Long4Life Limited

UNAUDITED RESULTS

for the six months ended 31 August 2019

BUILDING ON **OUR VISION**

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Financial highlights

Sales	Gross profit	Trading profit		HEPS & EPS	
		Incl. IFRS 16 in 2019	Like-for-like* excl. IFRS 16 impact for both years	Incl. IFRS 16 in 2019	Like-for-like* excl. IFRS 16 impact for both years
R1.838 billion	R719 million	R201 million	R176 million	14.5 cents	15.4 cents
^ 20%	^ 15%	^ 13%	v 1%	v 9%	v 4%
2018: R1.530 billion	2018: R628 million	2018: R178 million		2018: 16.0 cents	

* *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 ending 29 February 2020. To provide a more meaningful assessment of the current period´s performance, and unless otherwise stated, the commentary below has been provided excluding the impact of IFRS 16 in both the current and prior periods.*

COMMENTARY

Long4Life holds a portfolio of assets in the leisure and lifestyle sector incorporating retail, wholesale, manufacturing, service, merchandising, distribution and ecommerce.

FINANCIAL OVERVIEW

The Group has delivered a reasonable performance for the six months ended 31 August 2019, considering the difficult trading environment.

Revenue increased by 20% to R1.84 billion (Aug 2018: R1.53 billion) and the gross profit was higher at R718.9 million (Aug 2018: R627.5 million), at a gross margin of 39.1% (Aug 2018: 40.9%). The trading profit was relatively flat at R176.2 million (Aug 2018: R177.6 million) at a reduced margin of 9.6% (Aug 2018: 11.6%).

Headline earnings per share amounted to 15.4 cents (Aug 2018: 16.0 cents) based on 875.2 million (Aug 2018: 912.2 million) weighted average number of shares at the end of the six-month period.

The Group has continued to invest in infrastructure, store development and marketing in order to enhance the competitiveness and sustainability of the businesses. This additional expenditure has impacted both margins and returns in the short term, resulting in a return on funds employed (ROFE) of 38%.

Net finance income totalled R35.9 million (Aug 2018: R40.3 million) with cash and cash equivalents of R871.5 million (Aug 2018: R1.05 billion) on hand at period-end.

Cash generated from operations improved against the same period last year to R116.9 million (Aug 2018: R62.9 million). Working capital is typically absorbed in the first half of the year as the businesses ramp up for the holiday and summer season trading, which impacts operating cash flows at the half year.

ACCOUNTING POLICY CHANGES AND COMPARATIVE FIGURES

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 ending 29 February 2020.

To enable meaningful comparison of performance, a *pro forma* income statement, balance sheet and cash flow statement, which sets out the financial statements on a *pro forma* basis as if IFRS 16 has not been applied, is included in the full announcement as published on SENS and on the Group's website at: www.long4life.co.za.

Commentary

OPERATIONAL REVIEWS

Sport and Recreation division

Revenue for the division was up 12.7% (8.3% on a like-for-like basis) to R1.0 billion, achieved against retail price inflation of 1.1% (Aug 2018: 0.6%). The weighted trading area increased by 3.5% relative to the prior corresponding period. Gross profit margin declined from 49.1% in the previous period to 46.7%, primarily due to accelerated sales of promotional and marked down goods in line with the execution of the strategy of maximising asset management. We anticipate gross margin improvement in the second half of the year.

Sales for **Sports Retail**, principally Sportsmans Warehouse, have been pleasing whilst trading profit was slightly higher than the previous year. In the period under review, Sportsmans Warehouse opened one new store at Eastgate Mall, Johannesburg and two OTG stores. **Outdoor Warehouse** sales have been most pleasing as a result of favourable timing of the holiday periods as well as an improved product offering. Outdoor Warehouse did not open any new stores during the period but is currently reviewing several possible sites to expand its footprint. **Performance Brands** did not perform according to expectations, with sales and margins under pressure. Attention has been given to its operating structure which should yield improved results in the short to medium term.

Beverages division

This division comprises the businesses of Chill Beverages and Inhle Beverages which provide a complementary product mix of own brands, contract packaging and house (private) label production. Divisional revenue increased by 20% to R657.1 million (Aug 2018: R549.4 million) during the period under review.

Chill Beverages' investment in production capacity and plant upgrades together with increased expenditure in marketing and advertising 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. It is pleasing that with the changing season, trading conditions in Chill Beverages have improved significantly and strong sales are expected in the summer ahead.

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

Personal Care and Wellness division

This division incorporates the beauty businesses, Sorbet and Lime Light Hair & Beauty, as well as the sub-acute health provider, ClaytonCare, which was acquired with effect from 1 October 2018.

Divisional revenue amounted to R135.6 million (Aug 2018: R56.2 million). Excluding the acquisitions and new store openings, like-for-like revenue grew by 13.6%.

Sorbet has traded in line with expectations achieving continued top line growth. Whilst interest from potential franchisees remains strong, assessing and securing suitable sites for franchisees remain a challenge. Lime Light's performance was boosted by the acquisition of Hands Down Distribution, a wholesaler of hair and beauty products to the salon industry in the Western Cape and Smart Buy, the exclusive Southern Africa distributor of Depiléve, the world's leading depilatory wax brand. Both acquisitions became effective 1 June 2019.

ClaytonCare traded ahead of expectations mainly as a result of a more concerted marketing effort which lead to improved occupancy levels and renewed focus by funders to transfer high cost members from an acute to a sub-acute setting.

STRATEGIC DEVELOPMENTS

During the period, the Group acquired a 4.6% beneficial stake in JSE-listed Spur Corporation Limited ("Spur"), which has strong brands in the multi-branded restaurant franchisor sector. Subsequent to the balance sheet date, the Group has spent R304.4 million acquiring an additional 12.7 million shares in Spur. The total number of shares held in Spur at the reporting date amounts to 13.7 million, representing a beneficial interest of 14.4%.

CAPITAL MANAGEMENT

The Group spent R109.1 million acquiring 26.8 million of its own shares at an average price of R4.07 per share. The Group intends continuing to buy back its shares on the open market at suitably priced levels to maximise shareholder return.

DIVIDEND

Given the strategic developments and in light of the share repurchase programme undertaken by the company, no dividend has been declared for the period under review.

PROSPECTS

Notwithstanding that the trading environment is expected to remain difficult with constrained consumer spending, management remain confident of the Group's ability to execute in terms of its strategic imperatives.

Long4Life is targeting earnings growth for the full year, which is underpinned by strong brands and services that remain appealing to many consumers. Given the seasonality of the businesses, the divisions traditionally have higher operating leverage in the second half of the year.

Key to achieving sustainable growth in the medium term is an improvement in the economy, continued demand for the Group's brands and services, while executing efficiently.

The Group's balance sheet strength continues to provide opportunities to assess internal and external possibilities. Management will continue to consider, in a diligent and cautious manner, acquisitions and trading opportunities on which to capitalise and grow market share.

The objective of creating the lifestyle group of choice in South Africa remains firm and intact.

The information contained in this section has not been reviewed or reported on by the Group's external auditors.

Signed on behalf of the Board,

Brian Joffe
Chief executive officer

Mireille Levenstein
Chief financial officer

Johannesburg, South Africa

14 October 2019

Condensed interim consolidated statement of profit or loss

for the six months ended 31 August 2019

	Unaudited six months ended 31 August 2019* R'000	Unaudited IFRS 16 adjustment R'000	***Pro forma* Unaudited six months ended 31 August 2019** R'000**	Unaudited six months ended 31 August 2018 R'000	Audited year ended 28 February 2019 R'000
Revenue	**1 837 656**	–	**1 837 656**	1 532 920	3 642 342
Cost of sales	**(1 118 733)**	–	**(1 118 733)**	(905 409)	(2 196 554)
Gross profit	**718 923**	–	**718 923**	627 511	1 445 788
Operating expenses	**(407 678)**	(100 384)	**(508 062)**	(420 491)	(929 467)
Other income	**11 638**	–	**11 638**	12 439	18 618
Trading profit before amortisation and depreciation	**322 883**	(100 384)	**222 499**	219 459	534 939
Amortisation: Intangible assets	**(16)**	–	**(16)**	(658)	(41)
Depreciation: Property, plant and equipment	**(46 239)**	–	**(46 239)**	(41 198)	(80 741)
Depreciation: Right-of-use assets	**(75 921)**	75 921	**–**	–	–
Trading profit	**200 707**	(24 463)	**176 244**	177 603	454 157
Share-based payment expense	**(17 657)**	–	**(17 657)**	(10 006)	(21 939)
Acquisition costs	**(656)**	–	**(656)**	(5 334)	(8 285)
Net capital items	**594**	–	**594**	637	4 752
Operating profit	**182 988**	(24 463)	**158 525**	162 900	428 685
Net finance income	**35 917**	–	**35 917**	40 283	71 579
Finance charges: Right-of-use lease liabilities	**(35 227)**	35 227	**–**	–	–
Share of profits (losses) of associate	**299**	–	**299**	(595)	(1 572)
Profit before taxation	**183 977**	10 764	**194 741**	202 588	498 692
Taxation	**(52 675)**	(3 014)	**(55 689)**	(55 467)	(142 676)
Profit for the period	**131 302**	7 750	**139 052**	147 121	356 016
Profit attributable to:					
Shareholders of the company	**127 338**	7 750	**135 088**	146 157	351 512
Non-controlling interests	**3 964**	–	**3 964**	964	4 504
	131 302	7 750	**139 052**	147 121	356 016
Basic earnings per share (cents)	**14.5**		**15.4**	16.0	39.0
Diluted basic earnings per share (cents)	**14.3**		**15.1**	16.0	38.5

* *These figures include the impact of changes in accounting policies following the implementation of new accounting standard IFRS 16: Leases in the current period.*
** *The pro forma financial statements are set out in the Annexure, which figures exclude the impact of IFRS 16 and allow for a like-for-like comparison.*

Condensed interim consolidated statement of other comprehensive income

for the six months ended 31 August 2019

	Unaudited six months ended 31 August 2019* R'000	Unaudited IFRS 16 adjustment R'000	Unaudited six months ended *Pro forma* 31 August 2019** R'000	Unaudited six months ended 31 August 2018 R'000	Audited year ended 28 February 2019 R'000
Profit for the period	**131 302**	7 750	**139 052**	147 121	356 016
Other comprehensive income net of taxation					
Items that may be reclassified subsequently to profit and loss					
Exchange differences on translating foreign operations	**2**	–	**2**	13	(25)
Total comprehensive income for the period	**131 304**	7 750	**139 054**	147 134	355 991
Attributable to:					
Shareholders of the company	**127 340**	7 750	**135 090**	146 163	351 520
Non-controlling interest	**3 964**	–	**3 964**	971	4 471
	131 304	7 750	**139 054**	147 134	355 991

* These figures include the impact of changes in accounting policies following the implementation of new accounting standard IFRS 16: Leases in the current period.
** The pro forma financial statements are set out in the Annexure, which figures exclude the impact of IFRS 16 and allow for a like-for-like comparison.

Condensed interim consolidated statement of financial position

as at 31 August 2019

	Unaudited 31 August 2019* R'000	Unaudited 31 August 2018 R'000	Audited 28 February 2019 R'000
ASSETS			
Non-current assets	**4 285 867**	3 474 477	3 597 478
Property, plant and equipment	**593 352**	459 147	526 502
Right-of-use assets	**577 735**	–	–
Goodwill	**2 271 896**	2 197 625	2 252 854
Intangible assets	**787 756**	780 553	785 887
Deferred taxation assets	**28 710**	14 944	22 762
Interest in associate	**5 372**	4 405	3 428
Other investments and loans	**21 046**	17 803	6 045
Current assets	**2 076 405**	2 118 700	2 199 185
Inventories	**904 453**	793 303	812 525
Trade and other receivables	**274 764**	259 527	291 768
Taxation receivable	**25 727**	11 889	6 747
Cash and cash equivalents	**871 461**	1 053 981	1 088 145
Total assets	**6 362 272**	5 593 177	5 796 663
EQUITY AND LIABILITIES			
Capital and reserves	**4 812 302**	4 758 105	4 871 375
Stated capital	**4 207 219**	4 462 874	4 314 291
Reserves attributable to shareholders of the company	**542 162**	274 725	496 795
Non-controlling interests	**62 921**	20 506	60 289
Non-current liabilities	**978 704**	410 588	398 284
Deferred taxation liabilities	**241 131**	221 816	227 419
Long-term portion of borrowings	**70 390**	93 070	74 839
Long-term portion of right-of-use lease liabilities	**619 183**	–	–
Other financial liability	**48 000**	48 000	48 000
Long-term portion of straight-lining of leases	**–**	47 702	48 026
Current liabilities	**571 266**	424 484	527 004
Trade and other payables	**449 318**	383 439	497 495
Short-term portion of borrowings	**17 707**	17 288	18 105
Short-term portion of right-of-use lease liabilities	**101 133**	–	–
Vendors for acquisition	**–**	14 262	–
Provision for taxation	**3 108**	9 495	11 404
Total equity and liabilities	**6 362 272**	5 593 177	5 796 663

* *These figures include the impact of changes in accounting policies following the implementation of new accounting standard IFRS 16: Leases in the current period. The pro forma financial statements are set out in the Annexure, which figures exclude the impact of IFRS 16 and allow for a like-for-like comparison.*

Condensed interim consolidated statement of cash flows

for the six months ended 31 August 2019

	Unaudited six months ended 31 August 2019* R'000	Unaudited six months ended 31 August 2018 R'000	Audited year ended 28 February 2019 R'000
Cash flows from operating activities	**132 594**	36 875	390 195
Operating profit	**182 988**	162 900	428 685
Acquisition costs	**656**	5 334	8 285
Depreciation and amortisation	**122 176**	41 856	80 782
Non-cash items	**16 830**	2 296	19 192
Cash generated before changes in net working capital	**322 650**	212 386	536 944
Changes in working capital	**(105 328)**	(149 518)	(71 854)
Increase in inventories	**(77 328)**	(23 184)	(104 017)
(Increase) decrease in trade and other receivables	**20 255**	(85 744)	(37 145)
Increase (decrease) in trade and other payables	**(48 255)**	(40 590)	69 308
Cash generated by operations	**217 322**	62 868	465 090
Net finance income received	**646**	40 283	71 579
Taxation paid	**(85 374)**	(66 276)	(146 474)
Cash effects of investment activities	**(168 090)**	(412 047)	(566 462)
Additions to property, plant and equipment	**(111 764)**	(65 966)	(155 316)
Proceeds on disposal of property, plant and equipment	**600**	852	6 456
Additions to intangible assets	**(1 878)**	–	(4 782)
Acquisition of subsidiaries	**–**	(366 663)	(426 132)
Acquisition of businesses	**(38 677)**	–	–
Acquisition of associate	**–**	(5 128)	(5 146)
Loans to associate	**(1 600)**	–	–
Acquisition of investments	**(14 771)**	–	(6 368)
Proceeds on disposal of investments	**–**	24 858	24 826
Cash effects of financing activities	**(181 188)**	(262 613)	(427 250)
Purchase of treasury shares	**(109 572)**	–	(159 573)
Borrowings repaid	**(70 284)**	(211 107)	(215 887)
Dividends paid	**(1 332)**	(51 506)	(51 790)
Net decrease in cash and cash equivalents	**(216 684)**	(637 785)	(603 517)
Cash and cash equivalents at beginning of period	**1 088 145**	1 691 662	1 691 662
Effects of exchange rate fluctuations on cash and cash equivalents	**–**	104	–
Cash and cash equivalents at end of period	**871 461**	1 053 981	1 088 145

* *These figures include the impact of changes in accounting policies following the implementation of new accounting standard IFRS 16: Leases in the current period. The pro forma financial statements are set out in the Annexure, which figures exclude the impact of IFRS 16 and allow for a like-for-like comparison.*

Condensed interim consolidated statement of changes in equity

for the six months ended 31 August 2019

	Unaudited six months ended 31 August 2019* R'000	Unaudited six months ended 31 August 2018 R'000	Audited year ended 28 February 2019 R'000
Equity attributable to shareholders of the company	**4 749 381**	4 737 599	4 811 086
Stated capital	**4 207 219**	4 462 874	4 314 291
Balance at beginning of the period	**4 314 291**	4 339 723	4 339 723
Shares issued during the period	**2 500**	127 879	134 141
Less: Treasury shares acquired during the period by subsidiaries	**(109 572)**	(4 728)	(159 573)
Transactional costs for issuing equity instruments	**(20 435)**	(20 435)	(20 435)
Foreign currency translation reserve	**(383)**	(380)	(385)
Balance at beginning of the period	**(385)**	(393)	(393)
Exchange differences on translating foreign operations	**2**	13	8
Equity-settled share-based payment reserve	**58 725**	25 377	41 068
Balance at beginning of the period	**41 068**	15 371	15 371
Recognition of share-based payments	**17 657**	10 006	21 939
Deferred taxation recognised directly in reserve	**–**	–	3 758
Retained earnings	**501 017**	264 713	471 097
Balance at beginning of the period	**471 097**	168 818	168 818
Profit for the period	**127 338**	146 157	351 512
Dividends paid	**–**	(50 262)	(49 233)
Adjustment on adoption of IFRS 16 (net of tax)	**(97 418)**	–	–
Deferred consideration	**3 238**	5 450	5 450
Balance at beginning of the period	**5 450**	5 450	5 450
Settlement of deferred consideration	**(2 212)**	–	–
Equity attributable to non-controlling interests of the company	**62 921**	20 506	60 289
Total equity	**4 812 302**	4 758 105	4 871 375

* *These figures include the impact of changes in accounting policies following the implementation of new accounting standard IFRS 16: Leases in the current period. The pro forma financial statements are set out in the Annexure, which figures exclude the impact of IFRS 16 and allow for a like-for-like comparison.*

Notes to the condensed interim consolidated financial statements

for the six months ended 31 August 2019

BASIS OF PREPARATION AND ACCOUNTING POLICIES

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 Companies Act of South Africa. 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 28 February 2019.

The accounting policies applied in the preparation of these condensed interim consolidated financial statements are in terms of IFRS and, where applicable, are consistent with those applied in the financial statements for the year ended 28 February 2019, except for the adoption of IFRS 16 Leases as described below.

The group's unaudited consolidated interim results for the six months ended 31 August 2019 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 11 October 2019.

CHANGES IN ACCOUNTING POLICIES

IFRS 16: Leases

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. The adoption of this new accounting standard had a significant impact on the results in the condensed consolidated interim financial statements and the disclosures herein.

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, where only the premises cost was recorded in the Statement of profit and 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 liabilities. Changes to the Statement of Profit and 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 complicates performance comparison between the results of the current and prior periods. In order to provide a more meaningful assessment of the current period's financial performance, *pro forma* statement of profit and loss for the six months ended 31 August 2019 has been presented, which excludes the impact of IFRS 16. Additional *pro forma* information has been included in the statement of profit and loss. Refer to the *pro forma* information and in the Annexure where the Statement of financial position on page 17 and the Statement of Cash Flows on page 18, sets out the current period's information which was reported on a *pro forma* basis under IAS 17: Leases.

At transition date, the adoption of IFRS 16 resulted in the recognition of right-of-use assets to the value of R623.0 million and right-of-use lease liabilities of R755.1 million. This, together with the derecognition of operating lease liabilities of R48.2 million and adjustments of R13.5 million for deferred tax, resulted in a R97.4 million decrease in retained earnings on transition date.

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.

Notes to the condensed interim consolidated financial statements

for the six months ended 31 August 2019

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 business (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.

	Unaudited six months ended 31 August 2019* R'000	Unaudited IFRS 16 adjustment R'000	***Pro forma* Unaudited six months ended 31 August 2019** R'000**	Unaudited six months ended 31 August 2018 R'000	*% change*	Audited Year ended 28 February 2019 R'000
Segmental revenue	**1 837 656**	–	**1 837 656**	1 532 920	*20*	3 642 342
Sport and Recreation	**1 045 045**	–	**1 045 045**	927 314	*13*	2 113 026
Beverages	**657 061**	–	**657 061**	549 377	*20*	1 355 450
Personal Care and Wellness	**135 550**	–	**135 550**	56 229	*141*	173 866
Segmental trading profit before depreciation and amortisation	**322 883**	(100 384)	**222 499**	219 459	*1*	534 939
Sport and Recreation	**257 691**	(96 475)	**161 216**	161 764	–	379 682
Beverages	**60 544**	–	**60 544**	65 953	*(8)*	172 172
Personal Care and Wellness	**29 765**	(3 015)	**26 750**	15 690	*65*	40 801
Corporate	**(25 117)**	(894)	**(26 011)**	(23 948)	*9*	(57 716)
Depreciation and amortisation	**(122 176)**	75 921	**(46 255)**	(41 856)	*8*	(80 782)
Sport and Recreation	**(103 721)**	72 247	**(31 474)**	(32 104)	*(2)*	(58 549)
Beverages	**(11 922)**	–	**(11 922)**	(8 306)	*44*	(18 419)
Personal Care and Wellness	**(5 217)**	2 854	**(2 363)**	(648)	*126*	(1 891)
Corporate	**(1 316)**	820	**(496)**	(798)	*(38)*	(1 923)
Trading profit	**200 707**	(24 463)	**176 244**	177 603	*(1)*	454 157
Sport and Recreation	**153 970**	(24 228)	**129 742**	129 660	–	321 133
Beverages	**48 622**	–	**48 622**	57 647	*(16)*	153 753
Personal Care and Wellness	**24 548**	(161)	**24 387**	15 042	*62*	38 910
Corporate	**(26 433)**	(74)	**(26 507)**	(24 746)	*7*	(59 639)
Share-based payment expense	**(17 657)**	–	**(17 657)**	(10 006)		(21 939)
Acquisition costs	**(656)**	–	**(656)**	(5 334)		(8 285)
Net capital items	**594**	–	**594**	637		4 752
Operating profit	**182 988**	(24 463)	**158 525**	162 900		428 685
Net finance income	**35 917**	–	**35 917**	40 283		71 579
IFRS 16: Finance cost	**(35 227)**	35 227	**–**	–		–
Share of profit (losses) from associate	**299**	–	**299**	(595)		(1 572)
Profit before tax	**183 977**	10 764	**194 741**	202 588		498 692

* *These figures include the impact of changes in accounting policies following the implementation of new accounting standard IFRS 16: Leases in the current period.*
** *The pro forma financial statements are set out in the Annexure, which figures exclude the impact of IFRS 16 and allow for a like-for-like comparison.*

2. Headline earnings per share

	Unaudited six months ended 31 August 2019* R'000	Unaudited IFRS 16 adjustment R'000	*Pro forma* Unaudited six months ended 31 August 2019** R'000	Unaudited six months ended 31 August 2018 R'000	Audited Year ended 28 February 2019 R'000
Profit attributable to shareholders of the company	**127 338**	**7 750**	**135 088**	146 157	351 512
Adjusted for:					
Profit on disposal of property, plant and equipment	**(594)**	**–**	**(594)**	(637)	(780)
Gain on reacquired intangible asset	**–**	**–**	**–**	–	(3 024)
Tax effects	**166**	**–**	**166**	143	1 106
Headline earnings	**126 910**	**7 750**	**134 660**	145 663	348 814
Weighted average number of shares in issue ('000)	**875 187**	**875 187**	**875 187**	912 206	902 054
Headline earnings per share (cents)	**14.5**	**0.9**	**15.4**	16.0	38.7

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

	Unaudited six months ended 31 August 2019	Unaudited six months ended 31 August 2018	Audited year ended 28 February 2019
Equity attributable to ordinary shareholders of the company (R'000)	**4 749 381**	4 737 599	4 811 086
Ordinary no par value shares in issue net of treasury shares ('000)	**851 390**	911 699	877 386
Net asset value per share attributable to ordinary shareholders of the company (cents)	**558**	520	548
Equity attributable to ordinary shareholders of the company (R'000)	**4 749 381**	4 737 599	4 811 086
Less: Goodwill and intangible assets	**(3 059 652)**	(2 978 178)	(3 038 741)
Tangible net asset value	**1 689 729**	1 759 421	1 772 345
Ordinary no par value shares in issue net of treasury shares ('000)	**851 390**	911 699	877 386
Tangible net asset value per share attributable to ordinary shareholders of the company (cents)	**198**	193	202

* *These figures include the impact of changes in accounting policies following the implementation of new accounting standard IFRS 16: Leases in the current period.*
** *The pro forma financial statements are set out in the Annexure, which figures exclude the impact of IFRS 16 and allow for a like-for-like comparison.*

Notes to the condensed interim consolidated financial statements

for the six months ended 31 August 2019

4. Revenue

	Unaudited six months ended 31 August 2019* R'000	Unaudited six months ended 31 August 2018 R'000	Audited year ended 28 February 2019 R'000
Sale of goods and products	**1 744 575**	1 498 628	3 523 242
– Sporting, outdoor and other related merchandise	**1 045 045**	927 315	2 113 026
– Beverages and other related products	**657 061**	549 377	1 355 450
– Personal care merchandise	**42 469**	21 936	54 766
Rendering of services	**56 924**	2 686	48 739
Franchise income, royalties and administration fees	**35 024**	31 606	69 432
Other rental – income	**1 133**	–	929
	1 837 656	1 532 920	3 642 342

* *These figures include the impact of changes in accounting policies following the implementation of new accounting standard IFRS 16: Leases in the current period. The pro forma financial statements are set out in the Annexure, which figures exclude the impact of IFRS 16 and allow for a like-for-like comparison.*

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

5. Acquisition of businesses and subsidiaries

During the reporting period, the group acquired various businesses as bolt-on acquisitions in the Personal Care and Wellness division, including a distribution of professional hair, nail, beauty products and equipment businesses 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 were funded through cash.

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 below.

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

	Unaudited six months ended 31 August 2019* Total R'000	Unaudited six months ended 31 August 2018 Total R'000	Audited year ended 28 February 2019 Total R'000
Fair value of tangible assets (liabilities)			
Property, plant and equipment	**1 334**	235 639	258 648
Trademarks	**–**	136 945	136 945
Other investments and loans	**–**	–	323
Inventories	**14 600**	127 197	128 145
Trade and other receivables	**3 279**	169 302	187 974
Cash and cash equivalents	**15**	23 080	38 143
Borrowings	**–**	(143 170)	(148 831)
Trade and other payables	**(232)**	(224 376)	(231 682)
Deferred taxation	**–**	(57 178)	(58 053)
Taxation	**–**	(7 830)	(8 537)
Total identifiable assets at fair value	**18 996**	259 609	303 075
Cash	**38 036**	384 537	456 136
Issue of shares	**–**	125 379	129 141
Deferred consideration	**–**	14 262	-
Vendors for acquisition	**–**	5 450	5 450
Consideration transferred	**38 036**	529 628	590 727
Consideration transferred	**38 036**	529 628	590 727
Plus: Non-controlling interest measured at their share of fair value of net assets	**–**	–	37 596
Less: Identifiable assets at fair value	**(18 996)**	(259 609)	(303 075)
Goodwill arising at acquisition	**19 040**	270 019	325 248
Consideration paid in cash	**(38 036)**	(384 537)	(456 136)
Cash acquired	**15**	23 080	38 143
Costs incurred in respect of acquisitions	**(317)**	–	(2 540)
Costs incurred in respect of potential acquisitions	**(339)**	(5 206)	(5 599)
Net cash outflow on acquisition of subsidiaries	**(38 677)**	(366 663)	(426 132)
Contribution to results for the period since acquisition			
Revenue	**14 297**	476 836	1 276 382
Trading profit	**2 479**	34 882	106 345

* *These figures include the impact of changes in accounting policies following the implementation of new accounting standard IFRS 16: Leases in the current period. The pro forma financial statements are set out in the Annexure, which figures exclude the impact of IFRS 16 and allow for a like-for-like comparison.*

Notes to the condensed interim consolidated financial statements

for the six months ended 31 August 2019

6. 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.

	Unaudited six months ended 31 August 2019* Total R'000	Unaudited six months ended 31 August 2018 Total R'000	Audited year ended 28 February 2019 Total R'000
Financial assets			
At fair value			
Investment in listed shares – level 1	**20 819**	–	5 776
Foreign exchange contracts – level 1	**–**	1 578	–
	20 819	1 578	5 776
Financial liabilities			
At fair value			
Deferred consideration – level 1	**–**	(14 626)	–
Foreign exchange contracts – level 1	**4 986**	–	(1 631)
Other financial liability – NCI put option – level 3	**(48 000)**	(48 000)	(48 000)
Total	**(43 014)**	(62 626)	(49 631)

7. 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.

Capital expenditure approved:

Contracted for	**38 784**	52 488	37 992
Not contracted for	**51 827**	49 690	166 266
	90 611	102 178	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.

8. Subsequent events

Subsequent to the reporting period and up to the date of the condensed interim consolidated financial results, Long4Life acquired an additional 12.6 million Spur Corporation Limited (Spur) shares for a total cash outlay of R300.5 million. The total Spur shares held at 11 October 2019 amounted to 13.5 million shares with a total cost of R321.1 million.

* *These figures include the impact of changes in accounting policies following the implementation of new accounting standard IFRS 16: Leases in the current period. The pro forma financial statements are set out in the Annexure, which figures exclude the impact of IFRS 16 and allow for a like-for-like comparison.*

Annexure
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 periods. To provide a more meaningful assessment of the group's performance, a *pro forma* condensed consolidated statement of profit and loss, a *pro forma* summarised consolidated balance sheet and a *pro forma* summarised consolidated statement of cash flows (the *pro forma* information) has been presented for the six-month period ended 31 August 2019. The *pro forma* financial information of the group as set out in the attached has been prepared for illustrative purposes and reflects the group as if IFRS 16 had 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 8.14 to 8.33 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 *pro forma* information has not been audited or reviewed by the group's external auditors.

Pro forma condensed interim consolidated statement of profit or loss

for the six months ended 31 August 2019

	Unaudited six months ended 31 August 2019* R'000	Unaudited IFRS 16 adjustment R'000	*Pro forma* Unaudited six months ended 31 August 2019 R'000	Unaudited six months ended 31 August 2018 R'000	Audited year ended 28 February 2019 R'000
Revenue	**1 837 656**	–	**1 837 656**	1 532 920	3 642 342
Cost of sales	**(1 118 733)**	–	**(1 118 733)**	(905 409)	(2 196 554)
Gross profit	**718 923**	–	**718 923**	627 511	1 445 788
Operating expenses	**(407 678)**	(100 384)[1]	**(508 062)**	(420 491)	(929 467)
Other income	**11 638**	–	**11 638**	12 439	18 618
Trading profit before amortisation and depreciation	**322 883**	(100 384)	**222 499**	219 459	534 939
Amortisation: Intangible assets	**(16)**	–	**(16)**	(658)	(41)
Depreciation: Property, plant and equipment	**(46 239)**	–	**(46 239)**	(41 198)	(80 741)
Depreciation: Right-of-use assets	**(75 921)**	75 921[2]	**–**	–	–
Trading profit	**200 707**	(24 463)	**176 244**	177 603	454 157
Share-based payment expense	**(17 657)**	–	**(17 657)**	(10 006)	(21 939)
Acquisition costs	**(656)**	–	**(656)**	(5 334)	(8 285)
Net capital items	**594**	–	**594**	637	4 752
Operating profit	**182 988**	(24 463)	**158 525**	162 900	428 685
Net finance income	**35 917**	–	**35 917**	40 283	71 579
Finance charges: Right-of-use lease liabilities	**(35 227)**	35 227[3]	**–**	–	–
Share of profits (losses) of associate	**299**	–	**299**	(595)	(1 572)
Profit before taxation	**183 977**	10 764	**194 741**	202 588	498 692
Taxation	**(52 675)**	(3 014)[4]	**(55 689)**	(55 467)	(142 676)
Profit for the period	**131 302**	7 750	**139 052**	147 121	356 016
Profit attributable to:					
Shareholders of the company	**127 338**	7 750	**135 088**	146 157	351 512
Non-controlling interests	**3 964**	–	**3 964**	964	4 504
	131 302	7 750	**139 052**	147 121	356 016
Headline earnings per share (cents)[2]	**14.5**		**15.4**	16.0	38.7
Diluted headline earnings per share (cents)[3]	**14.3**		**15.1**	15.9	38.2

* *These figures include the impact of changes in accounting policies following the implementation of new accounting standard IFRS 16: Leases in the current period.*

Adjustments, comprise the following:

[1] *Reinstatement of operating lease expenses per IAS 17 allocation to operating expenses.*

[2] *Reversal of IFRS 16 depreciation on right-of-use assets.*

[3] *Reversal of IFRS 16 finance cost on right-of-use lease liabilities.*

[4] *Net deferred tax impact of 1, 2 and 3 above.*

Pro forma condensed interim consolidated statement of financial position

as at 31 August 2019

	Unaudited 31 August 2019* R'000	Unaudited IFRS 16 adjustment R'000	*Pro forma* Unaudited 31 August 2019 R'000	Unaudited 31 August 2018 R'000	Audited 28 February 2019 R'000
ASSETS					
Non-current assets	**4 285 867**	(580 749)	**3 705 118**	3 474 477	3 597 478
Property, plant and equipment	**593 352**	–	**593 352**	459 147	526 502
Right-of-use leased assets	**577 735**	(577 735)[1]	**–**	–	–
Goodwill	**2 271 896**	–	**2 271 896**	2 197 625	2 252 854
Intangible assets	**787 756**	–	**787 756**	780 553	785 887
Deferred taxation assets	**28 710**	(3 014)[2]	**25 696**	14 944	22 762
Interest in associate	**5 372**	–	**5 372**	4 405	3 428
Other investments and loans	**21 046**	–	**21 046**	17 803	6 045
Current assets	**2 076 405**	–	**2 076 405**	2 118 700	2 199 185
Inventories	**904 453**	–	**904 453**	793 303	812 525
Trade and other receivables	**274 764**	–	**274 764**	259 527	291 768
Taxation receivable	**25 727**	–	**25 727**	11 889	6 747
Cash and cash equivalents	**871 461**	–	**871 461**	1 053 981	1 088 145
Total assets	**6 362 272**	(580 749)	**5 781 523**	5 593 177	5 796 663
EQUITY AND LIABILITIES					
Capital and reserves	**4 812 302**	105 168	**4 917 470**	4 758 105	4 871 375
Stated capital	**4 207 219**	–	**4 207 219**	4 462 874	4 314 291
Reserves attributable to shareholders of the company	**542 162**	105 168[3]	**647 330**	274 725	496 795
Non-controlling interests	**62 921**	–	**62 921**	20 506	60 289
Non-current liabilities	**978 704**	(584 784)	**393 920**	410 588	398 284
Deferred taxation liabilities	**241 131**	–	**241 131**	221 816	227 419
Long-term portion of borrowings	**70 390**	–	**70 390**	93 070	74 839
Long-term portion of right-of-use lease liabilities	**619 183**	(619 183)[4]	**–**	–	–
Other financial liability	**48 000**	–	**48 000**	48 000	48 000
Long-term portion of straight-lining of leases	**–**	34 399	**34 399**	47 702	48 026
Current liabilities	**571 266**	(101 133)	**470 133**	424 484	527 004
Trade and other payables	**449 318**	–	**449 318**	383 439	497 495
Short-term portion of borrowings	**17 707**	–	**17 707**	17 288	18 105
Short-term portion of right-of-use lease liabilities	**101 133**	(101 133)[4]	**–**	–	–
Vendors for acquisition	**–**	–	**–**	14 262	–
Provision for taxation	**3 108**	–	**3 108**	9 495	11 404
Total equity and liabilities	**6 362 272**	(580 749)	**5 781 523**	5 593 177	5 796 663

* *These figures include the impact of changes in accounting policies following the implementation of new accounting standard IFRS 16: Leases in the current period.*

Adjustments, 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 R97.4 million; and*
- *Recognition of the current period profit attributable to shareholders of R7.8 million under IAS 17.*

[4] *Reversal of IFRS 16 right-of-use lease liabilities.*

Pro forma condensed interim consolidated statement of cash flows

for the six months ended 31 August 2019

	Unaudited six months ended 31 August 2019* R'000	Unaudited IFRS 16[1] adjustment R'000	***Pro forma* Unaudited six months ended 31 August 2019 R'000**	Unaudited six months ended 31 August 2018 R'000	Unaudited six months ended 28 February 2019 R'000
Cash flows from operating activities	**132 594**	(65 157)	**67 437**	36 875	390 195
Operating profit	**182 988**	(24 463)[1]	**158 525**	162 900	428 685
Acquisition costs	**656**	–	**656**	5 334	8 285
Depreciation and amortisation	**122 176**	(75 921)[2]	**46 255**	41 856	80 782
Non-cash items	**16 830**	–	**16 830**	2 296	19 192
Cash generated before changes in net working capital	**322 650**	(100 384)	**222 266**	212 386	536 944
Changes in working capital	**(105 328)**	–	**(105 328)**	(149 518)	(71 854)
Increase in inventories	**(77 328)**	–	**(77 328)**	(23 184)	(104 017)
(Increase) decrease in trade and other receivables	**20 255**	–	**20 255**	(85 744)	(37 145)
Increase (decrease) in trade and other payables	**(48 255)**	–	**(48 255)**	(40 590)	69 308
Cash generated by operations	**217 322**	(100 384)	**116 938**	62 868	465 090
Net finance income received	**646**	35 227[1]	**35 873**	40 283	71 579
Taxation paid	**(85 374)**	–	**(85 374)**	(66 276)	(146 474)
Cash effects of investment activities	**(168 090)**	–	**(168 090)**	(412 047)	(566 462)
Additions to property, plant and equipment	**(111 764)**	–	**(111 764)**	(65 966)	(155 316)
Proceeds on disposal of property, plant and equipment	**600**	–	**600**	852	6 456
Additions to intangible assets	**(1 878)**	–	**(1 878)**	–	(4 782)
Acquisition of subsidiaries	**–**	–	**–**	(366 663)	(426 132)
Acquisition of businesses	**(38 677)**	–	**(38 677)**	–	–
Acquisition of associate	**–**	–	**–**	(5 128)	(5 146)
Loans to associate	**(1 600)**	–	**(1 600)**	–	–
Acquisition of investments	**(14 771)**	–	**(14 771)**	–	(6 368)
Proceeds on disposal of investments	**–**	–	**–**	24 858	24 826
Cash effects of financing activities	**(181 188)**	65 157	**(116 031)**	(262 613)	(427 250)
Purchase of treasury shares	**(109 572)**	–	**(109 572)**	–	(159 573)
Borrowings repaid	**(70 284)**	65 157[1]	**(5 127)**	(211 107)	(215 887)
Dividends paid	**(1 332)**	–	**(1 332)**	(51 506)	(51 790)
Net decrease in cash and cash equivalents	**(216 684)**	–	**(216 684)**	(637 785)	(603 517)
Cash and cash equivalents at beginning of period	**1 088 145**	–	**1 088 145**	1 691 662	1 691 662
Effects of exchange rate fluctuations on cash and cash equivalents	**–**	–	**–**	104	–
Cash and cash equivalents at end of period	**871 461**	–	**871 461**	1 053 981	1 088 145

* *These figures include the impact of changes in accounting policies following the implementation of new accounting standard IFRS 16: Leases in the current period.*

Adjustments, comprise the following:

[1] *Reclassification of cash flows 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.*

Administration

DIRECTORS

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

Executive directors
Brian Joffe (Chief executive officer)
Mireille Levenstein (Chief financial officer)
Colin Datnow (Chief operating officer)
No changes to the Board occured during this period

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
PO Box 61051, Marshalltown, 2107
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, The Woodlands
20 Woodlands Drive, Woodmead, Sandton, 2193
Private Bag X6, Gallo Manor, 2052

Registered office
7th Floor, Rosebank Towers
13 – 15 Biermann Avenue
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Box 521870, Saxonwold, 2132

Further information regarding our group can be found on the Long4Life website:
www.long4life.co.za

Notes

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www.long4life.co.za