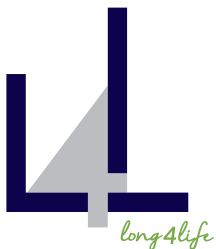


Living the Experience



# LONG4LIFE LIMITED INTERIM RESULTS

FOR THE SIX MONTHS ENDED 31 AUGUST 2020



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# UNAUDITED RESULTS

For the six months ended 31 August 2020

## Salient features

All divisions significantly impacted by COVID trading restrictions	Focus on cash preservation	Improvement in working capital management	Net cash and cash equivalents: R821 million
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## Commentary

Long4Life Limited (“Long4Life” or “the group” or “the company”) holds a portfolio of assets in the leisure and lifestyle sectors and is currently structured into three operating divisions: Sport and Recreation, Beverages and Personal Care and Wellness.

## Overview

This first half of the 2021 financial year has been difficult and unpredictable following the significant disruption on all group businesses as a result of the COVID-19 pandemic. While the financial performance over the last six months has been constrained, it is pleasing that the majority of the group’s businesses have emerged from the pandemic relatively unscathed and more resilient in many respects.

With group revenues reduced materially whilst stores were closed, our primary financial objective in the early stages of the lockdown was to curtail expenditure and preserve cash. The safety and wellbeing of our employees, customers and suppliers was prioritised. We have monitored our inventory levels and future stock purchases and have encouraged our businesses to continue to invest in marketing initiatives to raise awareness of the brands. We also focused on enhancing our online shopping capabilities with investment in this area during the period.

We are very pleased with the measures taken during this extraordinary time by the various management teams across group. We are continuously trying to determine and anticipate what the “new normal” will be post the COVID-19 crisis and to adapt our business activities accordingly.

## Financial overview

The restricted trading environment has meant that comparisons with the previous period’s numbers are not meaningful.

The group’s first half, which operated almost entirely within the disrupted trading conditions, did well to deliver revenue and trading profit for the period of R1.421 billion (Aug 2019: R1.838 billion) and R49.1 million (Aug 2019: R200.7 million), respectively. Operating expenses were well contained, decreasing some 15%, aided by some rental relief and UIF/TERS receipts.

Basic earnings per share and headline earnings per share amounted to 0.8 cents (Aug 2019: 14.5 cents) per share based on a weighted average number of shares in issue of 765.4 million (Aug 2019: 875.2 million shares). The group’s share buy-back programme continued during the period with the acquisition of 41.1 million shares (40 million shares were subsequently cancelled) at an average price of R2.76 per share, amounting to R113.6 million.

The group’s efforts toward building leaner, more agile businesses with a focus on improved asset management translated into an increase in operating cash flows in the period. Cash generated by operations amounted to R246.5 million (Aug 2019: R217.3 million), with a pleasing reduction in working capital of R72.7 million.

Similarly, the measures taken during this extraordinary time have also ensured that the group’s balance sheet remains solid with a cash balance of R821 million, notwithstanding the ongoing share buyback programme.

# Commentary (continued)

## Operational review

### Sport and Recreation division

This division comprises Sports Retail, Outdoor Warehouse and Performance Brands.

Revenue amounted to R826.9 million, with a trading profit of R94.8 million. The division's gross profit margin was unchanged at 46.7%, notwithstanding the focus on inventory clearance during the period. The retail divisions experienced price inflation of approximately 2.7% (Aug 2019: 1.1%) and the average trading area increased by 1.8%.

- **Sports Retail** operates out of 45 Sportsmans Warehouse stores, two Shelflife stores and online. All stores were closed from 27 March to 30 April 2020 with trading of only winter apparel allowed during May 2020. Total sales decreased by 14%. Although team sports at club and school level were significantly curtailed and sales in these categories were largely lost, this was somewhat offset by increased demand for home exercise equipment, home games, running, cycling and fitness merchandise. Revenue from online sales increased by 178% with investment made into the online capability to manage the demand and ensure a superior customer experience.
- **Outdoor Retail** trades from 27 Outdoor Warehouse stores. Travel limitations as well as compromised school holidays weighed on the performance of these stores. Camping and off-road products, specifically, were limited and overall sales declined 36%. Since the easing of interprovincial travel restrictions, Outdoor Warehouse has experienced strong growth in sales across all inventory categories during August and September 2020. With minimal outbound international travel being forecast, Outdoor Warehouse is likely to be a beneficiary as South Africans increase their local travel options.
- **Performance Brands** owns, designs, procures, manufactures and distributes the First Ascent, CapeStorm, Second Skins, OTG Active and African Nature brands and has distribution rights for Speedo and Opro. External sales as well as trade with Long4Life's retail outlets decreased by 46%. Sales were severely affected by minimal demand from the lodge, school and corporate sectors, but pleasing growth in online business was experienced. The local manufacturing facility has been restructured and is now operating at better efficiency.

Customer preference over the past period is for destination shopping over mall visits. This is beneficial as the convenient locations of most Sportsmans Warehouse stores and all Outdoor Warehouse stores are in strip malls and outside the larger malls.

With the onset of COVID-19, the trend of South Africans moving towards a lifestyle that is healthier and more focused on outdoor activities has accelerated and these businesses provide a compelling offering to service this need. Since 31 August 2020, trading has continued to improve.

### Beverages division

The Beverages division comprises the businesses of Inhle Beverages and Chill Beverages.

The division's revenue decreased to R500.8 million with a trading loss of R5.3 million. While the operations traded throughout lockdown, it was at significantly reduced volumes due to the suspension of alcohol sales as well as very limited on-consumption sales. Co-packing volumes, including sales in the Fitch & Leedes mixer brand were particularly hard-hit. Score Energy's performance was pleasing.

There has been an uptick in volumes at both Inhle and Chill and in September 2020 both plants were close to full capacity, with our co-packing customers gearing up for buoyant summer sales. Our own brands, Score Energy and Fitch & Leedes, are well placed to continue growing market share with new product and flavour launches planned for the summer and in the 2021 calendar year.

### Personal Care and Wellness division

This division comprises both the beauty and grooming businesses, Sorbet, Lime Light and the health business, ClaytonCare. The Personal Care and Wellness division's revenue amounted to R93.3 million, with a trading loss amounting to R22.0 million.

# Commentary (continued)

**Sorbet** stores were unable to trade until end of June 2020 and when opened, operated with restricted capacity. Revenue in Sorbet declined by 69%. The results were also impacted due to franchise fee reliefs granted to the franchisees, as well as considerable costs incurred in providing support to franchise partners (food vouchers and other assistance).

Sorbet currently has a total of 211 outlets comprising 165 salons and nail bars, 23 Sorbet Man, 15 Dry Bar and eight Candi & Co stores. Regrettably, nine salons closed during the period whilst two new salons opened. Sorbet's sales are showing improvement month-on-month as more customers frequent the salons. However, the market is expected to remain subdued and various strategies are currently being reviewed to ensure maximisation of opportunity within its market.

**Lime Light** procures and distributes hair and beauty products and equipment to professional salons, and the business delivered a modest profit during the period, with margins remaining intact for the period under review. The business has grown its product offering and its customer reach, and we are confident in its ability to gain additional market share.

**ClaytonCare**, which is a sub-acute rehabilitation medical group, was impacted as elective procedures came to a standstill. Overall, bed occupancy was down approximately 10%, with total revenue down by 3%. Costs increased due to the rotation of nurses, higher investment in PPE, and separation of wards to secure the safety and wellness of staff and patients alike. An improved performance is expected from ClaytonCare for the next six months as the pandemic subsides further, and elective surgery resumes in acute hospitals.

## Corporate

Corporate costs declined primarily due to reduction in executive remuneration. The corporate office remains well-positioned to continue providing the guidance needed to build the momentum for all businesses, and to take advantage of any future investments that might be suitable as additions to the portfolio.

## Dividend

The board has resolved not to declare a dividend for the period.

## Prospects

While the future remains uncertain and we remain cautious that the effects of COVID-19 will constrain the economy for some time, the majority of markets which we serve are in the process of recovery. Since the recent easing of the lockdown, there has been a marked improvement in trading across most of our businesses. Additionally, given the seasonality of all our businesses we anticipate increased demand in the summer months for our products.

We have a respected, aspirational brand portfolio which is aligned to serving post-pandemic growth sectors, such as recreation, health, wellness, beauty and outdoor activity. As consumer spend is currently biased on expenditure for the home, health and personal well-being, this augurs well for us to participate positively in this changing market dynamic. Our e-commerce offering has additionally been significantly strengthened.

Long4Life will remain focused on its key strategies and on managing working capital and costs in line with prevailing market conditions. The businesses remain resilient, cash generative and innovative, underpinned by strong management teams and sought-after brands.

The group continues to review investment opportunities.

This prospects statement has not been reviewed and reported on by the group's external auditors.

Signed on behalf of the board

**Brian Joffe**  
Chief executive officer

Johannesburg, South Africa  
20 October 2020

**Mireille Levenstein**  
Chief financial officer

# Condensed interim consolidated statement of profit or loss

for the six months ended 31 August 2020

	Notes	Unaudited six months ended 31 August 2020 R'000	Unaudited six months ended 31 August 2019 R'000	Audited year ended 29 February 2020 R'000
<b>Revenue</b>	4	<b>1 420 975</b>	1 837 656	4 091 446
Cost of sales		<b>(907 081)</b>	(1 118 733)	(2 484 898)
<b>Gross profit</b>		<b>513 894</b>	718 923	1 606 548
Operating expenses		<b>(345 390)</b>	(407 678)	(857 788)
Other income		<b>10 737</b>	11 638	20 785
<b>Trading profit before amortisation and depreciation</b>		<b>179 241</b>	322 883	769 545
Amortisation: Intangible assets		<b>(552)</b>	(16)	(36)
Depreciation: Property, plant and equipment		<b>(49 457)</b>	(46 239)	(95 206)
Depreciation: Right-of-use lease assets		<b>(80 152)</b>	(75 921)	(154 158)
<b>Trading profit</b>		<b>49 080</b>	200 707	520 145
Share-based payment expense		<b>(17 964)</b>	(17 657)	(40 552)
Acquisition costs		<b>(345)</b>	(656)	(2 067)
Capital items		<b>(344)</b>	594	(4 830)
Net (losses) gains on investments held at fair value		<b>(13 137)</b>	-	27 682
Fair value gain on remeasurement of put option liability		<b>-</b>	-	12 322
<b>Operating profit</b>		<b>17 290</b>	182 988	512 700
Net finance income		<b>21 868</b>	35 917	52 643
Finance charges: Right-of-use lease liabilities		<b>(28 691)</b>	(35 227)	(57 369)
Share of (losses) profits of associate		<b>(296)</b>	299	609
<b>Profit before taxation</b>		<b>10 171</b>	183 977	508 583
Taxation		<b>(2 612)</b>	(52 675)	(139 256)
<b>Profit for the period</b>		<b>7 559</b>	131 302	369 327
<b>Profit attributable to:</b>				
Shareholders of the company		<b>6 072</b>	127 338	360 665
Non-controlling interests		<b>1 487</b>	3 964	8 662
		<b>7 559</b>	131 302	369 327
Basic earnings per share (cents)		<b>0.8</b>	14.5	43.0
Diluted basic earnings per share (cents)		<b>0.8</b>	14.3	42.4

# Condensed interim consolidated statement of other comprehensive income

for the six months ended 31 August 2020

	Unaudited six months ended 31 August 2020 R'000	Unaudited six months ended 31 August 2019 R'000	Audited year ended 29 February 2020 R'000
<b>Profit for the period</b>	<b>7 559</b>	131 302	369 327
<b>Other comprehensive income net of taxation</b>			
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translating foreign operations	-	2	20
<b>Total comprehensive income for the period</b>	<b>7 559</b>	131 304	369 347
<b>Attributable to:</b>			
Shareholders of the company	<b>6 072</b>	127 340	360 685
Non-controlling interest	<b>1 487</b>	3 964	8 662
	<b>7 559</b>	131 304	369 347

# Condensed interim consolidated statement of financial position

as at 31 August 2020

	Notes	Unaudited 31 August 2020 R'000	Unaudited 31 August 2019 R'000 Restated	Audited 29 February 2020 R'000
<b>Assets</b>				
<b>Non-current assets</b>		<b>4 133 365</b>	4 181 675	4 211 265
Property, plant and equipment		580 226	593 352	601 540
Right-of-use lease assets		461 822	472 902*	523 069
Goodwill		2 272 588	2 271 896	2 272 588
Intangible assets		788 045	787 756	787 872
Deferred taxation assets		25 566	29 351*	20 740
Interest in associate		3 741	5 372	4 037
Other investments and loans		1 377	21 046	1 419
<b>Current assets</b>		<b>1 841 732</b>	2 076 405	2 051 988
Inventories		721 469	904 453	816 606
Trade and other receivables		230 246	274 764	321 507
Taxation receivable		31 774	25 727	9 347
Short-term investments		37 091	-	74 893
Cash and cash equivalents		821 152	871 461	829 635
<b>Total assets</b>		<b>5 975 097</b>	6 258 080	6 263 253
<b>Equity and liabilities</b>				
<b>Capital and reserves</b>		<b>4 661 986</b>	4 828 532*	4 770 034
Stated capital	5	3 782 833	4 207 219	3 893 198
Reserves attributable to shareholders of the company		821 093	558 392*	810 447
Non-controlling interests		58 060	62 921	66 389
<b>Non-current liabilities</b>		<b>713 126</b>	858 282	828 323
Deferred taxation liabilities		244 448	241 131	244 303
Long-term portion of borrowings	7	875	70 390	73 425
Long-term portion of right-of-use lease liabilities		437 094	498 761*	480 404
Long-term portion of put option liability		30 709	48 000	30 191
<b>Current liabilities</b>		<b>599 985</b>	571 266	664 896
Trade and other payables		367 638	449 318	481 285
Short-term portion of borrowings	7	77 616	17 707	9 941
Short-term portion of right-of-use lease liabilities		150 537	101 133	162 801
Short-term portion of put option liability		-	-	5 487
Provision for taxation		4 194	3 108	5 382
<b>Total equity and liabilities</b>		<b>5 975 097</b>	6 258 080	6 263 253

\* Restated - refer to note 6



# Condensed interim consolidated statement of cash flows

for the six months ended 31 August 2020

	Unaudited six months ended 31 August 2020 R'000	Unaudited six months ended 31 August 2019 R'000	Audited year ended 29 February 2020 R'000
<b>Cash flows from operating activities</b>	<b>208 729</b>	132 594	588 170
Operating profit	17 290	182 988	512 700
Acquisition costs	345	656	2 067
Depreciation and amortisation	130 161	122 176	255 554
Non-cash items	25 916	16 830	(6 200)
<b>Cash generated before changes in net working capital</b>	<b>173 712</b>	322 650	764 121
<b>Changes in working capital</b>	<b>72 747</b>	(105 328)	(25 585)
Decrease (increase) in inventories	95 137	(77 328)	9 745
(Increase) decrease in trade and other receivables	91 261	20 255	(20 620)
Increase (decrease) in trade and other payables	(113 651)	(48 255)	(14 710)
<b>Cash generated by operations</b>	<b>246 459</b>	217 322	738 536
Net finance income (charges)	(6 823)	646	(4 956)
Taxation paid	(30 907)	(85 374)	(145 410)
<b>Cash flows from investment activities</b>	<b>(19 280)</b>	(168 090)	(258 302)
Additions to property, plant and equipment	(29 406)	(111 764)	(179 034)
Proceeds on disposal of property, plant and equipment	764	600	3 429
Additions to intangible assets	(384)	(1 878)	(1 952)
Acquisition of businesses and subsidiaries	(14 961)	(38 677)	(40 088)
Loans to associate	-	(1 600)	-
Acquisition of investments and loans	(60 872)	(14 771)	(320 586)
Proceeds on disposal of investments	85 579	-	279 929
<b>Cash flows from financing activities</b>	<b>(197 932)</b>	(181 188)	(588 378)
Purchase of treasury shares	(113 603)	(109 572)	(426 513)
Borrowings repaid	(78 455)	(70 284)	(159 303)
Right-of-use lease liabilities	(73 580)	(65 157)	(149 725)
Other borrowings	(4 875)	(5 127)	(9 578)
Dividends paid	(905)	(1 332)	(2 562)
Settlement of put option liability	(4 969)	-	-
<b>Net decrease in cash and cash equivalents</b>	<b>(8 483)</b>	(216 684)	(258 510)
Cash and cash equivalents at beginning of period	829 635	1 088 145	1 088 145
<b>Cash and cash equivalents at end of period</b>	<b>821 152</b>	871 461	829 635

# Condensed interim consolidated statement of changes in equity

for the six months ended 31 August 2020

	Note	Unaudited six months ended 31 August 2020 R'000	Unaudited six months ended 31 August 2019 R'000 Restated	Audited year ended 29 February 2020 R'000
<b>Equity attributable to shareholders of the company</b>		<b>4 603 926</b>	4 765 611*	4 703 645
Stated capital	5	<b>3 782 833</b>	4 207 219	3 893 198
Balance at beginning of the period		<b>3 893 198</b>	4 314 291	4 314 291
Shares issued during the period		-	2 500	2 500
Shares cancelled during the period		<b>(110 333)</b>	-	(225 085)
Less: Treasury shares acquired during the period by subsidiaries		<b>(32)</b>	(109 572)	(198 508)
Transactional costs for issuing equity instruments		<b>(20 435)</b>	(20 435)	(20 435)
Foreign currency translation reserve		<b>(365)</b>	(383)	(365)
Balance at beginning of the period		<b>(365)</b>	(385)	(385)
Exchange differences on translating foreign operations		-	2	20
Equity-settled share-based payment reserve		<b>90 952</b>	58 725	77 435
Balance at beginning of the period		<b>77 435</b>	41 068	41 068
Recognition of share-based payment expense		<b>17 964</b>	17 657	40 552
Settlement of share-based payment options granted		<b>(3 374)</b>	-	(709)
Taxation directly in reserve		<b>(1 073)</b>	-	(3 476)
Retained earnings		<b>750 941</b>	517 247*	750 574
Balance at beginning of the period		<b>750 574</b>	471 097	471 097
Profit for the period		<b>6 072</b>	127 338	360 665
Adjustment on adoption of IFRS16 (net of tax)		-	(81 188)*	(81 188)
Changes in shareholding		<b>(5 705)</b>	-	-
Deferred consideration		-	3 238	3 238
Balance at beginning of the period		<b>3 238</b>	5 450	5 450
Settlement of deferred consideration		<b>(3 238)</b>	(2 212)	(2 212)
<b>Equity attributable to non-controlling interests of the company</b>		<b>58 060</b>	62 921	66 389
<b>Total equity</b>		<b>4 661 986</b>	4 828 532*	4 770 034

\* Restated - refer to note 6

# Notes to the condensed interim consolidated financial statements

for the six months ended 31 August 2020

These condensed interim consolidated financial statements have been prepared in accordance with and containing the information required by IAS 34: Interim Financial Reporting, as well as the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, the Listings Requirements of the JSE Limited (the "JSE") and the requirements of the Companies Act of South Africa applicable to condensed financial statements. These condensed consolidated interim financial statements have not been reviewed or audited by the auditors. They do not include all the information required for a complete set of financial statements. However, selected explanatory notes have been included to explain events and transactions that are significant to an understanding of the changes in the group's financial position and performance from the year-ended 29 February 2020.

The accounting policies applied in the preparation of these condensed consolidated interim financial statements are in terms of IFRS and, where applicable, are consistent with those applied in the financial statements for the year-ended 29 February 2020.

The group's unaudited consolidated interim results for the six months ended 31 August 2020 have been prepared by Sarah Bishop CA(SA) (group financial manager) under the supervision of Mireille Levenstein CA(SA)(chief financial officer) and were approved by the board on 20 October 2020.

## New standards and interpretations in issue not yet effective

Standards, amendments and interpretations issued but not yet effective have been assessed for applicability to the group and management has concluded that they are not expected to have a material impact on future financial statements.

### 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, Shelflife and online), 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 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.

# Notes to the condensed interim consolidated financial statements (continued)

for the six months ended 31 August 2020

## 1. Segmental report (continued)

	Unaudited six months ended 31 August 2020 R'000	Unaudited six months ended 31 August 2019 R'000	Audited year ended 29 February 2020 R'000
<b>Segmental revenue</b>	<b>1 420 975</b>	1 837 656	4 091 446
Sport and Recreation	<b>826 875</b>	1 045 045	2 294 015
Beverages	<b>500 758</b>	657 061	1 487 389
Personal Care and Wellness	<b>93 342</b>	135 550	310 042
<b>Segmental trading profit before depreciation and amortisation</b>	<b>179 241</b>	322 883	769 545
Sport and Recreation	<b>203 597</b>	257 691	578 277
Beverages	<b>8 539</b>	60 544	164 887
Personal Care and Wellness	<b>(16 149)</b>	29 765	78 312
Corporate	<b>(16 746)</b>	(25 117)	(51 931)
<b>Depreciation and amortisation</b>	<b>(130 161)</b>	(122 176)	(249 400)
Sport and Recreation	<b>(108 839)</b>	(103 721)	(210 772)
Beverages	<b>(13 882)</b>	(11 922)	(24 961)
Personal Care and Wellness	<b>(5 839)</b>	(5 217)	(9 567)
Corporate	<b>(1 601)</b>	(1 316)	(4 100)
<b>Trading profit</b>	<b>49 080</b>	200 707	520 145
Sport and Recreation	<b>94 758</b>	153 970	367 505
Beverages	<b>(5 343)</b>	48 622	139 926
Personal Care and Wellness	<b>(21 988)</b>	24 548	68 745
Corporate	<b>(18 347)</b>	(26 433)	(56 031)
Share-based payment expense	<b>(17 964)</b>	(17 657)	(40 552)
Acquisition costs	<b>(345)</b>	(656)	(2 067)
Capital items	<b>(344)</b>	594	(4 830)
Net (losses) gains on investments held at fair value	<b>(13 137)</b>	-	27 682
Fair value gain on remeasurement of put option liability	<b>-</b>	-	12 322
<b>Operating profit</b>	<b>17 290</b>	182 988	512 700
Net finance income	<b>21 868</b>	35 917	52 643
Finance charges: Right-of-use lease liabilities	<b>(28 691)</b>	(35 227)	(57 369)
Share of profit (losses) from associate	<b>(296)</b>	299	609
<b>Profit before taxation</b>	<b>10 171</b>	183 977	508 583

## 2. Headline earnings per share

	Unaudited six months ended 31 August 2020 R'000	Unaudited six months ended 31 August 2019 R'000	Audited year ended 29 February 2020 R'000
Profit attributable to shareholders of the company	6 072	127 338	360 665
Adjusted for:			
Loss (profit) on disposal of property, plant and equipment	500	(594)	(981)
Loss (profit) on disposal of business	16	-	(342)
Impairment of property, plant and equipment	-	-	6 154
Tax effects	(115)	166	(1 435)
<b>Headline earnings</b>	<b>6 473</b>	126 910	364 061
<b>Weighted average number of shares in issue ('000)</b>	<b>765 407</b>	875 187	839 052
<b>Headline earnings per share (cents)</b>	<b>0.8</b>	14.5	43.4

## 3. Net asset value and tangible net asset value per share

	Unaudited six months ended 31 August 2020	Unaudited six months ended 31 August 2019 Restated	Audited year ended 29 February 2020
Equity attributable to ordinary shareholders of the company (R'000)	4 603 926	4 765 611*	4 703 645
Ordinary no par value shares in issue net of treasury shares ('000)	733 857	851 390	774 444
<b>Net asset value per share attributable to ordinary shareholders of the company (cents)</b>	<b>627</b>	560	607
Equity attributable to ordinary shareholders of the company (R'000)	4 603 926	4 765 611*	4 703 645
Less: Goodwill and intangible assets	(3 060 633)	(3 059 652)	(3 060 460)
Goodwill	(2 272 588)	(2 271 896)	(2 272 588)
Intangible assets	(788 045)	(787 756)	(787 872)
Tangible net asset value	1 543 293	1 705 959*	1 643 185
Ordinary no par value shares in issue net of treasury shares ('000)	733 857	851 390	774 444
<b>Tangible net asset value per share attributable to ordinary shareholders of the company (cents)</b>	<b>210</b>	200*	212

\* Refer to note 6

# Notes to the condensed interim consolidated financial statements (continued)

for the six months ended 31 August 2020

## 4. Revenue

	Unaudited six months ended 31 August 2020 R'000	Unaudited six months ended 31 August 2019 R'000	Audited year ended 29 February 2020 R'000
Sale of goods and products	<b>1 235 119</b>	1 450 483	3 235 692
– Sporting, outdoor and other related merchandise	<b>826 875</b>	1 045 045	2 294 015
– Beverages and other related products	<b>376 795</b>	362 919	850 984
– Personal care merchandise	<b>31 449</b>	42 519	90 693
Rendering of services	<b>173 637</b>	351 065	776 079
– Beverage contract packing services	<b>123 963</b>	294 142	636 405
– Personal care and grooming services	<b>2 388</b>	6 357	33 416
– Health and medical rehabilitation services	<b>47 286</b>	50 566	106 258
Franchise income, royalties and administration fees	<b>11 078</b>	34 975	76 794
Rental income	<b>1 141</b>	1 133	2 881
	<b>1 420 975</b>	1 837 656	4 091 446
<b>Timing of revenue recognition</b>			
<b>Products transferred at a point in time</b>	<b>1 235 119</b>	1 450 483	3 235 692
Retail	<b>799 878</b>	994 417	2 081 846
Wholesale	<b>435 241</b>	456 066	1 153 846
<b>Products and services transferred over a period of time</b>	<b>185 856</b>	387 173	855 754
Franchised	<b>11 078</b>	34 975	76 794
Personal care and grooming services	<b>2 388</b>	6 357	33 416
Beverage contract packing services	<b>123 963</b>	294 142	636 405
Health and medical rehabilitation services	<b>47 286</b>	50 566	106 258
Rental income	<b>1 141</b>	1 133	2 881
	<b>1 420 975</b>	1 837 656	4 091 446

## 5. Stated capital

	Unaudited six months ended 31 August 2020 R'000	Unaudited six months ended 31 August 2019 R'000	Audited year ended 29 February 2020 R'000
<b>Balance at beginning of the period</b>	<b>3 893 198</b>	4 314 291	4 314 291
Shares issued during the period	-	-	2 500
Shares cancelled during the period	<b>(110 333)</b>	-	(225 085)
Treasury shares	<b>(32)</b>	(107 072)	(198 508)
Treasury shares purchased during the period	<b>(113 603)</b>	(109 992)	(426 513)
Shares transferred during the period	<b>3 238</b>	2 920	2 920
Shares cancelled during the period	<b>110 333</b>	-	225 085
<b>Balance at the end of the period</b>	<b>3 782 833</b>	4 207 219	3 893 198

### **Authorised**

4 000 000 000 ordinary shares of no par value (29 February 2020: 4 000 000 000 ordinary shares of no par value)

### **Issued**

818 546 348 ordinary shares of no par value (29 February 2020: 858 546 348 ordinary shares of no par value)

### Treasury shares

During the period, group subsidiaries acquired 41 148 416 (29 February 2020: 104 125 120) Long4Life Limited shares at an average cost of R2.76 (29 February 2020: R4.10) per share, totalling R113.6 million (29 February 2020: R426.5 million), 40 000 000 (29 February 2020: 55 863 561) of the shares purchased were cancelled and delisted.

At the reporting date, the group held 84 689 385 (29 February 2020: 84 102 353) Long4Life Limited shares at a total cost of R361.4 million (29 February 2020: R358.1 million), 33 909 233 (29 February 2020: 23 358 968) of the company's shares are held in escrow on behalf of participants of the L4L Forfeitable Share Plan, at a cost of R131.0 million (29 February 2020: R102.0 million).

# Notes to the condensed interim consolidated financial statements (continued)

for the six months ended 31 August 2020

## 5. Stated capital (continued)

	Unaudited six months ended 31 August 2020 Number '000	Unaudited six months ended 31 August 2019 Number '000	Audited year ended 29 February 2020 Number '000
<b>Reconciliation of number of shares</b>			
Balance at beginning of the period	858 546	913 909	913 910
Shares issues for executive remuneration	-	500	500
Less: Share cancellation	(40 000)	-	(55 864)
<b>Shares in issue</b>	<b>818 546</b>	914 409	858 546
Treasury shares	(84 689)	(63 019)	(84 102)
Balance at the beginning of the period	(84 102)	(36 524)	(36 524)
Acquired during the period	(41 148)	(26 995)	(104 125)
Cancelled during the period	40 000	-	55 864
Transferred during the period	561	500	683
<b>Shares in issue net of treasury shares</b>	<b>733 857</b>	851 390	774 444

## 6. Restatement

Following a reassessment of the group's judgements on the adoption of *IFRS 16: Leases*, it was identified that a restatement was required to the statement of financial position as at 31 August 2019. The adjustments related to the initial recognition of the right-of-use lease asset, right-of-use lease liability, deferred taxation and the initial adjustment on retained earnings on adoption of the *IFRS16: Leases* on 1 March 2019 where the modified retrospective approach was utilised. The restatement had no material impact on the group's profit, earnings per share, headline earnings per share or cash flow statement for the six months ended 31 August 2019.

The audited annual financial statements for the year ended 29 February 2020 are unaffected by the restatement.

	As previously reported six months ended 31 August 2019	Restatement	Restated six months ended 31 August 2019
Right-of-use lease assets	577 735	(104 833)	472 902
Right-of-use lease liabilities	720 316	(120 422)	599 894
Deferred taxation asset	28 710	641	29 351
Adjustment on the adoption of IFRS16 (net of tax)	97 418	(16 230)	81 188



## 7. Borrowings

	Unaudited six months ended 31 August 2020 R'000	Unaudited six months ended 31 August 2019 R'000	Audited year ended 29 February 2020 R'000
Loans secured by mortgage bonds over fixed property	77 636	86 298	82 086
Loans secured by property, plant and equipment in terms of suspensive sale agreements	346	1 012	673
Unsecured borrowings	509	787	607
<b>Borrowings</b>	<b>78 491</b>	88 097	83 366
Less: short-term portion of borrowings	<b>(77 616)</b>	(17 707)	(9 941)
Long-term portion of borrowings	<b>875</b>	70 390	73 425

The group's borrowings comprises mainly of loans secured by mortgage bonds over fixed property in the Beverages division. Given the prevailing interest rate environment and current cash balances, management has settled R74.2 million of borrowings during September 2020 and intends on settling the remaining R3.4 million before year-end. These loans are therefore, reflected as short-term borrowings.

## 8. Financial instruments

When measuring the fair value of an asset or liability, the group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques categorised as follows:

- 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.

The following table shows the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

# Notes to the condensed interim consolidated financial statements (continued)

for the six months ended 31 August 2020

## 8. Financial instruments (continued)

	Unaudited six months ended 31 August 2020 R'000	Unaudited six months ended 31 August 2019 R'000	Audited year ended 29 February 2020 R'000
<b>Financial assets</b>			
At fair value			
Investment in listed shares – level 1	37 091 <sup>1</sup>	20 819	74 893
Foreign exchange contracts – level 1	–	–	5 838
	<b>37 091</b>	20 819	80 731
<b>Financial liabilities</b>			
At fair value			
Foreign exchange contracts – level 1	(284)	(4 986)	–
Put option liability – level 3 <sup>2</sup>	(30 709)	(48 000)	(35 678)
<b>Total</b>	<b>(30 993)</b>	(52 986)	(35 678)

<sup>1</sup> During March 2020 the group acquired 737 377 shares in City Lodge Hotels Limited (City Lodge) for R29.6 million which were subsequently sold in August 2020 for a realised loss of R 25.5 million. At the same time, the group acquired 13 014 472 City Lodge shares as part of the rights offering during August 2020 at a cost of R 31.2 million (R2.40 per share) which is reflected at the fair value of R37.1 million (R2.85 per share).

<sup>2</sup> The first put option was exercised during May 2020 and the remaining put option is exercisable after 1 March 2022 and expires on 31 May 2025. 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 and the forecast budgeted profit after tax for 2020 to 2022, discounted using a risk-adjusted discount rate. No changes were made to the significant observable inputs since 29 February 2020.

## 9. Goodwill

	Unaudited six months ended 31 August 2020 R'000	Unaudited six months ended 31 August 2019 R'000	Audited year ended 29 February 2020 R'000
Carrying value at the beginning of the period	2 272 588	2 252 854	2 252 854
Acquisition of businesses	–	19 042	19 734
Carrying value at the end of the period	<b>2 272 588</b>	2 271 896	2 272 588
The carrying value of goodwill was allocated to the following cash-generating units:			
Sport and Recreation	1 636 378	1 636 378	1 636 378
Beverages	469 951	469 951	469 951
Personal Care and Wellness	166 259	165 567	166 259
	<b>2 272 588</b>	2 271 896	2 272 588

## 9. Goodwill (continued)

### **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. The carrying amount of goodwill is subject to impairment tests using either the fair value less costs to sell method or the discounted cash flow method. The recoverable amount is determined by using the higher of the fair value less costs to sell and the discounted cash flow for each CGU. The valuation is based on a projected sustainable cash flows methodology where the latest budgets and five year forecasts are utilised. Cash flows are discounted using a discounting factor, which is determined taking into account both systematic and unsystematic risks.

Impairment testing on goodwill and intangible assets with indefinite lives is performed annually or whenever there is an indicator of impairment. Given the COVID-19 pandemic and its impact on the various divisions in the group, an impairment test was performed at 31 August 2020.

Given the current uncertainties in the market with COVID-19, it is difficult to forecast with reasonable certainty when markets and trading will normalise. The directors are of the opinion that the past six months trading levels do not provide an indication of sustainable earnings both as a result of the restricted trading conditions and because the group's CGUs are seasonal where revenue is traditionally significantly higher in the summer months. In carrying out the impairment testing, revenue and profit growth rates were determined on the assumption that overall levels of trading in the financial year ending 28 February 2022 would be at similar levels to those achieved in the year ended 29 February 2020.

A further impairment test will be performed at 28 February 2021 when the directors believe they will be in a better position to determine whether future sustainable earnings will be impacted by the current COVID-19 pandemic.

Based on the aforementioned, no impairment loss was recognised as the recoverable amount exceeded the carrying amount of all cash-generating units as at 31 August 2020 (29 February 2020: nil).

# Notes to the condensed interim consolidated financial statements (continued)

for the six months ended 31 August 2020

## 10. Capital commitments

The board's 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.

	<b>Unaudited six months ended 31 August 2020 R'000</b>	<b>Unaudited six months ended 31 August 2019 R'000</b>	<b>Audited year ended 29 February 2020 R'000</b>
Capital expenditure approved:			
Contracted for	<b>117 993</b>	38 784	24 000
Not contracted for	<b>24 092</b>	51 827	31 302
	<b>142 085</b>	90 611	55 302

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.

## 11. Subsequent events

Subsequent to the reporting period the Sport and Recreation division entered into a purchase agreement to acquire the distribution warehouse from which the businesses Sportsmans Warehouse and Outdoor Warehouse operates. The property comprises of 3.2 hectares and is located in Philippi in Cape Town. The total purchase consideration amounts to R106 million and is included in the capital commitments in note 10 above.

# 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 and reporting accountants

Deloitte & Touche  
Practice number: 902276  
Deloitte Place  
5 Magwa Crescent, Waterfall City, Waterfall, 2090  
Private Bag X9000, Saxonwold 2132

### Registered office

7th Floor, Rosebank Towers  
13-15 Biermann Avenue  
Rosebank, Johannesburg, 2196  
Box 521870, Saxonwold, 2132

Further information regarding our group can be found on the Long4Life website: [www.long4life.co.za](http://www.long4life.co.za)

\* There have been no changes to the directorate during the period.

