LONG4LIFE LIMITED
INTEGRATED REPORT
FOR THE YEAR ENDED 29 FEBRUARY 2020

long4life

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YEAR IN REVIEW

Strong brands and services that are appealing to consumers

Continued focus on working capital improvement

Experienced management team to navigate impact of COVID-19 pandemic

Substantial balance sheet capacity provides liquidity and growth opportunities

Existing businesses are resilient and provide platform for future growth

Revenue increase of 12% to **R4.091 billion**

Trading profit up 3% to **R467.2 million***

Cash generated from operations up 14% to **R531.4 million***

HEPS up 13% to **43.8 cents***

Cash (at year end) of **R829.6 million**

* *excluding impact of IFRS 16*

ABOUT OUR REPORT

Scope and boundary

We are pleased to present our stakeholders with the 2020 integrated annual report for Long4Life Limited and its subsidiaries (collectively referred to as “Long4Life”, “L4L”, “the company” or “the group”).

This is Long4Life’s third 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.

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 2019 to 29 February 2020. The contents of this document address the group’s material issues, and material events after the reporting date.

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 group currently consists of, and reports on, three divisions as represented on page 42, 46 and 49.

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 (the Company Act)
- JSE Limited 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:

Annual financial statements	Governance report	Remuneration committee report	Social, ethics and transformation committee report
IFRS & Companies Act	King IV™ Report & Companies Act	King IV™ Report & Companies Act	King IV™ Report & Companies Act
Audited by Deloitte & Touche	Audit and risk committee and L4L board	Remuneration committee and L4L board	Social, ethics and transformation committee and L4L board

Financial statements

The auditors, Deloitte & Touche have issued their opinion on the consolidated and separate financial statements for the year ended 29 February 2020. Their unmodified report can be found on pages 100 to 103. 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 2020 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.

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

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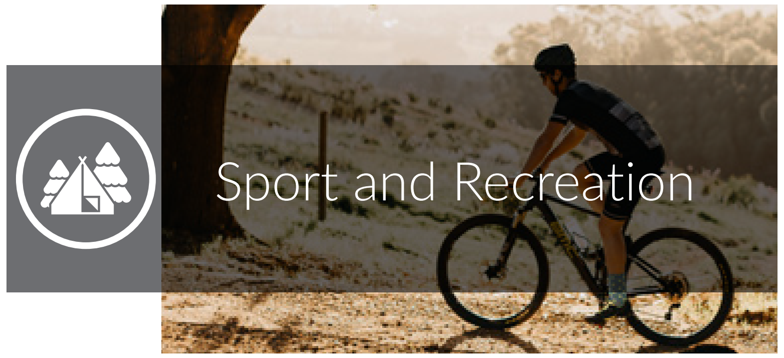
About Long4Life

Building the vision

Long4Life is a lifestyle-themed group that is invested in a portfolio of assets which incorporates retail, wholesale, manufacturing, service, merchandising, distribution and e-commerce. The businesses operate within three core divisions, each with their own decentralised management teams:



The current portfolio delivers strong operating cash flows, particularly in the second half of the financial year given the seasonal leverage of the businesses. Long4Life maintains substantial balance sheet capacity which provides the capability to be opportunistic on growth and, as such, management continues to assess possibilities in both mature and emerging consumer categories.

What differentiates Long4Life

Our skilled and experienced corporate office team strives to build capability and capacity across the branded lifestyle space – preferably within categories which speak to the emerged and emerging consumer. We mobilise financial, human resources and intellectual capital where required.

Our overriding objectives continue to be expansion at a pragmatic rate and driving above-average growth. This is being achieved by delivering operating earnings from strong cash generating businesses, where we aim to own the cash flows in the main, and ultimately deliver superior stakeholder returns.

We operate a decentralised management structure, providing sound financial, strategic and management support to our investee companies. This structure enables us to embrace our founder's proven entrepreneurial experience and philosophy, together with that of a like-minded management team.

We have a thorough understanding of our investment and trading partners, as well as the markets in which they trade and compete.

Long4Life is a JSE-listed vehicle from which we encourage entrepreneurs and vendors to partner with us and participate at an equity level to maximise their future potential.

We are disciplined in our deployment of capital, but ambitious in our expectation of returns.

Investment case

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

We will gear our balance sheet prudently to allow growth 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 sustainable customer acceptance.

Long4Life's good cash-generating businesses have highly regarded brands with low- to medium-risk characteristics.

We look to invest in companies that have a high performance culture and whose business model is scaleable.

The use of scrip will always be carefully considered so as not to be dilutive and to be value accretive for all shareholders.

Graham Dempster
Chairman

Chairman's letter

At the time of writing the world is in turmoil as the result of a global pandemic. The worldwide spread of the Coronavirus has provoked unprecedented responses in the form of prohibitions against the movement of people and the conduct of certain businesses. The national lockdown in South Africa, while necessary, proportional and desired to prevent a catastrophic burden on our health systems, has caused a significant impact on the economy. All of Long4Life's businesses have been affected to a certain extent, and some have been unable to trade at all over this period.

The future remains uncertain. Although this is an exceptional situation, uncertainty itself is not unusual. In our organisation we have a very experienced management team and board that has dealt with crises before. We have people who are resilient, who are accustomed to operating in uncertain times, and who are well positioned to navigate the group through such times. Each crisis is different, but the experience gained from navigating uncertainty enables one to focus the mind on the basics of protecting your employees and customers, judicious use of capital, preserving cash, and remaining agile and dynamic to respond to all stakeholder needs.

External operating environment

For more than five years South African GDP growth has hovered around 1%, with figures for the last quarter of 2019 showing a contraction of 1.4% – the second consecutive quarter of negative growth. A stagnant South African economy has become the new normal. An environment of fiscal and monetary constraint and negative consumer sentiment resulting in constrained spending is unlikely to change for at least the next two years.

Electricity supply remains a significant constraint. Lack of reliable availability is a disruptor, creates frustration, dampens demand, and increases costs. It is a negative all round, and the sooner we have clarity on a lasting solution and stability the better for our economy, for our country and for the group.

Another factor with significant impact on the group is the prevailing negative market sentiment surrounding South African equities, and particularly small and medium-capitalisation stocks. Global investors have judged that South African policy certainty remains elusive, that the prospects of growth are muted at best, and that investment opportunities are better pursued elsewhere at this time. Locally, few analysts are covering smaller-capitalisation stocks, and the large fund managers are less inclined to invest in smaller growth-oriented stocks.

This has obviously curtailed our ability to use equity for acquisitions of any significant size. Despite this we have been active in the year under review in pursuing certain opportunities. Some investments – such as the Spur deal – did not transpire in the way we'd hoped from a value perspective, with the necessary collaboration and support of its shareholders not being forthcoming. Having sought to position ourselves in a way that would lead to our eventual strategic management of investments, when that outcome wasn't available we decided to exit the deal.

Strategic performance

There has been a significant amount of strategic thought into how best to configure the group, resulting in our current divisional structure. Over the last year, significant attention has been given to making that structure work.

Despite the torrid macro-economic environment there are reasons for cautious optimism for the group. Virtually all our operations are specialist businesses. In the context of negative growth and consumer sentiment, the specialist nature of our business enables them to forecast trends and be agile in response, and to source the right products. If we're able to do this better than our competitors then we can grow market share.

The second cause for optimism is the degree to which our investments have performed. The businesses that Long4life acquired, which were bought under conditions that anticipated a better macro-economic forecast, have delivered on the investment theses that they offered at the time, which is testament to both the strength of the investment-case assessment and to the execution of the post-acquisition implementation plans.

Finally, with no burden of debt and with cash on hand, on a relative basis we are in an attractive position in the short term. This has been vindicated by financial institutions extending current and very recently offering new lines of credit, which has further strengthened an already robust balance sheet.

The structuring of the group into clear divisions has also given a higher degree of clarity into how the businesses should be performing and who is ultimately accountable for that performance. This is not simply a matter of expertise and experience, but of making sure that the right people are in the right roles.

The group's maturation is resulting in a clearer recognition of the responsibilities of the operations, and of the value added by the centre. In that regard, I would like to acknowledge the contribution of our CFO, Mireille Levenstein, who has upped our game massively in terms of business intelligence, financial analytics, and tracking performance. The enhanced information available to the executive and board have provided us with a heightened degree of awareness of where the business is, where it is going, and what the most useful metrics are to determine that.

Work of the sub-committees

The social, ethics and transformation committee continues to evolve, and is doing good work from a human-resources perspective. We are still assessing the transformation of our ownership, but we acknowledge that to make meaningful progress in this regard first requires a stable footing in terms of value-creation opportunities being realised.

The nomination and remuneration committee has a detailed appreciation of the decentralised business model. The committee has very clear guidelines, and they've done some good work in aligning suitable incentive-based remuneration and appropriate performance-driven targets to generate value creation across the group.

The audit and risk committee has done an exceptional job. Risk assessment has been significantly enhanced, the quality of information provided to the committee has been upgraded substantially, and the application of IFRS and JSE disclosures is at a high level.

Board changes

Mr Syd Muller resigned as an independent non-executive director with effect 11 December 2019. Syd also served as the group's lead independent director and as chairman of the group's nomination and remuneration committee.

Syd is a very talented and experienced retailer and very ably oversaw the transition from Holdsport to the Long4Life Sport and Recreation division. On behalf of the board I'd like to extend my sincere thanks for his invaluable contribution to Long4Life, and wish him well in his future endeavours.

Mrs Keneilwe Moloko, formerly an independent non-executive director and having served on the board since 1 November 2017, assumed the position of the group's lead independent director and chairman of the nomination and remuneration committee. Further changes to the nomination and remuneration committee effective March 2020 are set out in the nomination and remuneration committee report on pages 66 to 79.

Acknowledgements

I wish to extend the thanks of the board to Brian Joffe, to the central team, and to the divisional executive committees for their dedication and commitment and resilience under very onerous conditions. It is a sobering moment for all, and we can assure stakeholders that we are committed to protecting the organisation, its position in the market and its staff in these uncertain times.

SERVING STAKEHOLDERS

Serving stakeholders

Customers

Long4Life's products and services are purchased, consumed and used by our vast customer base, which is ultimately made-up of individual consumers. Without our customers we would not exist. Of the group's 2 666 employees, nearly 80% are customer facing, mainly within the Sport and Recreation and Personal Care and Wellness divisions. This demonstrates the importance of ensuring we remain relevant to our national customer base by understanding their needs, and responding appropriately by providing products and a standard of service that meet those needs. Our teams that interact closely with customers are afforded appropriate training programmes to best serve these key stakeholders. Changing market dynamics and characteristics are monitored carefully to ensure awareness of any emerging trend and any need to change the offerings.

Employees

Our committed team of employees are critical to our sustainable success and we therefore provide relevant training and development opportunities, transformation imperatives, fair and equitable reward, as well as career advancement opportunities by promoting from within and ensuring a strong succession plan is in place. Management adheres strongly to communication, and employees receive regular newsletter updates that cover progress and general news about the group. Employees are also encouraged to approach management with their personal views about the operating and service landscape, which ultimately serves to ensure that the Long4Life team remains centred on a culture of high-performance delivery.

Regulators and industry bodies

We contribute to South Africa's fiscus and provide support – through expertise and funding – to various bodies and institutions that ensure the ongoing development and progress of the sectors in which we operate.

We continually aim to enhance our role as a responsible corporate citizen in a well-functioning democracy. To achieve this, we ensure compliance with relevant laws and regulations, and at all times adhere to strict ethics and governance.

Investors and partners

Long4Life's overriding ambition is to provide value for investors, shareholders and equity partners. This is achieved by ensuring good profitability and robust cash generation that will deliver consistent financial returns. Long4Life's quality asset portfolio and proven management team ensures the effective management of all resources, specifically people, time and funds. The Long4Life board and management drive appropriate capital allocation, which we see as key to sustainable value creation. Regular communications ensures that shareholders and partners remain up-to-date on group performance and progress.

Suppliers

We see our suppliers as partners in our ambition of creating value for all Long4Life stakeholders. We remain in close contact with our supplier base, which provides us with good insights into market dynamics and characteristics. By doing this we remain alert to changes in behaviors and developments, allowing us to remain well-positioned to adapt where necessary. Where possible B-BBEE accredited suppliers are used and promoted.

Communities

We aim to create value for the communities, mainly in and around areas where we operate. Resources are provided for projects and campaigns that improve social development initiatives, specifically in support of our stakeholders, and where possible their families. We invest in initiatives focusing on various interventions, specifically in terms of sporting programmes, youth and enterprise development, social upliftment, and leveraging our skills to effect purposeful change.

BOARD OF DIRECTORS

Board of directors

Executive directors

BRIAN JOFFE
Chief executive officer
BCom, CA(SA), Honorary Doctorates in Commerce from the University of Witwatersrand and the University of South Africa
Age 72, appointed 2 June 2016
Industry experience:
Skill set

MIREILLE LEVENSTEIN
Chief financial officer
BCom, BAcc, CA (SA), HDip tax
Age 51, appointed 15 October 2018
Industry experience:
Skill set

COLIN DATNOW
Chief operating officer
BCom
Age 71, appointed 22 March 2017
Industry experience:
Skill set

Independent non-executive directors

GRAHAM DEMPSTER
Chairman
BCom, CA(SA), Harvard Business School, INSEAD AMP
Age 64, appointed 22 March 2017
Industry experience:
Skill set

TASNEEM ABDOOL-SAMAD
Independent non-executive director
BCom, CA(SA)
Age 45, appointed 22 March 2017
Industry experience:
Skill set

LIONEL JACOBS
Independent non-executive director
BCom, MBA
Age 75, appointed 27 March 2017
Industry experience:
Skill set

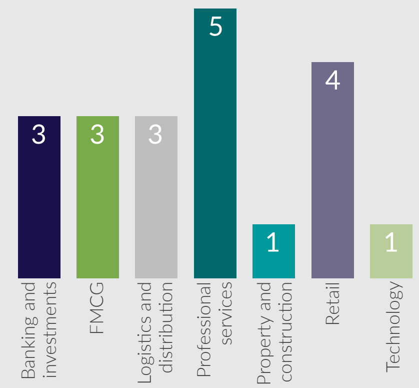
KENEILWE MOLOKO
Independent non-executive director
Bsc (QS), BCom, CA(SA)
Age 50, appointed 1 November 2017
Industry experience:
Skill set

Industry experience (key):
- *Banking and financial services*
- *FMCG*
- *Logistics and distribution*
- *Professional services*
- *Property and construction*
- *Retail*
- *Technology*

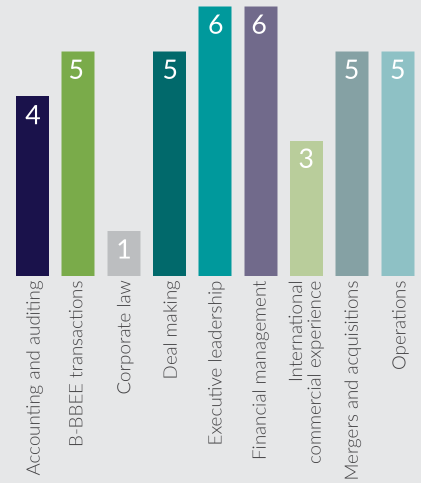
Skill set (key):
- *Accounting and auditing*
- *B-BBEE transactions*
- *Corporate Law*
- *Deal making*
- *Executive leadership*
- *Financial management*
- *International commercial experience*
- *Mergers and acquisitions*
- *Operations*

Full CVs can be found on the website at www.long4life.co.za

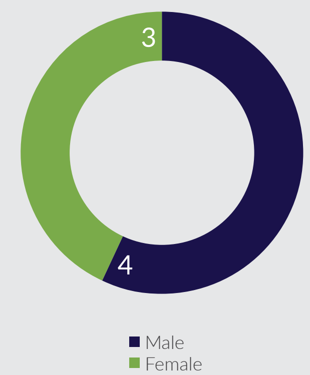
Industry experience



Skill Set



Gender



OUR GROUP STRUCTURE

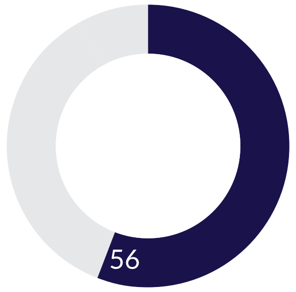
Group structure

Our divisions

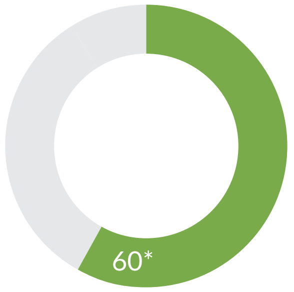
Our key investments

Sport and Recreation

Contribution to group revenue (%)

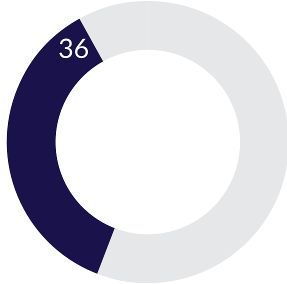


Contribution to group trading profit (%)

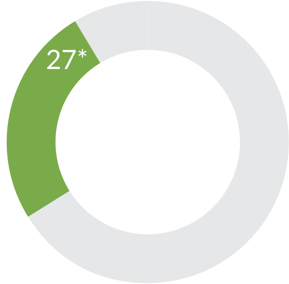


Beverages

Contribution to group revenue (%)

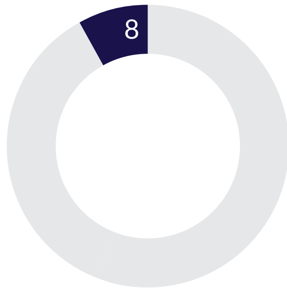


Contribution to group trading profit (%)

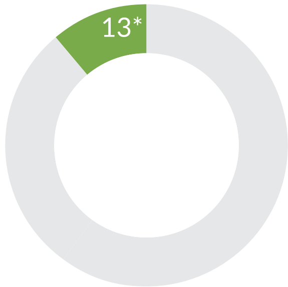


Personal Care and Wellness

Contribution to group revenue (%)



Contribution to group trading profit (%)



* *Excluding corporate costs*

HOW WE CREATE VALUE

Long4Life Value Creation Model

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 and executives, who collectively have a wealth of operational and dealmaking 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.

Key Risks

(Material issues and risks set out on page 20)

- SA macro-economic/political environment
- Power supply instability
- COVID-19 and other pandemics
- Availability of suitable acquisition targets
- Key-person dependency
- Product integrity
- Increased competition

Our Capitals: Inputs

People

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.	• 2 666 employees with requisite skill, knowledge and experience • Significant operational and dealmaking experience • Customer-centric culture • Ethos of responsibility and governance (including franchisee employees)

Performance

Our **financial capital** includes the capital the group generates, as well as from the operations, interest income on surplus capital and other investments. **Manufactured capital** relates mainly to infrastructure in terms of plant and equipment, land, buildings, stores and processes, which enables us to deliver quality products and services to our consumers.	• Ensure ongoing cash generation • Equity and debt funding (gearing) options for future growth • IT/technology upgrades introduced

Partners/Relationships

Our **social and relationship** capital goes to the heart of our reputation. The relationships and networks that we have established are continually enhanced between ourselves and our key stakeholders, including customers, suppliers and business partners. Refer to the Serving stakeholders report on page 12.	• Serving our vast customer base • Online sales increasing and social media capability growing • Loyalty programs enhanced • Sorbet franchisee model continues to deliver

Planet

In our definition of **natural capital** we measure the natural resources that we use in the production of goods and services, and consider these in relation to our environmental impact.	• Minimise impact of rising costs of fuel and electricity • Consumption of raw materials carefully managed • Adhere to B-BBEE regulation • Conform to environmental policies

Our Business Philosophy

- Building capability and capacity across the lifestyle space
- Skilled, experienced and proven entrepreneurial team
- Decentralised management structure
- Strong balance sheet, disciplined deployment of capital: ambitious in expectation for return
- Growth and expansion at a pragmatic rate, delivering quality operating earnings and cash flows

Our Capitals: Outputs

- Number of employees: 2 666
- Zero lost time safety incidents
- Retained R453 million for growth
- ROFE of 38%
- Financial controls in place
- Invested R179 million in capital assets
- Stakeholder communication enhanced
- Supply chain integrity in place
- Focused initiatives to increase usage of renewable energy
- Water saving programmes underway
- Investments in environmental and corporate social investment projects in each division

Value Creation:

Outcomes for 2019/2020

Turnover:
R4.091 billion

Value added
(Total wealth created: R1.7 bn)

Employees:
32%

Government (taxes):
16%

Providers of capital:
26%

Retained for growth:
26%

MATERIAL ISSUES AND RISKS

Material issues and risks

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:

- South Africa's tough economic climate
- Impact of the outbreak of Coronavirus (COVID-19)
- Instability of the electricity supply in South African
- South Africa political climate
- Acquisition strategy
- Increased competition
- Key person dependencies
- Product integrity
- Transformation
- Online offering and digitalisation

South Africa's tough economic climate

Risk description	Risk mitigation actions
• The current tough economic climate limits and/or inhibits consumer spending with weaker consumer demand. • High levels of unemployment and no growth has negatively affected consumers' purchasing power. • Economic climate places pressure on margins as it limits ability to increase selling prices amidst rising costs and foreign currency volatility. • The impact of the COVID-19 pandemic and weakness in the Rand will exacerbate the weak consumer demand.	• 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. • Manage productivity closely and implement processes and structures to extract efficiencies.

Impact of the outbreak of Coronavirus (COVID-19)

(refer to COO report for further detail)

Risk description	Risk mitigation actions
• Impact of the nationwide lockdown on the various businesses, resulting in a significant risk of loss of profits and cash outflows. • Failure to meet revenue targets as a result of reduced traffic in stores as customers isolate in response to the spread of the virus. • Significant reduction in beverage consumption as social gatherings, dining out and travel restricted. • Cost containment measures may be difficult to implement speedily given the overhead structure. • Disruption to the supply chain for raw materials and merchandise in all our divisions. • Risk of store closures due to spread of virus or contamination of staff and/or customers. • Inability to purchase spare parts or access to specific engineering skills to capital equipment (for example – beverage canning equipment from Italy). • Risk of excess inventory and discounting by competitors in the next 12 months impacting future sales and margins. • Risk of permanent Sorbet franchisees store closures if franchisees are not able to withstand economic burden of an extended lockdown period.	• Visible leadership and management of the emerging crisis. • Ongoing communication and monitoring as to the effects that COVID-19 may have on the business including pandemic preparation and response plans. • Careful review of cash balances and forecasts to minimise cash flow impact. • Remote working capabilities have been considered where possible and will be initiated at the appropriate time. • Work area safety and sanitisation initiated with ongoing hygiene protocols and sanitisation. • Review and assessment of any impact on the supply chain, and consideration of alternative sources of supply. • Ongoing review of sales forecasts, as well as resultant impact on purchases and operating expenditure and curtailment thereof. • Increase in utilisation of online portals and increased investment therein to improve competitiveness. Focus on maintaining close contact with customers through digital communication channels, enhancing offering in online platforms. • Reduction of capital expenditure budget, deferral of store refurbishments and other capital projects to conserve cash. • Rework of budgets to entrench management control disciplines. • Cashflow scenarios for the expected and different lockdown periods to manage liquidity. • Ongoing communication and support to franchisees including temporary waiver of franchise fees, food vouchers for franchisee staff, guidance etc. • Tighter management of working capital and assessment of current and future inventory alternatives.

Material issues and risks (continued)

Instability of the electricity supply in South Africa

Risk description	Risk mitigation actions
• The instability of electricity supply by Eskom causes significant disruptions to operations. • Loadshedding leads to poor production efficiencies in the manufacturing process with higher costs. • Sales across all businesses (stores, facilities, customers and services by franchisees) are impacted negatively with significant risk of loss of revenue.	• Back-up power installations implemented where possible. • Implementation of efficient change over processes, and suitable operating hours, for manufacturing operations when loadshedding is expected. • Ensuring adequate power surge protection and business continuity in place to be able to trade at times where no generators or UPS is available.

South African political climate

Risk description	Risk mitigation actions
• 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 amongst investors and consumers and limits or inhibits investment opportunities.	• Close monitoring of political changes and policy to understand developments relating to conditions in South Africa. • Creating awareness and assurance amongst investors and consumers relating to group and operational strategy.

Acquisition strategy

Risk description	Risk mitigation actions
• It is essential that the Long4Life acquisition strategy identifies 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 amongst 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

Risk description	Risk mitigation actions
• New entrants into the South African sports and outdoor retail, beauty and beverage space may result in a loss of market share. • 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. • Ongoing review of production and cost efficiencies to be able to price manufactured products competitively.

Key-person dependencies

Risk description	Risk mitigation actions
• Key-person 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

Risk description	Risk mitigation actions
• 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

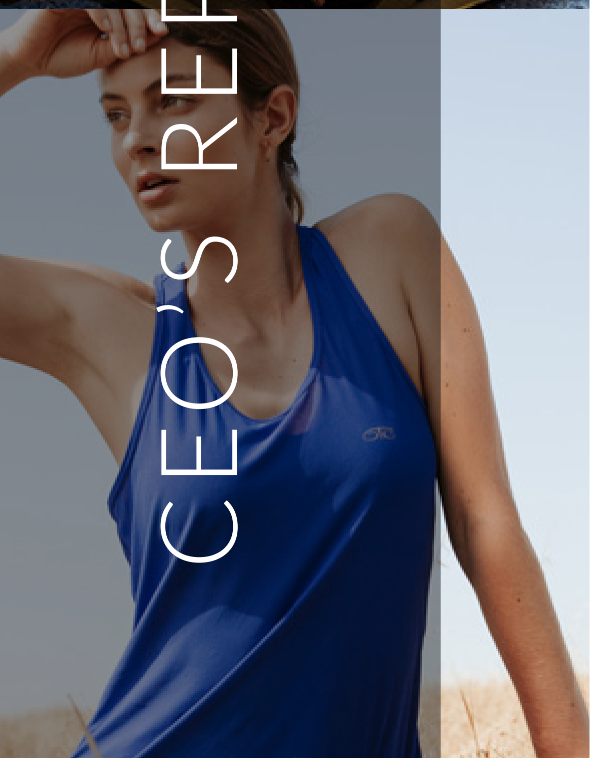
Risk description	Risk mitigation actions
• The long-term success of businesses in South Africa is critically dependent on gender and race transformation.	• Support industry and government initiatives aimed at transforming the country's economy, including initiatives to fund and support the development of high-growth small and medium enterprises. • Regular monitoring of transformation progress within operations and updating the social, ethics and transformation 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

Risk description	Risk mitigation actions
• 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. • This risk is particularly relevant given the COVID-19 pandemic.	• Expanding on e-commerce business model to ensure that the group is competitive amongst 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. • Increasing investment in investment portals and related marketing spend to improve competitiveness.

OUR STRATEGY AND PERFORMANCE

3



CEO'S REPORT

Brian Joffe
Chief executive officer

> " We can count on the strength of our brands and the agility of our teams to reinforce the emerging new direction and way of doing business. "
>
> Brian Joffe

Chief executive officer's report

I have experienced many challenging events during my 50-year working career, but nothing comes close to the experiences of the first few months of 2020 following the outbreak of the COVID-19 pandemic. This extraordinary time will shape a new future. It will forever be known as the period in which we changed paradigms, changed ways of working and changed the way we relate and interact with one another.

Performance over the last year

Although the year under review has been a difficult trading environment, we have nevertheless delivered a credible performance and we are pleased with the strategic progress made in many areas.

We improved our trading compared to last year, with revenue increasing by 12% to R4.1 billion (2019: R3.6 billion) and gross profit higher at R1.6 billion compared to R1.4 billion. The gross margin of 39.3% was well maintained and the trading profit was 3% higher at R467.2 million (2019: R454.2 million) at a trading margin of 11.4% (2019: 12.5%).

Headline earnings were higher at R367.2 million (2019: R348.8 million), and headline earnings per share rose a commendable 13% to 43.8 cents (2019: 38.7 cents) based on 839 052 000 (2019: 902 054 000) weighted average number of shares.

The second half of the financial year reflected the traditionally higher trading activity, with beverage consumption as well as the demand for beauty treatments increasing significantly in the summer months.

Cash generated from group activities was good and improved against the same period last year to R531 million (2019: R465 million).

The group's return on funds employed (ROFE) was 38% (2019: 42%), which exceeded the stated group ROFE target of 35%.

We acquired 103.2 million of our own shares at an average price of R4.10 per share during the year, which supported this year's earnings per share. The share buy-back strategy during the year has been an attractive option for sustainable earnings during these times. The buy backs occurred in the second half of the financial year and the full benefit of the share repurchases in the headline earnings calculation will therefore materialise in the ensuing years.

Without absolute clarity and the benefit of timing from the eventual fall-out from the pandemic, our robust balance sheet gives us great comfort. At year end, available cash was R830 million and together with our cash-retention strategy, this will prove beneficial as we emerge from this crisis. It will form an important pillar in terms of our overall risk mitigation strategies.

Operational reviews

The Sport and Recreation division maintained its strong presence in its chosen markets through its unique and credible offering to customers. Sportsmans Warehouse remained resilient, and overall sales were higher. Outdoor Warehouse's performance was exceptionally strong with a significant increase in sales, and most categories performed well. Performance Brands showed lower external and internal sales as all sectors experienced difficult and tight trading conditions as a result of lower consumer demand.

The Beverages division's performance was disappointing, driven by Chill's results, as the ongoing investment in the upgrading of facilities and the related marketing initiatives did not yield the expected revenue. Inhle Beverages has proven to be resilient and delivered a strong performance.

The Personal Care and Wellness division had a very good year. Sorbet delivered double-digit growth in treatment revenue. Retail sales showed a marginal increase, impacted by the constrained market. Lime Light had a pleasing year and ClaytonCare posted an excellent set of results.

For more detail on the group's operational performance, please refer to the Chief operating officer's report on page 30.

Convergence of a restrained economy, ratings downgrades and COVID-19

For the full extent of our last financial year, pre-COVID-19, our economy was already an underperformer, which manifested in South Africa's rating downgrades. This has all occurred against a backdrop of policy uncertainty and a lack of any real growth and opportunities, together with the operational and financial weakness of many state-owned enterprises. Widespread load shedding intensified, which was also an inhibiting factor for productivity and contributed to very low levels of consumer confidence.

With effect from midnight on 26 March 2020, South Africa's President initiated a nation-wide lockdown to curtail the rising infections resulting from the COVID-19 pandemic. This first lockdown period, referred to as Level 5, continued for 36 days and then transitioned into a Level 4 as part of a risk adjusted, phased approach for a return to economic activity, and certain sectors of the economy returned to work. The retail sectors in which Long4Life operates continued to be negatively affected under the Level 4 lockdown scenario and stores were only partially opened for trading. The Beverage division, whilst it remained open, operated at reduced capacity.

I am proud that the Long4Life team has continued working tirelessly during this entire lockdown period, remotely in many instances, to ensure the survival of the

Chief executive officer's report (continued)

business and the well-being of our people. The group donated R1 million to South Africa's Solidarity Fund to assist in slowing the spread of COVID-19 and aid the country's economic recovery. The group has contributed to the broader national effort by donating, through Inhle and Chill, approximately R2.5 million worth of bottled Long4Life water and Fitch and Leedes products in support of homeless shelters, various charitable institutions and essential service provider employees.

Other measures taken in response to the effects brought-on by the pandemic, include the decision by the executive and Board members to take pay-cuts of a third of salaries, and directors fees, for a three-month period.

One of the key take-aways from the most recent World Economic Forum in Davos has been the meaning of "stakeholder capitalism", and it was as if this was a precursor to what was to transpire globally. Here in South Africa, the collaboration we are seeing between government, authorities, labour and business, and its communities, has resulted in a significant reset, and one which I sincerely hope will be advanced even further for the benefit of all our people. Hopefully, this interaction will emerge as one of the real benefits coming out of the pandemic period. I certainly have not seen this level of closeness and interaction before, and it can only be meaningful as our economy begins the difficult road to recovery after these disastrous few months.

Continued economic headwinds expected

Following the effects of COVID-19, and with no clarity regarding duration of the pandemic, forecasting is practically impossible. We anticipate little respite from the difficult trading conditions in the short term. Even though the environment is uncertain, management is committed to preserving the medium-term competitive nature of all businesses.

The group has a strong balance sheet with cash on hand and minimal debt, while management has a depth of experience that is supporting and navigating the group in these uncharted waters.

We are in an uncertain environment, but we are being vigilant and focused on our objectives for progress. We can count on the strength of our brands and the agility of our teams to reinforce the emerging new direction and way of doing business.

The next recovery phase, which will extend well into the 2021 calendar year and beyond, must be to accelerate inclusive economic growth and employment. This strategy will carefully consider the impact of COVID-19-related changes in local and international supply and demand for each of the sectors of our economy.

The year ahead

The effect of COVID-19, while largely unknown at this stage in terms of exact financial impact, is anticipated to be significant, especially in the short term. The recovery phase will demand absolute attention and the priority will be to accelerate the pace of change and continue implementing, and adapting where necessary, our robust strategic plan. It also presents a real opportunity for large, medium and small business, government and labour to finally address many of the structural reforms needed to put the country on the path to prosperity and improved livelihoods.

For Long4Life, a consequence of the pandemic is expected to be the increased use of our online portals. We had already started channelling marketing spend on digital platforms to drive sales and brand awareness over the last few years, and this will prove beneficial as we move forward.

Additionally, the period into the recovery phase, should also present unique acquisition opportunities for Long4Life. We will ensure that that we remain positioned to take advantage as these arise.

We have an extraordinary team of loyal and dedicated Long4Life colleagues, and this makes it easier to unlock our ability of building a faster, commercially orientated culture that will help us advance our transformation. We also have a unique legacy of brand values, with strong customer relationships which will be beneficial as we navigate through the challenges expected over the coming year. Our lean central team, including finance, governance, strategy and the support functions, will continue to work alongside all group operations, while setting direction for our growth strategy, allocation of capital and overseeing cost efficiencies.

I would like to thank all my fellow Board members, and colleagues, for their passion, dedication and hard work, and for delivering during what has been a turbulent time. With the quality of our brands and the tremendous capabilities of our teams, despite the difficult conditions, we have certain strategic advantages that will guide and support us during the return to some form of normalisation of operations, which we will define as time and markets evolve.

COO'S REPORT

Colin Datnow
Chief operating officer

> "The various businesses have been remarkable at responding to the COVID-19 crisis and we are very proud of what has been accomplished in a very short space of time under frenetic conditions."
>
> Colin Datnow

Chief operating officer's report

The year under review was a busy one operationally, with several initiatives being rolled out to ensure effective, efficient divisional and management structures across all three divisions namely, Sport and Recreation, Beverages and Personal Care and Wellness.

Full details of the performance of each division and various operational measures implemented during the year are set out in the divisional reports on pages 42 to 51.

COVID-19

On 26 March 2020, South Africa's President introduced a nation-wide lockdown in response to the COVID-19 global pandemic. All of our businesses were affected by the restrictions imposed by lockdown. Some were required to suspend trading entirely and others could operate on a much reduced basis. In the initial stages of lockdown, our retail stores, online platforms and beauty salons were closed. With restaurants and hospitality venues not operating, the consumption of certain of our beverage offerings were significantly reduced.

We do not anticipate trading conditions to recover to pre COVID-19 levels during this financial year; to this end, immediate action has been taken:

- Stringent cash control and cash conservation.
- Capital expenditure budgets have been reduced significantly.
- Store refurbishments and other capital projects have been deferred.
- Sales budgets are currently under review evaluating different scenarios around what could be the "new norm". Similarly, purchasing budgets linked thereto are being adjusted.
- All operating costs are under assessment so as to adjust costs to align with anticipated levels of trading activity.

Needless to say, planning and forecasting is extremely difficult without knowing how the post-lockdown environment will impact our markets and consumer behaviour, and the tenure of a potentially weakened consumer spend.

The Long4Life imperative of ensuring a strong and decentralised management structure is certainly coming to the fore. The experienced leaders have an in-depth understanding of their respective businesses and markets, enabling the transformational changes underway to be affected rapidly and effectively.

Top of mind has been and will be the protection, safety, and wellbeing of our employees. We are taking all the necessary precautionary measures in the various businesses and are continuously upskilling staff regarding hygiene principles and protocols that need to be followed.

Our world will never be as it was, consumer behaviour has and will change dramatically. We and our teams are fully committed to embracing whatever the behavioural shift may bring with it. We will enhance all forms of customer communication and are continuously upscaling all of our online trading platforms. We recognise that spending habits will change, that consumers may have less disposable income, but we are fully focused on several strategies that will address the change in the markets and in consumer behaviour.

We feel confident that our management teams are agile and nimble and have the ability to adapt to change.

Sport and Recreation division

All merchandise plans for Sportsmans Warehouse and Outdoor Warehouse are being reviewed as the COVID-19 situation develops. Sales forecasts and the resultant impact on stock holding and working capital are a prime focus and purchase orders have been cancelled or deferred.

We foresee lack of availability of certain product categories, excess inventory in others and potentially significant discounting on a number of products in the foreseeable future. Other key risks include supply-chain instability and delays in the receipt of inventory.

In addition, the substantial depreciation of the South African Rand will result in higher input costs and thus higher retail prices, challenging an already constrained consumer.

Marketing initiatives are continuing with a greater focus and an increased allocation of the spend to digital channels. E-commerce and online trading capabilities have and will be significantly enhanced.

It has been most pleasing to note that since the stores have been partially open, trading has been strong both online and in stores. The division is extremely well placed to cater to the health and fitness conscious consumer, now more than ever, a growing segment of the market. Our product offering is ideally suited to all forms of exercise including satisfying the demand for home-based fitness equipment. It has also become evident that consumers have a preference to shop at strip malls and destination store locations. The vast majority of our retail stores operate from these locations.

Beverages division

The terms of the lockdown provide for the continued production and supply of food and beverages. As such, both Chill and Inhle have remained open, but are operating at much-reduced capacity.

The effect of the total ban on the sale and transport of alcoholic beverages – which comprise a large proportion of our co-packing activities – has had a predictably significant effect on demand. This is further compounded by the effect of the closure of restaurants and bars during the lockdown period. We are encouraged by the fact that the demand for Score Energy drink has remained stable post lockdown.

Chief operating officer's report (continued)

In response to the reduced demand and resultant underutilisation of production capacity, there has been a concerted effort to focus on cash conservation, including limiting all capital expenditure. Both business units are actively reviewing all operating costs, processes and technology in an effort to optimise future outputs and efficiencies.

Personal Care and Wellness division

Even before the national lockdown, the closure of all Sorbet salons was initiated. Sorbet franchisees are small independent business owners and the financial impact of the lockdown has been severe for most, as well as for their employees.

It is impossible to establish exactly what trading will look like in a post-lockdown scenario. In the interim, everything possible is being done to mitigate the disruption and deal swiftly and responsibly with issues relating to the well-being of support staff and franchisees. With the reduced level of activity, franchisees are being assisted in managing their cost base, most notably rent and staff costs.

As the franchisor, we also recognise the difficulties facing the Sorbet franchise owners and their employees, who are small business owners and whose stores are all closed for trading. Besides waiving franchise fees over this period, the group is also providing approximately R7 million to all the employees of the Sorbet franchisees (approx. 3 500 therapists and workers) in the form of food vouchers for two months. We remain absolutely focused on the sustainability of their businesses.

Sorbet prides itself in already applying strict hygiene standards. Further to already existing stringent processes and protocols and in compliance with the government's efforts to avoid the spread of the coronavirus, Sorbet will be implementing comprehensive additional hygiene protocols and safety measures across all stores on re-opening.

Long4Life is taking all possible steps to conserve capital and ensure survival for this division, which includes managing working capital commitments, suspending all capital expenditure and reducing overheads.

Lime Light has been certified as an essential goods provider, although the range of products are limited to hygiene products and certain personal-care items. Other than the supply of some hygiene products, sales have come to a virtual standstill, with salon owners not placing orders until there is clarity. The majority of goods are imported and the supply chain has been adversely affected with any new orders carefully vetted in order to preserve cash and manage stock levels, whilst still being able to offer a comprehensive basket of goods when trade commences.

ClaytonCare's immediate response to the outbreak has included:

- The implementation of additional workplace safety measures such as infection control, flu vaccines, limited visiting hours and increased personal protective equipment; and
- Additional measures to accommodate an increase in high acuity patients including additional ventilators, temporary staff increases and the creation of 20 extra beds for ward patients in the adjacent frail care facility.

COVID-19 will undoubtedly change the delivery of healthcare and despite valuable lessons being taken from the H1N1 flu pandemic in 2009, the challenge remains to ensure cost-effective outcomes. Fortunately, good occupancy has been maintained since lockdown, mainly as a result of continued referrals from acute hospitals. We do however expect a decline in patients due to all elective work in hospitals being cancelled during lockdown.

Conclusion

We anticipate that the landscape has already, and will, undergo fundamental change in the future. Our strategies and responses to the change have been articulated in this report so as to achieve optimal operational efficiency. We have adopted a far more aggressive approach in all of our marketing initiatives and actively seek across all businesses to increase our share of the markets in which we operate.

The various businesses have been remarkable at responding to the COVID-19 crisis and we are very proud of what has been accomplished in a very short space of time under frenetic conditions.

Our leadership and management teams at the operating level must be commended for their outstanding effort and contribution and their careful and diligent execution of our strategic intent. My sincere thanks and appreciation to the teams both in the operations and at head office whose contribution and efforts have been invaluable.

Long4Life answers the call

In the midst of the fear, uncertainty and suffering caused by COVID-19, there are stories of sacrifice, of collaboration, and of those with the power to help using that power generously.

Across the Long4Life group we have seen how our people have stepped up and stepped forward.

Inhle and Chill donate beverages

Chill and Inhle have contributed to the broader national effort by donating approximately R2.5 million worth of bottled water and Fitch & Leedes Cola to essential service provider employees as well as to the socially and economically vulnerable. To support them with the necessities they need to survive, Inhle has donated three trucks' worth of water – tens of thousands of bottles – to three organisations who are distributing them where they are most needed, namely Charity Fusion, SOS Children's Villages, and the Salvation Army. The water was delivered to the homeless, elderly, and to vulnerable children. Chill Beverages recognised the work of government employees assisting the pandemic efforts, and to give them some comfort, donated nearly half a million cans of Fitch & Leedes Cola.

Performance Brands manufactures medical masks

The demand for medical masks has risen drastically as South African health services tackle the spread of the virus. With the first national lockdown looming, Performance Brands opened discussions with various medical services and suppliers to find a way in which to assist with the manufacturing of face masks. A skilled team of First Ascent pattern makers, cutters, machinists, and packers assembled and have been working tirelessly to produce thousands of masks which are being delivered to medical facilities around the country.

Sorbet

Sorbet is providing approximately R7 million Rand during May and June to its approximately 3 500 employees of its franchisees in the form of food vouchers. The vast majority of Sorbet stores are owner-managed by individual women, who are solely dependent on their stores as a source of income. These small business owners are truly invested in creating jobs, growing the economy and building a better South Africa for all. The approximately 3 500 Sorbet 'citizens' are predominantly from previously disadvantaged and poorer communities, are all skilled in their duties, and have trained as either beauty therapists, nail technicians, hair stylists or barbers.

Long4Life executives and board members take pay cut, Long4life donates to Solidarity Fund

The board members and the executive of Long4Life have all elected to take a 33% pay cut for the three months commencing April 2020. This saving, together with an additional R1 million, will be donated to South Africa's Solidarity Fund to assist in slowing the spread of COVID-19 and aiding the country's economic recovery.

CFO'S REPORT

Mireille Levenstein
Chief financial officer

> "Our strategic financial priorities in these unprecedented times include cash and capital preservation, a focus on cost containment with strict discipline and an improvement in working capital management."
>
> Mireille Levenstein

Chief financial officer's report

IFRS 16 and pro forma financials

The new lease standard IFRS 16, which requires the lessee to recognise all lease contracts on the balance sheet, has been adopted for the group for its year ended 29 February 2020. To allow for a like-for-like comparison, pro forma financial statements have been prepared as if IFRS 16 has not been applied and are set out on pages 169 and 175 of the integrated annual report. To provide a more meaningful assessment of the current year's performance, and unless otherwise stated, the commentary below has been provided excluding the impact of IFRS 16 in both the current and prior year.

The past year

The group has achieved a credible performance in its third year of trading since its listing in 2017, against the backdrop of challenging economic conditions characterised by a weak consumer market, constrained consumer confidence and economic GDP growth of 0.2% in South Africa.

Financial imperatives and strategic priorities

In the tough South African economic environment, our strategic financial focus has been on the following:

- Winning market share in our various segments by competing vigorously and effectively.
- Focusing on cost containment with stricter disciplines and procurement review.
- Enhancing our processes and improving manufacturing efficiencies.
- Ensuring appropriate capital allocation both at a corporate level and within operations.
- Improving our working capital management with specific focus on inventory.
- Entrenching a performance-driven culture through reinforcement of the return on funds employed (ROFE) as a business metric in each business.
- Continuing to invest in the various drivers of growth, both organically by expansion of existing offerings as well as by continuing to pursue appropriate acquisition opportunities to create value.
- With the impact of COVID-19, cash conservation is the major priority.

Financial performance

Revenue

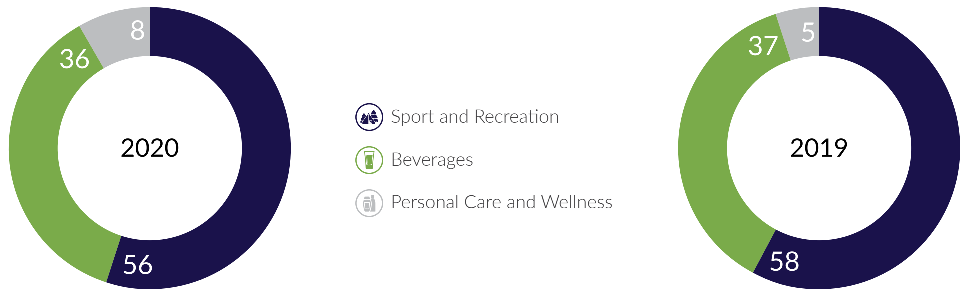
Despite the difficult trading conditions, all three business segments produced solid turnover growth, with revenue for the year up 12% to R4 091 million from R3 642 million in the previous year. The Sport and Recreation division, which contributed 56% of group revenue, achieved revenue of R2 294 million, whilst the Beverages division contributed R1 487 million (36% of group revenue) and the Personal Care and Wellness division contributed R310 million.

Sport and Recreation revenue increased by 9% year-on-year against a product price inflation of 2% (2019: deflation of 0.9%). Comparable store sales were 6% and 8% higher across Sports Retail and Outdoor, respectively (Sports Retail comprised sales of Sportsmans Warehouse, OTG and Shelflife). The weighted trading area increased by 2.6% relative to the prior year. Given the tough retail environment, revenue growth in the Sport and Recreation division was particularly pleasing.

The Beverages division (which includes own brands, contract packing and private label) achieved revenue of R1 487 million, an increase of 10% from the previous year's R1 355 million. Sales of own brands comprised 52% of its total revenue, whilst total volumes of own brands were flat year-on-year.

Personal Care and Wellness revenue of R310 million grew by 78% from the previous year's R173.9 million. The significant growth was derived mainly from the inclusion of the two acquisitions in the beauty businesses and the inclusion of ClaytonCare for the full year. Excluding the impact of the acquisitions, organic revenue growth amounted to 28%. The sub-acute ClaytonCare facilities reported excellent occupancy levels and contributed R109.1 million to revenue.

Contribution to revenue (%)



Chief financial officer's report (continued)

Gross profit

Gross profit of R1 607 million was achieved with a gross margin of 39.3% (2019: 39.7%).

In the Sport and Recreation division, gross margin reduced by one basis point to 47.0% from 48.0%. Historically the Sport and Recreation division gross profit margin has been relatively stable. This year's decrease is attributable to increased markdowns and promotional activity and in response to the tough retail environment.

In the Beverages division, tight competition in the market together with a price-sensitive consumer as well as rising labour and manufacturing costs placed pressure on the gross margins which declined by 0.7%. The Beverages division is currently being restructured and optimisation of our production lines is a key management priority in the year ahead.

Notwithstanding the above, group gross margins only decreased by 0.4% because of the increase in proportionate contribution of the Personal Care and Wellness division to the overall group, which, due to the nature of the businesses, operates at higher margins.

Expenses

The group has a high fixed-cost base, with occupancy and staff-related expenditure amounting to an excess of 76% of the total cost base. Occupancy costs are a significant component of overall operating costs in the Sport and Recreation division. Average rental renewal escalation improved to 4.8%, down from 6.2% in the prior year, and we continue to focus on driving this cost down.

Expense control remains critical to offset muted trading and to maintain a high operating leverage. Whilst the businesses closely manage occupancy, manufacturing and operating costs, group expenses increased year-on-year at both higher rates than inflation and a higher rate relative to revenue. Expenditure increased by 15% year-on-year, of which 4% growth was attributable to the inclusion of the acquisitions for the comparable period. In the Beverages division, costs increased by 22%, primarily as a result of planned growth initiatives, as well as significant investment in marketing and advertising.

Trading profit

Trading profit of R467.2 million for the year was 3% higher than the previous year's R454.2 million with trading margins of 11.4% (2019: 12.5%).

Sport and Recreation contributed R316.6 million (2019: R321.1 million) to group trading profit with margins of 13.8% (2019: 15.2%). Sport and Recreation trading margins were impacted by the gross profit decline (set out above) as well as the loss incurred from the closure of the four OTGActive stores. We have negotiated exits from the four OTG leases, and all closure costs were fully provided for in the year under review. The trading loss thereon as well as the impairment of fixtures and fittings amounted to R11 million.

Beverages contributed trading profit of R139.8 million, a decrease of 9% from the previous year's R153.8 million with margins of 9.4% (2019: 11.3%). This division has not performed according to expectations as a result of a disappointing performance from Chill. Whilst revenue and volumes increased against the prior year, increased competition, pricing pressure on own brands, underutilised capacity together with the increased expenditure resulted in a decline in the trading profit of the division during this year. We anticipate continued margin pressure in the year ahead in the Beverages business whilst we implement measures to improve efficiencies, cost management and rationalise product range.

Personal Care and Wellness comprised 14% of group trading profit at R67.2 million with trading margins of 21.7%. Central costs were tightly controlled and therefore decreased by 5% from R59.6 million in 2019 to R56.4 million.

Seasonality

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 an increase in trading over the holidays and Christmas period. The Sport and Recreation and Beverages divisions' high fixed-cost bases result in high levels of operating leverage, and thus profitability is sensitive to the gross profit achieved by the businesses. Operating leverage in the second half is clearly evident with similar levels of seasonality occurring in the year under review as in the previous year, with trading profit in the second half of the year increasing by 39% (2019: 56%) from the first half.

It is too early to attempt to determine the impact of COVID-19 on consumer spending patterns and future seasonality in our businesses.

Investments and realised profit on sale of listed shares

During the year, the group acquired a total of 13.4 million shares in Spur Corporation Limited with the intention of acquiring a strategic controlling position therein. When it became apparent that corporate activity would not be successful, the shares were subsequently sold. Prior to the financial year end, 10.4 million Spur shares were sold and a profit of R30.7 million was realised thereon. The remaining shareholding (3.26 million Spur shares) are reflected as a current asset at year end with a fair value of R74.9 million after accounting for an unrealised loss thereon of R3 million. Subsequent to the year end, these remaining shares were disposed.

Headline earnings per share

Headline earnings (before IFRS 16) amounted to R367.2 million (2019: R348.8 million), translating into 43.8 cents (2019: 38.7 cents) per share, calculated based on a weighted average number of shares in issue of 839.1 million (2019: 902.1 million shares).

Given that the group's share buy-backs occurred in the second half of the financial year, the full benefit of the share repurchases in the headline earnings calculation will be realised in the years ahead.

Return on funds employed (ROFE) and return on equity

ROFE is an internal measurement of returns from trading. It separates investment and financing decisions from trading performance and is a key measurement of performance of the trading operations. The ROFE calculation measures return from all trading assets (working capital and property, plant and equipment) and excludes goodwill, intangibles, cash, borrowings and taxation.

ROFE hurdle rates were implemented across the group in the previous year and both short and long-term incentives are linked to achievement of ROFE targets. Whilst the group's ROFE of 38% (2019: 42%) exceeded the stated group ROFE weighted target of 35%, it was impacted by the performance of the Beverages division.

The return on equity (ROE) for the group for the year amounted to 7.7% (2019: 7.6%) and is reflective of the fact that the group has excess cash, no gearing and is still in its early years. The group is still not fully invested and has balance sheet capacity to grow in order to achieve future optimal returns.

Financial position

Property, plant and equipment

Property, plant and equipment is primarily represented by the Beverages division, where the land and buildings as well as the plant and equipment comprise 62% of the group's net carrying value of R601 million.

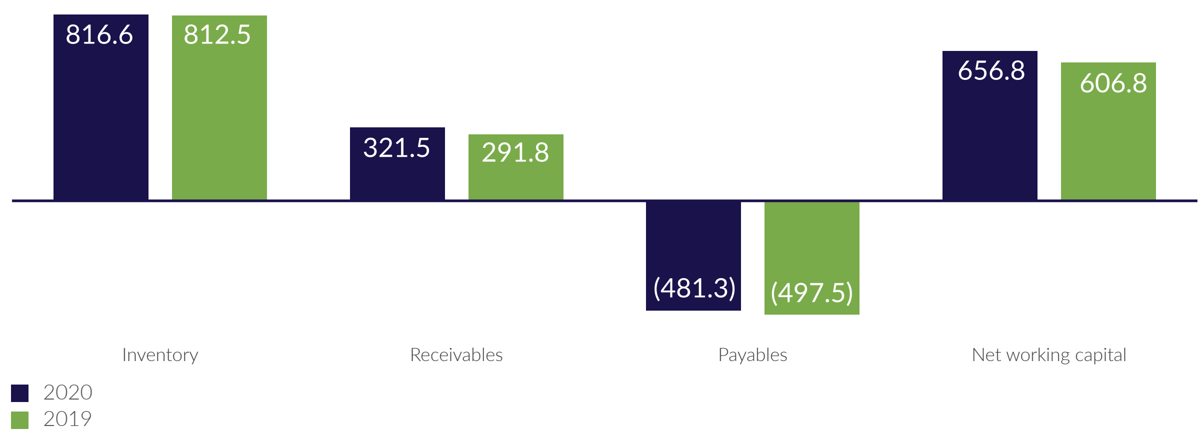
Goodwill and intangibles

Goodwill and intangibles (trademarks and brands) of R2 273 million and R787.9 million respectively are the largest assets on the balance sheet. 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 to which goodwill relates was assessed. No impairments were considered necessary.

Working capital management

An increased focus and awareness on inventory and supply chain yielded some improvements in asset management. Asset management is a key focus area and further improvements are anticipated in the year ahead, particularly in the Beverages division.

Group net working capital (Rm)



Chief financial officer's report (continued)

R' million	Inventory 2020	Inventory 2019	Receivables 2020	Receivables 2019	Payables 2020	Payables 2019	Net working capital 2020	Net working capital 2019
Sport and Recreation	**635.1**	638.6	**53.9**	37.1	**(172.5)**	(158.6)	**516.5**	517.1
Beverages	**148.1**	149.9	**212.5**	223.9	**(254.8)**	(290.3)	**105.8**	83.5
Personal Care and Wellness	**33.4**	24.0	**55.1**	30.7	**(42.0)**	(35.2)	**46.5**	19.6
Corporate	**–**	–	**–**	–	**(12.0)**	(13.4)	**(12.0)**	(13.4)
Group	**816.6**	812.5	**321.5**	291.8	**(481.3)**	(497.5)	**656.8**	606.8

◦ Inventory

Inventory levels remained flat overall, notwithstanding the inclusion of inventory in the two acquisitions in the Personal Care and Wellness division and the increase in number of stores in the Sport and Recreation businesses in the year under review. Inventory in Sport and Recreation, which comprises 78% of the total group inventory, reduced slightly by 1% to R635.1 million from the 2019 year-end. Inventory carried at new stores, which was not represented at 2019, accounted for 1.5% of this inventory. Stock turnover has improved overall from 2.7 times in 2019 to 3.0 times for the group. In the Beverages business inventory levels remained flat, however we are currently holding higher than desired levels of inventory.

◦ Trade receivables

The trade receivables book is mainly represented by the Beverages division, which accounts for 66% of the year-end balance. Sportsmans Warehouse and Outdoor Warehouse do not offer credit. The trade receivable book is well managed, with 92% of total net trade receivables outstanding not exceeding 60 days at year-end.

◦ Financial liability – put option liability on Shelflife

Through two put options, the group acquired the shareholding in Shelflife which is calculated on the basis of a multiple of earnings. The fair value remeasurement of the option has been recognised as a fair value profit in the year under review amounting to R12.3 million. The first put option of R5.5 million will be paid to the management in May 2020 and is reflected as a current liability.

Cash flows

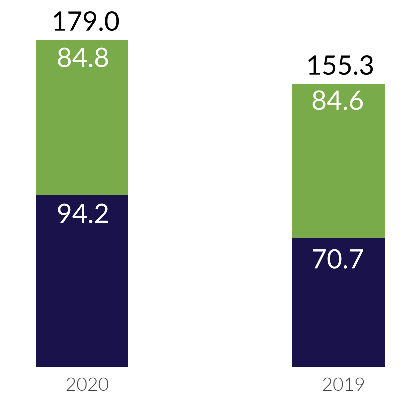
Cash flows generated from operations improved by 14% to R531.4 million (pre IFRS 16) from R465.1 million in previous year, after absorbing R25.6 million (2019: absorbed R71.9 million) for working capital. The excellent cash conversion ratio of 112% before accounting for capital investment reflects the quality of the earnings and improvement in working capital management.

Cash flows from investing activities amounted to R258.3 million, with the group utilising R179.0 million (2019: R155.3 million) to invest in infrastructure and capital expansion projects and spending R40.1 million to acquire two businesses in the Personal Care and Wellness space.

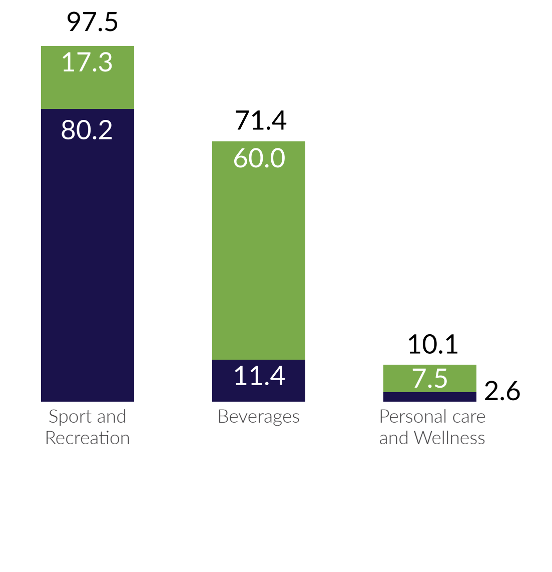
The Sport and Recreation division continued its store refurbishment program spending R80.2 million on existing stores, whilst R17.3 million was spent on new store set-up and enhancing its online distribution capacity. The division is approximately two thirds through its ongoing investment program. Planned capital expenditure for 2021 has been put on hold until there is more clarity on the impact of the coronavirus.

Within the Beverages division, investment was made in both the Chill and Inhle plants. In Heidelberg, large warehousing and facilities were set up to accommodate storage needs as well as a future canning line. Between the Stellenbosch and Heidelberg plants, no further large expansion investment expenditure is expected.

Capital expenditure – group (Rm)



Capital expenditure – by division (Rm)



Free cash flow for the group amounted to R221.8 million, an increase of 43% year-on-year from R154.8 million.

Cash outflows from financing activities amounted to R438.7 million, which mainly comprised the acquisition of treasury shares for R426.5 million.

Treasury and cash management

Cash balances amounted to R829.6 million at year-end. Cash is placed in uncomplicated short-term fixed or notice deposits with the primary banking institutions. Notwithstanding this cautious philosophy, we have achieved satisfactory returns during the year, particularly considering the associated flexibility which the particular arrangements afford us. Net finance income of R52.6 million included R66.7 million interest earned on cash balances and interest paid of R140.1 million (excluding the IFRS 16 charge), primarily on the mortgage bond over the Chill property.

Share buy backs

During the year under review, the group acquired in aggregate 104.1 million Long4Life shares at an average price of R4.10 per share, amounting to R426.5 million spent in the 2020 financial year. In the previous year, the group spent R159.6 million acquiring 36 million shares. Since listing in June 2017, the group has therefore spent R586.1 million in acquiring 140 million Long4Life shares, of which 22.4 million shares were acquired for the 2018 and 2019 FSP incentive schemes.

During the financial year, the group cancelled 55.9 million shares following the share repurchases.

IFRS 16, comparative figures and pro forma information

The accounting policies applied in the preparation of the annual financial statements are in terms of IFRS and are consistent with those in the previous year's consolidated financial statements, save for the implementation of IFRS 16. The new lease standard IFRS 16, which requires the lessee to recognise all lease contracts on the balance sheet, has been adopted for the group for its year ended 29 February 2020. The group has adopted the cumulative catch up (modified retrospective) approach which requires the recognition of the cumulative effect of initially applying IFRS 16 as of 1 March 2019 to the retained earnings.

To enable meaningful comparison of performance, a pro forma income statement, balance sheet, cash flow and segmental report, which sets out the financial statements on a pro forma basis as if IFRS 16 has not been applied (to allow for a like-for-like comparison) has been included on pages 169 to 175.

Chief financial officer's report (continued)

Appreciation

I wish to thank and commend the various finance teams across the group for their hard work and resilience during this past year. The diligence and commitment displayed has been critical to our ability to provide quality information that informs decision-making of management, the board and our stakeholders. In addition, the finance teams in the various business have responded remarkably to the COVID-19 crisis and have been able to deliver exceptional work in lockdown conditions. My sincere thanks and appreciation are also directed at my fellow board members and group executives for their ongoing support. I am proud and privileged to work with such an experienced and dynamic team.

Post Balance Sheet Event

At the time of writing this report, South Africa is in its 6th week of the COVID-19 nation wide lockdown. All our businesses have been significantly affected, and almost all have had to suspend trading entirely. The effect of the coronavirus, while largely unknown at this stage in terms of exact financial impact, is expected to be very significant, in both the short and medium-term.

Sales forecasts, and the resultant impact on stock holding and working capital, are being continually reviewed in the various businesses.

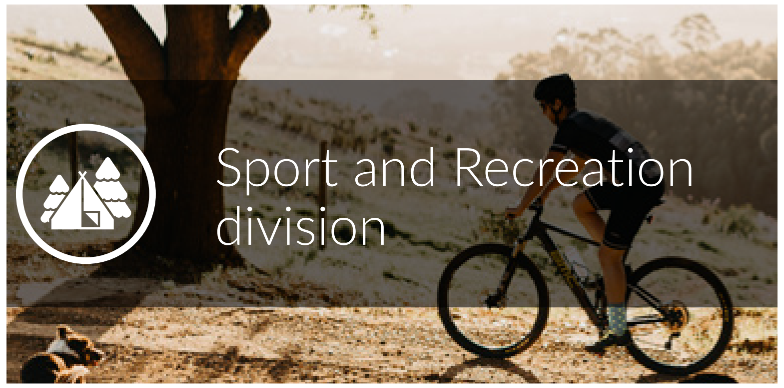
Our financial priorities have been revisited to ensure that cash conservation is the major focus. We are taking all possible steps to conserve capital, which includes managing working capital commitments, suspending all capital expenditure and reducing overheads. Capital expenditure budgets have been reduced significantly and store refurbishments and other capital projects have been deferred in order to conserve capital. Cash flow forecasts are continuously revisited as the situation develops to understand liquidity and the full impact on the group.

Whilst we are reworking budgets, planning and forecasting is very difficult without clarity on the duration and manner in which the national lockdown will be lifted, and the impact that this will have on the already weakened consumer environment thereafter.

Despite these unprecedented conditions, as a group we are in an advantageous position. We have a strong balance sheet, we are resilient, and we have a depth of experience in our executive and management that allows us to navigate these uncharted waters.

Further detail of the impact that COVID-19 has had on each division is set out in the Chief operating officer's report on pages 30 to 33.

Divisional overviews



The Sport and Recreation division comprises Sports Retail (Sportsmans Warehouse, Shelflife and OTGActive), Outdoor Warehouse, and Performance Brands, which owns and distributes the First Ascent, Capestorm, Second Skins and African Nature brands. The group also has a 49% share in the Veldskoen® brand.

A highly experienced, competent and capable management team drives this division. Cobus Loubser is the CEO, while each underlying business is managed by driven and passionate CEOs: Bradley Moritz (Sportsmans Warehouse), Kobus Potgieter (Outdoor Warehouse), Stuart Young (Performance Brands), Nick Herbert (Shelflife) and Nick Dreyer (Veldskoen®).

The division represents 56% of the Long4Life group's revenue and 60%* of group trading profit.

In the light of the difficult economic environment, we are pleased with the performance of our brands and the strategic progress of each during this year and within an intensely competitive sector.

* *Excluding corporate costs*

Sports Retail

Sports Retail total sales increased by 9.2% (2019: 10.1%) and by 5.8% on a like-for-like basis (2019: 4.0%).

Sportsmans Warehouse

Sportsmans Warehouse delivered a satisfactory performance in the year under review. Sales for the year grew by 9.4% on the previous year and 5.5% on a like-for-like basis.

Sportsmans Warehouse is South Africa's leading specialist sporting goods retailer, with a national footprint. It has 43 stores across South Africa, one store in Namibia and a sophisticated and growing e-commerce offering.

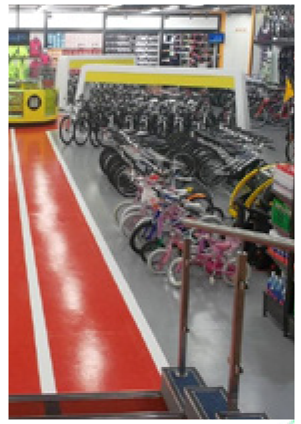
The stores are located in a combination of standalone destinations, super-regional malls and value centres and provides appropriate cover and convenient access to our customers across the country. In recent years, smaller footprint stores have been opened which have enabled us to profitably expand into particular malls and locations where we were not previously represented. This concept has proven successful in both gaining market share and trading a relevant and authentic Sportsmans Warehouse in a smaller space.

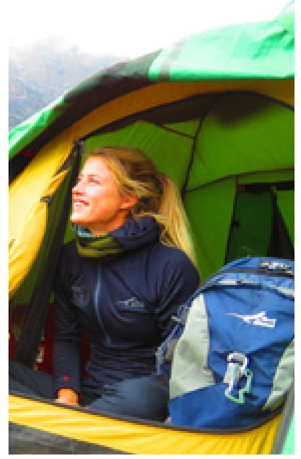
We opened the mall-based format Sportsmans Warehouse store in the Eastgate Shopping Centre during May 2019. We opened one new small store in Middelburg in March 2020 and will open a store in the Paarl Mall in March 2021. These are both markets where we are not currently represented.

Progress has been made on our store renovation program with eight major refurbishments undertaken in the year under review. We are rolling out our latest concepts across all stores in a phased manner.

The trading environment over the last number of years has been particularly difficult. The business is facing a weak economic environment and a constrained consumer, significant increases in property rates and electricity costs, erratic supply of electricity, and the ambitions of the major sports brands to supply customers directly themselves.

Notwithstanding these challenges, Sportsmans Warehouse has remained resilient as the result of a number of initiatives, including, inter alia, the investment in a sophisticated e-commerce platform and fulfilment capacity, expansion of our footprint with a small-store concept, enhanced customer experience, the Sportsmans *Rewards* program, introduction of RUNid and other relevant in-store technologies and a consistent focus on our authentic sporting categories.





OTGActive

In the previous year, a decision was made to enhance our women's athleisure brand OTGActive by opening several OTGActive standalone stores. Although a very successful brand within Sportsmans Warehouse, the OTGActive standalone stores did not generate the yield anticipated and therefore a decision was made to discontinue these standalone stores. The loss for the year in the OTG standalone stores amounted to R11.0 million, which includes early lease settlements as well as the write-off of fixtures and fittings. OTGActive as a brand remains an area of strong focus and growth within the Sportsmans Warehouse stores, and is served well by the boutique store-within-a-store format.

Shelflife

The Shelflife business, offering unique sneaker footwear ranges for both retail and online sales had a disappointing year with sales for the year at similar levels to the previous year. Shelflife did not benefit from the same level of new product launches by the brands in this year as last year and was impacted by a higher cost base due to its Rosebank store relocation.

Divisional overview (continued)

Outdoor Warehouse

Outdoor Warehouse had a strong performance for the year, with sales increasing by 8.8% (2019: 3.3%) and by 8.2% on a comparable basis (2019: 4.1%). On a weighted basis trading space increased by 0.5% (2019: 1.3%).

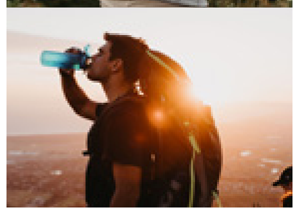
Outdoor Warehouse is South Africa's number one authentic outdoor retailer with 27 destination stores offering a comprehensive range of outdoor equipment, apparel and footwear with in-store services and specialist advice.

Outdoor Warehouse opened one new store in Randburg during the year and a new store is planned to open adjacent to Paarl Mall in March 2021.

Longer school holidays than last year stimulated demand but trading conditions became more challenging towards the end of the year, with unseasonably heavy rainstorms in December and continued load shedding negatively impacting footcounts and sales.

Notwithstanding this, all categories performed well, the online store grew significantly on last year, and margins and costs were well controlled.

During the year we focused on working capital by reducing stockholding in order to enhance stock turn and overall returns. We are satisfied that we achieved the planned saving on overall inventory investment and affected an improvement in our stock turn in 2020. This will remain a focus for us in the new year as we continue to clear aged stock and improve overall asset-management returns.



Performance Brands

Performance Brands' external sales were 2.6% lower than the previous year whilst sales to the group's retail divisions decreased by 0.9% (2019: increased by 0.5%).

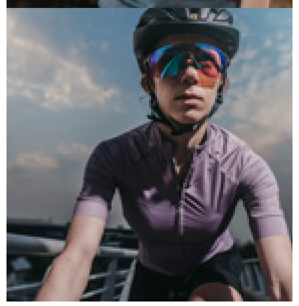
Performance Brands' products are specifically manufactured to ensure technical performance in the outdoor and active markets. With the development of our local manufacturing facility, we are in the position to offer quick turnaround on specific product lines, allowing us greater stock control and supply to market when required, via a multi-channel approach of retail, corporates, lodges, schools, e-commerce and events.

All sectors of our markets experienced difficult and tight trading conditions and lower consumer demand. Regular load shedding and poor consumer confidence had a particularly negative impact on independent retailers. The general weakness and volatility of the exchange rate through the year increased our landed cost which impacted margins.

As a key strategic mitigation of this risk, our local manufacturing division made excellent strides in advancing volume through-put and productivity. We have developed unique technical skills which support design excellence and enable us to provide customised merchandise to corporates, schools, clubs and the tourism sector. We believe this is an important competitive differentiator.

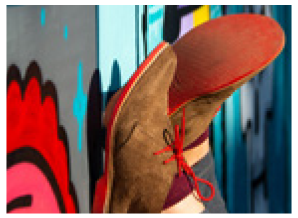
We successfully obtained the rights to distribute the Speedo and Opro brands in the latter half of the year, and are expanding this range within the various group stores. In addition, these brands are distributed to major retailers and independent customers.

We were particularly satisfied with the 47% e-commerce sales growth of First Ascent.



Veldskoen®

Veldskoen®, in which Long4Life has a 49% shareholding, was established in 2017 and designs, produces and distributes an iconic collection of footwear both online and through physical stores. During the past year, the business focused on forging relationships with retailers and also on continued improvement in the quality of its product ranges. The business has grown tremendously with a 240% increase in sales to R31.3 million from R9.2 million in 2019, and has achieved a trading profit of R2.1 million. This profit was achieved against a loss in the previous year of R3.2 million. The business is gaining traction in foreign markets with its strategic partnership in the USA as well as the expansion of its sales channels in the UK and Europe.



Trading overview

Total sales increased by 8.6% (2019: 7.9%) to R2.29 billion (2019: R2.11 billion) and retail sales increased 9.1% (2019: 8.4%) to R2.2 billion (2019: R2.01 billion).

	Year ended 29 February 2020			Year ended 28 February 2019		
	Sales R'm	Total increase in sales %	Like-for-like increase in sales %	Sales R'm	Total increase in sales %	Like-for-like increase in sales %
Sports Retail[1]	**1 686.7**	**9.2**	**5.8**	1 544.6	10.1	4.0
Outdoor Retail	**511.5**	**8.8**	**8.2**	470.1	3.3	4.1
Retail sales	**2 198.2**	**9.1**	**6.3**	2 014.7	8.4	4.0
Performance Brands	**95.5**	**(2.6)**		98.3	(2.5)	
Total sales	**2 293.7**	**8.6**		2 113.0	7.9	

We measured product price inflation of 2.0% across our retail business (2019: deflation of 0.9%).

Gross margin at 47.0% (2019: 48.0%) was 1.0% lower than last year due to additional markdown and promotional activity and the effect of category sales mix on margin.

Total trading expenses increased by 11.2% (2019: 8.0%) driven by the 2.6% weighted increase in trading space, contractual increase in property expenses and general inflation. As a result of the lower gross margin and increase in expenses greater than sales, trading margin reduced to 13.8% from 15.2% in 2019.

Trading profit (excluding IFRS 16) decreased by 1.5% to R316.6 million (2019: R321.1 million). In evaluating this performance against the prior year, the current year results were impacted by R7.5 million lower forex profits earned than last year and the R11.0 million loss incurred on OTGActive.

If the effect of forex adjustments is excluded and excluding the OTGActive losses and closure costs, trading profit is 4% higher than last year.

Prospects

The Sport and Recreation Division will maintain its strong presence in its chosen markets by maintaining and enhancing a unique and credible offering to customers. In addition, our marketing efforts are better co-ordinated between stores and strong e-commerce platforms. Strong digital initiatives, including our innovative customer *Rewards* programmes, enable new and exciting ways to engage with customers.

The division faces exceptional uncertainty over the medium term with economies globally and in South Africa poised to enter a deep recession as a result of the COVID-19 pandemic and its aftermath.

Our stores were closed and accordingly we generated no turnover during the lockdown period whilst a significant portion of operating costs continued. We are working tirelessly to ensure the survival of our business, the well-being of our people and to emerge stronger when this crisis is over. This will be a test for the resilience of our disciplined business structure and processes.

Nevertheless, we remain firmly committed to our strategies to ensure sustainability and produce the best possible returns for our stakeholders. We will continue to enhance the sophistication of local manufacturing in terms of productivity, capability and profitability.

Further detail on our business plans during this pandemic is set out in the Chief operating officer's report on pages 30.

We anticipate little respite from the difficult trading conditions in the short term, but are confident in the ability of our experienced team to navigate this exceptional environment. The strategic focus of the businesses is clear and management teams are motivated and able to tackle the challenges ahead.

Divisional overview (continued)

Beverages division

The Beverages division comprises Chill Beverages ('Chill') and Inhle Beverages ('Inhle'). Chill is based in the outskirts of Stellenbosch, and Inhle outside Heidelberg. Both locations consist of manufacturing and warehousing facilities as well as administrative functions, with versatile and state-of-the-art production lines.

With effect from 31 January 2020, John Steyn, previously COO of Chill, assumed the role of interim CEO of Chill. Niel Botha heads up the Inhle business.

The division contributed 36% of Long4Life group revenue and 27%* of trading profit.

Overview

The Beverages division offers the production of own brands, contract packing and private label as well as warehousing services to its customers. "Own brands" (such as Score, Fitch & Leedes and Bashews) are products where the trademarks and intellectual property are company owned and the formulations developed in-house. The manufacture of products on behalf of third parties is referred to as "contract packing" (co-packing). "Private label" activity encompasses a combination of product development, manufacture, distribution and/or warehousing for the specific needs of a customer.

The success of this division's own brands is attributed to innovative product development, targeted marketing initiatives, high quality standards and dedicated customer service. Our contract-packing business services the production needs of an array of leading global brands, meeting their standards for high-quality product. Private-label manufacturing caters to the needs of specific retail chains. Warehousing facilities, an additional source of revenue for the division, are welcomed by several customers as a means to assist them with their supply-chain requirements.

Both Inhle and Chill's production facilities are internationally accredited and hold FSSC22000 food-safety approvals.

Revenue contribution by product line (%)

* *Excluding corporate costs*

Chill

Chill had a disappointing year. The significant investment in production capacity and plant upgrades, together with planned increased expenditure on marketing and export capacity, has not yet been matched by increased sales. Therefore, whilst revenue and volumes increased against the prior period, underutilised capacity together with the increased expenditure resulted in a decline in the trading profit of the division during this period.

After a difficult trading period in the beginning of the year, Score Energy Drink made a significant recovery in the last quarter and the brand is gaining market share. Score has continued to grow in its traditional markets of the Eastern and Western Cape, but it is pleasing to see that it has made inroads in KwaZulu-Natal and the northern provinces of the country.

Fitch & Leedes volumes were flat year-on-year, with lower than expected consumption in the last quarter of the year. This is largely due to a subdued market and strong competition in the space. A one litre Fitch & Leedes PET bottle is being launched with certain flavours to cater for the needs of the cost-conscious consumer, and strategies have been formulated to broaden the customer base.

Chill's plant and its production facilities are top-quality with highly efficient canning lines. Production capacity is, however, not being effectively utilised. The business is currently undergoing a restructure, with a strong focus on improvement of asset management. Importantly, the working capital cycle of each service and contract is being examined, both in terms of profitability and returns. No capital projects are planned for the immediate future, save for ongoing maintenance projects.

We are confident that returns will improve in this business in the medium term when a level of normality returns to the market.

Inhle

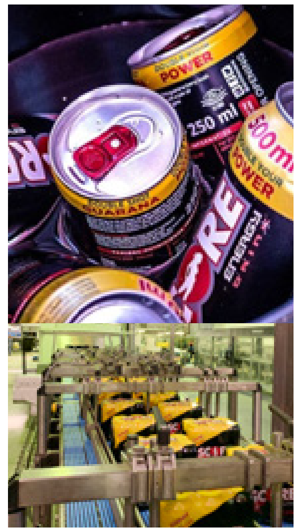
Inhle, a co-packing business, continues to perform well and is currently operating at near full capacity, delivering a solid contribution to the division's overall profit.

Inhle's primary production categories are energy drinks and premixed alcoholic beverages. Whilst the slowdown in demand for energy drinks and the weaker economy in the past year impacted the business, Inhle has proven to be resilient in this field and has delivered a strong performance for the year. This has been sustained by increased efficiencies in production capacity, adding new customers and the continuous training and empowering of its teams.

Inhle has expanded its warehousing capacity enabling it to enter into warehousing agreements with clients where it provides safe storage onsite for their products. The new warehouses have created a steady flow of monthly income, resulting in savings to its customers through a reduction of handling costs on stock.

With the increased demand in the PET product segment, Inhle successfully commissioned an additional PET filler in January 2020. Volumes are increasing for 500ml, 1ℓ and 2ℓ carbonated soft drinks and this new PET line will help manage these demands.

Notwithstanding the fact that the co-packing environment is expanding and becoming more competitive every year, Inhle is still able to offer its clients affordable prices whilst producing quality output.



Long4Life INTEGRATED REPORT for the year ended 29 February 2020

Divisional overview (continued)

Trading overview

Revenue increased by 10% to R1.487 billion (2019: R1.355 billion) and the trading profit before IFRS 16 decreased by 9% to R139.9 million (2019: R153.8 million) at a margin of 9.4% (2019: 11.3%). The tough economy, tight pricing competition as well as an increase in investment expenditure to support the Beverages division's strategic plans impacted trading profit.

Prospects

With a weaker economy, consumer spending is at its lowest, which in turn has a negative effect on clients' products and on operations as a co-packing company. Municipal service delivery remains a huge challenge. Load shedding is inevitable, and we have made provisions to minimise disruptions to production by having sufficient failover and backup systems in place.

The ability to generate profits is directly related to keeping costs in check and to running all departments efficiently and cost-effectively. Volumes are largely dependent on consumer spending and consumer behaviour. Together with the growth of our own brands and those of our customers, we will continue to strive to increase the volumes at a competitive production cost.

Our focus remains a client offering that is of a high quality and cost effective. The goal is to transform each relationship into a strategic partnership that is leveraged over many years to cater to our clients' requirements.

In the midst of the global COVID-19 pandemic, there is no certainty about how strategic objectives will be impacted. However, we choose to remain positive and take the necessary precautions to look after our staff and customers by introducing even more rigorous controls and measures and the highly necessary hygiene protocols.

Business sustainability and business survival are top of mind. Our management team are fully engaged with an evaluation of all potential scenarios that may emerge and are planning for the advent of a new normal. Further detail on our business plans during this pandemic is set out in the Chief operating officer's report on page 30.

A crucial area of focus going forward will be increased collaboration between Chill and Inhle. The collaboration will ensure that goods are produced in the region they are to be sold, reducing the movement of finished goods and resulting in shorter turnaround times on customer orders.

We have state-of-the-art production and distribution facilities, excellent company-owned brands and product innovation, established relationships and appropriate routes to market. We believe that we will be poised to extract the right value synergies and benefits when the market becomes more buoyant in the medium term.

Personal Care and Wellness division

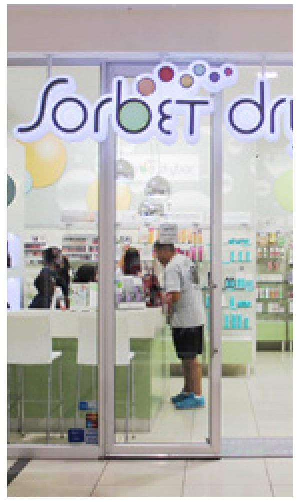
The Personal Care and Wellness division houses the Sorbet group, Lime Light (a distribution channel for spa and salon products and equipment), and sub-acute healthcare provider ClaytonCare.

The division is headed up by Long4Life executive, Werner Hugo. Sorbet is managed by CE Rudi Rudolph and his team. Linda Sinclair was recently appointed as CE-designate and will formally take over from Rudi on 1 July 2020. We wish to thank Rudi for his valuable contribution towards the Sorbet Group over the past 12 years. Lime Light is managed by CE and founder Jonathan Lieman whilst ClaytonCare is expertly managed by Dr Mario Greyling and his team.

The division represents 8% of Long4Life group's revenue and 13%* of trading profit.

Sorbet

Sorbet had a satisfactory year with aggregate salon sales exceeding R1 billion for the first time since inception. Sales were largely driven by lower double-digit growth in treatment revenue, whilst retail sales only showed a marginal increase year-on-year, impacted by contracted consumer spending, especially towards the latter part of the financial year.



The total number of Sorbet stores across the various formats now stands at 220, which includes four company-owned stores. The original Salon and Nail Bar format continues to perform well, with nine new stores opening their doors during the period under review. The Dry Bar format, which focuses on express hairstyling, increased its footprint to seventeen stores as demand increases for a wider range of hair treatments, which now also includes colouring.

Sorbet Man opened an additional four stores. Although revenue growth in the men's grooming category remains robust, this has to a large extent been off a low base and there is scope for significant improvement as the category matures and male grooming becomes a more familiar concept amongst South African men.

Candi & Co, which focuses on hair treatments for women of colour, now has eight stores and performed reasonably in what is a very competitive market, especially in terms of informal trade. Candi & Co has teamed up with The Foschini Group to launch a pilot project to open a limited number of salons within a Foschini retail store.

The Sorbet SK-N concept store, which offered high-end skin and aesthetic treatments, proved to be unsuccessful and a decision was made to close its doors at the end of February 2020. However, we remain of the view that medical aesthetics is a growing category and we continue to explore opportunities in this regard.

Sorbet has established itself as an iconic South African brand and is synonymous with most forms of salon treatments. The quality of the services offered, which includes a strong focus on personal hygiene, is at the front of mind and we pride ourselves in the training of our employees to ensure we are able to provide a professional service in a safe and clean environment.

* *Excluding corporate costs*

Divisional overview (continued)

Our franchisee base is diverse, entrepreneurial and committed to building the brand and creating wealth for the various stakeholders. Employing some 3,500 people, these small business owners are truly invested in creating jobs, growing the economy and building a better South Africa for all.

Although the opening of new stores has slowed down, there remains various store growth opportunities albeit in a slightly different format. There is a big focus on improving the customer experience and utilising the various modern technologies to not only improve efficiencies, but also to better understand the customer and stay ahead of the trends.

Lime Light

Lime Light had a pleasing year having achieved both strong revenue and trading profit growth. It was bolstered by the acquisition of two businesses: Hands Down Distribution and Smart Buy, both of which became effective on 1 June 2019.

Hands Down is a delivery-focused wholesaler of hair and beauty products to the salon industry in the Western Cape and will provide Lime Light with the relevant regional presence to increase its national footprint. Smart Buy is the exclusive distributor of Depilevé wax products for South Africa and a few neighbouring countries. These acquisitions are in line with Lime Light's strategy to increase its basket of goods and provide the salon industry with a wider range of branded goods, consumables and equipment.

ClaytonCare

ClaytonCare posted an excellent set of results, driven predominantly by increased bed occupancy and patient acuity across both facilities as well as operational synergies flowing from the merger of Care@Midstream and Clayton House. Current bed capacity is 83, which includes seven ICU and nine high-care beds. As a result of the increased focus on affordable healthcare and the industry as a whole, we believe that sub-acute hospitals will become more relevant within the healthcare chain. We look towards increasing our bed capacity with a view to building a national network.

Trading overview

The division's revenue rose 78% to R310 million. Sorbet's net revenue was 22% higher driven by increased services, rather than merchandise sales; Lime Light delivered revenue growth of 172% with like-for-like sales up 20%. ClaytonCare, in which Long4Life has an effective 36% economic interest and 100% ownership of the Clayton House facility, increased revenue by 29%.

The division's trading profit rose to R67.2 million with trading margins of 21.7%, and costs were very well contained, decreasing by 5% year-on-year.

Prospects

Sorbet's recovery is difficult to gauge as it depends on the lockdown protocols, and when stores are able to re-open. The brand has a resilient customer base and salons are owner-operated by motivated franchisees, which bode well for a fairly quick recovery when it is safe for employees and customers to continue normal operations.

Similarly, demand for Lime Light's products and services, which supplies equipment, consumables and branded goods to beauty and hair salons, will remain uncertain until there is clarity on the timing for a full re-start of South African economic activity. Lime Light's products are predominantly sourced from abroad, and we are expecting some adverse foreign exchange impact. However, the business is well positioned to increase market share in what is a very fragmented market.

While ClaytonCare's occupancy levels have been impacted due to the embargo on elective surgeries during Level 5 of the lockdown, we are anticipating an increase in the need for post-acute care services flowing from a surge in the at-risk population as a result of COVID-19.

OUR GOVERNANCE

4

Corporate governance, risk management and compliance

Good corporate governance is key to creating a sustainable business for Long4Life and its shareholders and employees.

Long4Life's governance and compliance framework is founded on the values of integrity and accountability. Governance processes and group policies are reviewed regularly to ensure alignment with regulatory changes, reflect best practice, seek out opportunities to incrementally improve the group's governance and ascertain whether the policies and processes are still fit for purpose as the group's businesses change over time.

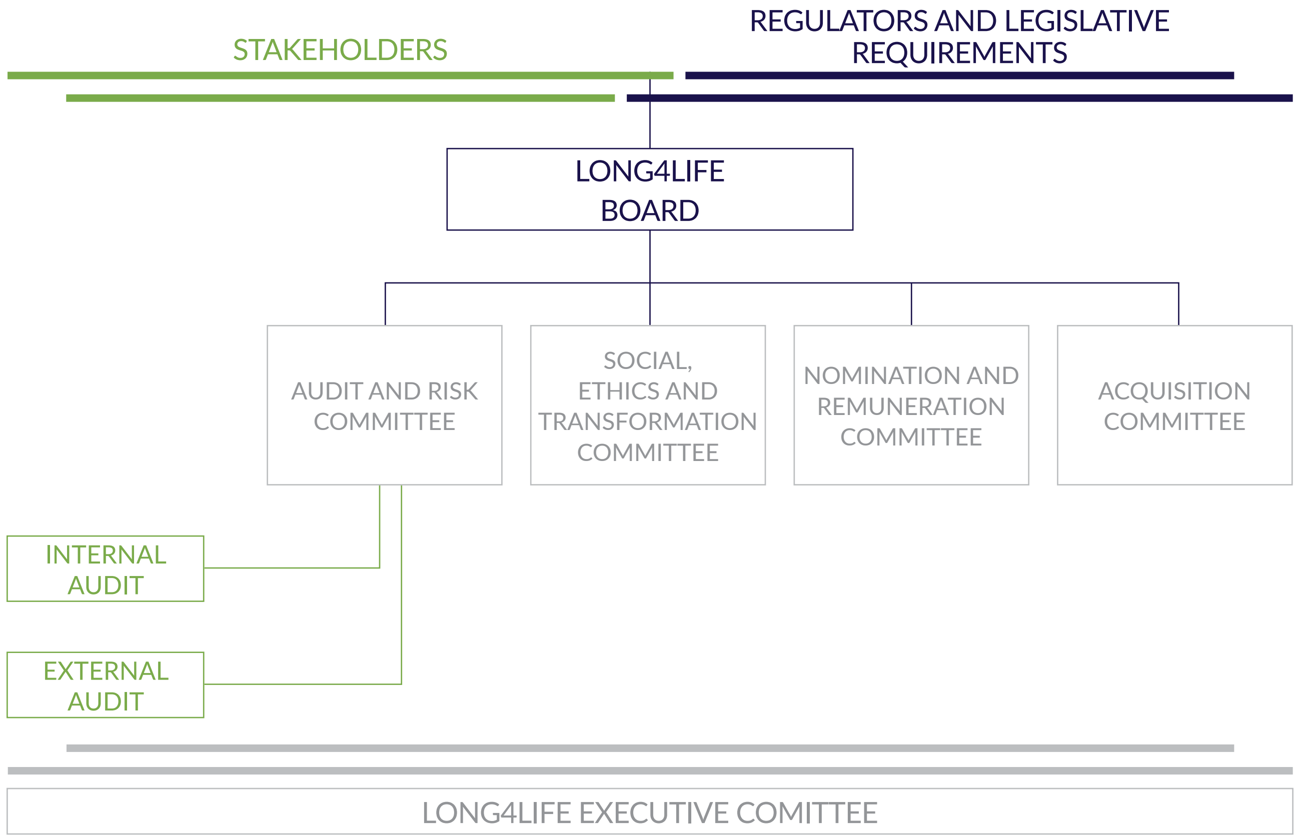
Strong compliance structures and processes to support the effective functioning of these structures are essential to help avoid sanctions for non-compliance with regulation and to contribute to the sustainability of the business. The board accordingly maintains a focus on supporting and, where necessary, enhancing these structures and processes.

The board and management of Long4Life are 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 2019 to 29 February 2020, 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 structure



The Board

Role of the board

The directors are elected by its shareholders and are responsible for the sustainability of the business and the creation of value for its shareholders. The board's composition, authority, responsibilities and functioning are detailed in the board charter and some functions are delegated to the various board and other committees.

In executing its mandate, the board is required to approve strategic plans; monitor operational performance; ensure that risk management and internal controls are effective; monitor regulatory compliance; and promote good governance. It must also approve significant accounting policies and the annual financial statements; monitor transformation and empowerment; manage the process of selection and appointment of directors; and ensure that the group's remuneration policies and practices are effective and fair. Certain of these functions are delegated to board committees.

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

Board composition

The board consists of seven directors, with three salaried executive directors and four independent non-executive directors. The age, tenure, experience and skill of each director is briefly set out in the board of directors' report on pages 93 to 95.

Changes to the board

Syd Muller resigned as non-executive director and chairman of the group's nomination and remuneration committee with effect from 11 December 2019. Keneilwe Moloko, an independent non-executive director of the group since 1 November 2017, has succeeded Syd Muller as member and chairman of the nomination and remuneration committee. Shareholders will be asked to ratify Keneilwe Moloko's appointment at the group's annual general meeting in 2020.

Independence of directors

All the directors, both executive and non-executive, understand their legal duty to act with independence of mind in the best interests of the company and in a manner which is aligned with the requirements of the Companies Act.

Corporate governance, risk management and compliance (continued)

The board is comfortable with the independence of the directors and will continue to review its composition to ensure the delivery of robust governance and leadership. The board is satisfied that its composition is appropriate at this stage and reflects an adequate balance of power and authority; Long4Life has no controlling shareholder or group of shareholders and there is no direct shareholder representation on the board.

Board diversity

Long4Life's directors are diverse in terms of gender, race and their professional backgrounds which encourages constructive debate and ensures that all matters considered by the board are done by considering a range of different perspectives. The directors, both executive and non-executive, have extensive experience and a diverse range of skills. The board periodically considers its composition in terms of its mix of knowledge, skills, experience, diversity and independence to discharge its roles and responsibilities objectively and effectively.

Director election

The group's memorandum of incorporation determines that a third of non-executive directors shall retire from office every year which in turn provide shareholders with the ability to hold directors to account and appoint non-executive directors to the board who shareholders believe will add value.

Relationship between the board and executive

The board is satisfied that each director acted with independence of mind and in the best interests of the group. The roles of the CEO and chairman are separate and clearly defined and no individual has unrestricted decision-making powers. The board and executive management collectively set the strategy for the group, the board is responsible for the approval of the strategy and executive management is responsible for the execution and ongoing management of the outcomes of the strategy. Non-executive directors also have access to executive management.

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.
- To ensure effective communication with shareholders and, where appropriate, the stakeholders.

Lead independent director

The Lead independent director ensures a clear balance of authority and that no one director has significant decision-making power. During the year under review, Syd Muller (non-executive director) acted as the lead independent director ("LID") of the group. Following his resignation, Keneilwe Moloko was appointed to take over this responsibility.

The LID is responsible for, *inter alia*, performing all functions that cannot be performed by the chairman due to potential conflict of interest and serving as principal liaison between the independent non-executive directors and the chairman.

Director's 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.

Full details of the director's responsibility for the financial statements is set out on page 92 of the annual integrated report.

Board and committee attendance

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.

	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	Keneilwe Moloko (Chair) Lionel Jacobs Tasneem Abdool-Samad	Graham Dempster (Chair) Brian Joffe
Invitees	CEO, COO, CFO, External Audit Partner, Risk and Audit Manager	CEO, COO, CFO, Risk and Audit Manager	CEO, COO, CFO	COO, CFO

The board confirms that each of the committees has satisfied its respective responsibilities in accordance with their mandates for the reporting period. 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
Number of meetings	4	3	2	2
	Meetings attended			
Independent non-executive directors				
Graham Dempster	4	–	1	–
Tasneem Abdool-Samad	3	3	2	2
Lionel Jacobs	4	3	2	2
Syd Muller *	3	–	1	–
Keneilwe Moloko **	3	3	1	2
Executive directors				
Brian Joffe	4	–	2	–
Colin Datnow	4	–	2	–
Mireille Levenstein	4	3	2	2

** Syd Muller resigned with effect from 11 December 2019*

*** Keneilwe Moloko replaced Syd Muller as member and chairman of the nomination and remuneration committee with effect from 11 December 2019*

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 to three years, which provides sufficient time for the considered implementation of remedial action and measuring the effectiveness thereof.

This process was performed in 2018 and will be undertaken again in the year ahead. The board is satisfied that the process to review performance and evaluation is robust and enables performance and effectiveness.

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 as set out in the director's report on page 95 of this integrated annual report.

Board committees

Board oversight

The board has oversight of the application of corporate governance principles, supported by specific statutory and other board committees and discharges its oversight function both directly and through such statutory and other committees. The board has a formal delegation of authority framework in place which assists both the board and executive management in their specific duties and functions.

The role, function and composition of the statutory and other board committees is briefly set out below and in detail in each of the committee reports included in this annual report.

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 pages 96 to 99 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 62 to 64 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. More information regarding the duties, roles and responsibilities of the nomination and remuneration committee is included on pages 66 to 79 of the report.

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.

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.

The group has made 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 continuing the establishment of risk management at a strategic level for operations to identify and address their key challenges. Management maintain operational risk management registers. Challenge sessions are hosted quarterly and the risk registers are reviewed on a regular basis.

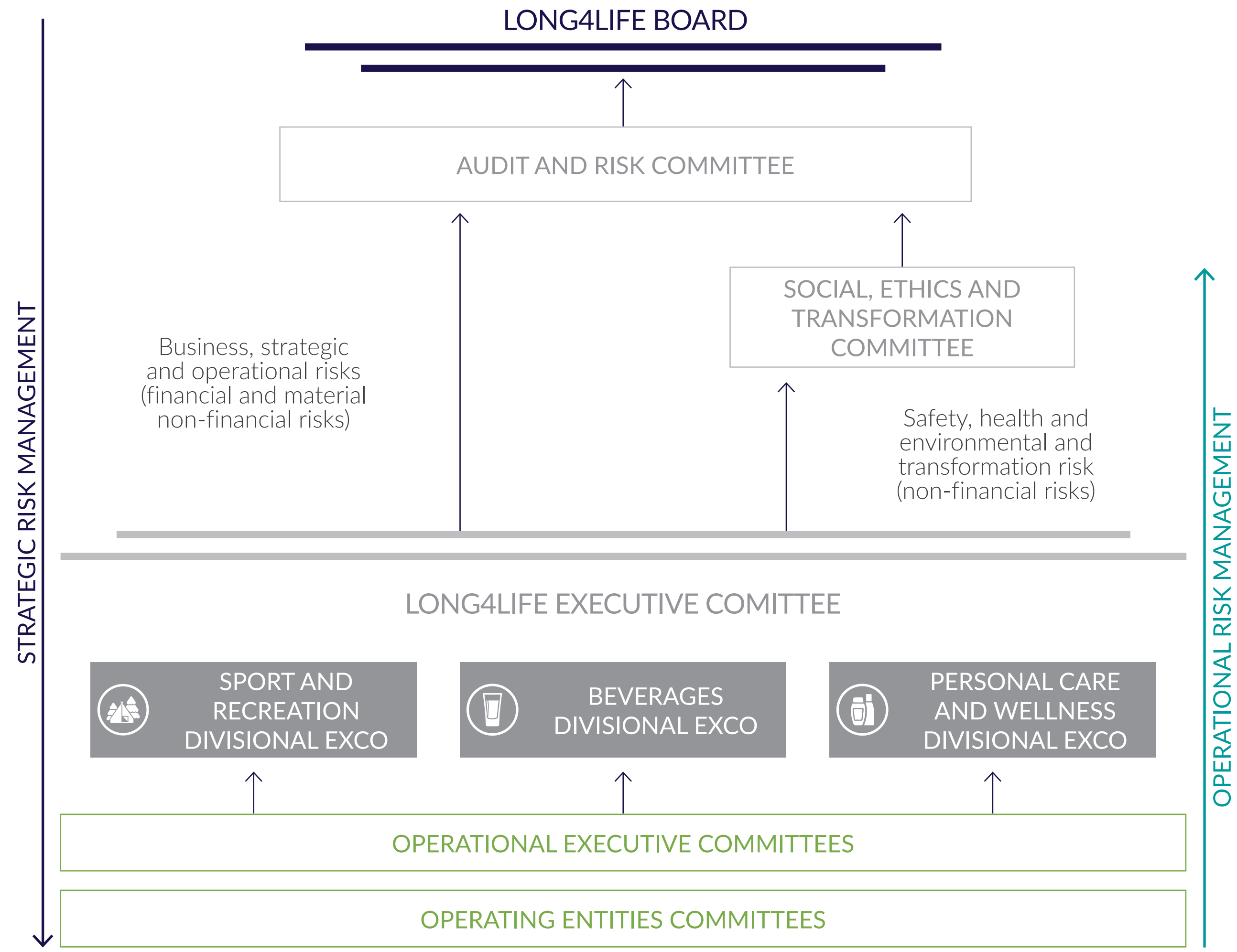
Risk governance

The board is ultimately responsible for the governance of risk and acknowledges the importance of risk management and the link between the group's strategy, performance and sustainability. The Long4Life board is assisted by and discharges this responsibility through the audit and risk committee who is delegated to oversee and guide the identification of business risks and the management of and responding to such risks within acceptable parameters.

The board recognises that risks are necessary to achieve growth and build a sustainable business with competitive returns. As such, the group's risk management framework is aimed at creating a balance between risk and reward, which risk framework includes a risk-rating matrix that assesses the likelihood of certain risks materialising and the magnitude of the potential impact of such risks should they materialise.

The group's approach to risk management is set out in its framework and includes a focus on combined assurance to ensure the group adequately addresses the significant risks facing its business. To this extent, the group makes use of business risk registers which are regularly reviewed and updated as the nature of these risks change over time and taking into account the mitigation measures implemented where it is appropriate to do so. No material issues were brought to the attention of the committee during the reporting period.

Reporting framework



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 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.

Ethics and values

The group has a code of conduct which serves as a framework to promote an ethical culture across the group's entities and assists the board in leading ethically and effectively. Ethics standards and ethics-related policies and practices such as conflicts of interest and whistleblowing are in place and reviewed by the board on an annual basis.

Legal and compliance framework

During the previous financial year, we 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. Effort is still required to enhance all business practices, however we have made significant progress where key risks and exposures have been identified.

Regulatory landscape

Operations perform regular updates of the regulatory landscape and the group head office performs monitoring functions on management's assessment processes. Internal reporting structures address any regulatory compliance breaches within the organisation. All appropriate legislation will continue to be prioritised in terms of significance and will be assessed accordingly as the environment matures. Management will continue 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.

Reporting

All significant compliance deficiencies and concerns are 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 29 February 2020, the group has no knowledge of any material areas of non-compliance. Long4Life will continue to focus on the enhancement process 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") is constituted as a committee of the board of Long4Life ("the company") and operates in accordance with a formal terms of reference. The terms of reference govern the committee's duties, composition, role and responsibilities, and are subject to the provisions of the Companies Act, the company's Memorandum of Incorporation, King IV and any other applicable law or regulatory provision.

The duties and responsibilities of the members of the committee are in addition to those as members of the board and the deliberations of the committee do not reduce the individual and collective responsibilities of board members in regard to their fiduciary duties and responsibilities.

The committee furthermore acts as the company's (and its subsidiaries) statutory social and ethics committee as required by section 72 (4) of the Companies Act and performs the statutory social and ethics committee functions required under regulation 43 (5) of the Companies Act (see responsibilities below).

Role

The committee is established to assist the board with the oversight of social, ethical and transformation matters and in ensuring that the company is and remains a committed socially responsible corporate citizen.

Responsibility

The committee is responsible for:

- Taking reasonable measures to ensure compliance with all applicable legislation and codes of good practice and for fulfilling the functions set out in the Companies Act;
- Monitoring the group's transformational requirements;
- Reviewing and monitoring the groups 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.

Composition and functioning

The committee comprises four members of which the majority are independent non-executive directors. Standing invitees include the group's chief financial officer and risk and internal audit manager. The board is responsible for the appointment of the committee's members, and appoints one of the independent non-executive directors as chairman. Members of the committee as a whole are required to have the requisite qualifications and experience to fulfil their duties – the committee members, their qualification(s) and experience are detailed in the board of directors' report on pages 93 to 95.

The effectiveness of the committee is assessed as part of the bi-annual board and committee self-evaluation process. The committee was assessed to have adequately discharged its mandate. Attendance at committee meetings is detailed on page 94 of the integrated report and fees paid to committee members for 2020 and proposed for 2021 are detailed on pages 78 and 79 of the integrated report.

Activities of the committee

The committee met twice during the year and performed inter alia the following:

- Assessed the group's alignment and promotion of the principles of good corporate governance and citizenship, including the promotion of equality and the prevention of unfair discrimination;
- Considered the impact of significant labour and employment issues;
- Assessed the group's performance in relation to social and economic development, including transformation (Employment Equity Act (Act No. 55 of 1998) and the requirements of the Broad-based Black Economic Empowerment Act (Act No. 53 of 2003);
- Reviewed the group's code of conduct and its adherence with statutory requirements;
- Monitored, reviewed and assessed the group's compliance with environment, health and safety requirements and legislation, including the impact of the group's activities and of its products or services; and
- Reported on the group's compliance with all applicable legislation and codes of good practice, including the requirements of regulation 43 and the United Nations Global Compact principles and the recommendations of the OECD Anti-Bribery Convention.

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. Well-defined targets in most of the businesses linked to both short-term and long-term incentives are in place and measured across all businesses. Further details are contained in the remuneration report on pages 74 and 75.

Appointing and retaining talent

Developing and retaining home-grown talent is important to us and will remain a core focus area in the future. 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.

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.

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 (at the board, executive management and senior business leadership levels), 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.

Social, ethics and transformation committee report (continued)

All divisions 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 processes in place across the group's businesses.

A tip-offs anonymous line which all employees, suppliers and customers have access to is in place, to ensure all potential and/or unethical behavior is reported.

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.

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.

The group's divisions conduct annual validations in terms of the revised codes. The result of the group's 2019 validation was a non-compliant status; the group however continues to make progress in some of its underlying entities. We continue to work closely with management to design fir-for-purpose strategies and implement appropriate action plans to secure the requisite 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 programs and reviewing employment processes, considering supplier development programs to ensure that we further assist with value and job creation within the country and establishing enterprise development programs 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 81 to 88.

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

Conclusion

The committee is satisfied that it has fulfilled its responsibilities in accordance with its mandate for the 2020 financial year. No material non-compliance with legislation and regulations, nor material regulatory fines or penalties relevant to the areas within the committee's mandate, have been brought to its attention during the reporting period.

Lionel Jacobs
Chairman: Social, Ethics and Transformation Committee

NOMINATION AND REMUNERATION COMMITTEE REPORT

Nomination and remuneration committee report

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

The Long4Life nomination and remuneration committee ('the committee') is pleased to present the Long4Life nomination and remuneration report for the year ended 29 February 2020. Since the committee presented its report in 2019, no material changes were made to L4L nomination and/or remuneration policies and the implementation thereof. This report is presented in three parts as required by King IV:

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 2020 financial year, to be tabled at the group's AGM for a non-binding advisory vote by the group's shareholders.

The group continues to make progress in implementing the committee's mandate and embedding the group's remuneration policy, which work has been guided by the remuneration principles as set out in King IV.

PriceWaterhouseCoopers ("PWC") have been independent advisers to L4L on remuneration matters, trends and market benchmarks where it was appropriate to do so. 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, whilst each of the group's divisions are responsible for the implementation of the remuneration philosophy, principles and division-specific requirements within their respective businesses. In light of the strong support given by shareholders, as evidenced in the voting outcomes on the remuneration policy at the AGM held in August 2019 (95,46% in favour) and the implementation of its remuneration policy (87,9% in favour), L4L remains confident that the group's remuneration policy is aligned with best practice and sound governance principles.

Long4Life achieved a pleasing performance across its various businesses in the 2020 financial year, the third year of trading since the group's listing in March 2017. This performance was achieved against the backdrop of a challenging economic environment and weak retail and consumer markets.

Stakeholder engagement

The group presents its remuneration policy and the implementation report as two separate non-binding votes to shareholders for approval at the AGM. The two reports for the year ended 29 February 2020 will be presented to the group's shareholders for their consideration and approval in terms of a non-binding advisory vote at the group's AGM in July 2020 as recommended by King IV.

In the event that either the remuneration policy and/or implementation report 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 2020 financial year and that the group's remuneration philosophy and policies are aligned to its strategy.

KR Moloko
Chairman: Nomination and remuneration committee

Nomination and remuneration committee report (continued)

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 whilst 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 are crucial in providing a high level of motivation and performance;
- Long-term incentives, 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 terms 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 14 and 15 of this 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 remuneration policy. In addition, the committee oversees the composition and performance of the board and its committees.

At year end, the committee comprised of three independent non-executive directors (Keneilwe Moloko [chairman], Tasneem Abdool-Samad and Lionel Jacobs). Syd Muller resigned as non-executive director and chairman of the committee with effect from 11 December 2019. KR Moloko has been appointed as member and chairman of the committee in December 2019 and with effect from March 2020, board chairman, Graham Dempster, will chair the nominations activities of the committee. The group's executive directors attend meetings by invitation.

The committee held two meetings during the 2020 financial year, attended by all members (refer to page 94 for further details).

The terms of reference of the committee drive its activities during the year and include:

- Reviewing executive management's remuneration in the context of the group and its entities and ensuring remuneration is fair and responsible, including the approval of all elements of the remuneration of the CEO and other executive directors;
- Ensuring the mix of fixed and variable pay elements as relevant across the group remains adequate to drive the group's strategies and deliver on its operational plans;
- Reviewing the group executives' performance criteria and agreeing to cash incentives and increases;
- Establishing a succession plan for directors and senior and/or key management roles;
- Reviewing existing long- and short-term incentive plans in place across the group to ensure the continued contribution of shareholder value;
- Recommending a remuneration policy to the board that articulates and gives effect to its direction on fair, responsible and transparent remuneration;
- Overseeing the implementation of the group's remuneration policy and preparation of the nomination and remuneration reports; and
- Ensuring that the group's remuneration policy and implementation report is put to a non-binding advisory vote at the group's AGM and engaging with shareholders on the group's remuneration policy as applicable.

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 in June each year, with the resultant increase in CTC effective from 1 July.
Annual short-term incentive scheme	An annual short-term incentive ("STI") 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. Non-financial parameters or individual KPI targets would include initiatives in respect of strategic objectives, acquisitions, expansion, values, leadership, demonstrated performance, innovation, effort, teamwork and transformation. Review of the group's overall performance for the awarding of STIs is based on two targeted tiers of performance. Performance against the defined set of financial parameters is in all instances measured against budget and prior-year performance. *The two targeted tiers of performance are defined as:* i. On-target performance; and ii. Stretch performance. In line with the decentralised model in which the group operates and manages its business, divisional executives' performance is measured against their individual divisions' targets and against prior-year performance. Targets vary within divisions and include growth in HEPS, trading profit, ROFE and personal KPIs. Remuneration decisions in relation to divisional executives are managed by the group executive 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. Clawback clauses for group executive directors were introduced during the year and included in executives' employment agreements.

Nomination and remuneration committee report (continued)

Pay element	Application
Annual short-term incentive scheme (continued)	**Employees** 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 Beverages division) receive a 13th cheque in line with the agreement between the union and the employing company. For employees to receive their incentive bonuses, 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 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.
Long-term share-based incentive scheme	Long-term incentives ("LTI") 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. Other than 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. Malus and clawback conditions (refer to note below) for group executive directors were introduced during the year. **Forfeitable share plan ("FSP")** 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 continue to be used in future for the award of all long-term incentives to qualifying employees and executives. A total of 10.3 million FSPs (2019: 13.3 million) were awarded to executives and employees across the group for the year under review, of which 2.0 million FSPs (2019: 3.2 million) were awarded to group executive directors. Group shares awarded in terms of the FSP were repurchased on the open market at a total cost of R41.9 million (2019: R58.6 million). **CEO, group and divisional executive directors** Financial performance conditions associated with awards made to the CEO, group and divisional executive directors 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:

Pay element	Application
Long-term share-based incentive scheme (continued)	

Performance condition	Weighting 2020	Weighting 2019	Vesting
CEO and group executive directors			
L4L relative total shareholder return (against peer group)	20%	20%	0% – 100% on linear basis
L4L ROFE	30%	25%	0% – 100% on linear basis
L4L HEPS growth	30%	25%	0% – 100% on linear basis
Continued employment	20%	30%	
Divisional executive management			
L4L relative total shareholder return (against peer group)	15%	10%	0% – 100% on linear basis
L4L ROFE	15%	10%	0% –100% on linear basis
L4L HEPS growth	15%	15%	0% – 100% on linear basis
Divisional trading profit growth	20%	20%	0% – 100% on linear basis
Divisional ROFE	15%	15%	0% – 100% on linear basis
Continued employment	20%	30%	

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

Conditional share plan ("CSP")

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 JSE Limited. 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 share awards do not carry voting rights normally attributable to ordinary shareholders.

A total of 23.6 million conditional shares were awarded, of which five million conditional shares have been forfeited to date as a result of the resignation of directors. The current 18.6 million awards in issue are held by four group 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:

Performance condition	Weighting	Vesting
Absolute total shareholder return	50%	0% – 100% on linear basis
Relative total shareholder return against benchmark (FTSE/JSE SA Industrial Indes ("JSE INDI")	50%	0% – 100% on linear basis

As at date of this report, 14.6 million shares were subject to the above performance targets with a 1 April 2020 measurement date. Of such 14.6 million shares, only 12.5% of such conditional share awards (1.825 million shares) meet the targets and will vest.

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, such expense will remain even in the event the awards don't vest.

The remaining 4 million shares awarded under this scheme have a performance target measurement date of 28 February 2021.

Nomination and remuneration committee report (continued)

Pay element	Application
Long-term share-based incentive scheme (continued)	Share appreciation rights ("SARs") 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 Limited 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 seven million SARs was awarded in the previous financial periods, of which 890 000 were forfeited in 2020 due to resignations (2019 forfeitures: 275 000). A total of 6 million SARs was outstanding at year end with a contractual life of 5 years (2019: six years) from grant date. SARs awarded to date were made to general employees, excluding group executives. No SARs were awarded during the 2020 financial year. 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.

Malus and claw back policy introduced

In line with global practice and local trends, the group adopted malus and clawback provisions during the year with respect to variable pay awards made to executive directors and key executives, including STI and LTI awards. In terms of this policy, unvested awards may be forfeited (malus) and the value of STI awards which have already been paid may be refunded (clawback). Such provisions will be exercised in the case of discovery of material misstatement(s) of financial results and other performance measures on which the settlement of the affected awards was based, discovery of material regulatory breaches and/or instances of gross misconduct. These provisions will apply prospectively to the 2020 STI and LTI awards. The clawback provisions will apply for a period of three years following the payment of the STI awards.

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.

Non-binding advisory vote

Shareholders are requested to cast a non-binding advisory vote on Part 2 of this report at the group's AGM to be held on 1 July 2020.

Part 3: Implementation of remuneration policy

1. Guaranteed pay increases

Details of the remuneration of group executive directors for the financial year ending 29 February 2020 on the basis of the single, total figure of remuneration as required by King IV are set out on page 78 of this report and in note 10.2 of the annual financial statements on page 150. All executive directors obtained overall guaranteed pay increase of 5% effective 1 July 2019.

The group CEO's remuneration was converted from shares to cash in the prior year and has been settled on a monthly basis with effect from 1 July 2019.

2. Short-term incentive outcomes for 2019

Factors assessed in determining the STI awards to executive directors were a combination of the following performance measures and weightings:

Financial Performance conditions	% weighting	Achieved/ Not achieved/ Partially achieved
Group HEPS	45%	Achieved
Group ROFE	35%	Achieved
Non-financial KPIs, including performance on development of the acquisitions pipeline, investor relations, cost management etc	20%	Partially achieved

STIs in relation to the 2019 financial year were awarded at a maximum of 50% of annual CTC, whilst the CEO was awarded 84% of the annual total CTC. These STIs were payable in June 2019 and the expense has therefore been reflected in the 2020 annual financial statements.

3. Short-term incentives 2020

STIs for executive directors are based on similar parameters and weightings to the 2019 STI awards.

A combination of the following performance measures in relation to 2020 performance will be used for group executive directors:

- Earnings performance (45% weighting) will be measured on a linear basis above CPI from a baseline of the 2019 HEPS;
- ROFE (35% weighting) has a threshold of 35% and a target of 40%; and
- Non-financial KPIs (20% weighting) include performance on governance, leadership, strategy, succession, staff development, transformation, innovation, stakeholder engagement etc. While more subjective in character, these will also be individually evaluated.

STIs in relation to the 2020 financial year will be awarded at a range of 48% to 54% of annual CTC, whilst the CEO has been awarded 86% of the annual total CTC. These STIs are payable in May 2020 and the expense will therefore be reflected in the 2021 annual report.

Divisional executive management

Divisional executives have been awarded STIs in relation to the 2020 financial year based on their achievement of the individual divisions' financial targets and non-financial parameters, which includes the consideration of performance against divisional 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 group executive. STI's granted to divisional executives in relation to the 2020 financial year did not exceed 60% of annual CTC.

Nomination and remuneration committee report (continued)

4. Long-term incentives

4.1 Awarded in 2020

FSP awards were granted on 28 June 2019, and no other LTIs were awarded. Performance conditions for the 2019 FSP's are measured over the period 1 March 2019 to 28 February 2022. 75% of the awards will vest post 28 June 2022 and 25% will vest post 28 June 2023. The following performance conditions are applicable to the FSPs awarded in 2019 and will be measured on results as set out in audited financial statements at year-end and measured over the preceding three years:

CEO, group executive directors and group executives

Performance condition and weighting	Description of the performance condition	Computation	Sliding scale of vesting profile – vesting of award on linear basis
L4L relative total shareholder return (20%)	Compound annual growth rate ("CAGR") of share price over 3-year vesting period against a peer group* as defined	Less than the JSE peer group	0% of allocation
		0.01% – 1% above JSE peer group	25% of allocation
		1.01% – 2% above JSE peer group	50% of allocation
		2.01% – 3% above JSE peer group	75% of allocation
		More than 3% above JSE peer group	100% of allocation
L4L ROFE (30%)	Annualised (average) of ROFE over 3-year period	<35%	0% of allocation
		35% – 40%	80% of allocation
		More than 40%	100% of allocation
L4L HEPS growth (30%)	CAGR of HEPS over preceding 3-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 (20%)			

** The peer group consists of companies listed on the JSE Limited with comparable market capitalisation, within similar industries.*

Divisional executive management

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

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

Vested during 2020

No LTI awards had a performance period which ended during the 2020 financial year.

4.2 LTIs awarded prior to 2020

CSPs

CSPs were awarded to group executives at the time of L4L'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 FTSE/JSE SA Industrial index

Nomination and remuneration committee report (continued)

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 3-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 FTSE/JSE SA Industrial index return	120% of allocation

SARs

SARs were not awarded to any of the group executive directors.

FSPs

The following performance conditions are applicable to FSPs awarded in November 2018 and will be measured on results as set out in audited financial statements for the prior year and measured over the preceding three years:

CEO, executive directors and group executives

Performance condition and weighting	Description of the performance condition	Computation	Sliding scale of vesting profile – vesting of award on linear basis
L4L relative total shareholder return (20%)	Compound annual growth rate ("CAGR") of share price over 3-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 3-year period	Less than 35%	0% of allocation
		35% – 40%	80% of allocation
		More than 40%	100% of allocation
L4L HEPS growth (25%)	CAGR of HEPS over preceding 3-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 Limited with comparable market capitalisation, similar industries etc.

4.3 Details of LTIs awarded, not yet vested at the reporting date

The details of all unvested remuneration awards of directors for the financial year ended 29 February 2020, including the FSPs issued during 2019, are set out below and in note 10.1 of the annual financial statements on pages 146 to 149.

	No of awards granted	Fair value at initial grant date[1] (per share)	Fair value at initial grant date R'000	Grant date	Vesting date	Fair value of awards expected to vest[2] R'000
Brian Joffe						
CSPs						
1st tranche	9 450 000	2.45	R23 153	April '17	April '20	R2 894
2nd tranche	3 150 000	2.45	R7 718	April '17	April '21	R965
FSPs						
1st tranche	450 000	4.14	R1 863	Nov '18	Nov '21	R1 770
2nd tranche	150 000	4.14	R621	Nov '18	Nov '22	R590
1st tranche	600 000	4.28	R2 568	June '19	June '22	R1 707
2nd tranche	200 000	4.28	R856	June '19	June '23	R569
Colin Datnow						
CSPs						
1st tranche	1 500 000	2.77	R4 155	Feb '18	Feb '21	R519
2nd tranche	500 000	2.77	R1 385	Feb '18	Feb '22	R173
FSPs						
1st tranche	450 000	4.14	R1 863	Nov '18	Nov '21	R1 770
2nd tranche	150 000	4.14	R621	Nov '18	Nov '22	R590
1st tranche	450 000	4.28	R1 926	June '19	June '22	R1 280
2nd tranche	150 000	4.28	R642	June '19	June '23	R427
Mireille Levenstein						
1st tranche	1 500 000	4.14	R6 210	Nov '18	Nov '21	R5 900
2nd tranche	500 000	4.14	R2 070	Nov '18	Nov '22	R1 967
1st tranche	450 000	4.28	R1 926	June '19	June '22	R1 280
2nd tranche	150 000	4.28	R642	June '19	June '23	R427

[1] *Fair values at grant date are determined using an independent actuarial valuation model and take into account the various targets.*
[2] *Calculated based on the weighted probability of non-market performance conditions being met as at the reporting date.*

No CSPs were awarded during the 2020 financial year. The CSP and FSP awards made to date have been expensed in line with the requirements of IFRS 2 relating to share-based payments.

Vested during 2020

No LTI awards had a performance period which ended during the 2020 financial year.

Nomination and remuneration committee report (continued)

5. Single figure of remuneration

2020

Remuneration paid to executive directors while in office of the company comprise of guaranteed pay (salary), a cash incentive (STI) and LTI benefits:

Executive directors	2020 R'000 Guaranteed pay	2020 R'000 STI[1]	2020 R'000 LTI reflected[3]	2020 R'000 Total single figure of remuneration
Brian Joffe[2]	5 477	4 600		9 565
Colin Datnow	3 286	1 600	–	4 939
Mireille Levenstein	3 720	1 800	–	5 380
Total	12 483	8 000	–	20 483

[1] STIs paid relate to performance in the 2019 financial year.
[2] With effect from 1 July 2019, the CEO's remuneration was settled in cash on a monthly basis.
[3] No value is included in the LTI reflected as no awards had a performance period ending in the year under review.

2019

The remuneration paid to executive directors while in office of the company comprise of guaranteed pay (salary), a cash incentive (STI) and LTI benefits:

Executive directors	2019 R'000 Guaranteed pay	2019 R'000 STI[1]	Ex gratia payment	2019 R'000 LTI reflected[6]	2019 R'000 Total single figure of remuneration
Brian Joffe[2]	5 200	5 000			10 200
Colin Datnow[3]	3 120	750			3 870
Mireille Levenstein[4]	1 650				1 650
Peter Riskowitz[5]	2 930	1 890	500		5 320
Total	12 900	7 640	500		21 040

[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 was 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.

Non-executive directors' fees

The non-executive directors' (NED's) remuneration paid during the year under review (as approved by shareholders at the company's AGM in August 2019) and the total comparative figure for 2019 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	Audit & Risk Committee R	Nomination & Remuneration Committee R	Social, Ethics & Transformation Committee R	Other	Total 2020 R	Total 2019 R
Graham Dempster	313 500	–	31 800	–	–	345 300	345 000
Tasneem Abdool-Samad	149 760	149 760	49 440	49 440	–	398 400	497 000
Lionel Jacobs	200 640	112 320	49 440	61 800	–	424 200	409 000
Syd Muller	149 760	–	30 000	–	359 622	539 382	1 150 000*
Keneilwe Moloko	149 760	112 320	31 800	49 440	–	343 320	222 000
Total	963 420	374 400	192 480	160 680	359 622	2 050 602	2 623 000

* *Includes an amount of R711 000 consulting fees paid to Syd Muller for the year which relate to services to the group's Sport and Recreation Division.*

The following fees (which exclude VAT) will be proposed to shareholders at the company's AGM in July 2020 for consideration and approval. The increase in NED fees compared to August 2019 is *circa* 5% (2019: 6%), in line with market practice:

	Current approved fee per meeting Rand	Proposed fee per meeting Rand	% Increase
Chairman of the Board	79 500	83 500	5.0%
Board members	50 880	53 500	5.1%
Chairman of the Audit and Risk Committee	50 880	53 500	5.1%
Members of the Audit and Risk Committee	38 160	40 100	5.1%
Chairman of the Nomination and Remuneration Committee	31 800		
Members of the Nomination and Remuneration Committee	25 440		
Chairman of the Nomination Committee	–	33 400	5,0%
Members of the Nomination Committee	–	26 800	5,3%
Chairman of the Remuneration Committee	–	33 400	5,0%
Members of the Remuneration Committee	–	26 800	5,3%
Chairman of the Social, Ethics and Transformation Committee	31 800	33 400	5.0%
Members of the Social, Ethics and Transformation Committee	25 440	26 800	5.3%
Chairman of the Acquisition Committee	26 500	27 900	5.3%
Members of the Acquisition Committee	21 200	22 300	5.2%

The group's nomination and remuneration committee were split into two separate committees with effect from March 2020. The proposed fees for the chairman and members of the two committees respectively represent a circa 5% increase. Shareholders will be requested to approve the change in committee structure at the group's annual general meeting,

Non-binding advisory vote

Shareholders will be requested to cast an advisory vote on the remuneration policy as included in this report on pages 73 to 79 (Part 3: Remuneration implementation report).

Approval

This nomination and remuneration report was approved by the nomination and remuneration committee of Long4Life, as mandated by the board of directors, on 29 May 2020.

Sustainability

We recognise the need to find innovative ways to deliver on the group's business imperatives, while ensuring a meaningful and responsible social impact that creates value for our stakeholders.

Our approach

Since listing on the Johannesburg Stock Exchange in 2017, the group has adopted environmental, labour and social indicators that would continue delivering on the business' imperatives in a sustainable and socially responsible way. All efforts during the last year have been focused on developing and positioning the group's sustainability strategy in terms of financial sustainability, products and services, human capital and corporate social responsibility.

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

Our sustainability approach has been built on four focus areas, on which we have expanded below:

i. PRODUCTS AND SERVICES

ii. HUMAN CAPITAL

iii. FINANCIAL SUSTAINABILITY

iv. CORPORATE SOCIAL RESPONSIBILITY

Governance

All sustainability related matters at a group level are overseen and discussed by the social, ethics and transformation committee of the board, which has been constituted in accordance with section 72 (4) of the Companies Act and in alignment with the recommendations of King IV.

The group's social, ethics and transformation committee oversees the sustainability initiatives and performance across the group and ensure that the group operates in an environmentally responsible manner.

Sustainability focus areas

i. Products and services

This category, across the business, includes 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 underway for Outdoor Warehouse and Sportsmans Warehouse as well as Sorbet and will continue receiving focus in the next 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 and has partnered with various local community groups to assist and support the group's drive to recycle. 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.
Advertising	With the increased digitisation of advertising, the group has embraced the digital migration and have focused on digital advertising campaigns for Sorbet, Sportsmans Warehouse and Outdoor Warehouse stores. These campaigns 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.

ii. Human capital

Our employees

59 %
Female employees
(2019: 61%)

41 %
Male employees
(2019: 39%)

Total number of permanent employees
2 666
(2019: 2 691)

Total cost of salaries, wages and employee benefits
⋀ 7%

Total expenditure on employee training
⋀ 10%

Employee scorecard

FY 2020

Indicator	2020 Sport and Recreation Division	2020 Beverages Division	2020 Personal Care and Wellness Division	2020 Corporate office (Rosebank, Gauteng)	2020 Total Long4Life	2019 Total Long4Life
Total permanent employees	1 707	673	273	13	**2 666**	2 691
Total male employees	695	353	39	8	**1 095**	1 060
Total female employees	1 012	320	234	5	**1 571**	1 631
Total expenditure on employee training (R'000)	1 516	6 160	97	2	**7 775**	7 071
Total employee benefits (R'000) ***	24 955	1 825	1 652	25 775	**54 202**	54 075
Total cost of salaries, wages & benefits (R'000)	280 294	134 680	21 465	39 585	**476 024**	445 418
Average hours of training per employee per year	14	–	–	–	**14**	23
Lost time injury frequency rate (per 200 000 hours)	–	–	–	–	**–**	
Fatalities	–	–	–	–	**–**	

Employee diversity*

	Sport and Recreation Division					Beverages Division					Personal Care and Wellness Division					Corporate office					Total Long4Life 2020					Total Long4Life 2019				
	A	I	C	W	F	A	I	C	W	F	A	I	C	W	F	A	I	C	W	F	A	I	C	W	F	A	I	C	W	F
Male	315	30	205	128	512	31	295	199	23	4	24	–	3	9	3	1	1	0	6	–	**552**	**33**	**280**	**206**	**24**	512	31	295	199	23
Female	464	23	394	115	791	35	604	177	24	1	57	22	45	73	37	1	–	–	4	–	**787**	**47**	**466**	**217**	**54**	791	35	604	177	24

Total temporary employees**

Sport and Recreation Division M	Sport and Recreation Division F	Beverages Division M	Beverages Division F	Personal Care and Wellness Division M	Personal Care and Wellness Division F	Corporate office M	Corporate office F	Total Long4Life 2020 M	Total Long4Life 2020 F	Total Long4Life 2019 M	Total Long4Life 2019 F
316	290	–	–	–	–	–	–	**316**	**290**	472	364

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

Much of our focus is on our employees and ensuring that appropriate staff diversity, skills development, and remuneration policies are implemented.

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.
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. Employees work 45 hours a week or less, 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 has implemented a management training program to strengthen the pool of talent to effectively manage our stores. The training has the benefit of equipping store managers to progress their careers whereby 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 promote this ethos across the group.

iii. Financial sustainability

Financial sustainability in this context relates to ensuring that business or investment decisions are made for the lasting benefit of employees, customers, communities, 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	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 programs 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.

Reporting area	Progress
Community and development	At Long4Life, giving back is part of our culture. Following the declaration of the COVID-19 as a pandemic worldwide, the group has generously contributed through the donation of funds, water, soft drinks and various forms of support to our communities. More on this is detailed in the COVID-19 spread on pages 30 to 33 of this report. The group supports charitable and worthy initiatives each year, such as the Reach For a Dream foundation, Girls' and Boys' Town, the Angel Network and local netball and soccer teams. In the various businesses, we engage and participate in a number of local disadvantaged community programmes that create empowerment opportunities, transfer skills and educate communities. We have reached thousands across South Africa, within a variety of sporting categories and community projects and are proud to work together in giving back.
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.
Environmental impacts	Most stores make use of independent electronic meters to raise awareness of consumption. 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.

iv. Corporate social responsibility

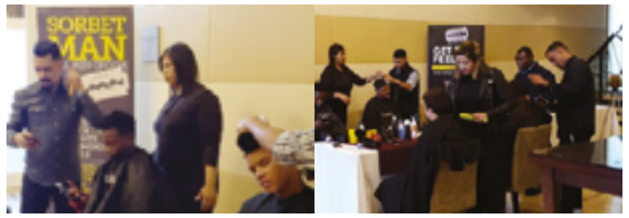
Long4Life's businesses are committed parts of their communities, with whom corporate social responsibility (CSR) initiatives provide valuable opportunities to engage directly. Long4Life's CSI activities are driven by each division's management and are intended to be aligned to the communities and markets within which they operate.

Over the past year Score Energy Drink stepped up its involvement as associate sponsor of Cape Town's Bayhill Premier Cup, Africa's largest youth development soccer tournament, cementing the brand's commitment towards soccer development in South Africa.

Sportsmans Warehouse teams contributed their time on Mandela Day to deserving causes in their communities. The company donates sports equipment including netball, rugby and soccer balls, water bottles and socks to local communities every year, providing a helping hand for children's learning and development. Sportsmans Warehouse also partnered with the non-profit organisation Sporting Chance to create Sportsmans Warehouse Street Soccer – a community-involvement project involving 140 spirited players.

Chill Beverages employees took part in a six-month blood drive in collaboration with the Western Cape Blood Service (WCBS). Twenty-nine staff members volunteered to participate in the drive, donating much-needed blood that will be used in life-saving procedures in hospitals throughout the Western Cape.

Sorbet Empowering Wo+men (SEW) is Sorbet's initiative to create positive sustainable change by training hairstylists, groomers and beauty therapists. Two hundred lives have been positively affected by the SEW initiative so far, with 90% of graduates between 2014 and 2019 having successfully found employment as professionals across the beauty and grooming industry.



Divisional commentary

Sport and Recreation

Reduction in the use of petrol	Electricity cost	Replacement of plastic bags with paper bags strategy ongoing
∨ 35%	Largely static and in line with general price increases	

This division consists of 43 Sportsmans Warehouse and 27 Outdoor Warehouse stores across South Africa and one store in Windhoek, Namibia; all store space is leased while operational control is held by the division. Stores are located in a combination of standalone destinations, super-regional malls and value centres and provides appropriate cover and convenient access to our customers across the country.

The largest impact in this division is in electricity consumption, where the division's consumption increased by 12% year-on-year, largely due to the addition of two new stores and the operation of two OTG standalone stores which were closed at the year-end; electricity cost increased in line with the average cost increases implemented across South Africa. Approximately 70% of electricity use stems from the use of lighting in stores, 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 during the year. 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 considering the location of both Sportsmans and Outdoor warehouse stores in malls, reported on by landlords. During the year the division adopted a new shopper bag strategy which will see the reliance on the use of virgin plastic largely eliminated; plastic shopper bags will in time be replaced with 100% recycled and recyclable plastic. Customers are already provided with the option of purchasing paper bags in store, thereby supporting the move away from plastic. All cardboard boxes that are used to deliver stock to stores are directly recycled with national or community level recycling organisations.

The division's own fleet of vehicles has increased during the year – these vehicles are mostly used at its distribution centre and stores which accounts for all petrol and diesel consumption, bar a minimal amount of diesel for generator maintenance.

Beverages

Increase in waste recycled (measured in tonnes)
Λ 13%

Reduction in the use of municipal water through the use of other water sources e.g. borehole
V 1%

Chill: reduction in use of non-renewable energy
V 13%

Inhle: increase in use of renewable energy
Λ 49%

This division consists of the operations of Chill and Inhle; the division's 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 2021.

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 from both operations' contract packaging clients and these items are sent for recycling.

Personal Care and Wellness

This division's business consists of the Sorbet group, Lime Light (a distribution channel for spa and salon products and equipment), and sub-acute healthcare provider ClaytonCare.

Sorbet is the biggest beauty care franchise in South Africa consisting of a network of 220 stores nationally which include four company owned stores and operates across five individual brands, these being Sorbet Salons, Sorbet Nails, Sorbet Man, Candi & Co and Sorbet Drybar. 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 216 stores nationwide.

While this division has introduced various water-efficient practices and its diesel and petrol usage are confined to the various head office structures housed in the businesses of this division, further work and activity is focused on refining the tracking and reporting of sustainability related measures.

Corporate Office

Decrease in petrol usage for the year
V 14%

Use of non-renewable energy sources
Static

The group's corporate office is based in Johannesburg and comprise of 608 square metres, occupied by 13 full-time employees. Although the head office is based in an office building and thus leased, we continue to track electricity, water, diesel (generator) and petrol (motor vehicle) usage to ensure that these costs are minimised.

Performance scorecard

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 29 February 2020:

Indicator	Unit	Sport and Recreation division	Beverages division	Personal Care and Wellness division	Corporate office	2020 Total Long4Life	2019 Total Long4Life
		Head office, distribution centre, stores*	Manufacturing plants, offices**	Head office, Regional offices, stores***	Head office		
Total diesel (fleet & stationary)	litres	71 736	148 171	–	–	**219 907**	117 456
Total petrol (fleet)	litres	152 605	45 599	1 478	2 381	**202 063**	296 920
Total LPG (fleet & stationary)	kilograms	–	4 288	–	–	**4 288**	8 360
Renewable electricity	kilowatt – hours	–	110 923	–	–	**110 923**	143 659
Electricity cost	ZAR '000	31 392	3 599	247	305	**35 543**	31 456
Waste to landfill	tonnes	–	33	7	–	**40**	64
Recycled waste	tonnes	–	342	–	–	**342**	219
Other water (borehole)	kilolitres		18 266	–	–	**18 266**	39 223

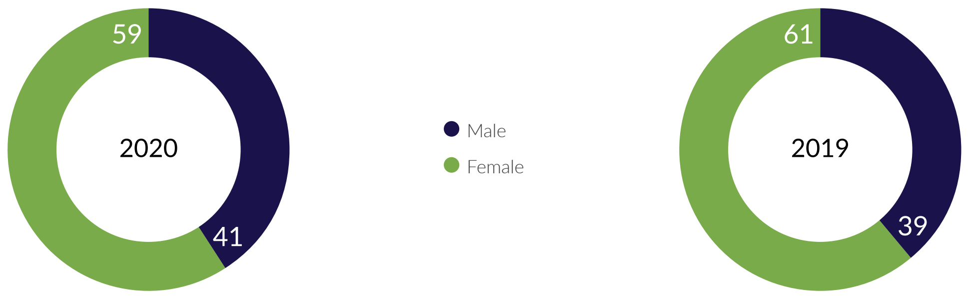
** Inclusive of 43 Sportsmans Warehouse and 27 Outdoor Warehouse stores in South Africa and 1 store in Windhoek, Namibia. All stores are leased, though the Sports and Recreation division who maintains operational control.*

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

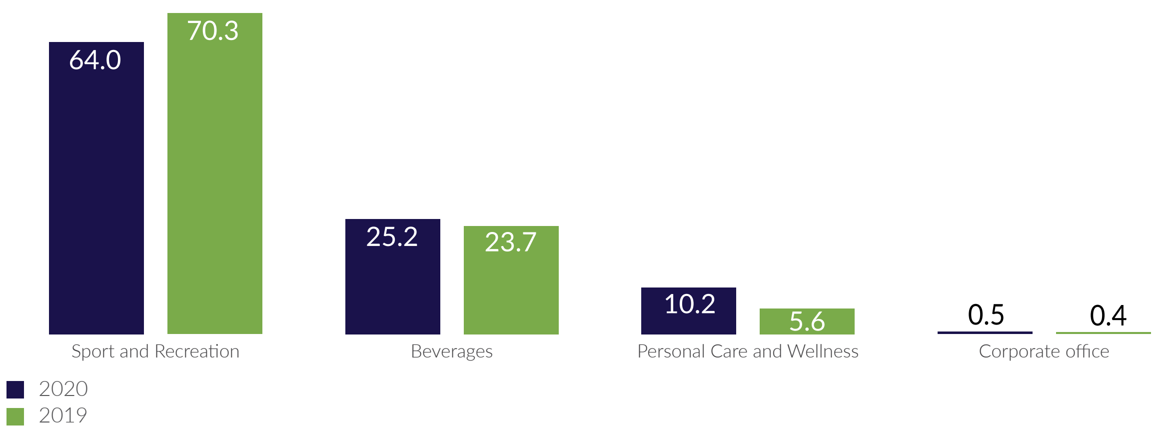
**** Exclusive of 216 stores across five brands in South Africa (Sorbet Salon, Sorbet Dry Bar, Sorbet Nail, Candi and Co and Sorbet Man) that are franchisee-owned and over which Sorbet does not have direct operational control*

Employee diversity (%)

Employee gender (%)



Total permanent employees by division (%)



OUR RESULTS

5

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate annual financial statements have been consistently prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the Independent Accounting Standards Board, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the Companies Act No 71 of 2008, as amended, of South Africa (Companies Act) and the JSE 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 pages 100 to 103.

The consolidated and separate financial statements for the year ended 29 February 2020 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

13 May 2020

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

13 May 2020

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 year ended 29 February 2020.

Nature of business

Long4Life Limited ("L4L" or "the company"), is an investment company with a lifestyle focus listed on the JSE since 7 April 2017, which seeks to generate superior returns for its shareholders over the medium and long–term. L4L and its subsidiaries ("the group") invests 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.

The group'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 year and the profit or loss for that financial year, in conformity with IFRS and the Companies Act and the interpretations adopted by the International Accounting Standards Board and the JSE Limited Listing Requirements (JSE).

The group achieved revenue of R4.092 billion (2019: R3.642 billion), trading profit of R520 million (2019: R454 million) and profit attributable to ordinary shareholders amounted to R361 million (2019: 352 million). Total assets amounted to R6.263 billion (2019: R5.797 billion) and equity attributable to shareholders of the company amounted to R4.704 billion (2019: R4.811 billion).

The financial statements on pages 104 to 175 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 29 February 2020 and the results of their operations and cash flows for the year then ended.

The directors are furthermore 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. Refer to note 12.5 for detailed considerations by the directors of the impact of COVID-19 on going concern.

Stated capital

The company's authorised stated capital is 4 000 000 000 ordinary no par value shares. During the year 500 000 ordinary no par value shares were issued for executive remuneration. Group subsidiaries acquired 104 125 170 (2019: 36 389 582) Long4Life Limited shares at an average cost of R4.10 (2019: R4.38) per share, totalling R426.5 million (2019: R159.6 million). During the year, pursuant to the group's general share buyback programme, 55 863 561 shares were cancelled and delisted. The total ordinary no par shares in issue as at 29 February 2020 was 858 546 348 (2019: 913 909 909). As at 29 February 2020 the group held 84 102 353 (2019: 36 523 695) ordinary no par value shares as treasury shares.

Acquisitions

During the financial year, the group acquired various businesses as bolt–on acquisitions in the Personal Care and Wellness division, including a distributor of professional hair, nail, beauty products and equipment based in the Western Cape and the rights to import and distribute Depilève products, the global benchmark in professional waxing systems. The effective date of these transactions was 1 June 2019 and they were funded through cash.

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.

Directors' report (continued)

Events after the reporting date

Subsequent to year–end, the full impact of the novel coronavirus (COVID–19) was unleashed globally. In South Africa, with effect from midnight on 26 March 2020, President Cyril Ramaphosa initiated a nation–wide lockdown for a period of 21 days, which was later extended to end April 2020. Certain sectors of the economy are being returned in a phased manner from 1 May 2020.

The group considers this to be a non–adjusting post balance sheet event and accordingly the financial effects of COVID–19 have not been reflected in the group's financial statements at 29 February 2020.

As the situation continues to evolve with changes in government regulations and evolving business and consumer reactions thereto, as at the date these financial statements the directors of the company considered that the financial effects of COVID–19 on the group's consolidated financial statements cannot be reasonably estimated for future financial periods.

The retail sectors in which Long4Life operates continue to be affected and closed for trading despite the phased return of the economy. Whilst the Beverage businesses have remained open, they are operating at much–reduced capacity.

There is still no clarity on the duration and manner in which the national lockdown will be lifted. It is difficult to determine the impact that this will have on the already weakened consumer environment thereafter.

The group has performed a going concern review and assessed its liquidity and solvency position. The group is in an advantageous position as it has a strong Balance sheet with cash reserves and minimal debt. In performing this assessment, the group has made certain assumptions in its revenue generation and has also assumed that the businesses will be right–sized should the lockdown be extended. Under these conditions, the group is comfortable that it will be able to continue as a going concern for the foreseeable future.

The effect of the COVID–19, while largely unknown at this stage in terms of exact financial impact, is expected to be significant to the group, in the short and medium–term.

Dividend

No dividend to ordinary shareholders of the company has been declared for the current year. In arriving at this decision, the board took into consideration the R426.5 million (2019: R159.6 million) spent on a share repurchase program during the year.

Whilst 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
Number of meetings	4	3	2	2
Independent non–executive directors	**Meetings attended**			
Graham Dempster[1]	4	#	1	#
Tasneem Abdool–Samad	3	3	2	2
Lionel Jacobs	4	3	2	2
Syd Muller[2]	3	#	1	#
Keneilwe Moloko[3]	3	3	1	2
Executive directors[4]				
Brian Joffe	4	#	2	#
Colin Datnow	4	#	2	#
Mireille Levenstein	4	3	2	2

[1] *Graham Dempster attends sub–committee meetings by invitation*
[2] *Syd Muller resigned as an independent non–executive director on 11 December 2019*
[3] *Keneilwe Moloko assumed the position of chairman of the Nomination and Remuneration Committee with effect 11 December 2019*
[4] *Executive directors attend sub–committee meetings by invitation*
\# *Not a member of this committee*

Directors' shareholdings beneficial

The individual beneficial interests declared by the directors and officers in the company's stated capital at 29 February 2020 held directly or indirectly were:

Director	2020 Number of Shares Direct	2020 Number of Shares Indirect	2019 Number of Shares Direct	2019 Number of Shares Indirect
Independent non–executive directors				
Graham Dempster	**1 000 000**	**–**	1 000 000	–
Lionel Jacobs	**563 573**	**–**	563 573	–
Syd Muller	**2 989 386**	**–**	2 989 386	–
Tasneem Abdool–Samad	**–**	**541 900**	–	541 900
Keneilwe Moloko	**–**	**–**	–	–
Executive directors				
Brian Joffe	**8 250 100**	**21 095 484**	7 750 100	21 040 960
Colin Datnow	**–**	**5 678 836**	–	5 678 836
Mireille Levenstein	**16 357**	**–**	16 357	–
Total	**12 819 416**	**27 316 220**	12 319 416	27 261 696

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

Directors' and officer's disclosure of interest in contracts

At 29 February 2020, 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 year Syd Muller resigned from the board and as an independent non–executive director, effective 11 December 2019.

Special resolutions

The group passed the following special resolutions at its Annual General Meeting held in August 2019:

1. General authority to repurchase company shares up to 10% of the number of shares in issue; this being 10% of 877 669 139 shares in issue on 20 August 2019 (the date of the group's Annual General Meeting)
2. Approval of the non–executive directors' remuneration for service as directors.

Audit and risk committee report

The Long4Life Limited audit and risk committee (the committee) is pleased to present its report for the financial year ended 29 February 2020. 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 s94(7) of the Companies Act, and has been delegated the responsibility to provide meaningful oversight to the internal and external auditors, finance, IT governance and compliance functions.

The report describes how the committee has discharged its statutory and other duties assigned to it by the Long4Life board in respect of the financial year ended 29 February 2020.

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 14 to 15. All the committee members are suitably skilled and experienced to carry out their duties and responsibilities.

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	3

In terms of the committee's mandate, the committee is required to meet at least three times per annum. 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 financial officer, group risk and internal audit manager, external audit partner and other representatives of the external auditors.

Duties and responsibilities

The committee is satisfied that it has executed its role and responsibilities in keeping with the requirements of the Companies Act, the requirements of the JSE Listings requirements and the recommendations of King IV™, as well as the responsibilities assigned to it as set out in the audit and risk committee terms of reference, which has been endorsed by the board of directors. The committee's terms of reference is reviewed and updated on an annual basis.

The committee's key areas of responsibility include, *inter alia*, to monitor and review:

- the adequacy and revisions of group policies and procedures;
- ongoing compliance with applicable legislation, requirements of regulatory authorities and the group's code of ethics;
- 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;
- financial reports and findings of the external auditors and confirm the appointment of the external auditors and designated audit partner;
- the effectiveness of the internal audit function and the assessment and status of the control environment within the group;
- the governance and effectiveness of the group's technology and systems;
- the performance of the chief financial officer and the finance team; and
- the enterprise risk management policy, risk management process as well as report 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.

External audit and independence

The committee has satisfied itself that the external auditor of the Group, Deloitte, is independent. The requisite assurance was sought from and provided by the external auditors to support their claim to independence.

The external auditors are in their third year of assurance and comply with the rotation requirements relevant to external audit firms and designated audit partners. In conducting its duties, the committee has performed the following statutory duties relating to external audit:

- Recommended Deloitte & Touche 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 29 February 2020. During the course of the year, the designated audit partner was changed from Mr T Brown to Mrs S Ronander, which appointment was approved by both the Long4Life board and the JSE.
- 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 and appointed to provide non–audit services. In terms of the group's 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 for the period under review.
- The committee, in consultation with executive management, agreed to the auditors' engagement letter, audit plan and budgeted audit fees for the year under review, 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. External audit fees approved for the 2020 financial year to Deloitte & Touche amounted to R3.9 million (2019: R5.5 million). The total non–audit services for the 2020 financial year performed by and paid to Deloitte & Touche amounted to R0.05 million (2019: R0.12 million), which relates to permitted audit related services. The committee is comfortable that the non–audit services do not impact on the independence of the external auditors.
- 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 Mrs S Ronander comply with all legal and regulatory requirements for the appointment of an auditor.
- The committee has nominated, for election at the group's annual general meeting, the appointment of Deloitte & Touche as the external auditors for the financial year ending February 2021 and Mrs S Ronander as the designated auditor. The committee has satisfied itself that both the firm and the designated auditor are accredited as such on the JSE, and have received the requisite letters from Deloitte, including inspection documents of the IRBA and Deloitte, as required by the JSE to ensure audit quality.

Financial statements and accounting policies

The committee has assessed the group and company's accounting policies and the consolidated and separate financial statements for the year ended 29 February 2020 and is satisfied that they comply in all material respects with International Financial Reporting Standards (IFRS).

The committee is also of the opinion that the accounting and internal controls, including internal control over financial reporting, are adequate and that the financial records may be relied upon for the preparation of the consolidated and separate financial statements in accordance with IFRS. This opinion is based on the information and explanations given by management and the review of various control self–assessments performed by them, and assessments performed by the group internal audit function.

Governance of risk

The committee is responsible for overseeing the governance of risk across the group, including effective risk management within the group by ensuring that adequate procedures and processes are in place to identify, assess, manage and monitor key strategic and significant business risks.

The group's risk management process is aligned to the principles of good corporate governance as encompassed in principles 8 and 11 of King IV™.

Risks are identified, assessed and managed as part of the day–to–day operations across the divisions of the group and at various levels of management.

Each division's chief executive is ultimately responsible for identifying, evaluating and managing risk daily in their respective businesses and reporting the results of this process to the committee. The committee reviews the group's and each division's risk registers and reports to the board on the effectiveness of the risk management process of the group.

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

Long4Life INTEGRATED REPORT for the year ended 29 February 2020 97

Audit and risk committee report (continued)

independent and has the necessary resources, standing and authority in the group to discharge its duties.

The group has continued to progress the establishment of an internal audit capability as part of the combined assurance model and the internal audit function's authority and responsibilities are governed by the internal audit charter; this charter is reviewed and approved annually.

The Long4Life executive and divisional management teams are responsible for ensuring that effective internal controls are implemented and complied with.

The committee has evaluated reports provided on the effectiveness of the systems of internal financial controls and considered information provided by management, the external auditors and independent third–party certifications.

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.

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. Nothing has come to the attention of the committee to indicate that any material breakdown in the functioning of internal controls resulting in a material loss to the group has occurred during the year and up to the date of this report.

Insurance

The group reviews its insurance coverage annually; the review is performed by divisional senior management, the group CFO and group CEO. Where necessary, due to significant changes in circumstances or acquisitions or disposals of significant assets, *ad hoc* changes to insurance cover may be made between annual reviews.

The committee reviews the insurance cover, the insurance broker's recommendations and management's recommendations before assuring the board that the appropriate insurance cover is in place.

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 has increased its level of maturity. The group operates with a decentralised model, resulting in each division being 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 continue to be rolled out over the current and next financial year. 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.

Significant areas of judgement

In arriving at the numbers disclosed in the consolidated financial statements, there are certain areas where judgement is required. The committee has applied its mind to these significant 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 the assessment of the carrying valueof goodwill and indefinite useful life intangible assets and the adoption of IFRIS16 are as follows:

1. 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 7.3 and 8.2, carrying values of the indefinite useful life intangible assets at 29 February 2020 are R785.9 million (2019: R784.8 million) and the carrying value of goodwill as at 29 February 2020 is R2 272.6 million (2019: R2 252.9 million) respectively. Note 8.3 sets out the key assumptions used in performing the impairment test.
2. IFRS 16 became effective for the Group on 1 March 2019, and on adoption the Group recognised right-of-use assets of R518.6 million, right-of-use liabilities of R637.4 million and a reduction to retained earnings of R81.2 million. The measurement of the right-of-use asset and lease liability is based on a number of key assumptions including discount rates and lease terms, as well as termination and renewal options. Notes 1, 6.6 and 7.2 sets out further detail.

Expertise and experience of the chief financial officer and finance function

In accordance with the JSE Listings Requirements, the committee has satisfied itself with the appropriateness of the expertise and experience of the group chief financial officer (CFO). The CFO of the group is Mireille Levenstein, whose curriculum vitae appears on the company's website at www.long4life.co.za

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 and that it is considered solvent.

The board regularly undertakes a rigorous assessment of whether the group is a going concern in the light of current economic conditions and all available information about future risks and uncertainties.

The projections for the group have been prepared, covering its future performance, capital and liquidity for a period of 12 months from the reporting date including performing sensitivity analyses. These analyses include the introduction and ongoing developments of the COVID–19 pandemic. These pandemic scenarios continue to evolve as the effects of the pandemic continue to extend.

Subsequent events

Subsequent to year–end, the full impact of the novel coronavirus (COVID–19) was unleashed globally. In South Africa, with effect from midnight on 26 March 2020, President Cyril Ramaphosa initiated a nation–wide lockdown for a period of 21 days, which was later extended to end April 2020. Certain sectors of the economy returned in a phased manner from 1 May.

The group considers this to be a non–adjusting post balance sheet event and accordingly the financial effects of COVID–19 have not been reflected in the group's financial statements at 29 February 2020.

As the situation continues to evolve with changes in government regulations and evolving business and consumer reactions thereto, as at the date of these financial statements the directors of the company considered that the financial effects of COVID–19 on the group's consolidated financial statements cannot be reasonably estimated for future financial periods.

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.

The committee is comfortable with the current internal control environment, which assessment is supported by the internal audit testing concluded during the year, attestations signed by group and divisional management, control weaknesses identified by both internal and external audit and the remedial action undertaken by management as applicable.

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
13 May 2020

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

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 and Company) set out on pages 104 to 168, which comprise the consolidated and separate statements of financial position as at 29 February 2020, and the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the separate statement of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate 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 and Company as at 29 February 2020, 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 and Company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. 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 and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate 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.

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Key Audit Matters continued

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

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 7.3 and 8.2, the carrying values of indefinite useful life intangible assets and goodwill at 29 February 2020 are R 784.9 million (2019: R784.8 million) and R2 272.6 million (2019: R2 252.9 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"). As disclosed in note 8.3, there are a number of key assumptions in determining the inputs into the discounted cash flow models, which include: • Weighted Average Cost of Capital ("WACC") rates; • The revenue and expenditure growth rates applied in determining forecasted cash flows; • Capital expenditure and working capital movements; and • Long-term growth rates. Given the level of judgement applied in determining the assumptions used in the valuation model, this is considered to be a key audit matter.	In evaluating the carrying value of goodwill and indefinite useful life intangible assets, we assessed the value in use calculations prepared by the Directors, with particular focus on the year one cash flow forecasts, subsequent growth rates, terminal growth rate and the WACC rate used in discounting the future cash flows. We performed the following procedures: • evaluated design and implementation of the Group's controls relating to the preparation of the cash flow forecasts used in the value in use calculations; • tested the inputs into the cash flow forecast against historical performance and compared the forecast to the approved budgets in respect of each CGU, taking into consideration the strategic plans in respect of each CGU; • involved our valuation specialists to assist with the testing of the WACC rate, and determination of market related growth rates. The specialists' procedures included consideration of funding structures and rates, comparison with third-party information and industry risk factors; • challenged the growth rates used in determination of the forecasted cash flows, within all CGUs, based on our understanding of the historical growth trends in the CGU, the inflationary environment in which the businesses operate and independent forecasted industry information; • compared terminal growth rates to historical growth rates, inflation and future South African economic growth rates; and • tested the logic and methodology used in the impairment models. Although we identified some judgemental differences in respect of the impairment model assumptions, we are satisfied that taken as a whole the differences in the assumptions identified do not result in any material misstatement. We are satisfied that the Directors have applied appropriate sensitivities in assessing the goodwill for impairment and concur that sufficient headroom remains to support the carrying value of the goodwill and indefinite useful life intangible assets. We consider the disclosures relating to the carrying value of goodwill and indefinite useful life assets, together with the sensitivity to changes in key assumptions to be appropriate.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Long4Life Limited

Report on the Audit of the Consolidated and Separate Financial Statements continued

Adoption of IFRS 16 Leases ("IFRS 16")	
Key Audit Matter	**How the matter was addressed in the audit**
As disclosed in note 1 to the financial statements, IFRS 16 became effective for the Group on 1 March 2019, and on adoption the Group recognised right-of-use assets of R518.6 million, right-of-use lease liabilities of R637.4 million and a reduction to retained earnings of R81.2 million. The impact of the adoption of the standard had a significant impact on our audit as the balances recorded are material and the measurement of the right-of-use asset and lease liability is based on a number of assumptions. These assumptions includes: • Discount rates and lease terms; • The impact of renewal terms in determining the lease term; • The inclusion of rates and taxes in the lease payments together with the related escalations; and • Termination and renewal options. As such this is considered a key audit matter."	Our procedures included review of the updated accounting policy, assessment of the completeness and accuracy of the lease contracts identified and included in the calculation of the right-of-use assets and right-of-use lease liabilities. We assessed the design and implementation of controls relating to the capitalisation of leases under the new standard. We performed independent testing on a sample basis of the lease contracts as follows: • we reviewed the terms and conditions of the underlying contracts; • we critically evaluated and challenged management's key judgements impacting the IFRS 16 calculation relating to Lease terms including options for renewal, Lease payments and costs included therein, the inclusion of rates and taxes and related escalations; and the discount rate applied and assessed the resulting adjustments to the inputs and the refinement of the model to be appropriate; and • we evaluated the assumptions made in determining l ow value leases and the use of the practical expedient in IFRS 16. We assessed the Group's disclosures of the impact of the adoption of new standard in note 1 to the consolidated financial statements and evaluated the completeness and accuracy of the disclosures to confirm compliance with IFRS 16 and consider these to be appropriate.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the document titled Long4Life Limited Audited Consolidated and Separate Annual Financial Statement for the year ended 29 February 2020, which includes 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 Annual 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 and will 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.

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.
- 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 Audit and Risk Committee 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 period 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 and Touche has been the auditor of Long4Life Limited for four years.

Deloitte & Touche
Registered Auditor
Per: Stephanie Ronander
Partner
13 May 2020

5 Magwa Crescent
Waterfall City
Waterfall
2090

Consolidated statement of profit or loss

for the year ended 29 February 2020

	Notes	2020 R'000	2019 R'000
Revenue	3.1	**4 091 446**	3 642 342
Cost of sales		**(2 484 898)**	(2 196 554)
Gross profit		**1 606 548**	1 445 788
Operating expenses		**(857 788)**	(929 467)
Staff and personnel costs		**(492 141)**	(445 274)
Premises and related costs		**(106 572)**	(270 488)
Other costs[1]		**(259 075)**	(213 705)
Other income		**20 785**	18 618
Trading profit before amortisation and depreciation		**769 545**	534 939
Amortisation: Intangible assets		**(36)**	(41)
Depreciation: Property, plant and equipment		**(95 206)**	(80 741)
Depreciation: Right-of-use leased assets		**(154 158)**	–
Trading profit		**520 145**	454 157
Share-based payment expense		**(40 552)**	(21 939)
Acquisition costs		**(2 067)**	(8 285)
Capital items		**(4 830)**	4 752
Gains on listed investments held at fair value		**27 682**	–
Fair value gain on remeasurement of put option liability	6.4	**12 322**	–
Operating profit	3.2	**512 700**	428 685
Net finance (charges) income	6.2	**(4 726)**	71 579
Finance income		**66 692**	84 437
Finance charges		**(14 049)**	(12 858)
Finance charges: Right-of-use lease liabilities		**(57 369)**	–
Share of profits (losses) of associate	9.1	**609**	(1 572)
Profit before taxation		**508 583**	498 692
Taxation	4.1	**(139 256)**	(142 676)
Profit for the year		**369 327**	356 016
Attributable to			
Shareholders of the company		**360 665**	351 512
Non-controlling interests		**8 662**	4 504
		369 327	356 016
Basic earnings per share (cents)	5.1	**43.0**	39.0
Diluted basic earnings per share (cents)	5.2	**42.4**	38.5

[1] *Other costs mainly includes marketing, transport, merchant fees, office, communication and insurance costs.*

Consolidated statement of other comprehensive income

for the year ended 29 February 2020

	2020 R'000	2019 R'000
Profit for the year	**369 327**	356 016
Other comprehensive income net of taxation		
Items that may be reclassified subsequently to profit and loss		
Exchange differences on translating foreign operations	**20**	(25)
Total comprehensive income for the year	**369 347**	355 991
Attributable to		
Shareholders of the company	**360 685**	351 520
Non-controlling interest	**8 662**	4 471
	369 347	355 991

Consolidated statement of financial position

at 29 February 2020

	Notes	2020 R'000	2019 R'000
Assets			
Non–current assets		**4 211 265**	3 597 478
Property plant and equipment	7.1	**601 540**	526 502
Right–of–use leased assets	7.2	**523 069**	–
Goodwill	8.2	**2 272 588**	2 252 854
Intangible assets	7.3	**787 872**	785 887
Deferred taxation assets	4.2	**20 740**	22 762
Interest in associate	9.1	**4 037**	3 428
Long–term investments and loans	9.2	**1 419**	6 045
Current assets		**2 051 988**	2 199 185
Inventories	7.4	**816 606**	812 525
Trade and other receivables	7.5	**321 507**	291 768
Taxation receivable	4.3	**9 347**	6 747
Short–term investments	9.2	**74 893**	–
Cash and cash equivalents	6.3	**829 635**	1 088 145
Total assets		**6 263 253**	5 796 663
Equity and liabilities			
Capital and reserves	11.1	**4 770 034**	4 871 375
Stated capital	11.1	**3 893 198**	4 314 291
Reserves attributable to shareholders of the company		**810 447**	496 795
Non–controlling interests	11.1	**66 389**	60 289
Non–current liabilities		**828 323**	398 284
Deferred taxation liabilities	4.2	**244 303**	227 419
Long–term portion of borrowings	6.5	**73 425**	74 839
Long–term portion of right–of–use lease liabilities	6.6	**480 404**	–
Long–term portion of put option liability	6.4	**30 191**	48 000
Long–term portion of straight–lining of leases		**–**	48 026
Current liabilities		**664 896**	527 004
Trade and other payables	7.6	**481 285**	497 495
Short–term portion of borrowings	6.5	**9 941**	18 105
Short–term portion of right–of–use lease liabilities	6.6	**162 801**	–
Short–term portion of put option liability	6.4	**5 487**	–
Provision for taxation	4.3	**5 382**	11 404
Total equity and liabilities		**6 263 253**	5 796 663

Consolidated statement of cash flows

for the year ended 29 February 2020

	Notes	2020 R'000	2019 R'000
Cash flows from operating activities		**588 170**	390 195
Cash generated by operations	3.4	**738 536**	465 090
Finance income received	6.2	**66 692**	84 437
Finance charges paid		**(71 648)**	(12 858)
Taxation paid	4.3	**(145 410)**	(146 474)
Cash flows from investment activities		**(258 302)**	(566 462)
Additions to property, plant and equipment	7.1	**(179 034)**	(155 316)
Proceeds on disposal of property, plant and equipment		**3 429**	6 456
Additions to intangible assets	7.3	**(1 952)**	(4 782)
Acquisition of businesses and subsidiaries	8.1	**(40 088)**	(426 132)
Acquisition of associate		**–**	(5 146)
Acquisition of investments and loans		**(320 586)**	(6 368)
Proceeds on disposals of investments		**278 004**	24 826
Proceeds on disposals of businesses		**1 925**	–
Cash flows from financing activities		**(588 378)**	(427 250)
Purchase of treasury shares	11.1	**(426 513)**	(159 573)
Borrowings raised	6.5	**101**	–
Borrowings repaid	6.5 & 6.6	**(159 404)**	(215 887)
Dividends paid	11.2	**(2 562)**	(51 790)
Net decrease in cash and cash equivalents		**(258 510)**	(603 517)
Cash and cash equivalents at beginning of year		**1 088 145**	1 691 662
Cash and cash equivalents at end of year		**829 635**	1 088 145

Consolidated statement of change in equity

for the year ended 29 February 2020

	Notes	2020 R'000	2019 R'000
Equity attributable to shareholders of the company		**4 703 645**	4 811 086
Stated capital	11.1	**3 893 198**	4 314 291
Balance at beginning of the year		**4 314 291**	4 339 723
Shares issued during the year		**2 500**	134 141
Shares cancelled during the year		**(225 085)**	–
Treasury shares held by subsidiaries		**(198 508)**	(159 573)
Transactional costs for issuing equity instruments	11.1	**(20 435)**	(20 435)
Foreign currency translation reserve	11.1	**(365)**	(385)
Balance at beginning of the year		**(385)**	(393)
Exchange differences on translating foreign operations		**20**	8
Equity–settled share–based payment reserve	11.1	**77 435**	41 068
Balance at beginning of the year		**41 068**	15 371
Recognition of share–based payments expense		**40 552**	21 939
Settlement of share–based payment options granted		**(709)**	–
Taxation directly in reserve		**(3 476)**	3 758
Retained earnings		**750 574**	471 097
Balance at beginning of the year		**471 097**	168 818
Profit for the year		**360 665**	351 512
Dividends paid	11.2	**–**	(49 233)
Adjustments on the adoption of IFRS 16 (net of tax)		**(81 188)**	–
Deferred consideration	11.1	**3 238**	5 450
Balance at beginning of the year		**5 450**	–
Raised during the year		**–**	5 450
Settled during the year		**(2 212)**	–
Equity attributable to non–controlling interests of the company		**66 389**	60 289
Balance at beginning of the year		**60 289**	20 779
Total comprehensive income		**8 662**	4 471
Profit for the year		**8 662**	4 504
Exchange differences on translating foreign operations		**–**	(33)
Dividends paid	11.2	**(2 562)**	(2 557)
Arising on acquisition of subsidiaries	8.1	**–**	37 596
Total equity		**4 770 034**	4 871 375

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for the year ended 29 February 2020

Notes to the consolidated financial statements

for the year ended 29 February 2020

1. Basis of preparation

The consolidated and separate financial statements are prepared in accordance with IFRS, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Pronouncements as issued by Financial Reporting Standards Council and comply with the requirements of the Companies Act of South Africa, Act No. 71 of 2008, and the JSE Listings Requirements.

The financial statements have been prepared on a historical cost basis, except for certain financial instruments which have been measured at fair value.

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 year ended 28 February 2019, except for the adoption of new accounting standards as detailed below. 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.

In order to provide comparative information to assess the group's performance, a consolidated statement of profit or loss, consolidated statement of financial position, consolidated statement of cash flows and supplementary information (the pro forma information) has been presented in the Annexure. Refer to the Annexure for the pro forma information of the group that reflects the group as if IFRS 16 had not been adopted on 1 March 2019.

Adoption of new accounting standards

The group adopted IFRS 16: Leases on 1 March 2019, using a cumulative catch up (modified retrospective) approach whereby the comparative impact was recognised against retained earnings.

IFRS 16 has had a significant impact on the group given the number of stores that are leased in the Sport and Recreation division. IFRS 16 has had no impact on the accounting of existing finance leases. It has however, impacted most leases that were previously recorded as operating leases under IAS 17: Leases, where only the premises cost was recorded in the statement of profit or loss. IFRS 16 now requires leases to be recognised in the statement of financial position in the form of capitalised right–of–use assets and corresponding lease liabilities. Changes to the statement of profit or loss result in premises costs being replaced by depreciation of the right–of–use assets and finance costs on the right–of–use lease liabilities.

The adoption of the IFRS 16 leasing standard from 1 March 2019 complicates performance comparison between the results of the current and prior financial year. To provide a more meaningful assessment of the group's performance, a pro forma consolidated statement of profit or loss, a pro forma consolidated statement of financial position, a pro forma consolidated statement of cash flows and a pro forma segmental report ('the pro forma information') has been presented for the year ended 29 February 2020. The pro forma financial information of the group as set out has been prepared for illustrative purposes and reflects the group as if IFRS 16 has not been adopted on 1 March 2019. Refer to page 169.

Judgements and assumptions made by management in applying the related accounting policies for IFRS 16:

(i) In determining the incremental borrowing rates, used to determine the present value of future lease payments is generally based on the lessee's incremental borrowing rate, as in most instances, the interest rate implicit in the lease cannot be readily determined. The discount rate applied by management to new leases concluded during the year varied between 9.00% and 9.25%.

(ii) In determining the lease term, management considers to include a renewal period only if the group has agreed terms with the respective landlord and the renewal contract is enforceable by both parties. These terms will include factors such as store location, historical store performance and the value of lease payments in the renewal period.

(iii) The group applies the short–term lease recognition exemption to its short–term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low–value assets recognition exemption to leases of assets that are considered of low value. Lease payments on short–term leases and leases of low–value assets are recognised as an expense on a straight–line basis over the lease term.

At transition date, the adoption of IFRS 16, resulted in the recognition of right–of–use assets to the value of R518.6 million and right–of–use lease liabilities of R634.7 million. This, together with the derecognition of operating lease liabilities of R48.2 million and adjustments of R13.3 million for deferred tax, resulted in a R81.2 million decrease in retained earnings on transition date.

Statement of compliance

The consolidated and separate 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 29 February 2020 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 entities controlled by the company (its subsidiaries). 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 listed above.

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.

Non–controlling interests in subsidiaries are identified separately from the group's equity therein. Those interests of non–controlling shareholders is initially measured at the non–controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. 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.

Notes to the consolidated financial statements (continued)

for the year ended 29 February 2020

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.

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

	2020 R'000	2019 R'000
Sale of goods and products	**3 235 692**	2 983 205
– Sporting, outdoor and other related merchandise	**2 294 015**	2 113 025
– Beverages and other related products	**850 984**	815 488
– Personal care merchandise	**90 693**	54 692
Rendering of services	**776 079**	588 776
– Beverage contract packing services	**636 405**	539 962
– Personal care and grooming services	**33 416**	6 301
– Health and medical rehabilitation services	**106 258**	42 513
Franchise income, royalties and administration fees	**76 794**	69 432
Rental income	**2 881**	929
	4 091 446	3 642 342
Timing of revenue recognition		
Products transferred at a point in time		
Sale of goods and products	**3 235 692**	2 983 205
– Retail	**2 081 846**	1 897 127
– Wholesale	**1 153 846**	1 086 078
Products and services transferred over a period of time		
Rendering of services	**855 754**	659 137
Franchised	**76 794**	69 432
Personal care and grooming services	**33 416**	6 301
Beverage contract packing services	**636 405**	539 962
Health and medical rehabilitation services	**106 258**	42 513
Rental income	**2 881**	929
	4 091 446	3 642 342

Composition of revenue

The group recognises revenue from the following major sources:

- Sale of goods to both retail and wholesale markets which includes sporting, outdoor and other related merchandise, beverages and other related products, and personal care merchandise
- Rendering of health services to patients in sub–acute facilities;
- Rendering of services to franchisees; and
- Franchise and royalty income.

Revenue is disclosed net of value added taxation.

Revenue is net of returns and allowances, trade discounts, volume rebates and inter–group sales.

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

Sale of goods – Retail turnover

Retail turnover represents the invoiced value of retail sales. Retail turnover is recognised based on the satisfaction of performance obligations, which occurs when, control of goods transfers to a customer. Retail turnover is recognised once the contract is concluded and control has been transferred to the customer which occurs at the point of sale when the merchandise is transferred to the customer. Customers are entitled to return goods purchased within a specified period of time, for a full or partial refund of the amount paid; this does not impact the performance obligations.

Sale of goods – Wholesale turnover

Wholesale turnover 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 or collected by the wholesaler at the entity's premises. Following delivery or collection, 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.

Rendering of services

Revenue from rendering of services are measured at the fair value of the consideration that has been received or is to be received and represent the amounts that can be received for services in the ordinary course of business when the performance obligations have been met.

Beverage contract packing services

Contract packing services comprises the filling and packing of beverages for third party customers, mainly aluminium cans. For fixed–price contracts relating to the contract 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.

Notes to the consolidated financial statements (continued)

for the year ended 29 February 2020

Personal care and grooming services

Various personal care and grooming services are rendered by therapists in the Sorbet corporate owned stores. Revenue for the services performed is recognised once the performance obligations have been met which occurs at the point of sale once the services has been rendered.

Health and medical rehabilitation services

Services include charges for accommodation, medical professional services, equipment and pharmaceutical goods used. Revenue is recorded and recognised during the period in which the medical service is provided, based on the amounts due from patients and/or medical funding entities. Fees are calculated and billed based on various tariff agreements with funders.

The group does not expect to have any contracts where the period between transfer of the promised goods or services to the franchisee or customer and payment therefore exceed a year. Thus, no adjustment is made to transaction prices for a financing component.

Franchise income and royalties

For franchise income, the group provides to the franchisee access to the intellectual property, business systems and trademark linked to the brand throughout the period of the franchise agreement. This is a performance obligation that is satisfied over a period of time. Consideration is in the form of a sales–based royalty. The group recognises the revenue on the basis of a percentage of the franchisee's sales and this percentage is stipulated in the franchise agreement.

Loyalty programs

The group has a number of customer loyalty programs. The Sorbet Society program is the only program in the group whereby customers are awarded with reward credits (loyalty points) which are effectively used as cash back against future purchases. Loyalty points granted to customers participating in the Sorbet Society loyalty program provide rights to customers that need to be accounted for as a separate performance obligation.

The fair value of the consideration received under the Sorbet Society loyalty program is allocated between the sale of goods supplied and the loyalty points granted. The consideration allocated to the loyalty points is measured by reference to their relative stand-alone selling price which is calculated as the amount for which the loyalty points could be separately sold. Such consideration is not recognised as turnover at the time of the sales transaction, but is recognised as a deferred revenue liability until the loyalty points have been redeemed or forfeited. The likelihood of redemption, based on management's judgement of expected redemption rates, is reviewed on a regular basis and any adjustments to the deferred revenue liability is recognised as revenue. Refer note 7.6.

Prepaid gift cards

Gift cards represent a prepaid value card which effectively can be redeemed as cash consideration against future purchases. The consideration allocated to prepaid gift cards is measured at the fair value of the consideration received in advance, adjusted for an expected forfeiture rate. Such consideration is not recognised as turnover at the time of the initial transaction, but is recognised as a deferred revenue liability until the prepaid gift card has been redeemed or when the group's obligations have been fulfilled. The group updates its estimates of forfeiture on a regular basis and any adjustments to the deferred revenue liability are recognised in revenue. Refer note 7.6.

3.2 Operating profit

	2020 R'000	2019 R'000
Determined after charging (crediting)		
Amortisation – computer software	**36**	41
Auditors' remuneration	**4 024**	5 642
Audit fees	**3 977**	5 519
Fees for other services	**47**	123
Depreciation of property, plant and equipment*	**95 206**	80 741
Freehold buildings and leasehold premises	**3 853**	3 257
Plant and equipment	**17 103**	13 191
Office equipment, furniture and fittings	**67 683**	62 238
Vehicles	**6 567**	2 055
Impairment of property, plant and equipment*	**6 154**	–
Freehold buildings and leasehold premises	**597**	–
Office equipment, furniture and fittings	**5 557**	–
Depreciation of right–of–use assets – Leasehold premises	**154 158**	–
Foreign exchange gains	**(7 399)**	(8 336)
Loss or (profit) on sale of disposal of property, plant and equipment	**15**	–
Loss or (profit) on sale of disposal of property, plant and equipment – capital in nature	**(981)**	(780)
Staff and personnel costs includes:	**492 141**	445 274
Directors' remuneration (refer to note 10.2)	**22 533**	23 663
Executive directors	**20 483**	21 040
Non–executive directors	**2 050**	2 623
Salaries and wages	**414 795**	383 178
Pension, medical aid and other staff related expenses	**54 813**	38 433
Premises costs includes:	**106 572**	270 488
Rental expense – Buildings (short-term leases)*	**17 282**	170 990
Rental expense – Plant and equipment (low value assets)*	**4 233**	3 707
Straight–lining of leases	**–**	121
Repairs and maintenance	**15 950**	11 448
Security	**24 863**	22 216
Electricity, water, rates and taxes	**37 001**	53 111
Other	**7 243**	8 895

* *Due to the implementation of IFRS16; qualifying building and office expenses are accounted for as depreciation of right–of–use leased assets and right–of–use finance lease charges. The group applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of assets that are considered of low value.*

Notes to the consolidated financial statements (continued)

for the year ended 29 February 2020

3. Operational performance continued

3.3 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. Net finance income and income taxes are managed on a group basis and are not allocated to operating segments.

For management purposes, the following 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 of 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.

	2020 R'000	2019 R'000
Segmental revenue	**4 091 446**	3 642 342
Sport and Recreation		
– Sale of goods	**2 294 015**	2 113 025
Beverages	**1 487 389**	1 355 450
– Sale of goods	**850 984**	815 488
– Rendering of services	**636 405**	539 962
Personal Care and Wellness	**310 042**	173 867
– Sale of goods	**90 693**	54 692
– Rendering of services	**139 674**	48 814
– Franchise income, royalties and administration fees	**76 794**	69 432
– Rental income	**2 881**	929
Segmental trading profit before depreciation and amortisation	**769 545**	534 939
Sport and Recreation	**578 277**	379 682
Beverages	**164 887**	172 172
Personal Care and Wellness	**78 312**	40 801
Corporate	**(51 931)**	(57 716)
Depreciation and amortisation	**(95 242)**	(80 782)
Sport and Recreation	**(65 158)**	(58 549)
Beverages	**(24 258)**	(18 419)
Personal Care and Wellness	**(3 367)**	(1 891)
Corporate	**(2 459)**	(1 923)
Depreciation: Right–of–use leased assets	**(154 158)**	–
Sport and Recreation	**(145 614)**	–
Beverages	**(703)**	–
Personal Care and Wellness	**(6 200)**	–
Corporate	**(1 641)**	–
Trading profit	**520 145**	454 157
Sport and Recreation	**367 505**	321 133
Beverages	**139 926**	153 753
Personal Care and Wellness	**68 745**	38 910
Corporate	**(56 031)**	(59 639)
Share–based payment expense	**(40 552)**	(21 939)
Acquisition costs	**(2 067)**	(8 285)
Capital items	**(4 830)**	4 752
Gains on listed investments held at fair value	**27 682**	–
Fair value gain on remeasurement of put option liability	**12 322**	–
Operating profit	**512 700**	428 685
	(4 726)	71 579
Finance income	**66 692**	84 437
Finance charges	**(14 049)**	(12 858)
Finance charges: Right–of–use leased liabilities	**(57 369)**	–
Share of profit (losses) from associate	**609**	(1 572)
Profit before tax	**508 583**	498 692

Notes to the consolidated financial statements (continued)

for the year ended 29 February 2020

3. Operational performance continued

3.4. Cash generated by operations

	2020 R'000	2019 R'000
Reconciliation of operating profit to cash generated by operations:		
Operating profit	**512 700**	428 685
Acquisition costs	**2 067**	8 285
Depreciation and amortisation	**95 242**	80 782
Depreciation: Right–of–use leased assets	**154 158**	–
Impairments of property, plant and equipment	**6 154**	–
Non–cash items:	**(6 200)**	19 192
Share based payment expense	**40 552**	21 939
Executive remuneration settled by way of share issue	**2 500**	5 000
Gains on listed investments held at fair value	**(27 682)**	–
Fair value gain on remeasurement of put option liability	**(12 322)**	–
Fair value gain on foreign exchange contracts	**(7 469)**	(3 703)
Profit on sale of property, plant and equipment	**(966)**	(780)
Net gain on termination of right–of–use leased assets and liabilities	**(463)**	–
Profit on disposal of business	**(342)**	–
Increase in charges for straight–lining of leases	**–**	526
Gain on reacquired intangible asset	**–**	(3 024)
Other non–cash items	**(8)**	(766)
Cash generated by operations before working capital changes	**764 121**	536 944
Working capital changes	**(25 585)**	(71 854)
Decrease (increase) in inventories	**9 745**	(104 017)
(Increase) in trade and other receivables	**(20 620)**	(37 145)
(Decrease) increase in trade and other payables	**(14 710)**	69 308
Cash generated by operations	**738 536**	465 090

4. Taxation

4.1 Income taxation expense

	2020 R'000	2019 R'000
Current taxation	**138 264**	145 232
Current year	**140 368**	143 632
Prior period (over) under provision	**(2 104)**	1 600
Deferred taxation	**992**	(2 556)
Current year	**967**	(2 505)
Prior period under (over) provision	**25**	(51)
Total taxation per consolidated statement of profit or loss	**139 256**	142 676
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	**27.4%**	28,6%
Deferred tax asset raised not previously recognised	**–**	0.4%
Difference as a result of the capital gains tax rate	**(0.9%)**	(0.1%)
Disallowable items	**(1.2%)**	(1,3%)
Exempt income	**0.8%**	0.6%
Exempt portion of capital gains	**1.3%**	0.1%
Higher foreign tax rates	**(0.1%)**	–
Prior year adjustments over (under) provision	**0.4%**	(0.3%)
Withholding taxes	**0.3%**	–
Rate of South African company taxation	**28.0%**	28.0%

The nature of disallowable expenses relates to professional fees in relation to acquisitions 0.1% (2019: 0.9%), shareholder related costs considered non tax–deductible 0.1% (2019: 0.4%), share based payment expenses 0.8% (2019: nil) and SARS interest and penalties 0.2% (2019: 0.0%).

The nature of the exempt income relates to the fair value gain on remeasurement of the put option liability and dividends received from listed investments (2019: Gain on reacquired intangible asset).

4.2 Deferred taxation

	2020 R'000	2019 R'000
Deferred taxation assets	**20 740**	22 762
Deferred taxation liabilities	**(244 303)**	(227 419)
Net deferred taxation liability	**(223 563)**	(204 657)
Movement in net deferred taxation assets and liabilities		
Balance at beginning of year	**(204 657)**	(152 918)
Per consolidated statement of profit or loss	**(992)**	2 556
Items recognised directly in retained earnings; IFRIS 16 transition date adjustment	**(13 190)**	–
Share-based payments	**(4 724)**	3 758
On acquisition of businesses	**–**	(58 053)
Balance at end of year	**(223 563)**	(204 657)

Notes to the consolidated financial statements (continued)

for the year ended 29 February 2020

4. Taxation

4.2 Deferred taxation

2020	Assets R'000	Liabilities R'000	Net R'000
Temporary differences			
Differential between carrying values and tax values of intangible assets	–	(213 166)	(213 166)
Differential between carrying values and tax values of property, plant and equipment	–	(42 776)	(42 776)
Estimate tax loss	2 541	–	2 541
Expected credit losses	1 683	–	1 683
Inventory obsolescence provision	5 895	–	5 895
Prepayments	–	(6 763)	(6 763)
Provisions	2 419		2 419
Receipts in advance	5 535	–	5 535
Right–of–use lease assets and liabilities	1 948	–	1 948
Share–based payments	12 429	–	12 430
Staff related allowances and liabilities	9 149		9 149
Unearned profits on investments	–	(2 458)	(2 458)
	41 600	(265 163)	(223 563)

2019	Assets R'000	Liabilities R'000	Net R'000
Temporary differences			
Difference in rate as result of Capital Gains Tax	319	–	319
Differential between carrying values and tax values of intangible assets	–	(219 455)	(219 455)
Differential between carrying values and tax values of property, plant and equipment	–	(36 503)	(36 503)
Estimate tax loss	1 774	–	1 774
Expected credit losses	318	(47)	270
Inventory obsolescence provision	5 527	–	5 527
Operating lease liabilities	13 549	–	13 549
Prepayments	–	(5 038)	(5 038)
Provisions	2 482	–	2 482
Receipts in advance	5 219	–	5 219
Share–based payments	14 456	–	14 456
Staff related allowances and liabilities	12 743	–	12 743
	56 387	(261 043)	(204 657)

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.

A portion of the total assessable loss not recognised at 29 February 2020 amounted to R9.1 million (28 February 2019: R 8.1 million) and mainly relates to operations within Sorbet to the extent that they are considered to be not recoverable in the foreseeable future.

4.3 Taxation paid

	2020 R'000	2019 R'000
Amounts (receivable) payable at beginning of year	(4 657)	2 638
Current taxation charge	(138 264)	(145 232)
Current taxation recognised directly in equity	1 249	–
S89 quat interest accrual	227	–
Businesses acquired	–	(8 537)
Amounts receivable (payable) at end of year	3 965	(4 657)
Amounts paid	(145 410)	(146 474)
Taxation receivable	9 347	6 747
Provision for taxation	(5 382)	(11 404)
Amounts receivable (payable) at end of year	3 965	(4 657)

Income taxation 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 taxation receivable (payable) calculated on the basis of the expected taxable income for the year, using the taxation rates enacted or substantially enacted at the reporting date, and any adjustment of taxation receivable (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.

	2020	2019
Basic earnings		
Profit attributable to equity holders of the group for the year (R'000)	360 665	351 512
Weighted number of ordinary shares in issue ('000)	839 052	902 054
Basic earnings per share (cents)	43.0	39.0

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.

	2020	2019
Profit attributable to equity holders of the group for the year (R'000)	360 665	351 512
Weighted average number of ordinary shares in issue ('000)	839 052	902 054
Potential dilutive impact of outstanding share options and conditional awards ('000)	11 350	11 622
Contingent shares in terms of forfeitable share plan	10 850	10 234
Shares to be issued in terms of acquisitions	500	1 000
Contingent shares in terms of share appreciation rights	–	388
Dilutive weighted average number of shares ('000)	850 402	913 676
Diluted basic earnings per share (cents)	42.4	38.5

Notes to the consolidated financial statements (continued)

for the year ended 29 February 2020

5. Basic and headline earnings per share continued

5.3 Headline earnings per share

	2020 R'000	2019 R'000
Profit attributable to equity holders of the group for the year	360 665	351 512
Adjusted for:	3 396	(2 698)
Profit on disposal of property, plant and equipment	(981)	(780)
Profit on disposal of business	(342)	–
Gain on reacquired intangible asset	–	(3 024)
Impairment of property, plant and equipment	6 154	–
Tax effects	(1 435)	1 106
Headline earnings	364 061	348 814
Weighted average number of shares in issue ('000)	839 052	902 054
Headline earnings per share (cents)	43.4	38.7

5.4 Diluted headline earnings per share

	2020 R'000	2019 R'000
Headline earnings (R'000)	364 061	348 814
Diluted weighted average number of shares ('000)	850 402	913 676
Diluted headline earnings per share (cents)	42.8	38.2

6. Financial risk management and net debt

6.1 Financial risk management

Financial risk management objectives

The group has exposure to the following risks from its use of financial instruments: capital risk, liquidity risk, market risk (including equity prices, 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.

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 29 February 2020	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, FEC and VAT)	7.5	283 636	283 636	–	–	–
Bank balances and deposits	6.3	829 635	829 635	–	–	–
Investment loans	9.2	1 230	–	1 230	–	–
Unlisted loans	9.2	189	–	189	–	–
At fair value through profit or loss						
Investment in listed shares – *level 1*	9.2	74 893	74 893	–	–	–
Foreign exchange contracts – *level 2*	7.5	5 838	5 838	–	–	–
Total		1 195 421	1 194 002	1 419	–	–
Financial liabilities						
At amortised cost						
Borrowings	6.5	(83 366)	(9 941)	(11 427)	(23 906)	(38 092)
Trade and other current liabilities (excluding deferred revenue and VAT)	7.6	(439 063)	(439 063)	–	–	–
At fair value through profit or loss						
Put option liability – *level 3*	6.4	(35 678)	(5 487)	(30 191)	–	–
Total		(558 107)	(454 491)	(41 618)	(23 906)	(38 092)

There were no defaults or breaches of any of the borrowing terms and conditions during the current financial year.

6. Financial risk management and net debt continued

6.1 Financial risk management continued

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)	7.5	261 843	261 843	–	–	–
Bank balances and deposits	6.3	1 088 145	1 088 145	–	–	–
Unlisted loans	9.2	269	269	–	–	–
At fair value through profit or loss						
Investment in listed shares – *level 1*	9.2	5 776	5 776	–	–	–
Total		1 356 033	1 356 033	–	–	–
Financial liabilities						
At amortised cost						
Borrowings	6.5	(92 944)	(18 105)	(39 052)	(20 616)	(15 171)
Trade and other current liabilities (excluding deferred revenue, FEC and VAT)	7.6	(463 435)	(463 435)	–	–	–
At fair value through profit or loss						
Foreign exchange contracts – *level 2*	7.6	(1 631)	(1 631)	–	–	–
Put option liability – *level 3*	6.4	(48 000)	–	(23 721)	(24 279)	–
Total		(606 010)	(483 171)	(62 773)	(44 895)	(15 171)

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. During the year, group subsidiaries acquired 104 125 170 (2019: 36 389 582) Long4Life Limited shares at an average cost of R4.10 (2019: R4.38) per share, totalling R426.5 million (2019: R159.6 million), subsequently 55 863 561 million shares repurchased were cancelled. Depending on the availability of cash, prevailing market prices and committed capital expenditure, further shares may be repurchased subject to the parameters set out in the approval received by shareholders.

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.

This group's liquidity risk is mitigated by the availability of funds to cover future commitments. The group manages its risk through cash flow forecasts and by the optimisation of daily cash management. 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 29 February:

	2020 R'000	2019 R'000
Unsecured bank overdraft facility, reviewed annually and payable on 360 days notice		
Unutilised	**–**	150 000
Secured loan facilities		
Utilised	**82 086**	91 649
The contractual maturities of the financial liabilities are set out in note 6.5.		
Schedule of repayment of borrowings		
Undiscounted contractual cashflows		
Within 1 year	**18 069**	19 935
Within 1 to 5 years	**67 138**	89 645
Thereafter	**29 044**	17 853
	114 251	127 433

6. Financial risk management and net debt continued

6.1 Financial risk management continued

Market risk

Market risk is the risk that changes in market prices, 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.

Market risk could impact on future cash flows and hence the value of a financial instrument arises from:

- Foreign exchange risk: The impact of changes in foreign exchange rates
- Equity price risk: The impact of changes in equity prices and dividend income
- Interest rate risk: The impact of changes in market interest rates

Foreign exchange risk

Currency risk is the possibility that the group may suffer financial loss as a consequence of the depreciation in the measurement currency relative to the foreign currency prior to payment of a commitment in that foreign currency or the measurement currency strengthening prior to receiving payment in that foreign currency.

The group incurs currency risk as a result of interactions 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 to manufacture goods. The currency in which transactions are entered into is mainly denominated in US Dollar (USD).

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 very 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 contract for speculative purposes.

In respect of transactions not covered by forward exchange contracts or other monetary assets and liabilities denominated in foreign currencies that arise in the normal course, the group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary.

Foreign currency exposure at statement of financial position date:

	2020 GBP	2020 USD	2019 USD
Foreign exchange contracts	**134**	**6 489**	3 990
Exchange rates used for conversion of foreign denominated items	**19.91**	**14.93**	14.77
Rand value ('000)	**2 668**	**96 856**	58 932

Sensitivity

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

Equity price risk

Equity price risk arises from investments classified at fair value through profit or loss (refer note 9.2). The carrying value amounts to R74.9 million (2019: R5.8 million) for listed investments in Spur shares. Subsequent to the reporting period Long4Life disposed of the remaining 3 259 060 Spur Corporation Limited shares acquired for total cash proceeds of R 81.5 million.

Interest rate risk

The group is exposed to interest rate risk as it mainly invests funds , borrows and provides credit. This risk is managed by maintaining an appropriate mix of fixed and floating rate instruments with reputable financial institutions. The group has interest–bearing assets, that mainly consists 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 exposes 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.

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

	2020 R'000	2019 R'000
Variable rate instruments		
Financial assets		
Cash and cash equivalents	**829 635**	1 088 145
Financial liabilities		
Borrowings	**(83 366)**	(92 944)

Sensitivity analysis

This sensitivity has been prepared using average rates for cash and borrowings for the financial year as the actual balances at 29 February are not representative of cash and borrowings during the year.

	2020 R'000	2019 R'000
Impact on post tax profits		
1% increase in interest rates	**6 926**	(12 398)

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 the group's receivables from customers. The group is not exposed to significant credit risk arising from credit sales as the majority of sales are cash based.

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

The carrying amounts of financial assets recorded in the financial statements, represents the group's maximum exposure to credit risk. The carrying value of trade receivables net of impairment allowances and expected credit losses, amount to R267.8 million (2019: R254.1 million) for trade receivables (refer note 7.5 for credit risk disclosure).

Notes to the consolidated financial statements (continued)

for the year ended 29 February 2020

6. Financial risk management and net debt continued

6.1 Financial risk management continued

Trade and other receivables

The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Geographically there is concentration of credit risk in the South African market.

The group has a general credit policy of dealing with creditworthy counterparties, as a means of mitigating the risk of financial loss from defaults. In accordance with the decentralised structure, the operational management is responsible for implementation of credit policies to meet the above objective. This includes credit policies under which new customers are analysed for creditworthiness before the operation's standard payment and delivery terms and conditions are offered and setting of credit limits for individual customers based on their references and credit ratings. Customers that fail to meet the group's benchmark creditworthiness may transact with the group only on a prepayment basis. Operational management are also held responsible for monitoring the operations' credit exposure. The group does not require collateral in respect of trade and other receivables. Trade and other receivables relate mainly to the group's wholesale customers.

The expected credit loss model in respect of trade receivables is used to record expected impairment losses unless the group is satisfied that no recovery of the amount owing is possible; at that point, the amount which is considered irrecoverable is written off directly against the respective assets.

Cash and cash equivalents

To manage credit risk the group deposits 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 and management does not expect any counterparty to fail to meet its obligations.

6.2. Net finance (charges) income

	2020 R'000	2019 R'000
Finance income	**66 692**	84 437
Interest received – on bank balances	**66 358**	84 437
Interest received – associates	**106**	–
Interest received – other	**228**	–
Finance charges	**(71 418)**	(12 858)
Interest paid – financed assets	**(120)**	(2 213)
Interest paid – borrowings	**(9 216)**	(9 227)
Interest paid – on bank overdrafts	**(3 872)**	(1 407)
Interest – right–of–use leased liabilities	**(57 369)**	–
Interest paid – other	**(841)**	(11)
Net finance (charges) income	**(4 726)**	71 579

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

	2020 R'000	2019 R'000
Bank balances and deposits	**829 635**	1 088 145

Bank balances and deposits comprise cash on hand and short–term deposits held with the banks, 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 Put option liability

	2020 R'000	2019 R'000
The group has the following put options that arose at acquisition:		
Balance at the beginning of the year	**48 000**	48 000
Fair value gain on remeasurements of put option liability during the year	**(12 322)**	–
	35 678	48 000
Long–term portion	**30 191**	48 000
Short–term portion[1]	**5 487**	–

[1] *The put option will be exercised during May 202*

Where a non–controlling interest 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 ("Shelf Life") 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 Shelf Life 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 29 February 2020 and the forecast budgeted profit after tax for 2020 – 2022, discounted using a risk–adjusted discount rate.

Notes to the consolidated financial statements (continued)

for the year ended 29 February 2020

6. Financial risk management and net debt continued

6.4 Put option liability continued

Significant unobservable inputs

	2020	2019
Profit after tax growth rates	**30% to 65%**	30% to 35%
Profit after tax multiple	**7.0 to 8.5**	8.5 to 9.0
Risk–adjusted discount rate	**14%**	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	2020 R'000	2019 R'000
Loans secured by mortgage bonds over fixed property (refer note 7.1)	9.75 – 10.75	2026 – 2028	**82 086**	90 315
Loans secured by property, plant and equipment in terms of suspensive sale agreements (refer note 7.1)	9.25 – 9.50	2021 – 2022	**673**	1 334
Unsecured borrowings	–	2021	**607**	1 295
Borrowings			**83 366**	92 944
Less short–term portion of borrowings			**(9 941)**	(18 105)
Long–term portion of borrowings			**73 425**	74 839
Schedule of repayment of borrowings				
Within 1 year			**9 941**	18 105
Within 1 to 5 years			**35 333**	59 668
Thereafter			**38 092**	15 171
			83 366	92 944
Effective weighted average rate of interest on:				
South African borrowings excluding overdrafts			**9.72%**	10.21%
Movement in borrowings				
Carrying value at the beginning of the year			**92 944**	160 338
Borrowings raised			**101**	–
Borrowings repaid			**(9 679)**	(215 887)
On acquisition of business			**–**	148 831
On restructuring of business			**–**	(338)
			83 366	92 944

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 twelve months after the reporting period.

6.6 Right–of–use lease liabilities

	2020 R'000	2019 R'000
Measurement of lease liabilities		
Operating lease commitments disclosed as at 28 February 2019	**692 206**	–
Discounted using the lessee's incremental borrowing rate at transition date	**(60 079)**	–
Add: Other commitments	**2 581**	–
Lease liability recognised as at 1 March 2019	**634 708**	–
Movement in right–of–use lease liabilities		
Transition adjustment for IFRS 16	**634 708**	–
Additions for new leases and lease renewals	**164 730**	–
Impact of lease modifications and remeasurements	**(6 508)**	–
Finance charges	**57 369**	–
Total cash outflow for leases	**(207 094)**	–
Right–of–use lease liabilities	**643 205**	–
Less short–term portion repayable within one year	**(162 801)**	–
Long–term portion of right–of–use lease liabilities	**480 404**	–
Total cash outflow for leases		
Finance charges	**57 369**	–
Capital portion	**(149 725)**	–
Total cash outflow for leases	**(207 094)**	–
Contractual undiscounted cashflows		
Due in one year	**215 927**	–
Due after one year but within five years	**552 948**	–
Due after five years	**23 260**	–
	792 135	–
Less: Unearned interest	**(148 930)**	–
	643 205	–

Lease liabilities

At the commencement date of the lease, the group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in–substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees and payments of penalties for terminating a lease, if the lease term reflects the group exercising the option to terminate. The lease term also takes into account the likelihood of exercising a renewal option.

In calculating the present value of lease payments, the group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

Lease liabilities mostly relate to the Sport and Recreation division as it is a retail business which lease all their retail stores. Lease liabilities represent the financial obligation of the group to make lease payments to landlords to use the underlying leased premises, or right-of-use assets, during the lease term. The majority of retail leases cover a period of three to five years, and some include an option to renew on expiry. The lease term includes a renewal period only if the group has agreed terms with the respective landlord and the renewal contract is enforceable by both parties. These terms will include factors such as store location, historical store performance and the value of lease payments in the renewal period. The renewal of all leases will be treated as new leases where the right-of-use lease asset will be raised at an amount equal to the right-of-use lease liability. Further to this, the likelihood of exercising a termination option, if applicable, is considered in determining the lease term. The discount rate used to determine the present value of future lease payments is

6. Financial risk management and net debt continued

6.6 Right–of–use lease liabilities continued

generally based on the lessee's incremental borrowing rate, as in most instances, the interest rate implicit in the lease cannot be readily determined. The discount rate applied to leases concluded during the year varied between 9.00% and 9.25%.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the in–substance fixed lease payments.

Variable lease payments

Variable lease payments that do not depend on an index or a rate are recognised as an expense in the period on which the event or condition that triggers the payment occurs.

Certain of the Sport and Recreation's retail outlets are subject to contingent rentals which are determined with reference to the respective store's annual turnover. Turnover rentals are calculated as a percentage of the value of sales that exceed agreed targets, and expensed as part of variable lease payments when incurred.

Short–term leases and leases of low–value assets

The group applies the short–term lease recognition exemption to its short–term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low–value assets recognition exemption to leases of assets that are considered of low value. Lease payments on short–term leases and leases of low–value assets are recognised as an expense on a straight–line basis over the lease term.

7. Net operating assets

7.1 Property, plant and equipment

	2020 R'000	2019 R'000
Freehold land and buildings	**178 435**	147 921
Cost	**186 416**	153 936
Accumulated depreciation	**(7 981)**	(6 015)
Leasehold premises	**29 763**	30 002
Cost	**35 270**	33 063
Accumulated depreciation	**(5 507)**	(3 061)
Plant and equipment	**173 497**	167 959
Cost	**297 359**	275 904
Accumulated depreciation	**(123 862)**	(107 945)
Office equipment, furniture and fittings	**195 011**	164 233
Cost	**558 829**	505 268
Accumulated depreciation	**(363 818)**	(341 035)
Vehicles	**22 367**	16 387
Cost	**40 741**	31 227
Accumulated depreciation	**(18 374)**	(14 840)
Capital work–in–progress	**2 467**	–
	601 540	526 502

	2020 R'000	2019 R'000
Movement in property, plant and equipment		
Carrying value at beginning of year	**526 502**	198 955
Capital expenditure	**179 034**	155 316
Freehold land and buildings	**32 480**	14 698
Leasehold premises	**3 189**	1 251
Plant and equipment	**23 248**	39 051
Office equipment, furniture and fittings	**104 435**	95 798
Vehicles	**13 215**	4 518
Capital work in progress	**2 467**	–
Acquisition of businesses	**1 091**	258 648
Freehold land and buildings	**–**	118 994
Leasehold premises	**–**	20 471
Plant and equipment	**–**	107 893
Office equipment, furniture and fittings	**729**	6 971
Vehicles	**362**	4 319
Disposal of businesses	**(1 264)**	–
Leasehold premises	**(685)**	–
Office equipment, furniture and fittings	**(579)**	–
Disposals	**(2 463)**	(5 676)
Leasehold premises	**(286)**	(9)
Plant and equipment	**(607)**	–
Office equipment, furniture and fittings	**(540)**	(5 006)
Vehicles	**(1 030)**	(661)
Depreciation (refer note 3.2)	**(95 206)**	(80 741)
Impairment (refer note 3.2)	**(6 154)**	–
Carrying value at end of year	**601 540**	526 502

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.

Estimated useful lives are:

Freehold buildings	20 to 50 years
Leasehold premises	Over the period of the lease to 25 years
Plant and equipment	3 to 15 years
Office equipment, furniture and fittings	3 to 6 years
Vehicles	4 to 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 R 119.9 million (2019: R 140.3 million) were pledged as security for borrowings of R 82.8 million (2019: R 91.6 million) (refer note 6.5).

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

Notes to the consolidated financial statements (continued)

for the year ended 29 February 2020

7. Net operating assets continued

7.2 Right–of–use leased assets

	2020 R'000	2019 R'000
Lease hold premises	**521 270**	–
Cost	**680 770**	–
Accumulated depreciation	**(153 454)**	–
Deemed disposal on termination of leases	**(6 046)**	–
Plant and equipment	**1 799**	–
Cost	**2 503**	–
Accumulated depreciation	**(704)**	–
	523 069	–
Movement in right–of–use leased assets		
Transition adjustment for IFRS 16	**518 547**	–
Additions to leases and lease renewals	**164 726**	–
Lease modifications and remeasurements	**(6 047)**	–
Depreciation (refer note 3.2)	**(154 158)**	–
Carrying value at end of year	**523 069**	–

The group recognises right–of–use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right–of–use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.
The cost of right–of–use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right–of–use assets are depreciated on a straight–line basis over the shorter of its estimated useful life and the lease term. Right–of–use assets are subject to impairment.

Right–of–use assets mostly relate to retail stores which are leased by the Sport and Recreation division. Right–of–use assets are effectively ceded as security for concomitant lease liabilities (Refer to note 6.6). As the rights to the leased assets revert to the lessor in the event of default.

7.3 Intangible assets

	2020 R'000	2019 R'000
Trademarks	**784 911**	784 833
Cost	**785 331**	785 253
Accumulated amortisation	**(420)**	(420)
Computer software	**30**	34
Cost	**858**	826
Accumulated amortisation	**(828)**	(792)
Capital work–in–progress	**1 911**	–
Other intangible assets	**1 020**	1 020
	787 872	785 887
Movement in intangible assets		
Carrying value at beginning of year	**785 887**	644 127
Additions	**41**	4 782
Computer software	**41**	4
Other intangible assets	**–**	1 020
Trademarks	**–**	3 758
Capital work–in–progress	**1 911**	–
Acquisition of businesses – Trademarks	**–**	136 945
Disposal of business – Computer software	**(9)**	–
Exchange rate adjustments – Trademarks	**78**	74
Amortisation (refer note 3.2)	**(36)**	(41)
Carrying value at end of year	**787 872**	785 887

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.

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. An indefinite useful life intangible assets is an intangible asset where there is no foreseeable limit to the period over which the asset is expected to generate future economic benefits for the group. Intangible assets with an indefinite useful life are systematically tested for impairment at the reporting date. Compute amortised from the date they are available for use.

The estimated useful lives are currently:

Trademarks	Indefinite
Computer software	2 to 3 years
Other intangible assets	Indefinite

7. Net operating assets continued

7.3 Intangible assets continued

Assessment of indefinite life trademarks and other intangible assets

	2020 R'000	2019 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**	136 945
Personal Care and Wellness	**85 506**	84 408
	785 931	784 833

Trademarks with indefinite lives include the following brands:

- Sportsmans Warehouse, Outdoor Warehouse, African Nature, Capestorm, First Ascent, Second Skins and Shelflife
- Fitch & Leedes, 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
- Historical product sales, volume and profitability trends as well as the expected uses for the asset further evident from budgets, future growth and plans to invest in each of the assets over the long term are taken into account when this is being assessed;
- Estimates of useful lives of similar assets – historical trends, market sentiment and/or the impact of any competitive activity
- The strategy (specific marketing plans, specific enhancement plans and the identification of new markets) for obtaining maximum economic benefit from the asset
- The period of the entity's control over the asset and any legal or other restriction on its ability to use the asset and
- Redundancy of similar products due to changes in market preferences

In assessing whether any intangible assets ought to be reclassified from indefinite life to definite life, in addition to specific known events that could indicate a reclassification is appropriate, management considers the following key criteria when selecting intangible assets for such an assessment:

- Intangible assets that have a low headroom and for which the outlook reflects compound sales declines or
- Intangible assets which have been impaired for consecutive years

During the year, management transferred no indefinite useful life intangible assets to finite useful life intangible assets as part of annual assessment of useful lives.

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).

7.4 Inventories

	2020 R'000	2019 R'000
Raw materials	**83 377**	87 813
Work in progress	**1 660**	934
Merchandise	**651 901**	656 712
Finished goods	**112 262**	96 995
Goods–in–transit	**7 278**	9 247
Provision for inventory obsolescence	**(39 872)**	(39 176)
	816 606	812 525
Write–down of inventory to net realisable value charged to the income statement	**12 765**	6 325
Cost of inventories recognised as an expense during the year in the statement of profit or loss	**2 484 898**	2 196 554
Movement in provision for inventory obsolescence:		
Balance at the beginning of the year	**39 176**	24 283
Utilised during the year	**(1 116)**	(82)
Provided during the year	**–**	6 325
On acquisition of business	**1 812**	8 650
Balance at year–end	**39 872**	39 176

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 weighted 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 year in which the related revenue is recognised.

7.5 Trade and other receivables

	2020 R'000	2019 R'000
Trade receivables	**273 731**	258 639
Expected credit loss allowance	**(5 949)**	(4 585)
Net trade receivables	**267 782**	254 054
Prepayments	**29 067**	27 142
Foreign exchange contracts asset	**5 838**	–
Other receivables[1]	**15 854**	7 789
Value added tax receivable	**2 966**	2 783
	321 507	291 768

[1] *Other receivables mainly includes deposits, sundry debtors and rebates.*

Trade receivables are measured initially at fair value, and are subsequently measured at amortised cost using the effective interest method, less an expected credit loss (ECL) allowance.

7. Net operating assets continued

7.5 Trade and other receivables continued

The group applies the IFRS 9 simplified approach to measuring expected credit losses (ECLs) which uses a lifetime expected loss allowance for all trade receivables. ECLs are calculated, as a function of the decentralised structure, by each operation by applying the historic default ratios to trade receivables. In determining the ECL, each operation splits the trade receivables into groups based on shared credit risk characteristics and the days past due, namely by splitting customers into the type of customer (franchised, non–franchised and wholesale), product types and customer ratings. In instances where there was no evidence of historical impairment, each operation's management used their knowledge of their business to determine the potential default rate. The historical default rates are adjusted, when necessary, to reflect current and forward–looking information on macro–economic factors affecting the ability of the customers to settle the trade receivables. The group has identified GDP and levels of consumer confidence in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical default rates based on expected changes in these factors.

The group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the criterea are generally recoverable when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the group, in full (without taking into account any collateral held by the group). Irrespective of the above analysis the group considers that default has occurred when a financial asset is more than 120 days past due unless the group has reasonable and supportable information to demonstrate that more lagging default criterion is more appropriate.

Trade receivables consist of a widespread customer base. The group does not have any significant contract assets. 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.

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.

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 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 16.4% (2019: 8.4%) of the total ECL allowance raised at year end.

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 the expected default without disaggregating into further risk profiles.

2020	Loss rate %	Gross trade receivables R'000	Expected credit loss R'000	Net trade receivables R'000
Provision matrix				
Not past due		**172 287**	**–**	**172 287**
Past due 30 days or less		**74 405**	**–**	**74 405**
Past due 30 – 90 days	**0.874%**	**13 312**	**(2 477)**	**10 835**
Past due 90 – 180+ days	**1.226%**	**13 727**	**(3 472)**	**10 255**
Total		**273 731**	**(5 949)**	**267 782**

2019	Loss rate %	Gross trade receivables R'000	Expected credit loss R'000	Net trade receivables R'000
Provision matrix				
Not past due		177 233	–	177 233
Past due 30 days or less		66 311	–	66 311
Past due 30 – 90 days	0.116%	8 807	(627)	8 180
Past due 90 – 180+ days	3.428%	6 288	(3 958)	2 330
Total		258 639	(4 585)	254 054

	2020 R'000	2019 R'000
Movement in impairment allowance in respect of trade receivables		
Balance at the beginning of the year	**(4 585)**	(815)
Allowances raised during the year	**(8 180)**	(123)
Bad debts written off during the year	**90**	10
Acquisition of businesses	**–**	(9 366)
Allowances reversed during the year	**6 726**	5 709
Balance at the end of the year	**(5 949)**	(4 585)

7. Net operating assets continued

7.6 Trade and other payables

	2020 R'000	2019 R'000
Trade payables	**276 520**	304 584
Deferred revenue	**29 286**	28 006
Forward exchange contracts liability	**–**	1 631
Accrued expenses	**79 857**	77 522
SARS excise duty and sugar beverage levy	**42 300**	39 371
Salary and wage related creditors	**40 386**	41 958
Short-term portion of operating lease smoothing accrual	**–**	137
Value added tax liability	**12 936**	4 286
	481 285	497 495

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 revenue transactions consist of the Sorbet Society loyalty program and prepaid gift cards. The fair value of the consideration received under the Sorbet Society loyalty program is allocated between the sale of goods supplied and the loyalty points granted. The consideration allocated to the loyalty points is measured by reference to their relative stand-alone selling price which is calculated as the amount for which the loyalty points could be separately sold. Such consideration is not recognised as turnover at the time of the sales transaction, but is recognised as a deferred revenue liability until the loyalty points have been redeemed or forfeited. Gift cards represent a prepaid value card which effectively can be redeemed as cash consideration against future purchases. The consideration allocated to prepaid gift cards is measured at the fair value of the consideration received in advance, adjusted for an expected forfeiture rate. Such consideration is not recognised as turnover at the time of the initial transaction, but is recognised as a deferred revenue liability until the prepaid gift card has been redeemed or when the group's obligations have been fulfilled. 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. Net operating assets continued

7.7 Segmental operating assets and liabilities

	2020 R'000	2019 R'000
Segmental assets		
Trading division	**2 194 835**	1 616 876
Sport and Recreation	**1 267 349**	649 632
Beverages	**656 530**	764 917
Personal Care and Wellness	**270 956**	202 327
Corporate	**4 639 440**	5 016 935
	6 834 275	6 633 811
Inter-group eliminations	**(571 022)**	(837 148)
	6 263 253	5 796 663
Segmental liabilities		
Trading division	**1 669 612**	1 166 937
Sport and Recreation	**976 176**	393 416
Beverages	**527 681**	664 081
Personal Care and Wellness	**165 755**	109 440
Corporate	**394 629**	595 500
	2 064 241	1 762 437
Inter-group eliminations	**(571 022)**	(837 148)
	1 493 219	925 289
Segmental capital expenditure		
Spent on expansion		
Trading division	**84 843**	84 507
Sport and Recreation	**17 374**	22 100
Beverages	**60 001**	60 532
Personal Care and Wellness	**7 468**	1 875
Corporate	**–**	83
Spent on replacement		
Trading division	**94 191**	70 726
Sport and Recreation	**80 150**	68 858
Beverages	**11 473**	868
Personal Care and Wellness	**2 568**	1 000
	179 034	155 316

7.8 Capital commitments

The board of the 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.

	2020 R'000	2019 R'000
Capital expenditure approved:		
Contracted for	**24 000**	37 992
Not contracted for	**31 302**	166 266
	55 302	204 258

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. The reduction in capital commitments is as a result of the recent COVID-19 pandemic and management's financial priority to preserve cash.

8. Acquisitions and goodwill

8.1 Acquisition of businesses and subsidiaries

During the financial year, the group acquired various businesses as bolt–on acquisitions in the Personal Care and Wellness division, including a distributor of professional hair, nail, beauty products and equipment based in the Western Cape and the rights to import and distribute Depilève products, the global benchmark in professional waxing systems. The effective date of these transactions was 1 June 2019 and they were funded through cash.

	2020 R'000	2019 R'000
Fair value of tangible assets (liabilities) acquired		
Property, plant and equipment	**1 091**	258 648
Trademarks	**–**	136 945
Other investments and loans	**–**	323
Inventories	**14 135**	128 145
Trade and other receivables	**3 279**	187 974
Cash and cash equivalents	**15**	38 143
Borrowings	**–**	(148 831)
Trade and other payables	**(218)**	(231 682)
Deferred taxation	**–**	(58 053)
Taxation	**–**	(8 537)
Total identifiable assets at fair value	**18 302**	303 075
Cash	**38 036**	456 136
Issue of shares	**–**	129 141
Vendors for acquisition	**–**	5 450
Consideration transferred	**38 036**	590 727
Consideration transferred	**38 036**	590 727
Plus: Non–controlling interest measured at their share of fair value of net assets	**–**	37 596
Less: Identifiable assets at fair value	**(18 302)**	(303 075)
Goodwill arising at acquisition	**19 734**	325 248
Consideration paid in cash	**(38 036)**	(456 136)
Cash acquired	**15**	38 143
Costs incurred in respect of acquisitions	**(323)**	(2 540)
Costs incurred in respect of potential acquisitions	**(1 744)**	(5 599)
Net cash outflow on acquisition of businesses and subsidiaries	**(40 088)**	(426 132)
Contribution to results for the period since acquisition		
Revenue	**46 866**	1 276 382
Trading profit	**9 178**	106 345

Had these acquisitions been effective from 1 March 2019, the group's revenue would have been R4.1 billion and the trading profit would have been R524.2 million for the year ended 29 February 2020. The directors consider this to represent the approximate measure of the performance of the combined group for the full 12 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.

The fair value of the financial assets includes trade receivables with a fair value of R3.1 million.

As at 29 February 2020, all trade receivables acquired were settled in full.

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.

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.

In accordance with IFRS 3: Business combinations, if new information is obtained within one year of the date of the acquisition about facts and circumstances that existed at the date of the acquisition, then the accounting for the acquisition may be revised and adjustments may be made to the fair value of the assets and liabilities acquired as set out above.

8.2 Goodwill

	2020 R'000	2019 R'000
Carrying value at the beginning of the year	**2 252 854**	1 927 606
Acquisition of businesses	**19 734**	325 248
Carrying value at the end of the year	**2 272 588**	2 252 854
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**	469 951
Personal Care and Wellness	**166 259**	146 525
	2 272 588	2 252 854

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.

There were no goodwill impairments recorded during the year (2019: nil).

8. Acquisitions and goodwill continued

8.3 Impairment assessment: Indefinite life intangible assets and goodwill

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.

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 7.3 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:

	Average growth rates for the forecast period of four years				Discount rate	
	Profit before depre–ciation	Revenue	Expense	EBIT margin	Post–tax discount rate applied to cash flows	Pre–tax discount rate applied to cash flows
Sport and recreation	8.6%	6.0%	5.5%	16.6%	14.0%	14.6%
Chill Beverages	18.4%	7.0%	6.0%	9.1%	13.7%	14.7%
Inhle Beverages	8.1%	6.0%	5.0%	32.7%	14.2%	15.1%
Sorbet	9.1%	7.0%	6.0%	32.7%	15.7%	16.5%
Limelight	13.2%	10.0%	9.0%	24.5%	15.7%	16.5%
Clayton Care	14.5%	10.0%	9.0%	18.9%	14.1%	14.8%

- Growth in capital expenditure and working capital is based on the expenditure growth rates, which 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
- 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 5.0%

The directors and management have performed a sensitivity analysis in order to consider and assess the impact of possible changes in key assumptions on the carrying value of goodwill and indefinite useful life intangible assets. The assumptions that are considered to be the main drivers in the calculation of the value of the intangible assets and where changes are reasonably possible are: price levels, the growth rate of the assets beyond the five–year forecast period and the discount rate used.

The table below sets out the outcome of the sensitivity analysis and the resulting hypothetical impairments that would result from this modelling. It is the directors and management's view that the carrying values of goodwill and indefinite useful life intangible assets is appropriate as at 29 February 2020.

	1% reduction in revenue due to price reductions	1% reduction in terminal growth*	0.5% increase in the post–tax discount rate
Sport and Recreation[1]	(12 074)	(5 943)	–
Inhle	–	–	–
Chill	–	–	–
Sorbet	–	–	–
Long4Life Personal Care and Wellness	–	–	–
Long4llfe Health	–	–	–

* *Average growth rate used to extrapolate cash flows beyond period covered by abovementioned budgets and forecasts.*

[1] *The carrying value of the CGU was R2.812 billion and the value in use was calculated at R2.991, thus available headroom of R179 million.*

The directors and management consider that changes in excess of those shown above are considered unlikely and that the remaining headroom between the value determined in the impairment tests and the carrying amounts of indefinite useful life intangibles is sufficient to support the above disclosure.

No impairment loss was recognised as the recoverable amount exceeded the carrying amount of all cash–generating units as at 29 February 2020 (2019: Nil).

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.

9. Investments

9.1 Interest in associate

	2020 R'000	2019 R'000
Investment in unlisted associate at cost		
Balance at the beginning of the year	**3 428**	5 000
Share of undistributed profits (losses) of associate post–acquisition	**609**	(1 572)
	4 037	3 428

Summarised financial information in respect of the group's associate Veldskoen (Pty) Ltd for the year ended 29 February 2020 is set out below. The summarised financial information below represents the associates' financial statements prepared in accordance with IFRS.

	2020 R'000	2019 R'000
Non–current assets	**2 498**	2 279
Current assets	**3 737**	1 503
Non–current liabilities	**(595)**	(634)
Current liabilities	**(2 075)**	(826)
Net assets of associate	**3 565**	2 322
Revenue	**31 254**	9 244
Total comprehensive income (loss) for the year	**1 243**	(3 209)

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.

Notes to the consolidated financial statements (continued)

for the year ended 29 February 2020

9. Investments continued

9.1 Interest in associate continued

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 including the group's associate, 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.

9.2 Investments and loans

	2020 R'000	2019 R'000
Long–term investments and loans	**1 419**	6 045
Listed investments held at fair value through profit and loss[1]	**–**	5 776
Investment loans held at amortised cost	**1 230**	–
Unlisted loans held at amortised cost	**189**	269
Short–term investments		
Listed investments held at fair value through profit and loss[1]	**74 893**	–
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*	**74 893**	5 776

[1] *During the year, the group acquired a total of 10 400 000 shares in Spur Corporation Limited (Spur) at a cost of R319.4 million with the intention of acquiring a strategic controlling position. When it became apparent that corporate activity would not be successful, the shares were subsequently sold. As at 29 February 2020, 10 400 000 of the total 13 659 060 Spur shares held had been disposed at a profit of R30.7 million. The remaining 3 259 060 shares were recognised at fair value at the reporting date. These shares are reflected as a short-term investment and were sold subsequent to the year end.*

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 (SAR), 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 10.9 million of the 16.4 million (2019: 5.32 million of the 5.6 million) FSP awards to group and divisional 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 weighted average share price at the date of exercise of options exercised during the year ended 29 February 2020 was R4.34 (2019: nil).

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

FSP awards	**Group executives FSP awards**	**Divisional executives FSP awards**	**Employee FSP awards**	
Awards made on 1 November 2018:				
Tranche 1 – vesting 31 October 2021	4 575 000	2 756 025	2 614 841	9 945 866
Tranche 2 – vesting 31 October 2022	1 525 000	918 675	871 614	3 315 289
Forfeited	–	–	(61 676)	(61 676)
Beginning of the year	6 100 000	3 674 700	3 424 779	13 199 478
Awards made on 28 June 2019:				
Tranche 1 – vesting 27 June 2022	2 400 000	2 693 694	2 605 330	7 699 024
Tranche 2 – vesting 27 June 2023	800 000	897 898	868 443	2 566 341
Exercised	–	–	(167 551)	(167 551)
Forfeited	–	(175 000)	(680 424)	(855 424)
End of the year	9 300 000	7 091 292	6 050 577	22 441 869

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

	Group executives FSP	**Divisional executives FSP**	**Employee FSP**
Fair value at measurement date (Rand)	4.14	4.26	4.39
Expected volatility (%)	37.71%	37.71%	–
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 fair value of the share awards granted on 28 June 2019 and the assumptions used are:

	Group executives FSP	**Divisional executives FSP**	**Employee FSP**
Fair value at measurement date (Rand)	4.28	4.35	4.55
Expected volatility (%)	33.04%	33.04%	–
Distribution yield (%) – tranche 1	4.56%	4.56%	4.56%
Distribution yield (%) – tranche 2	4.58%	4.58%	4.58%
Risk–free interest rate (%) – tranche 1	6.73%	6.73%	6.73%
Risk–free interest rate (%) – tranche 2	6.85%	6.85%	6.85%

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.

855 424 (2019: 61 676) of the forfeitable share awards made in terms of the employee FSP were forfeited during the 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 R4.28, R4.35 and R4.55 (2019: R4.14, R4.26 and R4.39) per share for the group executives, divisional executives 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.

Notes to the consolidated financial statements (continued)

for the year ended 29 February 2020

10. Remuneration continued

10.1 Share–based payments continued

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.

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. CSP 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. 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	2020 Number	2019 Number
Beginning of the year	**18 600 000**	20 600 000
Forfeited	**–**	(2 000 000)
End of year	**18 600 000**	18 600 000
Share awards outstanding by end of period of grant were:		
2020	**18 600 000**	18 600 000

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

	1 April 2017	15 June 2017	14 Feb 2018
Fair value at measurement date (Rand)	2.45	4.34	2.77
Expected volatility (%)	23.36%	21.02%	23.39%
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. In 2017 L4L was a newly listed company, as it had insufficient share price history exists. A proxy company was used to calculate an appropriate volatility for the valuation of the CSPs.

No conditional share awards were forfeited (2019: 2 000 000) during the year. 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.

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.

Share Appreciation Rights Plan (SARs)

SARs participants were granted share awards (Awards) that vest in tranches after 3 years (50%), 4 years (25%) and 5 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 share awards granted are:

	2020		2019	
	Number	Average price R	Number	Average price R
Beginning of the year	**6 775 606**	**4.46**	7 050 606	4.46
Forfeited	**(890 000)**	**–**	(275 000)	–
End of year	**5 885 606**	**4.46**	6 775 606	4.46
Share awards outstanding at 29 February by year of grant are:				
2018	**5 885 606**	**4.46**	6 775 606	4.46

The awards outstanding at 29 February 2020 have a weighted average strike price of R4.46 (2019: R4.46) contractual life of five years from the grant date (2019: six 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 year 890 000 (2019: 275 000) share awards were forfeited as a result of performance conditions not being met. The volatility was calculated using the exponentially weighted moving average volatility method. In 2017, L4L was a newly listed company, as it had insufficient share price history. A proxy company was used to calculate an appropriate volatility for the valuation of the CSPs.

10. Remuneration continued

10.2 Remuneration of directors

Directors' remuneration

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

	2020 R'000 Total	2020 R'000 Basic salary	2020 R'000 Bonus 2019 financial period[1]	2019 R'000 Total	2019 R'000 Basic salary	2019 R'000 Bonus 2018 financial period
Remuneration and benefits paid to directors by the company						
Director						
Brian Joffe[2]	**10 077**	**5 477**	**4 600**	10 200	5 200	5 000
Colin Datnow[3]	**4 886**	**3 286**	**1 600**	3 870	3 120	750
Mireille Levenstein[4]	**5 520**	**3 720**	**1 800**	1 650	1 650	–
Peter Riskowitz[5]	**–**	**–**	**–**	5 320	3 430	1 890
Total	**20 483**	**12 483**	**8 000**	21 040	13 400	7 640

[1] *Bonuses paid relate to performance in the 2019 financial period*
[2] *With effect from 1 July 2019, the Brian Joffe's remuneration was settled in cash on a monthly basis*
[3] *Colin Datnow was appointed as an executive director on 1 January 2018*
[4] *Mireille Levenstein was employed on 1 September 2018 and appointed as an executive director from 15 October 2018*
[5] *Peter Riskowitz resigned on 30 November 2018 and received an ex gratia payment of R500 000 which was included in his basic salary*

The following have been issued in terms of the share incentive plans:

Share plan awards

CSPs	Number of awards: Balance at 29 February 2020	Awarded during the year	Forfeited during the year	Balance at 1 March 2019
Director				
Brian Joffe	**12 600 000**	**–**	**–**	12 600 000
Colin Datnow	**2 000 000**	**–**	**–**	2 000 000
Total	**14 600 000**	**–**	**–**	14 600 000

FSPs	Number of awards: Balance at 29 February 2020	Awarded during the year	Forfeited during the year	Balance at 1 March 2019
Director				
Brian Joffe	**1 400 000**	**800 000**	**–**	600 000
Colin Datnow	**1 200 000**	**600 000**	**–**	600 000
Mireille Levenstein	**2 600 000**	**600 000**	**–**	2 000 000
Total	**5 200 000**	**2 000 000**	**–**	3 200 000

Directors and other related fees

The remuneration paid to non-executive directors (excluding VAT) while in office of the company during the year ended 29 February 2020 is analysed as follows:

	2020 Directors fees (excluding VAT) R'000	2020 Fees for other services (excluding VAT) R'000	2020 Total (excluding VAT) R'000	2019 Total (excluding VAT) R'000
Non–executive director				
Graham Dempster	**345**	**–**	**345**	345
Keneilwe Moloko	**343**	**–**	**343**	222
Lionel Jacobs	**424**	**–**	**424**	409
Syd Muller[1]	**180**	**360**	**540**	1 150
Tasneem Abdool–Samad	**398**	**–**	**398**	497
Total	**1 690**	**360**	**2 050**	2 623

[1] *During the year Syd Muller resigned from the board and as an independent non–executive director, effective 11 December 2019. Fees include R360 000 (2019: R711 000) for consulting fees paid for the year ended 29 February 2020 which relate to services to the group's 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.

11. Equity, distributions and group information

11.1 Capital and reserves attributable to shareholders of the company

Stated capital

	2020 R'000	2019 R'000
Balance at beginning of the year	**4 314 291**	4 339 723
Shares issued during the year	**2 500**	134 141
Shares issued for business acquisitions	**–**	129 141
Shares issued for executive remuneration	**2 500**	5 000
Shares cancelled during the year	**(225 085)**	–
Treasury shares	**(198 508)**	(159 573)
Treasury shares purchased during the year	**(426 513)**	(159 573)
Shares transferred during the year	**2 920**	–
Shares cancelled during the year	**225 085**	–
Balance at the end of the year	**3 893 198**	4 314 291
Reserves		
Transactional costs for issuing equity instruments	**(20 435)**	(20 435)
Foreign currency translation reserve	**(365)**	(385)
Equity–settled share–based payment reserve	**77 435**	41 068
Retained earnings	**750 574**	471 097
Deferred consideration	**3 238**	5 450
Total reserves	**810 447**	496 795
Total capital and reserves comprise		
Amounts attributable to shareholders of the company	**4 703 645**	4 811 086
Amounts attributable to non–controlling interests	**66 389**	60 289
	4 770 034	4 871 375

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.

Authorised

4 000 000 000 ordinary shares of no par value
(2019: 4 000 000 000 ordinary shares of no par value)

Issued

858 546 348 ordinary shares of no par value
(2019: 913 909 909 ordinary shares of no par value)

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.

Treasury shares

During the year, group subsidiaries acquired 104 125 170 (2019: 36 389 582) Long4Life Limited shares at an average cost of R4.10 (2019: R4.38) per share, totalling R426.5 million (2019: R159.6 million).

During the year, pursuant to the group's general share buyback programme, 55 863 561 shares were cancelled and delisted.

22 441 868 (2019: 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 R102.0 million (2019: R59.3 million)

At the reporting date, the group owned 84 102 353 (2019: 36 523 695) Long4Life Limited shares at a total cost of R358.1 million (2019: R159.6 million).

Reconciliation of number of shares	2020 Number	2019 Number
Balance at beginning of the year	**913 909 909**	889 775 767
	500 000	24 134 142
Shares issued for business acquisitions	**–**	23 134 142
Shares issues for executive remuneration	**500 000**	1 000 000
Less: Share cancellation	**(55 863 561)**	–
Shares in issue	**858 546 348**	913 909 909
Less: Treasury shares	**(84 102 353)**	(36 523 695)
Balance at the beginning of the year	**(36 523 695)**	(134 103)
Acquired during the year	**(104 125 170)**	(36 389 592)
Cancelled during the year	**55 863 561**	–
Shares transferred during the year	**682 951**	–
Shares in issue net of treasury shares	**774 443 995**	877 386 214

87 266 914 unissued no par value ordinary shares are under the control of the directors until the next annual general meeting.

Notes to the consolidated financial statements (continued)

for the year ended 29 February 2020

11. Equity, distributions and group information continued

11.2 Dividends paid

	2020 R'000	2019 R'000
Ordinary shareholders of the company	**–**	49 233
No dividend was declared (2019: 5.4 cents)		
Non controlling interests	**2 562**	2 557
	2 562	51 790

11.3 Net asset value and tangible net asset value per share

	2020	2019
Equity attributable to ordinary shareholders of the company (R'000)	**4 703 645**	4 811 086
Ordinary no par value shares in issue net of treasury shares ('000)	**774 444**	877 386
Net asset value per share attributable to ordinary shareholders of the company (cents)	**607**	548
Equity attributable to ordinary shareholders of the company (R'000)	**4 703 645**	4 811 086
Less: Intangible assets	**(3 060 460)**	(3 038 741)
Goodwill	**(2 272 588)**	(2 252 854)
Intangible assets	**(787 872)**	(785 887)
Tangible net asset value (excluding intangible assets and goodwill) (R'000)	**1 643 185**	1 772 345
Ordinary no par value shares in issue net of treasury shares ('000)	**774 444**	877 386
Tangible net asset value per share attributable to ordinary shareholders of the company (cents)	**212**	202

11.4 Group composition

The consolidated financial statements include the accounts of L4L and all of its subsidiaries for the year ended 29 February 2020.

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.

Subsidiaries	Nature of business	Country of incorp–oration	Effective holdings% 2020	Effective holdings% 2019
Directly held				
Chill Holdings (Pty) Ltd	1	South Africa	**100**	100
Holdsport (Pty) Ltd	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**	59
Long4Life Personal Care and Wellness (Pty) Ltd	3	South Africa	**100**	100
Long4Life Properties (Pty) Ltd	3	South Africa	**100**	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**	100
Chill Canning (Pty) Ltd	5	South Africa	**100**	100
K2014120553 (Pty) Ltd	5	South Africa	**100**	100
K2014120556 (Pty) Ltd	5	South Africa	**100**	100
K2014120563 (Pty) Ltd	1	South Africa	**100**	100
Urban Zest (Pty) Ltd	5	South Africa	**100**	100
Chill Beverages International (Pty) Ltd	1	South Africa	**100**	100
Score Energy Drink (Pty) Ltd	5	South Africa	**100**	100
Zacabix (Pty) Ltd	5	South Africa	**100**	100
EMSA Distribution (Pty) Ltd (Trading as Limelight)	3	South Africa	**100**	100
Ninja Energy (Pty) Ltd	5	South Africa	**100**	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**	100
Second Skins (Pty) Ltd	4	South Africa	**100**	100
Sew Trust	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
ClaytonCare Group (Pty) Ltd	3	South Africa	**61**	61
The Sorbet Experience (Pty) Ltd	3	South Africa	**100**	100
Associate				
Veldskoen (Pty) Ltd	4	South Africa	**49**	49

Nature of business

1 Beverages
2 Group Services and Investments
3 Personal Care and Wellness
4 Sports and Recreation
5 Dormant

11. Equity, distributions and group information continued

11.5 Related party transactions

The group has a related–party relationship with its subsidiaries and associates. During the year ending 29 February 2020, there were no material transactions with related parties.

Associate

The group has an investment in Veldskoen which is equity–accounted associate. Refer to note 9.1 for further information.

	2020 R'000	2019 R'000
Total value of inventory purchased from associates	**4 413**	4 200

Directors and directors related entities

No direct loans were made to or received from any director and no other transactions were entered into with any director and no other transactions were entered into with any directors, except for forfeitable share plan awards to executive directors.

	2020 R'000	2019 R'000
Purchases from related entity controlled by Brian Joffe – t/a Jair (Pty) Ltd	**181**	186

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 3.2 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 7.3, 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.

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 7.4.

Trade receivables

Trade receivables are initially measured at fair value, which is equal to the consideration expected to be received from the satisfaction of performance obligations, plus any directly attributable transaction costs. At the time of initial recognition in accordance with IFRS 9 the group assesses the expected credit loss by applying the simplified approach. To measure ECLs each operation applies a historic loss ratio to trade receivables at each reporting date. In determining the ECL, each operation splits the trade receivables into groups based on shared credit risk characteristics and the days past due. In instances where there was no evidence of historical impairment, each operation's management used their knowledge of their business and forward–looking macro–economic information to determine the potential loss rate. In addition, specific provisions are raised for trade receivables if doubts regarding the collectability are known. Refer to note 7.5.

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 29 February 2020, discounted using a risk–adjusted discount rate. Refer to note 6.4.

12. Other notes continued

12.1 Accounting estimates and judgements continued

Right–of–use leased assets and liabilities

Judgements and assumptions made by management in applying the related accounting policies for IFRS 16:

(i) In determining the incremental borrowing rates, used to determine the present value of future lease payments is generally based on the lessee's incremental borrowing rate, as in most instances, the interest rate implicit in the lease cannot be readily determined. The discount rate applied by management to new leases concluded during the year varied between 9.00% and 9.25%.

(ii) In determining the lease term, management considers to include a renewal period only if the group has agreed terms with the respective landlord and the renewal contract is enforceable by both parties. These terms will include factors such as store location, historical store performance and the value of lease payments in the renewal period.

(iii) The group applies the short–term lease recognition exemption to its short–term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low–value assets recognition exemption to leases of assets that are considered of low value. Lease payments on short–term leases and leases of low–value assets are recognised as an expense on a straight–line basis over the lease term.

Loyalty programs

The group has a number of customer loyalty programs. The Sorbet Society program is the only program in the group whereby customers are awarded with reward credits (loyalty points) which are effectively used as cash back against future purchases. Loyalty points granted to customers participating in the Sorbet Society loyalty program provide rights to customers that need to be accounted for as a separate performance obligation.

The fair value of the consideration received under the Sorbet Society loyalty program is allocated between the sale of goods supplied and the loyalty points granted. The consideration allocated to the loyalty points is measured by reference to their relative stand-alone selling price which is calculated as the amount for which the loyalty points could be separately sold. Such consideration is not recognised as turnover at the time of the sales transaction, but is recognised as a deferred revenue liability until the loyalty points have been redeemed or forfeited. The likelihood of redemption, based on management's judgement of expected redemption rates, is reviewed on a regular basis and any adjustments to the deferred revenue liability is recognised as revenue. Refer note 3.1 and 7.6.

Prepaid gift cards

Gift cards represent a prepaid value card which effectively can be redeemed as cash consideration against future purchases. The consideration allocated to prepaid gift cards is measured at the fair value of the consideration received in advance, adjusted for an expected forfeiture rate. Such consideration is not recognised as turnover at the time of the initial transaction, but is recognised as a deferred revenue liability until the prepaid gift card has been redeemed or when the group's obligations have been fulfilled. The group updates its estimates of forfeiture on a regular basis and any adjustments to the deferred revenue liability are recognised in revenue. Refer note 3.1 and 7.6.

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.

Forward exchange contracts – level 2

The fair value of forward exchange contracts is based on a forward curve. 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 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. Refer to note 6.1 and 9.2.

Put option liability – 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 's by review of the proportionate share of the profit after tax for the period ending 29 February 2020 , the budgeted profit after tax for 2020–2022, discounted using a risk–adjusted discount rate. Refer to note 6.4

12.3 Accounting standards and interpretations in issue not effective at 29 February 2020

The group does not currently believe the adoption of the following pronouncements will have a material impact on its results, financial position or cash flows:

- Amendments to IFRS 3 - Definition of a business – Effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period.
- Amendments to IFRS 10 and IAS 28 - Sale of contribution of assets between an investor and its associate or joint venture – Deferred indefinitely

Notes to the consolidated financial statements (continued)

for the year ended 29 February 2020

12. Other notes continued

12.3 Accounting standards and interpretations in issue not effective at 29 February 2020 continued

- Amendments to IAS 1 and IAS 8 - Definition of material – The amendments are effective annual reporting periods beginning on or after 1 January 2020.
- Amendments to the Conceptual Framework for Financial Reporting – Effective for annual periods beginning on or after 1 January 2020.

12.4 Events after the reporting period

Subsequent to year end, the full impact of the novel coronavirus (COVID-19) was unleashed globally. In South Africa, with effect from midnight on 26 March 2020, President Ramaphosa initiated a nation-wide lockdown for a period of 21 days, which was later extended to end April 2020. Certain sectors of the economy returned in a phased manner from 1 May 2020.

As the events arising as a result of the government interventions in response to the COVID-19 pandemic only occurred after the reporting date, the group considers this to be a non-adjusting post balance sheet event and accordingly the financial effects of COVID-19 have not been reflected in the group's financial statements at 29 February 2020.

As the situation continues to evolve with changes in government regulations and evolving business and consumer reactions thereto, as at the date of these financial statements, the directors of the Company considered that the financial effects of COVID-19 on the group cannot be reasonably estimated for future financial periods.

The retail sectors in which Long4Life operates continue to be negatively affected under the Level 4 lockdown scenario with stores that are either closed or are only partially opened for trading. The Beverage division, whilst remaining open, is operating at much-reduced capacity.

Long4Life's absolute imperative during the crisis is to protect and provide for the safety and well-being of employees, customers and suppliers. Long4Life is taking all possible steps to mitigate the risks by conserving capital, which includes managing working capital commitments, suspending all capital expenditure and cost containment. The group's financial priority is the preservation of cash.

The group is in an advantageous position as it has a strong financial position with cash reserves and minimal debt.

There is still no clarity on the duration and manner in which the national lockdown will be lifted. It is also difficult to determine the impact that this will have on the already weakened consumer environment thereafter.

The effect of the coronavirus, while largely unknown at this stage in terms of exact financial impact, is expected to be very significant to the group, in the short-term.

12.5 Going concern

The Board has undertaken a rigorous assessment of whether the group is a going concern in the light of current economic conditions taking into consideration available information about future risks and uncertainties.

The projections for the group have been prepared, covering its future performance, capital and liquidity for a period of 12 months from the date of approval of these financial statements including performing sensitivity analyses. These analyses include the introduction of various scenarios relating to the evolving COVID-19 pandemic.

The group has sufficient access to liquid funds and had cash on hand amounting to R829.6 million at year end with minimal debt (a R82.8m loan secured over fixed property).

The group's forecasts and projections of its current and expected profitability, taking account of reasonably possible changes in trading performance, show that the group will be able to operate within the level of its cash resources for at least 12 months from the approval date of the consolidated annual financial statements. A downside analysis has been performed assessing the potential negative economic impact that the pandemic might have on the expected profitability of the group and how that would affect the entity's ability to continue as a going concern.

Assumptions in relation to the impact and extent of the lockdown per division as well as expected potential diminished demand for products or services based on changes in consumer behaviour was considered, in order to estimate when the group will be able to function at normal capacity, as well as the financial impact of not functioning at normal capacity.

In preparing the downturn analysis the following key assumptions were used:

- the impact of a 50% reduction in expected revenue with the proportionate reduction in inventory purchases,
- minimal reductions of fixed costs,
- committed capital expenditure for 2021 included, and
- any additional actions by management as a result of loss of revenue was excluded as it's still in the process of being assessed.

The above assumptions used in the downturn analyses is considered to be unlikely, however it is difficult to predict the overall outcome and impact of COVID-19.

The group will continue to be vigilant in monitoring the impact as a result of the COVID-19 outbreak for the foreseeable future. Despite the backdrop of uncertainty cause by COVID-19, we are well positioned with a robust financial position and access to potential facilities if the need arises.

The group's projections and sensitivity analysis show that the group has sufficient capital, liquidity and positive future performance outlook to continue to meets its short term obligations and as a result it is appropriate to prepare these consolidated annual financial statements on a going concern basis, even considering the severe impacts of the COVID-19 pandemic as noted above.

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 29 February 2020

	Notes	2020 R'000	2019 R'000
Revenue		**223 817**	63 500
Dividends received		**173 750**	55 000
Finance income		**50 067**	8 500
Operating expenses		**(2 475)**	(3 064)
Acquisition costs		**–**	(2 920)
Operating profit		**221 342**	57 516
Profit before taxation		**221 342**	57 516
Taxation	1	**(13 869)**	(2 265)
Profit for the year attributable to shareholders		**207 473**	55 251

Separate statement of financial position

at 29 February 2020

	Notes	2020 R'000	2019 R'000
Assets			
Non–current assets		**3 454 765**	3 454 765
Investment in subsidiaries	2	**3 449 765**	3 449 765
Interest in associate	3	**5 000**	5 000
Current assets		**1 011 276**	1 072 670
Amounts owing by subsidiaries	4	**508 599**	408 534
Cash and cash equivalents	5	**502 677**	664 136
Total assets		**4 466 041**	4 527 435
Equity and liabilities			
Capital and reserves		**4 464 770**	4 479 882
Stated capital	6	**4 251 279**	4 473 864
Retained earnings		**213 491**	6 018
Current liabilities		**1 271**	47 553
Other payables		**894**	643
Amounts owing to subsidiaries	4	**–**	45 409
Taxation		**377**	1 501
Total equity and liabilities		**4 466 041**	4 527 435

Separate statement of changes in equity

for the year ended 29 February 2020

	Notes	2020 R'000	2019 R'000
Equity attributable to shareholders of the company		**4 464 770**	4 479 882
Stated capital	6	**4 251 279**	4 473 864
Balance at beginning of the year		**4 473 864**	4 339 723
Shares issued during the year		**2 500**	134 141
Shares cancelled during the year		**(225 085)**	–
Retained earnings		**213 491**	6 018
Balance at beginning of the year		**6 018**	–
Attributable profit		**207 473**	55 251
Dividends paid to ordinary shareholders		**–**	(49 233)

Separate statement of cash flows

for the year ended 29 February 2020

	2020 R'000	2019 R'000
Cash generated by operations	**32 850**	5 316
Operating profit	**221 342**	57 516
Add: Acquisition costs	**–**	2 920
Add: Increase in trade and other payables	**251**	643
Less: Dividend received	**(173 750)**	(55 000)
Cash utilised by operations	**47 843**	6 079
Taxation paid	**(14 993)**	(763)
Cash effects of investment activities	**(97 565)**	745 843
Acquisition of subsidiaries	**–**	(403 890)
Acquisition of associate	**–**	(5 000)
Proceeds from settlement of intercompany loans	**113 845**	1 154 733
Advancement of intercompany loans	**(211 410)**	–
Cash effects of financing activities	**(96 744)**	(96 459)
Treasury shares acquired and cancelled	**(225 085)**	–
Repayment of intercompany loans	**(45 409)**	(102 226)
Dividends received	**173 750**	55 000
Dividends paid	**–**	(49 233)
Increase in cash and cash equivalents	**(161 459)**	654 700
Cash and cash equivalents at beginning of year	**664 136**	9 436
Cash and cash equivalents at end of year	**502 677**	664 136

Notes to the separate financial statements

for the year ended 29 February 2020

1. Taxation

	2020 R'000	2019 R'000
Current year	**13 869**	2265
Reconciliation of the effective tax rate with the South African company tax rate:		
Taxation for the year as a percentage of profit before taxation	**6.3%**	4.0%
Exempt income	**22.0%**	26.8%
Disallowable expenditure	**(0.3%)**	(2.8%)
Rate of South Africa company taxation	**28.0%**	28.0%

The nature of exempt income relates to dividends received from subsidiaries. The nature of disallowable expenditure mainly includes non-executive directors fees apportioned in terms of Practice note 22/1994 of Income Tax Act of South Africa.

2. Investment in subsidiaries

		2020 R'000	2019 %	2020 R'000	2019 %
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**	100	**490 243**	490 243
L4L Property (Pty) Ltd	2	**100**	100	*	*
L4L Personal care and wellness (Pty) Ltd	3	**100**	100	*	*
L4L Healthcare (Pty) Ltd	3	**59**	59	**39 869**	39 869
				3 449 765	3 449 765

Nature of business
1 Beverages
2 Group Services and Investments
3 Personal Care and Wellness
4 Sports 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 (2019: R nil). 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 R1000*

3. Investment in associate

	2020 R'000	2019 R'000
Unlisted associate –	**5 000**	5 000

The company holds a 49% equity stake in Veldskoen (Pty) Limited.

4. Amounts owing by/(to) subsidiaries

	2020 R'000	2019 R'000
Amounts owing by subsidiaries	**508 599**	408 534
Long18 (Pty) Ltd	**278 580**	388 926
Long36 (Pty) Ltd	**174 028**	–
L4L Personal Care and Wellness (Pty) Ltd	**41 228**	3 846
L4L Property (Pty) Ltd	**14 763**	15 763
Amounts owing to subsidiaries	**–**	(45 409)
Long18 (Pty) Ltd	**–**	–
Long36 (Pty) Ltd	**–**	(45 409)
KTR Sport (Pty) Ltd	**–**	–
Moresport (Pty) Ltd	**–**	–
Performance Brands (Pty) Ltd	**–**	–

The inter–company equity loans are interest free and have no fixed terms.

5. Cash and cash equivalents

	2020 R'000	2019 R'000
Bank and cash deposits	**502 677**	664 136

Bank balances and deposits comprise cash on hand and short-term deposits held with the banks, 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

	2020 R'000	2019 R'000
Stated capital		
Balance at beginning of the year	**4 473 864**	4 339 723
Shares issued during the year	**2 500**	134 141
Shares issued for business acquisitions	**–**	134 141
Shares issued for executive remuneration	**2 500**	–
Shares cancelled during the year	**(225 085)**	–
Balance at the end of the year	**4 251 279**	4 473 864

Stated capital

Authorised

4 000 000 000 ordinary shares of no par value
(2019: 4 000 000 000 ordinary shares of no par value)

Issued

858 546 348 ordinary shares of no par value
(2019: 913 909 909 ordinary shares of no par value)

	Number	Number
Reconciliation of number of shares in issue		
Balance at beginning of the year	**913 909 909**	889 775 767
Shares issued during the year	**500 000**	24 134 142
Shares issued for business acquisitions	**–**	23 134 142
Shares issues for executive remuneration	**500 000**	1 000 000
Shares cancelled during the year	**(55 863 561)**	
	858 546 348	913 909 909

87 266 914 unissued no par value ordinary shares are under the control of the directors until the next annual general meeting.

Stated capital

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 29 February 2020. Refer to note 12.4 of the consolidated financial statements for detailed information regarding the impact of COVID-19.

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. Refer to note 12.5 of the consolidated financial statements for detailed considerations regarding the going concern assessments performed by management

Annexure — Pro forma information

Basis of preparation and directors' responsibilities for pro forma information

The adoption of the IFRS 16 leasing standard from 1 March 2019 complicates performance comparison between the results of the current and prior financial year. To provide a more meaningful assessment of the group's performance, a pro forma consolidated statement of profit or loss, a pro forma consolidated statement of financial position, a pro forma consolidated statement of cash flows and a segmental report ('the proforma information') has been presented for the year ended 29 February 2020. The pro forma financial information of group as set out has been prepared for illustrative purposes and reflects the group as if IFRS 16 has not been adopted on 1 March 2019.

The directors of Long4Life are responsible for compiling the pro forma financial information on the basis applicable of the criteria as detailed in paragraphs 8.15 to 8.34 of the JSE Listings Requirements and the SAICA Guide on Pro forma Financial Information, revised and issued in September 2014 (applicable criteria). The pro forma information does not constitute financial statements fairly presented in accordance with IFRS. The pro forma information has been prepared for illustrative purposes only and because of its nature may not fairly present the group's financial position, results of operations and cash flows. The group's external auditor, Deloitte and Touche, has issued an unmodified reporting accountants' report on the pro forma information on 13 May 2020. A copy of their report is available for inspection at the group's registered office, and on the next page.

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The Directors
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Dear Sirs/Mesdames

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION INCLUDED IN THE ANNUAL FINANCIAL STATEMENTS OF LONG4LIFE LIMITED FOR THE YEAR ENDED 29 FEBRUARY 2020

We have completed our assurance engagement to report on the compilation of pro forma financial information of Long4Life Limited by the directors. The pro forma financial information, as set out in the Annexure on pages 169 and 172 to 175, of the annual financial statements of Long4Life Limited ("the Group") ("the annual financial statements"), to be dated on or about 13 May 2020, consists of Pro Forma Consolidated Statement of Profit or Loss, Pro Forma Consolidated Statement of Financial Position, Pro Forma Consolidated Statement of Cash Flows, Pro Forma Segmental information and related notes. The pro forma financial information has been compiled on the basis of the applicable criteria specified in the JSE Limited ("JSE") Listings Requirements.

The pro forma financial information has been compiled by the directors to illustrate the impact of the adoption of IFRS 16: Leases, on the Group's financial position as at 29 February 2020, and the Group's financial performance for the period then ended, as if the Group had not adopted IFRS 16 on 1 March 2019 and for the period then ended. As part of this process, information about the Group's financial position, financial performance, cash flows and segmental information has been extracted by the directors from the Group's financial statements for the period ended 29 February 2020, on which an unmodified auditor's report was issued on 13 May 2020.

Directors' Responsibility for the Pro Forma Financial Information

The directors are responsible for compiling the pro forma financial information on the basis of the applicable criteria specified in the JSE Listings Requirements and described in the basis of preparation and directors' responsibilities for pro forma information paragraph in the Annexure to the annual financial statements.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Professional Conduct for Registered Auditors issued by the Independent Regulatory Board for Auditors (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B).

The firm applies the International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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Reporting Accountant's Responsibility

Our responsibility is to express an opinion about whether the pro forma financial information has been compiled, in all material respects, by the directors on the basis specified in the JSE Listings Requirements based on our procedures performed.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus which is applicable to an engagement of this nature*. This standard requires that we comply with ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether the pro forma financial information has been compiled, in all material respects, on the basis specified in the JSE Listings Requirements.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in a prospectus is solely to illustrate the impact of a significant corporate action or event on unadjusted financial information of the entity as if the corporate action or event had occurred or had been undertaken at an earlier date selected for purposes of the illustration, we do not provide any assurance that the actual outcome of the event or transaction at 29 February 2020 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used in the compilation of the pro forma financial information provides a reasonable basis for presenting the significant effects directly attributable to the corporate action or event, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

Our procedures selected depend on our judgment, having regard to our understanding of the nature of the company, the corporate action or event in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria specified by the JSE Listings Requirements and described in the Basis of Preparation and directors' responsibilities for pro forma information paragraph in the Annexure on page 169 of the annual financial statements.

Deloitte & Touche
Registered Auditor
Per: Stephanie Ronander
Partner

13 May 2020

Deloitte & Touche
5 Magwa Crescent
Waterfall City
Waterfall

Pro forma consolidated statement of profit or loss

for the year ended 29 February 2020

	Audited 29 February 2020 R'000	Adjustment IFRS16 R'000	Pro forma 29 February 2020 R'000	Audited 28 February 2019 R'000
Revenue	4 091 446	–	4 091 446	3 642 342
Cost of sales	(2 484 898)	–	(2 484 898)	(2 196 554)
Gross profit	1 606 548	–	1 606 548	1 445 788
Operating expenses	(857 788)	(207 094)[1]	(1 064 822)	(929 467)
Other income	20 785	–	20 785	18 618
Trading profit before amortisation and depreciation	769 545	(207 094)	562 451	534 939
Amortisation: Intangible assets	(36)	–	(36)	(41)
Depreciation: Property, plant and equipment	(95 206)	–	(95 206)	(80 741)
Depreciation: Right–of–use leased assets	(154 158)	154 158[2]	–	–
Trading profit	520 145	(52 936)	467 209	454 157
Share–based payment expense	(40 552)	–	(40 552)	(21 939)
Acquisition costs	(2 067)	–	(2 067)	(8 285)
Capital items	(4 830)	–	(4 830)	4 752
Gains on listed investments held at fair value	27 682	–	27 682	–
Fair value gain on remeasurement of put option liability	12 322	–	12 322	–
Operating profit	512 700	(52 936)	459 764	428 685
Net finance income/(charges)	(4 726)	57 369	52 643	71 579
Finance income	66 692	–	66 692	84 437
Finance charges	(14 049)	–	(14 049)	(12 858)
Finance charges: Right–of–use lease liabilities	(57 369)	57 369[3]	–	–
Share of profits (losses) of associate	609	–	609	(1 572)
Profit before taxation	508 583	4 433	513 016	498 692
Taxation	(139 256)	(1 242)[4]	(140 498)	(142 676)
Profit for the year	369 327	3 191	372 518	356 016
Profit attributable to:				
Shareholders of the company	360 665	3 191	363 856	351 512
Non–controlling interests	8 662	–	8 662	4 504
	369 327	3 191	372 518	356 016
Basic earnings per share (cents)	43.0	0.4	43.4	39.0
Diluted basic earnings per share (cents)	42.4	0.4	42.8	38.5
Headline earnings per share (cents)	43.4	0.4	43.8	38.7
Diluted headline earnings per share (cents)	42.8	0.4	43.2	38.2

Adjustments, which are of a continuing nature, comprise the following:

1 *Reinstatement of operating lease expenses per IAS 17 allocated to operating expenses*

2 *Reversal of IFRS16 depreciation on right of use assets*

3 *Reversal of IFRS16 finance cost on right of use lease liabilities*

4 *Net deferred tax impact of 1, 2 and 3 above at 28%*

The pro forma information reflects the group as if IFRS 16 had not been adopted on 1 March 2019.

Pro forma consolidated statement of financial position

as at 29 February 2020

	Audited 29 February 2020 R'000	Adjustment IFRS16 R'000	Pro forma 29 February 2020 R'000	Audited 28 February 2019 R'000
Assets				
Non–current assets	4 211 265	(521 827)	3 689 438	3 597 478
Property, plant and equipment	601 540	–	601 540	526 502
Right–of–use leased assets	523 069	(523 069)[1]	–	–
Goodwill	2 272 588	–	2 272 588	2 252 854
Intangible assets	787 872	–	787 872	785 887
Deferred taxation assets	20 740	1 242[2]	21 982	22 762
Interest in associate	4 037	–	4 037	3 428
Long–term investments and loans	1 419	–	1 419	6 045
Current assets	2 051 988	–	2 051 988	2 199 185
Inventories	816 606	–	816 606	812 525
Trade and other receivables	321 507	–	321 507	291 768
Taxation receivable	9 347	–	9 347	6 747
Short–term investments	74 893	–	74 893	–
Cash and cash equivalents	829 635	–	829 635	1 088 145
Total assets	6 263 253	(521 827)	5 741 426	5 796 663
Equity and liabilities				
Capital and reserves	4 770 034	84 381	4 854 415	4 871 375
Stated capital	3 893 198	–	3 893 198	4 314 291
Reserves attributable to shareholders of the company	810 447	84 381[3]	894 828	496 795
Non–controlling interests	66 389	–	66 389	60 289
Non–current liabilities	828 323	(443 407)	384 916	398 284
Deferred taxation liabilities	244 303	–	244 303	227 419
Long–term portion of borrowings	73 425	–	73 425	74 839
Long–term portion of right–of–use lease liabilities	480 404	(480 404)[4]	–	–
Long–term portion of put option liability	30 191	–	30 191	48 000
Long–term portion of straight–lining of leases	–	36 997[5]	36 997	48 026
Current liabilities	664 896	(162 801)	502 095	527 004
Trade and other payables	481 285	–	481 285	497 495
Short–term portion of borrowings	9 941	–	9 941	18 105
Short–term portion of right–of–use lease liabilities	162 801	(162 801)[4]	–	–
Short–term portion of put option liability	5 487	–	5 487	–
Provision for taxation	5 382	–	5 382	11 404
Total equity and liabilities	6 263 253	(521 827)	5 741 426	5 796 663
Net asset value per share attributable to ordinary shareholders of the company (cents)	607	11	618	548
Tangible net asset value per share attributable to ordinary shareholders of the company (cents)	212	11	223	202

Adjustments, which are of a continuing nature, comprise the following:

1 *Reversal of IFRS 16 right of use assets*

2 *Tax impact of reversal of IFRS 16*

3 *Reversal of the impact of IFRS 16 adjustments to retained earnings comprising of:*
- *Net transition date adjustment of R81.2 million*
- *Recognition of the current period profit attributable to shareholders of R3.2 million under IAS17*

4 *Reversal of IFRS 16 right of use lease liabilities.*

5 *The straight-lining of lease liability that would have been recognised if IFRS 16 was not adopted on 29 February 2020.*

The pro forma information reflects the group as if IFRS 16 had not been adopted on 29 February 2020.

Pro forma consolidated statement of cash flows

for the year ended 29 February 2020

	Audited 29 February 2020 R'000	Adjustment IFRS16 R'000	Pro forma 29 February 2020 R'000	Audited 28 February 2019 R'000
Cash flows from operating activities	588 170	(149 725)	438 445	390 195
Operating profit	512 700	(52 936)[1]	459 764	428 685
Acquisition costs	2 067	–	2 067	8 285
Depreciation, amortisation and impairments	255 554	(154 158)[2]	101 396	80 782
Non–cash items	(6 200)	–	(6 200)	19 192
Cash generated before changes in net working capital	764 121	(207 094)	557 027	536 944
Changes in working capital	(25 585)	–	(25 585)	(71 854)
Increase (decrease) in inventories	9 745	–	9 745	(104 017)
Decrease in trade and other receivables	(20 620)	–	(20 620)	(37 145)
(Decrease) Increase in trade and other payables	(14 710)	–	(14 710)	69 308
Cash generated by operations	738 536	(207 094)	531 442	465 090
Net finance (charges paid) income received	(4 956)	57 369[1]	52 413	71 579
Taxation paid	(145 410)	–	(145 410)	(146 474)
Cash effects of investment activities	(258 302)	–	(258 302)	(566 462)
Additions to property, plant and equipment	(179 034)	–	(179 034)	(155 316)
Proceeds on disposal of property, plant and equipment	3 429	–	3 429	6 456
Additions to intangible assets	(1 952)	–	(1 952)	(4 782)
Acquisition of businesses and subsidiaries	(40 088)	–	(40 088)	(426 132)
Acquisition of associate	–	–	–	(5 146)
Acquisition of investments and loans	(320 586)	–	(320 586)	(6 368)
Proceeds on disposals of businesses and investments	279 929	–	279 929	24 826
Cash effects of financing activities	(588 378)	149 725	(438 653)	(427 250)
Purchase of treasury shares	(426 513)	–	(426 513)	(159 573)
Borrowings repaid	(159 303)	149 725[1]	(9 578)	(215 887)
Dividends paid	(2 562)	–	(2 562)	(51 790)
Net decrease in cash and cash equivalents	(258 510)	–	(258 510)	(603 517)
Cash and cash equivalents at beginning of year	1 088 145	–	1 088 145	1 691 662
Cash and cash equivalents at end of year	829 635	–	829 635	1 088 145

Adjustments, which are of a continuing nature, comprise the following:

[1] *Reclassification of cashflows relating to lease payments and finance costs in finance activities to cash generated by operations as previously disclosed under IAS 17.*

[2] *Reversal of depreciation on right of use assets to operating profit*

The pro forma information reflects the group as if IFRS 16 had not been adopted on 1 March 2019.

Notes to the pro forma information

for the year ended 29 February 2020

1. Segmental report

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 of the beauty and grooming businesses (Sorbet, Lime Light and Lighthouse) 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.

	Audited 2020 R'000	IFRS 16 adjustment R'000	Pro forma 2020 R'000	% change	Audited 2019 R'000
Segmental revenue	4 091 446	–	4 091 446	**12%**	3 642 342
Sport and Recreation	2 294 015	–	2 294 015	9%	2 113 026
Beverages	1 487 389	–	1 487 389	10%	1 355 450
Personal Care and Wellness	310 042	–	310 042	78%	173 866
Segmental trading profit before depreciation and amortisation	769 545	(207 094)	562 451	**5%**	534 939
Sport and Recreation	578 277	(196 482)	381 795	1%	379 682
Beverages	164 887	(852)	164 035	(5%)	172 172
Personal Care and Wellness	78 312	(7 789)	70 523	73%	40 801
Corporate	(51 931)	(1 971)	(53 902)	(7%)	(57 716)
Depreciation and amortisation	(249 400)	154 158	(95 242)	**18%**	(80 782)
Sport and Recreation	(210 772)	145 614	(65 158)	11%	(58 549)
Beverages	(24 961)	703	(24 258)	32%	(18 419)
Personal Care and Wellness	(9 567)	6 200	(3 367)	78%	(1 891)
Corporate	(4 100)	1 641	(2 459)	28%	(1 923)
Trading profit	520 145	(52 936)	467 209	**3%**	454 157
Sport and Recreation	367 505	(50 868)	316 637	(1%)	321 133
Beverages	139 926	(149)	139 777	(9%)	153 753
Personal Care and Wellness	68 745	(1 589)	67 156	73%	38 910
Corporate	(56 031)	(330)	(56 361)	(5%)	(59 639)
Share–based payment expense	(40 552)	–	(40 552)		(21 939)
Acquisition costs	(2 067)	–	(2 067)		(8 285)
Capital items	(4 830)	–	(4 830)		4 752
Gains on listed investments held at fair value	27 682	–	27 682		–
Fair value gain on remeasurement of put option liability	12 322	–	12 322		–
Operating profit	512 700	(52 936)	459 764		428 685
Net finance income	52 643	–	52 643		71 579
Finance charges: Right–of–use lease liability	(57 369)	57 369	–		–
Share of profit (losses) from associate	609	–	609		(1 572)
Profit before tax	508 583	4 433	513 016		498 692

Shareholders information

Shareholder Spread	Number of Shareholdings	% of total shareholdings	Number of Shares	% of issued Capital
1 – 1,000	3 556	30.96%	954 587	0.11%
1,001 – 10,000	4 571	39.80%	20 975 093	2.44%
10,001 – 100,000	2 789	24.28%	85 571 231	9.97%
100,001 – 1,000,000	454	3.95%	133 424 705	15.54%
Over 1,000,000	115	1.00%	617 620 732	71.94%
Total	11 485	100.00%	858 546 348	100.00%

Distribution of Shareholders	Number of Shareholdings	% of total shareholdings	Number of Shares	% of issued Capital
Assurance Companies	146	1.27%	48 114 565	5.60%
BEE Entities	1	0.01%	6 304	0.00%
Close Corporations	80	0.70%	2 194 261	0.26%
Collective Investment Schemes	198	1.72%	238 307 023	27.76%
Custodians	14	0.12%	3 713 683	0.43%
Foundations & Charitable Funds	102	0.89%	12 420 515	1.45%
Hedge Funds	21	0.18%	26 860 182	3.13%
Insurance Companies	8	0.07%	4 384 585	0.51%
Investment Partnerships	60	0.52%	3 110 665	0.36%
Managed Funds	31	0.27%	3 883 102	0.45%
Medical Aid Funds	7	0.06%	2 115 687	0.25%
Organs of State	6	0.05%	22 625 233	2.64%
Private Companies	287	2.50%	148 504 870	17.30%
Public Companies	11	0.10%	67 588 959	7.87%
Retail Shareholders	9 443	82.22%	142 111 601	16.55%
Retirement Benefit Funds	151	1.31%	34 446 935	4.01%
Scrip Lending	3	0.03%	6 300 130	0.73%
Share Schemes	1	0.01%	3 494	0.00%
Sovereign Funds	1	0.01%	20 014 289	2.33%
Stockbrokers & Nominees	19	0.17%	4 862 490	0.57%
Trusts	894	7.78%	66 977 774	7.80%
Unclaimed Scrip	1	0.01%	1	0.00%
Total	11 485	100.00%	858 546 348	100.00%

* Pursuant to the provisions of Section 56 of the Companies Act, 2008, disclosures from foreign nominee companies have been included in this analysis.

Shareholder Type	Number of Shareholdings	% of total shareholdings	Number of shares	% of issued capital
Non–Public Shareholders	11	0.10%	40 135 636	4.67%
Directors	11	0.10%	40 135 636	4.67%
Public Shareholders	11 474	99.90%	818 410 712	95.33%
Total	11 485	100%	858 546 348	100%

Fund Managers With A Holding Greater Than 3% of The Issued Shares	Number of shares	% of issued capital
Allan Gray	55 535 670	6.47%
Stanlib Asset Management	53 261 902	6.20%
PSG Asset Management	36 136 203	4.21%
36One Asset Management	29 265 590	3.41%
Aylett & Co	27 864 043	3.25%
Vanguard Investment Management	26 342 289	3.07%
Total	228 405 697	26.60%

Beneficial Shareholders With A Holding Greater Than 3% Of The Issued Shares	Number of shares	% of issued capital
Long 36 (Pty) Ltd	59 503 123	6.93%
Investec Ltd	58 194 810	6.78%
Allan Gray	40 565 149	4.72%
Liberty Group	38 233 149	4.45%
PSG	36 050 403	4.20%
Vanguard	26 342 289	3.07%
Total	258 888 923	30.15%

Geographical Split of Beneficial Shareholders	Number of shares	% of issued capital
South Africa	766 376 933	89.26%
United States	51 811 196	6.03%
Norway	20 014 289	2.33%
Cayman Islands	4 494 174	0.52%
Rest of the World[1]	15 849 756	1.85%
Total	858 546 348	100.00%

[1] *Represents all shareholdings except those in the above regions.*

Total number of shareholdings	**11 485**
Total number of shares in issue	**858 546 348**

Share Price Performance	
Opening Price 01 March 2019	R4.55
Closing Price 29 February 2020	R3.19
Closing High for period	R5.00
Closing low for period	R3.09
Number of shares in issue	858 546 348
Volume traded during period	357 855 334
Ratio of volume traded to shares issued (%)	41.68%
Rand value traded during the period	R1 496 877 961
Price/earnings ratio as at 29 February 2020	8.58
Earnings yield as at 29 February 2020	11.66
Dividend yield as at 29 February 2020	–
Market capitalisation at 29 February 2020	R2 738 762 850

Administration

Directors

Independent non-executive directors
Graham Dempster (Chairman)
Lionel Jacobs
Keneilwe Moloko
Tasneem Abdool-Samad

Executive directors
Brian Joffe (Chief executive officer)
Mireille Levenstein (Chief financial officer)
Colin Datnow (Chief operating officer)

Company secretary

Marlene Klopper

Corporate information

Long4Life Limited
("L4L", "the group", or "the company")
Incorporated in the Republic of South Africa
Registration number: 2016/216015/06
Share code: L4L
ISIN: ZAE000243119

Transfer secretaries
Computershare Investor Services
Proprietary Limited
Registration number: 2004/003647/07
1st Floor, Rosebank Towers
13-15 Biermann Avenue
Rosebank, Johannesburg, 2196
Private Bag X9000, Saxonwold, 2132
Telephone +27 (11) 370 5000

Sponsor
The Standard Bank of South Africa Limited
30 Baker Street, Rosebank
South Africa, 2196

Independent auditors
Deloitte & Touche
Practice number: 902276
Deloitte Place
5 Magwa Cresent, Waterfall City, Waterfall, 2090
Private Bag X6, Gallo Manor, 2052

Registered office
7th Floor, Rosebank Towers
13-15 Biermann Avenue
Rosebank, Johannesburg, 2196
PO Box 521870, Saxonwold, 2132

Further information regarding our group can be found on the Long4Life website:

www.long4life.co.za

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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 third 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 Wednesday, 1 July 2020 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, 22 May 2020, 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 Tuesday, 23 June 2020.

Only shareholders who are recorded in the register of members of the company on Friday,26 June 2020 will be entitled to participate in and vote at the Annual General Meeting.

Salient dates

Important issue	Date
Audited provisional summarised results uploaded on www.long4life.co.za	Thursday, 14 May 2020
Record date for receipt of notice of Annual General Meeting	Friday, 22 May 2020
Distribute Annual General Meeting notice and audited financial statements	Friday, 29 May 2020
Last day to trade in order to be eligible to participate in and vote at the Annual General Meeting	Tuesday, 23 June 2020
Record date to determine which L4L shareholders are entitled to participate in and vote at the Annual General Meeting	Friday, 26 June 2020
Last day to lodge forms of proxy with the transfer secretaries for the Annual General Meeting	Tuesday, 30 June 2020
Hand proxy to Chairman prior to the commencement of the Meeting if not lodged by Tuesday, 30 June 2020 by not later than 09h00	Wednesday, 1 July 2020
Annual General Meeting to be held at 09:00	Wednesday, 1 July 2020
Results of Annual General Meeting released on SENS on	Wednesday, 1 July 2020

Approval required for resolutions

Ordinary resolutions numbers 1 to 7 and resolution number 9 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 8 and special resolutions numbers 1 to 3 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 proxy forms 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 Private bag X9000, Saxonwold, 2132. South Africa, to be received by them not later than 09:00 on Tuesday, 30 June 2020. 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 proxy forms to the company's transfer secretaries by the aforementioned time and date and will still be able to deliver their completed proxy forms 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).

Proxy forms 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 e–mail to the company secretary on info@long4life.co.za by no later than 10:00 on Tuesday, 30 June 2020 that they wish to participate via electronic communication at the Annual General Meeting ("**Electronic Notice**").

Teleconferencing facilities and electronic voting 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 endeavors on or before Tuesday, 30 June 2020, 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 license 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 29 February 2020 (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.

Presentation of the annual financial statements

The audited annual financial statements, including the directors' report, auditor's report and report of the audit and risk committee for the year ended 29 February 2020 will be presented to shareholders at the Annual General Meeting 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.

Ordinary resolutions

1. Ordinary resolution number 1: Re–election of directors retiring by rotation

Resolved that Mrs T Abdool–Samad, 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.

2. Ordinary resolution number 2: Re–appointment of Independent External Auditors

Resolved that the re–appointment of the independent external auditors, Deloitte and Touche, as recommended by the Company's Audit and Risk Committee, as independent registered auditors of the company for the financial year ending 28 February 2021, be and is hereby approved. It is noted that Mrs S Ronander is registered currently as the designated audit partner.

3. Ordinary resolution number 3: 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 members of the company's Audit and Risk Committee, to hold office until the conclusion of the next Annual General Meeting:

3.1 T Abdool–Samad (Chairman) (subject to ordinary resolution number 1 being passed)

3.2 K R Moloko

3.3 L I 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 K R Moloko and Mr L I Jacobs for election to the Audit and Risk Committee.

4. Ordinary resolution number 4: Appointment of Remuneration committee member and chairman

Following the company's announcement of the appointment of K Moloko as member and chairman of the group's nomination and remuneration committee in January 2020, a further decision was taken to separate the company's nomination and remuneration committee (previously one committee with one chairman) into two separate and distinct committees, each with its own chairman which will be an independent non–executive director.

Resolved that the appointment of Keneilwe Rachel Moloko (a non–executive director since 1 November 2017) as member and chairman of the group's remuneration committee be and is hereby ratified.

5. Ordinary resolution number 5: Appointment of Nomination committee member and chairman

Resolved that the appointment of Graham Wayne Dempster (a non–executive director since April 2017) as member and chairman of the group's nomination committee be and is hereby ratified.

6. Ordinary resolution number 6: 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 68 to 72 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 required by the JSE Listings Requirements. In the event that the Remuneration Policy is voted against by shareholders exercising 25% or more of the voting rights exercised, the company will invite dissenting shareholders to engage with it on their concerns in line with the provisions of the JSE Listings Requirements.

Resolved that the remuneration policy be and is hereby approved by way of a non-binding advisory vote.

7. Ordinary resolution 7: 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 73 to 79 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 required by the JSE Listings Requirements. Should the Remuneration Implementation Report be voted against by shareholders exercising 25% or more of the voting rights exercised, the company will invite dissenting shareholders to engage with it on their concerns in line with the provisions of the JSE Listings Requirements.

Resolved that the remuneration implementation report be and is hereby approved by way of a non–binding advisory vote.

8. Ordinary resolution number 8: General authority to issue shares for cash

The board of directors are of the opinion that this authority is particularly appropriate during these uncertain times when the requirement to raise cash at short notice may arise.

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 774 443 995 shares (which number excludes 84 102 353 treasury shares) as at the date of this notice of Annual General Meeting, being 77 444 400 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 8 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 8 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 774 443 995 shares.

Special resolutions

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 2020) may not in the aggregate exceed 20% (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;
- 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; and
- the board of directors, after considering the effect of the maximum repurchase, are of the opinion that for a period of 12 months after the date of this notice:
  - the company and the group will, in the ordinary course of business, be able to pay its debts;
  - the assets of the company and the group, being fairly valued in accordance with International Financial Reporting Standards will be in excess of the liabilities of the company and the group;
  - the share capital and reserves of the company and the group will be adequate for ordinary business purposes; and
  - the working capital of the company and the group will be adequate for ordinary business purposes.

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 176 and 177
- share capital of the company, page 152
- directors' responsibility statement hereunder

The directors, whose names appear on pages 14 and 15 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.

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.

Directors' statement on the utilisation of the general repurchase authority

The directors intend, should the proposed authority be granted to them in terms of this resolution, to use such authority to continue, at appropriate times and when the market conditions and price justify such actions, to repurchase shares on the open market.

2. Special resolution number 2: General authority to provide financial assistance to related or inter–related companies

Resolved that, to the extent required in terms of, and subject to the provisions of, sections 44 and 45 of the Companies Act, the shareholders of the Company hereby approve, at any time and from time to time during the period of two years commencing on the date of the adoption of this special resolution number 2, subject to compliance with the requirements of the Company's Memorandum of Incorporation, the Companies Act and the JSE Listings Requirements, each as presently constituted and as amended from time to time, any direct or indirect financial assistance as contemplated in such sections of the Companies Act to any person or one or more related or inter–related companies or corporations of the Company, on such terms and conditions as the board of directors of the Company, or any one or more persons authorised by the board of directors of the Company from time to time for such purpose, deem fit.

The purpose for this authority is to grant the board of directors the authority to authorise the Company to provide intra–group loans and other financial assistance for purposes of funding the activities of the Group. The board undertakes that:

- it will not adopt a resolution to authorise such financial assistance, unless the board is satisfied that:
  - immediately after providing the financial assistance, the Company would satisfy the solvency and liquidity test as contemplated in the Companies Act; and
  - the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company;
- written notice of any such resolution by the board shall be given to all shareholders of the Company and any trade union representing its employees within 10 (ten) business days after the board adopted the resolution, if the total value of the financial assistance contemplated in that resolution, together with any previous such resolution during the financial year, exceeds 0.1% of the Company's net worth at the time of the resolution or within 30 business days after the end of the financial year, in any other case.

Reason for and effect of special resolution number 2:

Special resolution number 2 is required to be approved in order to authorise and enable the Company to provide financial assistance, when the need arises, in accordance with the provisions of sections 44 and 45 of the Companies Act. The authority sought in terms of this resolution shall endure for a period of two years after the adoption of this special resolution number 2. In order for this resolution to be passed the support of at least 75% of the voting rights exercised on the resolution is required.

3. Special resolution number 3: Non–Executive Directors' remuneration for service as directors

Shareholders are advised that the company has taken a decision to separate the Nomination and Remuneration committee into two separate committees with effect from 1 March 2020. This change is represented in the proposed fees payable to non–executive directors as set out below.

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 2021 (and for the period 1 March 2020 to the date of the 2021 Annual General Meeting) on the basis set out below, for their service as directors with effect from 31 July 2020, be and is hereby approved by way of a special resolution of the shareholders:

		Per meeting (excl VAT)
2.1	**Board**	
	(a) Chairman	R83 500
	(b) Non–executive directors	R53 500
	Committees	
2.2	**Audit and Risk Committee**	
	(a) Chairman	R53 500
	(b) Member	R40 100
2.3	**Nomination Committee**	
	(a) Chairman	R33 400
	(b) Member	R26 800
2.4	**Remuneration Committee**	
	Chairman	R33 400
	Member	R26 800
2.5	**Social, Ethics and Transformation Committee**	
	(a) Chairman	R33 400
	(b) Member	R26 800
2.6	**Acquisitions Committee**	
	(a) Chairman	R27 900
	(b) Member	R22 300

Reason for and effect of special resolution number 3:

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 3 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.

4. Ordinary resolution number 9: Director's 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

29 May 2020

Notes

Form of proxy

LONG4LIFE LIMITED
Registration number: 2016/216015/06
Share code: L4L
ISIN: ZAE000243119
("**the company**" or "**L4L**")

This proxy form relates to the third Annual General Meeting of the company to be held on Wednesday, 1 July 2020 at 09h00 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 Friday, 26 June 2020. Terms used in this proxy form have the meanings given to them in the notice of meeting to which this proxy form 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 proxy form 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

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** Re–election of Mrs T Abdool–Samad			
2.	**Ordinary resolution number 2** Re–appointment of External Auditors, Deloitte & Touche			
3.	**Ordinary resolution number 3** Appointment of Audit and Risk Committee members			
	3.1 T Abdool–Samad (Chairman)			
	3.2 K R Moloko			
	3.3 L I Jacobs			
4.	**Ordinary resolution number 4** Ratification of the appointment of Keneilwe Rachel Moloko as member and chairman of the group's remuneration committee			
5.	**Ordinary resolution number 5** Ratification of the appointment of Graham Wayne Dempster as member and chairman of the group's nomination committee			
6.	**Ordinary resolution number 6** Advisory endorsement of the group's Remuneration policy			
7.	**Ordinary resolution number 7** Advisory endorsement of the group's Remuneration Implementation Report			
8.	**Ordinary resolution number 8** General authority to issue shares for cash			
9.	**Special resolution number 1** General authority to repurchase company shares			
10.	**Special resolution number 2** General authority to provide financial assistance			
11.	**Special resolution number 3** Non–executive directors' remuneration for services as directors			
12.	**Ordinary resolution number 9** Director's authority to implement ordinary and special resolutions			

Signed at on 2020.

Signature:

Assisted (if applicable) by (name) (signature)

Notes to form of proxy

1. This proxy form 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 Private Bag X9000, Saxonworld, 2132, South Africa, to be received by them not later than 09h00 on Tuesday, 30 June 2020. Shareholders are requested, but not obliged, to ensure that their completed proxy forms are received by not later than 09h00 on Tuesday, 30 June 2020. 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 proxy form to the company's transfer secretaries by the aforementioned time and date and will still be able to deliver their completed proxy forms to the Chairman of the Meeting at any time prior to the commencement of the Meeting.
2. This proxy form 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 proxy form 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 proxy form. 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 proxy form 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 proxy form may delegate the authority given to him in this proxy form by delivering to the company, in the manner required by these instructions, a further proxy form, which has been completed in the manner consistent with the authority given to the proxy in this proxy form.
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 proxy form will remain valid until the end of the Meeting, even if the Meeting or a part thereof is postponed or adjourned. The proxy form 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 initialed by the signatory/ies.
13. The Chairman of the Annual General Meeting may, in his/her discretion, accept or reject any proxy form 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 proxy form, 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
    - Private bag X9000 Saxonwold, 2132.

    Shareholders are requested, but not obliged, to ensure that their completed proxy forms are received by no later than 09h00 on Tuesday, 30 June 2020.
16. This proxy form shall, in addition to the authority granted under the Companies Act, except insofar as this proxy form 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 proxy form or on separate written instructions that accompany this proxy form. Accordingly, if:

    16.1 an L4L shareholder does not indicate on this instrument that the proxy is to vote in favor 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

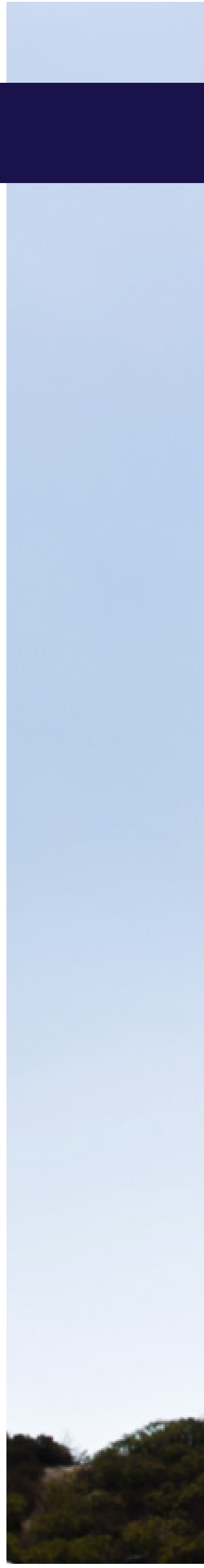
    16.3 any additional resolution/s are properly put before the Meeting; or

    16.4 any resolution listed in the proxy form 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 clauses16.1 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 proxy form 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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