determination of the non-executive directors' remuneration, excluding VAT, for the financial year ending 28 February 2020 (and for the period 1 March 2020 to the date of the 2020 Annual General Meeting) on the basis set out below, for their service as directors with effect from 30 July 2019, be and is hereby approved by way of a special resolution of the shareholders:

2.1 Board	**Per meeting (excl VAT)**
(a) Chairman	R79 500
(b) Non-executive directors	R50 880
2.2 Committees	
2.2.1 Audit and risk committee	
(a) Chairman	R50 880
(b) Member	R38 160
2.2.2 Nomination and remuneration committee	
(a) Chairman	R31 800
(b) Member	R25 440
2.2.3 Social, ethics and transformation committee	
(a) Chairman	R31 800
(b) Member	R25 440
2.2.4 Acquisitions committee	
(a) Chairman	R26 500
(b) Member	R21 200

Reason for and effect of special resolution number 2:

This special resolution will be considered by way of a separate vote on the remuneration of each category of non-executive directors and, in order for each special resolution to be adopted, the support of at least 75% of the votes cast by the shareholders present or represented by proxy at the Annual General Meeting and entitled to vote on this special resolution is required.

The reason for and effect of special resolution number 2 is to approve the payment of remuneration to non-executive directors for their services as directors. As executive directors are not specifically remunerated for their services as directors, but rather as employees of the company, this resolution provides approval of the remuneration to be paid to non-executive directors for their services as directors of the company and additional services as set out above.

3. Ordinary resolution number 8: Directors' authority to implement special and ordinary resolutions

Resolved that any executive director of the company or the company secretary be and is hereby authorised to do all such things and sign all such documents as may be necessary for or incidental to the ordinary and special resolutions passed herein.

By order of the board of directors.

Marlene Klopper
Company secretary

28 June 2019

Form of proxy

Long4Life Limited
Registration number: 2016/216015/06
Share code: L4L
ISIN: ZAE000243119
(**the company** or **L4L**)

This form of proxy relates to the second Annual General Meeting of the company to be held on Tuesday, 20 August 2019 at 09:00 at the company's offices on the 7th Floor, Rosebank Towers, 13 – 15 Biermann Avenue, Rosebank, Johannesburg (**Meeting**) and is for use by registered shareholders whose shares are certificated or dematerialised and registered on the Record Date, being Thursday, 8 August 2019. Terms used in this form of proxy have the meanings given to them in the notice of meeting to which this form of proxy is attached.

Please print clearly when completing this form and see the instructions and notes at the end of this form for an explanation on the use of this form of proxy and the rights of the shareholder and the proxy.

I/we (please print name in full) ______________________________

of (address) ______________________________

being the holder(s) of ______________________________ ordinary shares in the company do hereby appoint

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or failing him/her, the chairman of the meeting, to attend and participate in the meeting and to speak and to vote or abstain from voting for me/us and on my/our behalf in respect of all matters arising (including any poll and all resolutions put to the meeting) at the meeting, and if the meeting is postponed, at any resumption thereof after any adjournment.

Please insert an "X" or the relevant number of shares in the applicable space reflecting how you wish your votes to be cast. Unless otherwise directed, the proxy will vote as he/she thinks fit.

		Number of ordinary shares		
No.	**Description**	**For**	**Against**	**Abstain**
1.	**Ordinary resolution number 1** Presentation of the audited consolidated financial statements			
2.	**Ordinary resolution number 2** Re-election of Mr LI Jacobs			
3.	**Ordinary resolution number 3** Re-appointment of external auditors, Deloitte & Touche			
4.	**Ordinary resolution number 4** Appointment of audit and risk committee members			
	4.1 T Abdool-Samad (Chairman)			
	4.2 KR Moloko			
	4.3 LI Jacobs			
5.	**Ordinary resolution number 5** Advisory endorsement of the group's remuneration policy			
6.	**Ordinary resolution number 6** Advisory endorsement of the group's remuneration implementation report			
7.	**Ordinary resolution number 7** General authority to issue shares for cash			
8.	**Special resolution number 1** General authority to repurchase company shares			
9.	**Special resolution number 2** Non-executive directors' remuneration for services as directors			
10.	**Ordinary resolution number 8** Director's authority to implement ordinary and special resolutions			

Signed at ______________________________ on ______________________________ 2019.

Signature: ______________________________

Assisted (if applicable) by ______________________________ (name) ______________________________ (signature)

Notes to the form of proxy

1. This form of proxy will not be effective at the Meeting unless it is received by the company's transfer secretaries, Computershare Investor Services Proprietary Limited, 1st Floor, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg or posted to the transfer secretaries at PO Box 61051, Marshalltown, 2017, South Africa, to be received by them no later than 09:00 on Monday, 19 August 2019. Shareholders are requested, but not obliged, to ensure that their completed forms of proxy are received by not later than 09:00 on Monday, 19 August 2019. The purpose of this request is to provide certainty to the chairman of the meeting regarding the number of participants. Accordingly, shareholders will not be prejudiced in any manner if they do not deliver the completed form of proxy to the company's transfer secretaries by the aforementioned time and date and will still be able to deliver their completed forms of proxy to the chairman of the meeting at any time prior to the commencement of the Meeting.
2. This form of proxy is for use by certificated shareholders and dematerialised shareholders with "own-name" registration who wish to appoint another person (a proxy) to participate in, and speak and vote at, the Meeting on their behalf. Other L4L shareholders must not use this form. All beneficial shareholders who have dematerialised their shares through a CSDP or broker must provide the CSDP or broker with their voting instructions. Alternatively, if they wish to attend the Meeting in person, they should request the CSDP or broker to provide them with a letter of representation in terms of the custody agreement entered into between the beneficial shareholder and the CSDP or broker. If duly authorised, companies and other corporate bodies that are L4L shareholders may appoint a proxy using this form of proxy or may appoint a representative in accordance with note 8 below.
3. Every shareholder present in person or by proxy and entitled to vote at the Annual General Meeting of the company shall, on a show of hands, have one vote only, irrespective of the number of shares such shareholder holds. In the event of a poll, every shareholder shall be entitled to vote in accordance with the voting rights associated with the securities held by that shareholder.
4. A shareholder may insert the name of a proxy(ies) in the space/s provided, with or without deleting "the chairman of the Annual General Meeting", but any such deletion must be initialed by the shareholder. Should this space/s be left blank, the proxy will be exercised by the chairman of the Annual General Meeting. The person whose name appears first on the form of proxy and who is present at the Annual General Meeting will be entitled to act as a proxy to the exclusion of those whose names follow.
5. A shareholder's voting instructions to the proxy must be indicated by the insertion of an "X", or the number of votes which that shareholder wishes to exercise, in the appropriate spaces provided. Failure to do so will be deemed to authorise the proxy to vote or abstain from voting at the Annual General Meeting as he/she thinks fit in respect of all the shareholder's exercisable votes. A shareholder or his/her proxy is not obliged to use all the votes exercisable by him/her or by his/her proxy, but the total number of votes cast and those in respect of which abstention is recorded, may not exceed the total number of votes exercisable by the shareholder or by his/her proxy.
6. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries.
7. A shareholder may appoint not more than one person of his own choice as his proxy by inserting the name of such person in the space provided, and by signing and dating the form of proxy. Any such proxy need not be a shareholder of the company. If the name of the proxy is not inserted, the chairman of the Meeting will be appointed as proxy. If more than one name is inserted, then the person whose name appears first on the form of proxy and who is present at the Meeting will be entitled to act as proxy to the exclusion of any persons whose names follow. The proxy appointed in this form of proxy may delegate the authority given to him in this form of proxy by delivering to the company, in the manner required by these instructions, a further form of proxy, which has been completed in the manner consistent with the authority given to the proxy in this form of proxy.
8. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the transfer secretaries or waived by the chairman of the Annual General Meeting.
9. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
10. A shareholder may revoke a proxy in terms of the provisions of section 58(4) (c) read with section 58(5) of the Companies Act by cancelling it in writing or making a later inconsistent appointment of a proxy and delivering a copy of the revocation instrument to the proxy and to the company.
11. Unless revoked in accordance herewith, the appointment of a proxy in terms of this form of proxy will remain valid until the end of the Meeting, even if the Meeting or a part thereof is postponed or adjourned. The form of proxy will not be used at the resumption of an adjourned meeting if it could not have been used at the meeting from which it was adjourned for any reason other than it was not lodged timeously for the meeting from which the adjournment took place.
12. Any alteration or corrections to this form of proxy must be initialled by the signatory/ies.
13. The chairman of the Annual General Meeting may, in his/her discretion, accept or reject any form of proxy or other written appointment of a proxy that is received by the chairman prior to the time when the Meeting deals with the resolution or matter to which the appointment of the proxy relates, even if that appointment of a proxy has not been completed and/or received in accordance with these instructions. However, the chairman will not accept any such appointment of a proxy unless the chairman is satisfied that it reflects the intention of the L4L shareholder appointing the proxy.
14. All notices that a L4L shareholder is entitled to receive in relation to the company will continue to be sent to that L4L shareholder and will not be sent to the proxy, unless such L4L shareholder has directed the company to do so, in writing, and paid for any reasonable fee charged by the company for doing so.
15. Companies and other corporate bodies which are L4L shareholders holding certificated shares or having dematerialised shares registered in their own names may, instead of completing this form of proxy, appoint a representative to represent them and exercise all of their rights at the Meeting by giving written notice of the appointment of that representative. That notice will not be effective at the Meeting unless it is accompanied by a duly certified copy of the resolution/s or other authorities in terms of which that representative is appointed and is received by the company's transfer secretaries at either of the following addresses:
    - Computershare Investor Services Proprietary Limited, 1st Floor, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196; or
    - PO Box 61051, Marshalltown, 2107, South Africa.

    Shareholders are requested, but not obliged, to ensure that their completed forms of proxy are received by no later than 09:00 on Monday, 19 August 2019.
16. This form of proxy shall, in addition to the authority granted under the Companies Act, except insofar as this form of proxy provides otherwise, be deemed to confer the power generally to act at the Meeting, subject to the specific direction as to the manner of voting in this form of proxy or on separate written instructions that accompany this form of proxy. Accordingly, if:
    16.1 an L4L shareholder does not indicate on this instrument that the proxy is to vote in favour of, or against, or to abstain from voting on, any resolution; or
    16.2 the shareholder gives contradictory instructions in relation to any matter; or
    16.3 any additional resolution/s are properly put before the Meeting; or
    16.4 any resolution listed in the form of proxy is modified or amended,

    then the proxy will be entitled to vote or abstain from voting, as his/she thinks fit, in relation to that resolution or matter. If, however, an L4L shareholder has provided further written instructions that accompany this form and that indicate how the proxy should vote or abstain from voting in any circumstances referred to in clauses 16.1 to 16.3 above, then the proxy shall comply with those instructions.
17. If this proxy is signed by a person (signatory) on behalf of an L4L shareholder, whether in terms of a power of attorney or otherwise, then this form of proxy will not be effective unless:

    17.1 it is accompanied by a certified copy of the authority given by such L4L shareholder to the signatory; or

    17.2 the company has already received a certified copy of that authority.

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