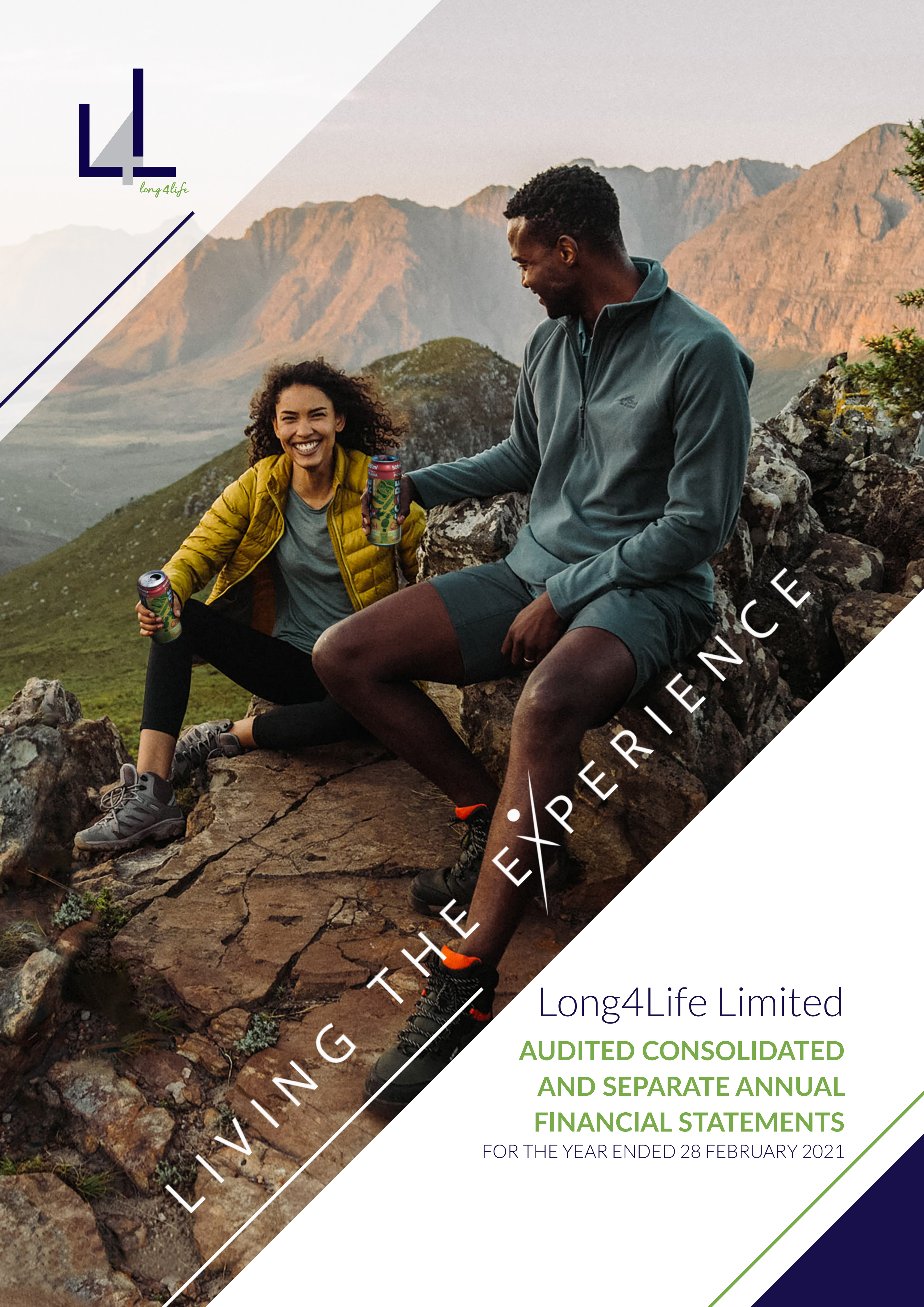
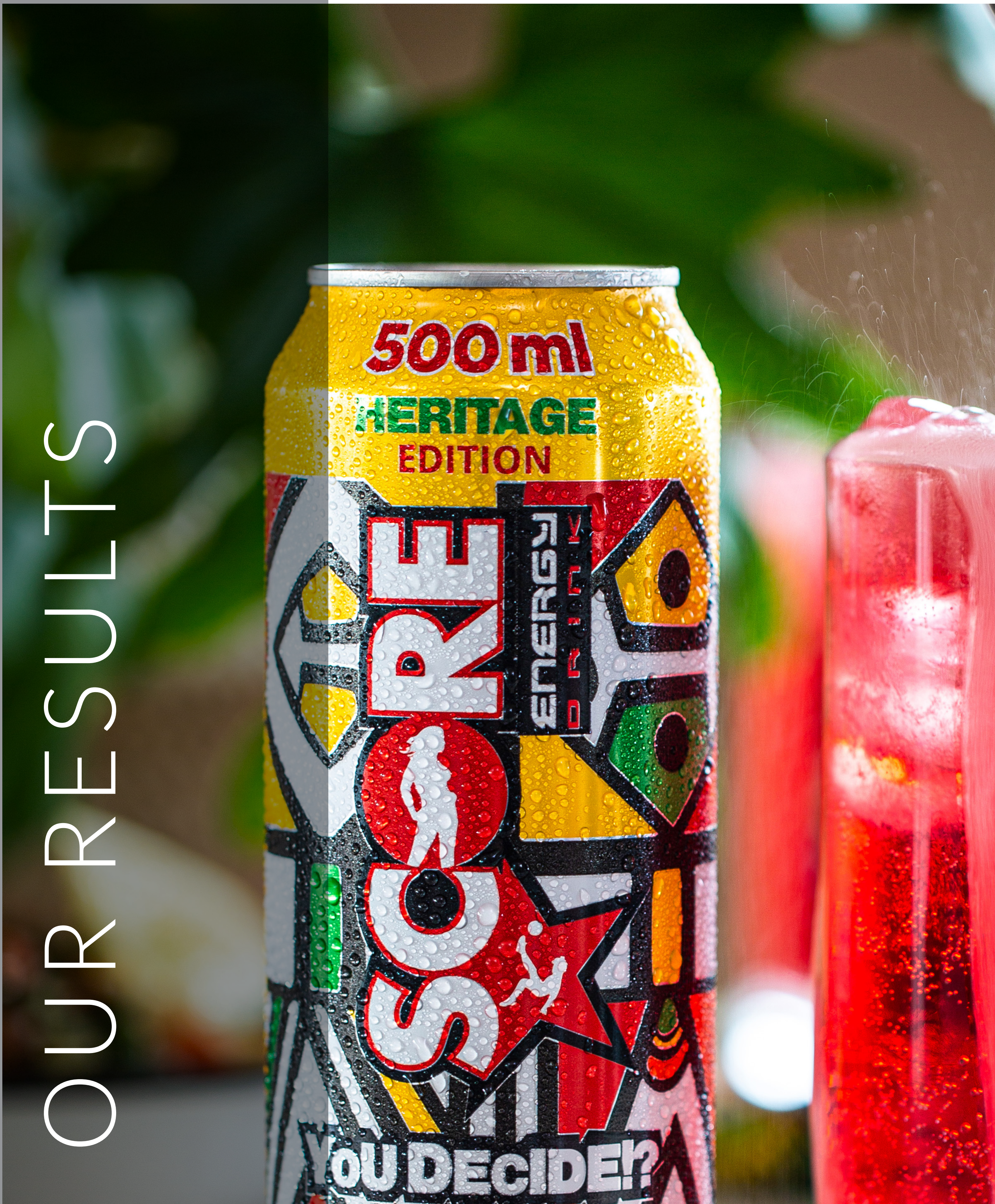


Long4Life Limited

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2021

OUR RESULTS



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 11 to 14.

The consolidated and separate financial statements for the year ended 28 February 2021 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

12 May 2021

Chief executive officer and chief financial officer's responsibility statement

The directors, whose names are stated below, hereby confirm that:

(a) the annual financial statements set out on pages 2 to 72, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;

(b) no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;

(c) internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer; and

(d) the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of King IV™. Where we are not satisfied, we have disclosed to the audit committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.[1]

Brian Joffe
Chief executive officer

Mireille Levenstein
Chief financial officer

12 May 2021

[1] *Whilst the directors are aware of their responsibility to communicate such fraud incidents to the audit and risk committee and auditors, no incidents of such fraud were identified for communication during the year under review.*

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

12 May 2021

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 28 February 2021.

Nature of business

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

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

The group's philosophy is to operate a decentralised management structure, providing financial, strategic and management support to its investee companies. Long4Life takes 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 Listings Requirements.

The group achieved revenue of R3.583 billion (2020: R4.091 billion), trading profit of R367 million (2020: R520 million) and profit attributable to ordinary shareholders amounted to R234 million (2020: R361 million). Total assets amounted to R5.722 billion (2020: R6.263 billion) and equity attributable to shareholders of the company amounted to R4.484 billion (2020: R 4.704 billion).

The financial statements on pages 2 to 72 fully set out the financial results of the group and company and its operations.

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

The directors are of the opinion that the financial statements fairly present the financial position of the group and of the company as at 28 February 2021 and the results of their operations and cash flows for the year then ended.

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

Stated capital

The company's authorised stated capital is 4 000 000 000 ordinary no par value shares. No ordinary no par value shares were issued during the year (2020: 500 000). The group acquired 141 958 125 (2020: 104 125 170) Long4Life Limited shares at an average cost of R3.42 (2020: R4.10) per share, totalling R485.7 million (2020: R426.5 million). During the year, pursuant to the group's general share buyback programme, 148 556 931 (2020: 55 863 561) shares were cancelled and delisted. The total ordinary no par shares in issue as at 28 February 2021 was 709 989 417 (2020: 858 546 348). As at 28 February 2021 the group held 70 589 620 (2020: 84 102 353) ordinary no par value shares as treasury shares.

Acquisitions

During the year, the group acquired Direct Leisure Golf Distributors (Pty) Ltd (Direct Leisure) as a bolt-on acquisition in the Sport and Recreation division. The effective date of this transaction was 1 November 2020 and was funded through cash.

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

Events after the reporting date

There are no material subsequent events from the reporting date to the date of this report. The company has engaged Investec Bank Limited (Corporate Finance division) to advise on the company's corporate structure and focus in order to maximise shareholder value going forward.

Dividend

No dividends have been declared or paid for the year (2020: Nil). In arriving at this decision, the board took into consideration the R485.7 million (2020: R426.5 million) spent on the 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

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

	Board	Audit and Risk Committee	Nomination and Remuneration Committee	Social, Ethics and Transformation Committee	Acquisitions Committee
Number of meetings	4	3	2	2	1
Independent non-executive directors			**Meetings attended**		
Graham Dempster[1] (chairman)	4	#	#	#	1
Tasneem Abdool-Samad	4	3	2	2	#
Lionel Jacobs	4	3	2	2	#
Keneilwe Moloko	4	3	2	2	#
Executive directors[2]					
Brian Joffe	4	–	–	–	1
Colin Datnow	4	–	–	–	1
Mireille Levenstein	4	3	2	2	1

[1] *Graham Dempster attends sub-committee meetings by invitation*
[2] *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 28 February 2021 held directly or indirectly were:

	2021 Number of Shares		2020 Number of Shares	
Director	**Direct**	**Indirect**	**Direct**	**Indirect**
Independent non-executive directors				
Graham Dempster	**1 000 000**	**–**	1 000 000	–
Lionel Jacobs	**563 573**	**–**	563 573	–
Tasneem Abdool-Samad	**–**	**541 900**	–	541 900
Executive directors				
Brian Joffe	**8 250 100**	**21 095 484**	8 250 100	21 095 484
Colin Datnow	**–**	**5 678 836**	–	5 678 836
Mireille Levenstein	**16 357**	**–**	16 357	–
Total	**9 830 030**	**27 316 220**	9 830 030	27 316 220

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

Directors' disclosure of interest in contracts

At 28 February 2021, no contracts were entered into in which directors 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

There have been no changes to the Long4Life board during the current financial year.

Special resolutions

The group passed the following special resolutions at its Annual General Meeting (AGM) held in July 2020:

1. General authority to repurchase company shares up to 10% of the number of shares in issue; this being 10% of 774 443 995 shares in issue on 1 July 2020 (the date of the group's AGM).
2. General authority to provide financial assistance to related or inter-related companies.
3. Approval of the non-executive directors' remuneration for service as directors.

The group passed the following special resolutions at its Special General Meeting (SGM) held in February 2021:

1. General authority to repurchase company shares up to a maximum of 20% (twenty percent) of its own shares; this being 20% of 768 144 547 shares in issue on 16 February 2021 (date of group's SGM).

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 28 February 2021. 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 28 February 2021.

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 to . 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, internal audit and external audit partner and other representatives of the external auditors. The chairman of the group also attends meetings on an ad-hoc basis.

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 & Touche, is independent. The requisite assurance was sought from and provided by the external auditors to support their claim to independence.

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 reappointment as the external auditors and group audit engagement partner respectively for the financial year ended 28 February 2021. The designated audit partner is Mrs S Ronander, which appointment was approved by both the Long4Life board and the JSE. This is Mrs Ronander's second year as designated partner.
- 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 five 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 2021 financial year to Deloitte & Touche amounted to R5.1 million (2020: R3.9 million). The total non-audit services for the 2021 financial year performed by and paid to Deloitte & Touche amounted to R0.08 million (2020: R0.05 million), which relates to permitted audit related services and the whistle-blowing line. 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 assessed the accreditation documents including inspection documents from IRBA submitted by Deloitte & Touche for the purposes of conducting the suitability assessment of Deloitte & Touche and the designated partner in terms of the JSE Listing Requirements. On the basis of the assessment and the high quality of the audit, the committee has nominated, for election at the group's annual general meeting, the reappointment of Deloitte & Touche as the external auditors for the financial year ending 28 February 2022 and Mrs S Ronander as the designated auditor.

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 28 February 2021 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™ and is led by Marlene Klopper who performs a dual role as the company secretary. She is assisted by BDO South Africa who have been engaged to carry out various functions in relation to enterprise risk management.

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

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

The group internal audit function was outsourced during July 2020 to BDO South Africa who has unrestricted access to the audit and risk committee. Internal audit work is scoped according to a pre-agreed plan – the internal audit plan for the year was reviewed and approved by the committee and includes field work at various entities within the group and subsequent reporting of their findings to the committee. They also conduct review audits and follow up on outstanding matters.

Internal financial controls

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

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 that no material or significant weaknesses impacting the group's results were identified. The committee is thus satisfied that the group's internal financial reporting controls are adequate and form a suitable 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, confirmed that the group has established appropriate financial reporting procedures and that those procedures are operating effectively across the group. Where deficiencies were identified, these were assessed both individually and collectively for qualitative and quantitative materiality. The committee is satisfied that there is no evidence that would indicate that a material breakdown in the functioning of internal controls occurred during the year, which has or may have resulted in a material loss to the group.

Insurance

The group reviews its insurance coverage annually; the review is performed by divisional senior management, the group CEO and group CFO. 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 has been implemented across the group and will continue to be expanded 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 the internal audit function in respect of the group as well as the establishment of the enterprise risk management framework and process.

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 matter identified by the external auditors and is comfortable that they have been adequately addressed and disclosed.

The key area of judgement related to the assessment of the carrying value of goodwill and indefinite useful life intangible assets specific to the Sport and Recreation, Sorbet and Chill Beverages cash generating units (CGUs):

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 28 February 2021 are R786.2 million (2020: R785.5 million) and the carrying value of goodwill as at – 28 February 2021 is R2 287.9 million (2020: R2 272.6 million) respectively.

The committee has reviewed and evaluated the various key assumptions used in performing the impairment test as set out in note 8.3 of the annual financial statements and is satisfied that the assumptions applied are appropriate.

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 a going-concern and that it is considered solvent.

The Board regularly undertakes a rigorous assessment of whether the Group is a going concern in 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 ongoing developments of the COVID-19 pandemic. These scenarios continue to evolve as the effects of the pandemic continue to extend.

Audit and risk committee report (continued)

Subsequent events

There are no material subsequent events from the reporting date.

Audit and risk committee recommendation to the board

Based on information from and discussion with management, internal audit 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, attestations by the CEO and CFO. A formal remediation plan has been developed to address control deficiencies including significant deficiencies. The significant deficiencies were remediated by year-end and the remaining deficiencies will be remediated by the interim period. Continuous improvements in controls is an ongoing process and improvements and enhancements will be implemented in stages throughout the coming year.

The committee considered the identified deficiencies as well as the appropriateness of management's response including remediation, reliance on compensating controls and additional review procedures. As a result, the committee noted the CEO and CFO final attestation and concluded that Long4Life's internal financial controls can be relied upon as a reasonable basis for the preparation of the annual financial statements.

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

The committee has taken into account all the comments from the JSE proactive monitoring review they performed on the consolidated and separate financial statements and considered the previously issued reports.

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
12 May 2021

Deloitte.

Private bag X6
Gallo Manor 2052
South Africa

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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 15 to 70, which comprise the consolidated and separate statements of financial position as at 28 February 2021, and the consolidated statement of profit or loss, the consolidated and separate statements of other 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 Long4Life Limited and its subsidiaries as at 28 February 2021, 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 Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code). 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.

<table>
<tr><th colspan="2">Carrying value of goodwill and indefinite useful life intangible assets specific to the Sport and recreation, Sorbet and Chill Beverages Cash Generating Units ("CGUs")</th></tr>
<tr><th>Key Audit Matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td>
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 notes 7.3 and 8.2, the carrying values of indefinite useful life intangible assets and goodwill at 28 February 2021 are R786.2 million (2020: R785.9million) and R2 288.0 million (2020: R2 272.6 million) respectively. The goodwill and indefinite useful life intangible assets allocated to the Sport and Recreation, Sorbet and Chill Beverages CGUs represents 87% and 99% of the total Group goodwill and indefinite useful life intangible assets respectively.
Significant judgement is required 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 forecasts 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 forecast cash flows; and
Long-term growth rates.

Given the significance of the Goodwill and indefinite intangible assets of Sport and Recreation, Sorbet and Chill Beverages, the level of judgement applied in determining the assumptions used in the valuation models, and the level of sensitivity to key assumptions, particularly within the Holdsport, Chill Beverages and Sorbet CGUs, together with high level of uncertainty arising from the economic recovery from Covid-19 particularly in respect of the Sorbet CGU, we have considered this to be a key audit matter.
</td><td>
In evaluating the carrying value of goodwill and indefinite useful life intangible assets, we assessed the value in use calculations prepared by management, 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 have performed the following procedures:

evaluated the design and implementation of controls relating to the preparation of the cash flow forecasts used in the value in use calculations and the review of the value in use calculations;
understood the model utilised by management for each CGU;
performed sensitivity analysis as part of risk assessment for each of the CGUs, thereafter, identified CGUs that were most sensitive, being Holdsport, Chill Beverages and Sorbet;
Involved our valuation specialists to assist with the assessment of the model construct and logic of the model used by management;
critically evaluated management's key judgements and assumptions impacting free Cash Flows and ultimately the value in use:

tested the inputs into the cash flow forecasts 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, including the Covid-19 recovery plans;
challenged the revenue and expenditure growth rates used in the determination of the forecast 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 industry information. Our valuation specialists assisted with the determination of market related growth rates;
compared the terminal growth rates to historical growth rates, inflation and future forecast South African economic growth rates;
involved our valuation specialists to assist with the testing of the WACC rates; and
analysed various scenarios by subjecting key assumptions to sensitivity analysis and from those scenarios developed a reasonable range for the value in use of each CGU.

We are satisfied that the value in use of the Sport and Recreation, Sorbet and Chill Beverage CGUs falls within our reasonable ranges, however, we note that the Sport and Recreation and Sorbet value in use is at the upper end of our reasonable range and the key inputs are highly sensitive.
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.
</td></tr>
</table>

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Long4Life Limited Annual Financial Statements for the year ended 28 February 2021", which includes the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, and the Chief Financial Officer and Chief Executive Officer's responsibility statement, which we obtained prior to the date of this report, and the Integrated 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.

Independent Auditor's Report (continued)

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

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

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 five years.

Deloitte & Touche
Registered Auditor
Per: Stephanie Ronander
Partner
12 May 2021

5 Magwa Crescent
Waterfall City
Waterfall
2090

Consolidated statement of profit or loss

for the year ended 28 February 2021

	Notes	2021 R'000	2020 R'000
Revenue	3.1	**3 582 541**	4 091 446
Cost of sales		**(2 197 012)**	(2 484 898)
Gross profit		**1 385 529**	1 606 548
Operating expenses		**(788 312)**	(857 788)
Staff and personnel costs		**(422 536)**	(492 141)
Premises and related costs		**(85 207)**	(106 572)
Other costs[1]		**(280 569)**	(259 075)
Other income		**19 165**	20 785
Amortisation: Intangible assets		**(1 181)**	(36)
Depreciation: Property, plant and equipment		**(96 556)**	(95 206)
Depreciation: Right-of-use leased assets		**(151 571)**	(154 158)
Trading profit		**367 074**	520 145
Share-based payment expense		**(37 513)**	(40 552)
Acquisition costs		**(383)**	(2 067)
Capital items		**(559)**	(4 830)
Net (losses) gains on listed investments at fair value		**(6 108)**	27 682
Gain on remeasurement of put option liability	6.4	**14 500**	12 322
Operating profit	3.2	**337 011**	512 700
Net finance charges	6.2	**(14 544)**	(4 726)
Finance income		**40 791**	66 692
Finance charges		**(4 601)**	(14 049)
Finance charges: Right-of-use lease liabilities		**(50 734)**	(57 369)
Share of (losses) profits of associate	9.1	**(129)**	609
Profit before taxation		**322 338**	508 583
Taxation	4.1	**(85 257)**	(139 256)
Profit for the year		**237 081**	369 327
Attributable to			
Shareholders of the company		**234 155**	360 665
Non-controlling interests		**2 926**	8 662
		237 081	369 327
Basic earnings per share (cents)	5.1	**31.9**	43.0
Diluted basic earnings per share (cents)	5.2	**31.2**	42.4

[1] *Other costs comprise of marketing, transport, merchant fees, office, communication and insurance cost.*

Consolidated statement of other comprehensive income

for the year ended 28 February 2021

	2021 R'000	2020 R'000
Profit for the year	**237 081**	369 327
Other comprehensive income net of taxation		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	**243**	20
Total comprehensive income for the year	**237 324**	369 347
Attributable to		
Shareholders of the company	**234 398**	360 685
Non-controlling interest	**2 926**	8 662
	237 324	369 347

Consolidated statement of financial position

at 28 February 2021

	Notes	2021 R'000	2020 R'000
Assets			
Non-current assets		**4 179 059**	4 211 265
Property, plant and equipment	7.1	**645 680**	601 540
Right-of-use lease assets	7.2	**426 505**	523 069
Goodwill	8.2	**2 287 952**	2 272 588
Intangible assets	7.3	**787 892**	787 872
Deferred taxation assets	4.2	**29 692**	20 740
Interest in associate	9.1	**–**	4 037
Long-term investments and loans	9.2	**1 338**	1 419
Current assets		**1 542 738**	2 051 988
Inventories	7.4	**673 928**	816 606
Trade and other receivables	7.5	**254 743**	321 507
Taxation receivable	4.3	**394**	9 347
Short-term investments	9.2	**44 117**	74 893
Cash and cash equivalents	6.3	**569 556**	829 635
Total assets		**5 721 797**	6 263 253
Equity and liabilities			
Capital and reserves	11.1	**4 500 947**	4 770 034
Stated capital	11.1	**3 436 377**	3 893 198
Reserves attributable to shareholders of the company	11.1	**1 048 038**	810 447
Non-controlling interests	11.1	**16 532**	66 389
Non-current liabilities		**620 734**	828 323
Deferred taxation liabilities	4.2	**238 603**	244 303
Long-term portion of borrowings	6.5	**–**	73 425
Long-term portion of right-of-use lease liabilities	6.6	**365 922**	480 404
Long-term portion of put option liability	6.4	**16 209**	30 191
Current liabilities		**600 116**	664 896
Trade and other payables	7.6	**435 984**	481 285
Short-term portion of borrowings	6.5	**409**	9 941
Short-term portion of right-of-use lease liabilities	6.6	**157 602**	162 801
Short-term portion of put option liability	6.4	**–**	5 487
Taxation payable	4.3	**6 121**	5 382
Total equity and liabilities		**5 721 797**	6 263 253

Consolidated statement of cash flows

for the year ended 28 February 2021

	Notes	2021 R'000	2020 R'000
Cash flows from operating activities		**673 519**	588 170
Cash generated by operations	3.4	**792 461**	738 536
Settlement of share-based payments		**(10 319)**	–
Finance income received	6.2	**40 791**	66 692
Finance charges paid		**(55 335)**	(71 648)
Taxation paid	4.3	**(94 079)**	(145 410)
Cash flows from investment activities		**(51 754)**	(258 302)
Additions to property, plant and equipment	7.1	**(56 565)**	(179 034)
Proceeds on disposal of property, plant and equipment		**1 127**	3 429
Additions to intangible assets	7.3	**(939)**	(1 952)
Acquisition of businesses and subsidiaries	8.1	**(28 474)**	(40 088)
Acquisition of investments and loans		**(60 873)**	(320 586)
Proceeds on disposals of investments and businesses		**85 879**	278 004
Proceeds on disposal of associate		**8 100**	1 925
Cash flows from financing activities		**(881 853)**	(588 378)
Purchase of treasury shares	11.1	**(485 653)**	(426 513)
Settlement of put option liability		**(4 969)**	–
Borrowings repaid		**(346 657)**	(159 303)
Right-of-use lease liabilities	6.6	**(157 690)**	(149 725)
Settlement of right-of-use lease liability[1]	6.6	**(106 010)**	–
Other borrowings	6.5	**(82 957)**	(9 578)
Dividends paid to non-controlling interests	11.2	**(6 523)**	(2 562)
Acquisition of additional interests in non-controlling interests		**(38 051)**	–
Net decrease in cash and cash equivalents		**(260 079)**	(258 510)
Cash and cash equivalents at beginning of year		**829 635**	1 088 145
Cash and cash equivalents at end of year		**569 556**	829 635

[1] *During the year, the group acquired the distribution warehouse from which Sportsmans Warehouse and Outdoor Warehouse operate located in Philippi, Cape Town for R106 million. As a consequence of the accounting implications of IFRS 16: Leases, the acquisition of this property is accounted for as a settlement of the right-of-use liability as the property had previously been leased by the group.*

Consolidated statement of change in equity

for the year ended 28 February 2021

	Notes	2021 R'000	2020 R'000
Equity attributable to shareholders of the company		**4 484 415**	4 703 645
Stated capital	11.1	**3 436 377**	3 893 198
Balance at beginning of the year		**3 893 198**	4 314 291
Shares issued during the year		**–**	2 500
Shares cancelled during the year		**(536 713)**	(225 085)
Movement in treasury shares held by subsidiaries		**79 892**	(198 508)
Transactional costs for issuing equity instruments	11.1	**(20 435)**	(20 435)
Foreign currency translation reserve	11.1	**(122)**	(365)
Balance at beginning of the year		**(365)**	(385)
Exchange differences on translating foreign operations		**243**	20
Equity-settled share-based payment reserve	11.1	**100 668**	77 435
Balance at beginning of the year		**77 435**	41 068
Recognition of share-based payments expense		**37 513**	40 552
Settlement of share-based payment options granted		**(10 319)**	(709)
Taxation directly in reserve		**(3 961)**	(3 476)
Retained earnings	11.1	**967 927**	750 574
Balance at beginning of the year		**750 574**	471 097
Profit for the year		**234 155**	360 665
Acquisition of non-controlling interests		**(16 802)**	–
Adjustments on the adoption of IFRS 16 (net of tax)		**–**	(81 188)
Deferred consideration	11.1	**–**	3 238
Balance at beginning of the year		**3 238**	5 450
Settled during the year		**(3 238)**	(2 212)
Equity attributable to non-controlling interests of the company		**16 532**	66 389
Balance at beginning of the year		**66 389**	60 289
Profit for the year		**2 926**	8 662
Dividends paid	11.2	**(6 523)**	(2 562)
Acquisition of non-controlling interests		**(46 260)**	–
Total equity		**4 500 947**	4 770 034

Index to the notes to the consolidated financial statements

for the year ended 28 February 2021

Notes to the consolidated financial statements

for the year ended 28 February 2021

1. Basis of preparation

Accounting policies

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

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 Listing Requirements of the JSE Limited.

The consolidated financial statements as at and for the year ended 28 February 2021 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.

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

	2021 R'000	2020 R'000
Sale of goods and products	**3 110 859**	3 235 692
– Sporting, outdoor and other related merchandise	**2 068 499**	2 294 015
– Beverages and other related products	**960 315**	850 984
– Personal care merchandise	**82 045**	90 693
Rendering of services	**428 864**	776 079
– Beverage contract packing services	**327 328**	636 405
– Personal care and grooming services	**8 117**	33 416
– Health and medical rehabilitation services	**93 419**	106 258
Franchise income, royalties and administration fees	**42 771**	76 794
Rental income	**47**	2 881
	3 582 541	4 091 446
Timing of revenue recognition		
Products transferred at a point in time		
Sale of goods and products	**3 110 859**	3 235 692
– Retail	**1 883 224**	2 081 846
– Wholesale	**1 227 635**	1 153 846
Products and services transferred over a period of time		
Rendering of services	**471 682**	855 754
Franchise income, royalties and administration fees	**42 771**	76 794
Personal care and grooming services	**8 117**	33 416
Beverage contract packing services	**327 328**	636 405
Health and medical rehabilitation services	**93 419**	106 258
Rental income	**47**	2 881
	3 582 541	4 091 446

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, royalty income, and rental 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.

3. Operational performance continued

3.1 Revenue continued

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 represents the amounts that can be received for services in the ordinary course of business when the performance obligations have been met.

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.

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.

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 obligation has been met which occurs at the point of sale once services have 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.

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 programmes

The group has a number of customer loyalty programmes. The Sorbet Society programme is the only programme 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 programme 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 programme 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.

Dividend income

Dividend income from investments are recognised when the shareholders' rights to receive payment have been established.

3.2 Operating profit

	2021 R'000	2020 R'000
Determined after charging (crediting)		
Amortisation – computer software	**1 181**	36
Auditors' remuneration	**5 344**	4 024
Audit fees	**5 100**	3 977
Under provision of prior year audit fees	**168**	–
Fees for other services	**76**	47
Depreciation of property, plant and equipment	**96 556**	95 206
Freehold buildings and leasehold premises	**4 517**	3 853
Plant and equipment	**17 724**	17 103
Office equipment, furniture and fittings	**68 000**	67 683
Vehicles	**6 315**	6 567
Impairment of property, plant and equipment	**3 194**	6 154
Freehold buildings and leasehold premises	**3 194**	597
Office equipment, furniture and fittings	**–**	5 557
Depreciation of right-of-use assets – leasehold premises	**151 571**	154 158
Foreign exchange loss (gain)	**4 245**	(7 399)
Loss on disposal of property, plant and equipment	**–**	15
Profit on disposal of property, plant and equipment – capital in nature	**(470)**	(981)
Profit on disposal of associate	**(4 192)**	–
Loss (profit) on disposal of business	**2 028**	(342)
Staff and personnel costs includes:	**422 536**	492 141
Directors' remuneration (refer to note 10.2)	**27 643**	22 533
Executive directors	**26 049**	20 483
Non-executive directors	**1 594**	2 050
Salaries and wages	**370 981**	414 795
Pension, medical aid and other staff related expenses	**23 912**	54 813
Premises costs includes:	**85 207**	106 572
Rental expense – Buildings (short-term leases)[1]	**13 867**	17 282
Rental expense – Plant and equipment (low-value assets)[1]	**2 783**	4 233
COVID-19 rent consessions[2]	**(16 852)**	–
Repairs and maintenance	**16 404**	15 950
Security	**24 627**	24 863
Electricity, water, rates and taxes	**35 915**	37 001
Other	**8 463**	7 243

[1] *In terms 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.*

[2] *The IFRS 16: Leases, COVID-19 practical expedient was applied to all applicable leases, whereby COVID-19 rental concessions were not accounted as lease modifications but rather as variable lease payments and which was recognised in profit or loss.*

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 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, property management and other related services.

Notes to the consolidated financial statements (continued)

for the year ended 28 February 2021

	2021 R'000	2020 R'000
Segmental revenue	**3 582 541**	4 091 446
Sport and Recreation		
– Sale of goods	**2 068 499**	2 294 015
Beverages	**1 287 690**	1 487 389
– Sale of goods	**960 315**	850 984
– Rendering of services	**327 328**	636 405
– Rental income	**47**	–
Personal Care and Wellness	**226 352**	310 042
– Sale of goods	**82 045**	90 693
– Rendering of services	**101 536**	139 674
– Franchise income, royalties and administration fees	**42 771**	76 794
– Rental income	**–**	2 881
Segmental trading profit before depreciation and amortisation	**616 382**	769 545
Sport and Recreation	**522 613**	578 277
Beverages	**121 250**	164 887
Personal Care and Wellness	**10 204**	78 312
Corporate	**(37 685)**	(51 931)
Depreciation and amortisation	**(97 737)**	(95 242)
Sport and Recreation	**(65 043)**	(65 158)
Beverages	**(26 625)**	(24 258)
Personal Care and Wellness	**(5 046)**	(3 367)
Corporate	**(1 023)**	(2 459)
Depreciation – right-of-use lease assets	**(151 571)**	(154 158)
Sport and Recreation	**(140 230)**	(145 614)
Beverages	**(740)**	(703)
Personal Care and Wellness	**(9 480)**	(6 200)
Corporate	**(1 121)**	(1 641)
Trading profit	**367 074**	520 145
Sport and Recreation	**317 340**	367 505
Beverages	**93 885**	139 926
Personal Care and Wellness	**(4 322)**	68 745
Corporate	**(39 829)**	(56 031)
Share-based payment expense	**(37 513)**	(40 552)
Acquisition costs	**(383)**	(2 067)
Capital items	**(559)**	(4 830)
Net (losses) gains on listed investments at fair value	**(6 108)**	27 682
Gain on remeasurement of put option liability	**14 500**	12 322
Operating profit	**337 011**	512 700
Net finance charges	**(14 544)**	(4 726)
Finance income	**40 791**	66 692
Finance changes	**(4 601)**	(14 049)
Finance charges – right-of-use leased liabilities	**(50 734)**	(57 369)
Share of profit (losses) from associate	**(129)**	609
Profit before tax	**322 338**	508 583

3. Operational performance continued

3.4 Cash generated by operations

	2021 R'000	2020 R'000
Reconciliation of operating profit to cash generated by operations:		
Operating profit	**337 011**	512 700
Acquisition costs	**–**	2 067
Depreciation and amortisation	**97 737**	95 242
Depreciation: Right-of-use leased assets	**151 571**	154 158
Impairment of property, plant and equipment	**3 194**	6 154
Non-cash items:	**34 280**	(6 200)
Share-based payment expense	**37 513**	40 552
Executive remuneration settled by way of share issue	**–**	2 500
Losses/(gains) on listed investments held at fair value	**6 108**	(27 682)
Fair value gain on remeasurement of put option liability	**(14 500)**	(12 322)
Fair value losses/(gains) on foreign exchange contracts	**6 966**	(7 469)
Profit on sale of property, plant and equipment	**(470)**	(966)
Net gain (loss) on termination of right-of-use leased assets and liabilities	**294**	(463)
Profit on disposal of business and associate	**(2 164)**	(342)
Other non-cash items	**533**	(8)
Cash generated by operations before working capital changes	**623 793**	764 121
Working capital changes	**168 668**	(25 585)
Decrease in inventories	**157 905**	9 745
Decrease (increase) in trade and other receivables	**64 735**	(20 620)
Decrease in trade and other payables	**(53 972)**	(14 710)
Cash generated by operations	**792 461**	738 536

4. Taxation

4.1 Income taxation expense

	2021 R'000	2020 R'000
Current taxation	**104 743**	138 264
Current year	**104 597**	140 368
Prior period under (over) provision	**146**	(2 104)
Deferred taxation	**(19 486)**	992
Current year	**(19 486)**	967
Prior period under provision	**–**	25
Total taxation per consolidated statement of profit or loss	**85 257**	139 256
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	**26.4%**	27.4%
Difference as a result of the capital gains tax rate	**(1.0%)**	(0.9%)
Disallowable expenses	**(0.6%)**	(1.2%)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(0.1%)**	(0.1%)
Exempt income	**2.4%**	0.8%
Exempt portion of capital gains	**0.4%**	1.3%
Prior year adjustments (over) under provision	**(0.0%)**	0.4%
Withholding taxes	**0.5%**	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 0.01% (2020: 0.1%), share based payment expenses 0.3% (2020: 0.8%) and SARS interest and penalties 0.0% (2020: 0.2%).

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 (2020: Fair value gain on remeasurement of the put option liability and dividends received from listed investments).

Total estimated tax losses amounted to R76.1 million (2020: R9.1 million).

4.2 Deferred taxation

	2021 R'000	2020 R'000
Deferred taxation assets	**29 692**	20 740
Deferred taxation liabilities	**(238 603)**	(244 303)
Net deferred taxation liability	**(208 911)**	(223 563)
Movement in net deferred taxation assets and liabilities		
Balance at beginning of year	**(223 563)**	(204 657)
Per consolidated statement of profit or loss	**19 486**	(992)
Items recognised directly in retained earnings:		
IFRS 16 transition date adjustment	**–**	(13 190)
Share-based payments	**(5 025)**	(4 724)
On acquisition of businesses	**191**	–
Balance at end of year	**(208 911)**	(223 563)

2021	Assets R'000	Liabilities R'000	Net R'000
Temporary differences			
Differential between carrying values and tax values of intangible assets	**–**	**(214 709)**	**(214 709)**
Differential between carrying values and tax values of property, plant and equipment	**–**	**(37 731)**	**(37 731)**
Estimated tax loss	**21 311**	**–**	**21 311**
Expected credit losses	**3 420**	**–**	**3 420**
Inventory obsolescence provision	**7 816**	**–**	**7 816**
Prepayments	**–**	**(5 870)**	**(5 870)**
Provisions	**2 636**	**–**	**2 636**
Receipts in advance	**6 058**	**–**	**6 058**
Right-of-use lease assets and liabilities	**–**	**(664)**	**(664)**
Share-based payments	**6 421**	**–**	**6 421**
Staff related allowances and liabilities	**11 828**	**–**	**11 828**
Unearned profits on investments	**–**	**(9 427)**	**(9 427)**
	59 490	**(268 401)**	**(208 911)**

2020	Assets R'000	Liabilities R'000	Net R'000
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)
Estimated 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)

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 28 February 2021 amounted to Rnil. (2020: R 9.1 million) and mainly relates to operations within Sorbet to the extent that they are considered to be not recoverable in the foreseeable future.

Total estimated tax losses amounted to R76.1 million (2020: R9.1 million). Refer to note 12.1.

4. Taxation continued

4.3 Taxation paid

	2021 R'000	2020 R'000
Amounts payable (receivable) at beginning of year	**3 965**	(4 657)
Current taxation charge	**(104 746)**	(138 264)
Current taxation recognised directly in equity	**1 064**	1 249
S89 quat interest accrual	**40**	227
On acquisition of business	**(129)**	–
Amounts (payable) receivable at end of year	**(5 727)**	3 965
Amounts paid	**(94 079)**	(145 410)
Taxation receivable	**394**	9 347
Taxation payable	**(6 121)**	(5 382)
Amounts (payable) receivable at end of year	**(5 727)**	3 965

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 (payable) receivable 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 (payable) receivable 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.

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. Which decreased as a result of share-buy backs excluding those held as treasury shares.

	2021	2020
Basic earnings		
Profit attributable to equity holders of the group for the year (R'000)	**234 155**	360 665
Weighted number of ordinary shares in issue ('000)	**734 560**	839 052
Basic earnings per share (cents)	**31.9**	43.0

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.

	2021	2020
Profit attributable to equity holders of the group for the year (R'000)	**234 155**	360 665
Weighted average number of ordinary shares in issue ('000)	**734 560**	839 052
Potential dilutive impact of outstanding forfeitable awards ('000)	**15 771**	11 350
Contingent shares in terms of forfeitable share plan	**15 771**	10 850
Shares to be issued in terms of acquisitions	**–**	500
Dilutive weighted average number of shares ('000)	**750 331**	850 402
Diluted basic earnings per share (cents)	**31.2**	42.4

5.3 Headline earnings per share

Per SAICA Circular 1/2019 – headline earnings.

	Notes	2021 R'000	2020 R'000
Profit attributable to equity holders of the group for the year		**234 155**	360 665
Adjusted for:		**560**	4 831
Profit on disposal of property, plant and equipment		**(470)**	(981)
Loss (profit) on disposal of business		**2 028**	(342)
Profit on disposal of associate		**(4 192)**	–
Impairment of property, plant and equipment		**3 194**	6 154
Tax effects		**(131)**	(1 435)
Headline earnings		**234 584**	364 061
Weighted average number of shares in issue ('000)		**734 560**	839 052
Headline earnings per share (cents)		**31.9**	43.4

5.4 Diluted headline earnings per share

	2021 R'000	2020 R'000
Headline earnings (R'000)	**234 584**	364 061
Diluted weighted average number of shares ('000)	**750 331**	850 402
Diluted headline earnings per share (cents)	**31.3**	42.8

6. Financial risk management and net debt

6.1 Financial risk management

Financial risk management objectives

The group has exposure to the following risks 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 Long4Life board of directors.

6. Financial risk management and net debt continued

6.1 Financial risk management continued

Carrying amount and maturity profile of financial instruments

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

At 28 February 2021	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	**231 104**	**231 104**	**–**	**–**	**–**
Bank balances and deposits	6.3	**569 556**	**569 556**	**–**	**–**	**–**
Investment loans	9.2	**1 230**	**–**	**1 230**	**–**	**–**
Loans	9.2	**108**	**–**	**108**	**–**	**–**
At fair value through profit and loss						
Investment in listed shares – *level 1*	9.2	**44 117**	**44 117**	**–**	**–**	**–**
Foreign exchange contracts – *level 2*	7.5	**16**	**16**	**–**	**–**	**–**
Total		**846 131**	**844 793**	**1 338**	**–**	**–**
Financial liabilities						
At amortised cost						
Borrowings	6.5	**(409)**	**(409)**	**–**	**–**	**–**
Put option liability	6.4	**(16 209)**	**(16 209)**	**–**	**–**	**–**
Trade and other current liabilities (excluding deferred revenue and VAT)	7.6	**(391 525)**	**(391 525)**	**–**	**–**	**–**
At fair value through profit and loss						
Foreign exchange contracts – *level 2*	6.4	**(1 144)**	**(1 144)**	**–**	**–**	**–**
Total		**(409 287)**	**(409 287)**	**–**	**–**	**–**

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

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	–	–
Loans	9.2	189	–	189	–	–
At fair value through profit and 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)
Put option liability	6.4	(35 678)	(35 678)	–	–	–
Trade and other current liabilities (excluding deferred revenue and VAT)	7.6	(439 063)	(439 063)	–	–	–
Total		(558 107)	(484 682)	(11 427)	(23 906)	(38 092)

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 141 458 125 (2020: 104 125 170) Long4Life Limited shares at an average cost of R3.42 (2020: R4.10) per share, totalling R485.7 million (2020: R426.5 million), subsequently 148 556 931 shares (2020: 55 863 561) 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 28 February:

	2021 R'000	2020 R'000
Unsecured bank overdraft facility, reviewed annually and payable on 360 days notice		
Unutilised	**(10 000)**	–
Secured loan facilities		
Utilised	**–**	82 086
The contractual maturities of the financial liabilities are set out in note 6.5.		
Schedule of repayment of borrowings		
Undiscounted contractual cash flows		
Within 1 year	**409**	18 069
Within 1 to 5 years	**–**	67 138
Thereafter	**–**	29 044
	409	114 251

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:

	2021				2020	
	EUR	**GBP**	**HKD**	**USD**	**GBP**	**USD**
Foreign exchange contracts	**18**	**74**	**120**	**13 331**	134	6 489
Exchange rates used for conversion of foreign denominated items	**18.78**	**20.91**	**0.51**	**15.63**	19.91	14.93
Rand value ('000)	**338**	**1 547**	**61**	**208 364**	2 668	96 856

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 R44.1 million for listed investments in City Lodge shares (2020: R74.9 million – Spur shares).

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 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:

	2021 R'000	2020 R'000
Variable rate instruments		
Financial assets		
Cash and cash equivalents	**569 556**	829 635
Financial liabilities		
Borrowings	**(409)**	(83 366)

Sensitivity analysis

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

	2021	2020
Impact on post tax profits		
1% increase in interest rates	**7 547**	6 926

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 R221.7 million (2020: R267.8 million) for trade receivables (refer note 7.5 for credit risk disclosure).

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. Financial risk management and net debt continued

6.2. Net finance charges

	2021 R'000	2020 R'000
Finance income	**40 791**	66 692
Interest received – on bank balances	**40 791**	66 358
Interest received – associates	**–**	106
Interest received – other	**–**	228
Finance charges	**(55 335)**	(71 418)
Interest paid – financed assets	**(26)**	(120)
Interest paid – borrowings	**(4 046)**	(9 216)
Interest paid – on bank overdrafts	**–**	(3 872)
Interest – right-of-use lease liabilities	**(50 734)**	(57 369)
Interest paid – other	**(529)**	(841)
Net finance charges	**(14 544)**	(4 726)

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

	2021 R'000	2020 R'000
Bank balances and deposits	**569 556**	829 635

Bank balances and deposits comprise cash on hand, money market and short-term deposits held with the banks and investment houses, all of which are available for use by the group unless otherwise stated. The corporate office manages group cash on a cash management platform. Bank balances, deposits and bank overdrafts are measured at cost.

6.4 Put option liability

	2021 R'000	2020 R'000
The group has the following put options that arose at acquisition:		
Balance at the beginning of the year	**35 678**	48 000
Gain on remeasurements of put option liability during the year	**(14 500)**	(12 322)
Payments made to non-controlling interests during the year	**(4 969)**	–
	16 209	35 678
Long-term portion	**16 209**	30 191
Short-term portion	**–**	5 487

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 estimated 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 to 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 was exercised on 20 July 2020. The second put option is exercisable 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 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.

6.5 Borrowings

	2021 R'000	2020 R'000
Loans secured by mortgage bonds over fixed property	–	82 086
Loans secured by property, plant and equipment in terms of suspensive sale agreements (refer to note 7.1)	83	673
Unsecured borrowings	326	607
Borrowings	409	83 366
Less short-term portion of borrowings	(409)	(9 941)
Long-term portion of borrowings	–	73 425
Schedule of repayment of borrowings		
Within 1 year	409	9 941
Within 1 to 5 years	–	35 333
Thereafter	–	38 092
	409	83 366
Effective weighted average rate of interest on:		
South African borrowings excluding overdrafts	7.65%	9.72%
Movement in borrowings		
Carrying value at the beginning of the year	83 366	92 944
Borrowings raised	79	101.
Borrowings repaid	(83 036)	(9 679)
	409	83 366

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

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

The group's borrowings comprised 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 R83 million of the borrowings during the second half of the 2021 financial year.

6. Financial risk management and net debt continued

6.6 Right-of-use lease liabilities

	2021 R'000	2020 R'000
Movement in right-of-use lease liabilities		
Balance at the beginning of the year	**643 205**	–
Transition adjustment for IFRS 16	**–**	634 708
Additions for new leases and lease renewals	**111 135**	164 730
Impact of lease modifications and remeasurements	**32 884**	(6 508)
Settlement of right-of-use lease liabilities	**(106 010)**	–
Finance charges	**50 734**	57 369
Rent paid	**(208 424)**	(207 094)
Right-of-use lease liabilities	**523 524**	643 205
Less: Short-term portion repayable within one year	**(157 602)**	(162 801)
Long-term portion of right-of-use lease liabilities	**365 922**	480 404
Total cash outflow for leases		
Finance charges	**(50 734)**	(57 369)
Capital portion	**(157 690)**	(149 725)
Settlement of right-of-use lease liabilities[1]	**(106 010)**	–
Total cash outflow for leases	**(314 434)**	(207 094)
Contractual undiscounted cash flows		
Due in one year	**194 694**	215 927
Due after one year but within five years	**402 493**	552 948
Due after five years	**3 382**	23 260
	600 569	792 135
Less: Unearned interest	**(77 045)**	(148 930)
	523 524	643 205

[1] *During the year, the group acquired the distribution warehouse from which Sportsmans Warehouse and Outdoor Warehouse operate located in Philippi, Cape Town for R106 million. As a consequence of the accounting implications of IFRS16: Leases, the acquisition of this property is accounted for as a settlement of the right-of-use liability as the property had previously been leased by the group.*

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 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 6.00% 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.

The COVID-19 practical expedient was applied, whereby COVID-19 rental concessions were not accounted as lease modifications but rather as variable lease payments and which was recognised in profit or loss. Refer to note 3.2.

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. Refer to note 3.2.

7. Net operating assets

7.1 Property, plant and equipment

	2021 R'000	2020 R'000
Freehold land and buildings	**286 254**	178 435
Cost	**297 336**	186 416
Accumulated depreciation	**(11 082)**	(7 981)
Leasehold premises	**3 013**	29 763
Cost	**12 977**	35 270
Accumulated depreciation	**(9 964)**	(5 507)
Plant and equipment	**167 790**	173 497
Cost	**309 225**	297 359
Accumulated depreciation	**(141 435)**	(123 862)
Office equipment, furniture and fittings	**171 192**	195 011
Cost	**583 383**	558 829
Accumulated depreciation	**(412 191)**	(363 818)
Vehicles	**17 431**	22 367
Cost	**40 472**	40 741
Accumulated depreciation	**(23 041)**	(18 374)
Capital work-in-progress	**–**	2 467
	645 680	601 540

7. Net operating assets continued

7.1 Property, plant and equipment

	Notes	2021 R'000	2020 R'000
Movement in property, plant and equipment			
Carrying value at beginning of year		**601 540**	526 502
Capital expenditure		**56 565**	179 034
Freehold land and buildings		**1 145**	32 480
Leasehold premises		**–**	3 189
Plant and equipment		**9 710**	23 248
Office equipment, furniture and fittings		**44 201**	104 435
Vehicles		**1 509**	13 215
Capital work in progress		**–**	2 467
Net transfers	7.3	**–**	–
Plant and equipment		**2 467**	–
Capital work-in-progress		**(2 467)**	–
Acquisition of businesses		**395**	1 091
Office equipment, furniture and fittings		**395**	729
Vehicles		**–**	362
Disposal of businesses		**(1 128)**	(1 264)
Leasehold premises		**(1 081)**	(685)
Office equipment, furniture and fittings		**(47)**	(579)
Disposals		**(657)**	(2 463)
Leasehold premises		**–**	(286)
Plant and equipment		**(157)**	(607)
Office equipment, furniture and fittings		**(368)**	(540)
Vehicles		**(132)**	(1 030)
Depreciation (refer note 3.2)		**(96 556)**	(95 206)
Impairment (refer note 3.2)		**(3 194)**	(6 154)
Transfer from right-of-use lease asset	7.2	**88 715**	–
Carrying value at end of year		**645 680**	601 540

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. During the year management conducted external valuations of properties for purposes of the assessment of residual lives.

Estimated useful lives are:

Freehold buildings	20 to 40 years
Leasehold premises	Over the period of the lease
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 R84 684 (2020: R119.9 million) were pledged as security for borrowings. Whilst the borrowings have been repaid, the bonds registered over the properties have not been cancelled (refer note 6.5).

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

7.2 Right-of-use lease assets

	Notes	2021 R'000	2020 R'000
Leasehold premises		**426 505**	521 270
Cost		**966 871**	981 857*
Accumulated depreciation		**(570 366)**	(454 541)*
Deemed disposal on termination of leases		**–**	(6 046)
Plant and equipment		**–**	1 799
Cost		**–**	2 503
Accumulated depreciation		**–**	(704)
		426 505	523 069
Movement in right-of-use lease assets			
Balance at the beginning of the year		**523 069**	–
Transition adjustment for IFRS 16		**–**	518 547
New leases entered into and lease renewals		**111 132**	164 726
Lease modifications and remeasurements		**32 590**	(6 047)
Depreciation (refer to note 3.2)		**(151 571)**	(154 158)
Transfer from right-of-use lease assets to property, plant and equipment	7.1	**(88 715)**	–
Carrying value at end of year		**426 505**	523 069

** The prior year cost and accumulated depreciation has been restated to reflect an accurate split of the carrying value recognised on adoption of IFRS 16 between cost and accumulated depreciation. There is no impact on the carrying value; statement of financial position; statement of profit or loss and statement of cash flows.*

The group recognises right-of-use lease assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use lease assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of right-of-use lease liabilities. The cost of right-of-use lease 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 lease asset at the end of the lease term, the recognised right-of-use lease assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use lease assets are subject to impairment.

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

The COVID-19 rental concessions had no impact on the right-of-use lease assets.

7. Net operating assets continued

7.3 Intangible assets

	2021 R'000	2020 R'000
Trademarks	**785 174**	784 911
Cost	**785 574**	785 331
Accumulated amortisation	**(400)**	(420)
Computer software	**1 378**	30
Cost	**3 388**	858
Accumulated amortisation	**(2 010)**	(828)
Capital work-in-progress	**320**	1 911
Other intangible assets	**1 020**	1 020
	787 892	787 872
Movement in intangible assets		
Carrying value at beginning of year	**787 872**	785 887
Additions – Computer software	**807**	41
Disposal of business – Computer software	**–**	(9)
Net transfers	**132**	1 911
Computer software	**2 043**	–
Capital work-in-progress	**(1 911)**	1 911
Exchange rate adjustments – Trademarks	**262**	78
Amortisation (refer to note 3.2)	**(1 181)**	(36)
Carrying value at end of year	**787 892**	787 872

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. Computer software is 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

Assessment of indefinite life trademarks and other intangible assets

	2021 R'000	2020 R'000
The carrying amounts of the trademarks and other intangible assets with indefinite lives are allocated to the following cash-generating units:		
Sport and Recreation	**563 480**	563 480
Chill	**136 945**	136 945
Sorbet	**84 748**	85 506
Limelight	**1 020**	–
	786 193	785 931

Trademarks with indefinite lives include the following brands:

- Sportsmans Warehouse, Outdoor Warehouse, African Nature, Capestorm, First Ascent, Second Skins and Shelflife
- Fitch and Leedes, Score Energy
- 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
- 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
- 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 required as the recoverable amount exceeded the carrying amount of all cash-generating units (refer to note 8.3).

7. Net operating assets continued

7.4 Inventories

	2021 R'000	2020 R'000
Raw materials	**48 292**	83 377
Work in progress	**–**	1 660
Merchandise	**560 797**	651 901
Finished goods	**84 709**	112 262
Goods-in-transit	**26 902**	7 278
Provision for inventory obsolescence	**(46 772)**	(39 872)
	673 928	816 606
Write-down of inventory to net realisable value charged to the income statement	**13 380**	12 765
Cost of inventories recognised as an expense during the year in the statement of profit or loss	**2 197 012**	2 484 898
Movement in provision for inventory obsolescence:		
Balance at the beginning of the year	**39 872**	39 176
Utilised during the year	**(1 456)**	(1 116)
Provided during the year	**8 356**	–
On acquisition of business	**–**	1 812
Balance at year-end	**46 772**	39 872

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

	2021 R'000	2020 R'000
Trade receivables	**239 276**	273 731
Expected credit loss allowance	**(17 581)**	(5 949)
Net trade receivables	**221 695**	267 782
Prepayments	**23 623**	29 067
Foreign exchange contracts asset	**16**	5 838
Other receivables[1]	**9 409**	15 854
Value added tax receivable	**–**	2 966
	254 743	321 507

[1] *Other receivables comprise of 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.

The group applies the IFRS 9 simplified approach to measuring 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 macroeconomic 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 following criteria are generally not 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 a 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 18.3% (2020: 16.4%) 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.

2021	Loss rate %	Gross trade receivables R'000	Expected credit loss R'000	Net trade receivables R'000
Provision matrix				
Not past due	**0.022%**	**137 510**	**(182)**	**137 328**
Past due 30 days or less	**0.007%**	**53 738**	**(57)**	**53 681**
Past due 30 – 90 days	**0.499%**	**27 650**	**(4 176)**	**23 474**
Past due 90 – 180+ days	**1.573%**	**20 378**	**(13 166)**	**7 212**
Total		**239 276**	**(17 581)**	**221 695**

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

	2021 R'000	2020 R'000
Movement in impairment allowance in respect of trade receivables		
Balance at the beginning of the year	**(5 949)**	(4 585)
Allowances raised during the year	**(14 928)**	(8 180)
Bad debts written off during the year	**–**	90
Acquisition of businesses	**(258)**	–
Allowances reversed during the year	**3 554**	6 726
Balance at the end of the year	**(17 581)**	(5 949)

7. Net operating assets continued

7.6 Trade and other payables

	2021 R'000	2020 R'000
Trade payables	**259 071**	276 520
Deferred revenue	**31 725**	29 286
Forward exchange contracts liability	**1 144**	–
Accrued expenses	**75 606**	79 857
SARS excise duty and sugar beverage levy	**27 113**	42 300
Salary and wage related creditors	**29 735**	40 386
Value added tax liability	**11 590**	12 936
	435 984	481 285

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 programme and prepaid gift cards. The fair value of the consideration received under the Sorbet Society loyalty programme 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.

7.7 Segmental operating assets and liabilities

	2021 R'000	2020 R'000
Segmental assets		
Trading division	**2 111 278**	2 194 835
Sports and Recreation	**1 314 918**	1 267 349
Beverages	**546 445**	656 530
Personal Care and Wellness	**249 915**	270 956
Corporate	**4 668 326**	4 639 440
	6 779 604	6 834 275
Inter-group eliminations	**(1 057 807)**	(571 022)
	5 721 797	6 263 253
Segmental liabilities		
Trading division	**1 429 079**	1 669 612
Sports and Recreation	**839 557**	976 176
Beverages	**362 487**	527 681
Personal Care and Wellness	**227 035**	165 755
Corporate	**849 578**	394 629
	2 278 657	2 064 241
Inter-group eliminations	**(1 057 807)**	(571 022)
	1 220 850	1 493 219
Segmental capital expenditure		
Spent on expansion		
Trading division	**47 880**	84 843
Sports and Recreation	**34 205**	17 374
Beverages	**11 999**	60 001
Personal Care and Wellness	**1 676**	7 468
Corporate[1]	**106 816**	–
Spent on replacement		
Trading division	**7 879**	94 191
Sports and Recreation	**5 832**	80 150
Beverages	**579**	11 473
Personal Care and Wellness	**1 468**	2 568
	162 575	179 034

[1] *During the year, the group acquired the distribution warehouse from which Sportsmans Warehouse and Outdoor Warehouse operate located in Philippi, Cape Town for R106 million. As a consequence of the accounting implications of IFRS 16: Leases, the acquisition of this property is accounted for as a settlement of the right-of-use liability as the property had previously been leased by the group.*

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.

	2021 R'000	2020 R'000
Capital expenditure approved:		
Contracted for	**79 994**	24 000
Not contracted for	**74 488**	31 302
	154 482	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.

8. Acquisitions and goodwill

8.1 Acquisition of businesses and subsidiaries

Effective 1 November 2020, the group acquired 100% of sporting equipment distributor Direct Leisure Golf Distributors Proprietary Limited as a bolt-on acquisition in the Sport and Recreation division. The acquisition was funded from existing cash resources.

	2021 R'000	2020 R'000
Fair value of tangible assets (liabilities) acquired		
Property, plant and equipment	**395**	1 091
Inventories	**15 459**	14 135
Trade and other receivables	**3 793**	3 279
(Bank overdraft) cash and cash equivalents	**(3 499)**	15
Trade and other payables	**(6 599)**	(218)
Deferred taxation	**191**	–
Taxation payable	**(129)**	–
Total identifiable assets at fair value	**9 611**	18 302
Consideration transferred in cash	**24 975**	38 036
Less: Identifiable assets at fair value	**(9 611)**	(18 302)
Goodwill arising at acquisition	**15 364**	19 734
Consideration paid in cash	**(24 975)**	(38 036)
(Overdraft) cash acquired	**(3 499)**	15
Costs incurred in respect of acquisitions	**–**	(323)
Costs incurred in respect of potential acquisitions	**–**	(1 744)
Net cash outflow on acquisition of businesses and subsidiaries	**(28 474)**	(40 088)
Contribution to results for the period since acquisition		
Revenue	**12 070**	46 866
Trading profit	**1 043**	9 178

Given the acquisition has minimal impact on the group's revenue and trading profit, the directors consider the results 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.

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.

The acquisition forms part of the group's strategic expansion plans in lifestyle sectors. Goodwill arose on acquisition 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.

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. No contingent considerations accounted for.

8.2 Goodwill

	2021 R'000	2020 R'000
Carrying value at the beginning of the year	**2 272 588**	2 252 854
Acquisition of businesses	**15 364**	19 734
Carrying value at the end of the year	**2 287 952**	2 272 588
The carrying value of goodwill was allocated to the following cash-generating units:		
Sport and Recreation	**1 651 742**	1 636 378
Beverages	**469 951**	469 951
Chill	**256 273**	256 273
Inhle	**213 678**	213 678
Personal Care and Wellness	**166 259**	166 259
Clayton Care	**50 399**	50 399
Limelight	**35 761**	35 761
Sorbet	**80 100**	80 100
	2 287 952	2 272 588

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.

The group has not impaired goodwill during the year (2020: nil) Refer to note 8.3.

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 depreciation	Revenue	Expense	EBIT margin	Post-tax discount rate applied to cash flows	Pre-tax discount rate applied to cash flows
Sport and Recreation	5.8%	5.6%	4.9%	16.9%	**14.6%**	**18.4%**
Chill	9.9%	4.4%	4.9%	9.8%	**14.3%**	**17.7%**
Inhle	5.8%	5.3%	5.0%	29.7%	**14.3%**	**17.7%**
Sorbet	13.8%	7.5%	5.3%	29.5%	**17.1%**	**21.5%**
Limelight	8.9%	7.0%	5.8%	20.1%	**16.5%**	**21.5%**
Clayton Care	6.6%	5.8%	5.3%	16.0%	**14.7%**	**19.1%**

- Growth in capital expenditure and working capital is based on the expenditure growth rates changes, which 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 4.5%

8. Acquisitions and goodwill continued

8.3 Impairment assessment: Indefinite life intangible assets and goodwill continued

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 28 February 2021.

Surplus (impairment)	**1% reduction in revenue**	**1% reduction in terminal growth***	**0.5% increase in the post-tax discount rate**
Sport and Recreation[1]	(75 590)	(6 710)	41 454
Chill[2]	(26 830)	40 096	54 402
Inhle	107 831	108 222	116 460
Sorbet[3]	(2 560)	5 096	7 182
Limelight	53 827	55 239	56 778
Clayton Care	29 372	46 580	48 672

[1] *The carrying value of the CGU was R2.612 billion and the value in use was calculated at R2.779 billion, thus available headroom of R166.6 million.*

[2] *The carrying value of the CGU was R716.3 million and the value in use was calculated at R806.8 million, thus available headroom of R90.5 million.*

[3] *The carrying value of the CGU was R164.1 million and the value in use was calculated at R178.2 million, thus available headroom of R14.0 million. The valuation assumes a recovery in the beauty industry post COVID-19.*

9. Investments

9.1 Interest in associate

	2021 R'000	**2020 R'000**
Investment in unlisted associate at cost		
Balance at the beginning of the year	**4 037**	3 428
Share of undistributed (losses) profits of associate post-acquisition	**(129)**	609
Disposal of associate	**(3 908)**	–
	–	4 037

The group disposed of its 49% stake in Veldskoen Proprietary Limited effective 30 November 2020. Summarised financial information in respect of the group's associate Veldskoen Proprietary Limited for the nine-month period ending 30 November 2020 is set out below. The summarised financial information below represents the associates' financial statements prepared in accordance with IFRS.

	2021 R'000	**2020 R'000**
Revenue	**17 470**	31 254
Total comprehensive (loss) income for the period	**(263)**	1 243

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 in control over those policies.

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

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

9.2 Investments and loans

	2021 R'000	2020 R'000
Long-term investments and loans	**1 338**	1 419
Investment loans held at amortised cost	**1 230**	1 230
Loans held at amortised cost	**108**	189
Short-term investments		
Listed investments held at fair value through profit and loss[1]	**44 117**	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	**44 117**	74 893

[1] *During the year the group acquired a total of 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 R25.5 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 R31.2 million (R2.40 per share) which is reflected at fair value of R44.1 million (R3.39 per share).*

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 Forfeitable Share Plan (FSP), a Conditional Share Plan (CSP) and a Share Appreciation Rights Plan (SARs).

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 11.3 million of the 21.9 million (2020: 10.9 million of the 16.4 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 28 February 2021 was R3.00 (2020: R 4.34).

10. Remuneration

10.1 Share-based payments continued

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	Total
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
Awards made on 1 July 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)	(742 100)	(917 100)
Beginning of the year	9 300 000	7 091 292	6 050 577	22 441 869
Awards made on 15 July 2020				
Tranche 1 – vesting 15 July 2023	2 400 000	2 839 125	2 765 656	8 004 781
Tranche 2 – vesting 15 July 2024	800 000	946 375	921 887	2 668 262
Exercised	–	–	(245 310)	(245 310)
Forfeited	–	(1 432 411)	(721 211)	(2 153 622)
End of the year	**12 500 000**	**9 444 381**	**8 771 600**	**30 715 980**

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)	R4.14	R4.26	R4.39
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 executive FSP	Divisional executives FSP	Employee FSP
Fair value at measurement date (Rand)	R4.28	R4.35	R4.55
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 fair value of the share awards granted on 15 July 2020 and the assumptions used are:

	Group executive FSP	Divisional executives FSP	Employee FSP
Fair value at measurement date (Rand)	R3.00	R3.00	R3.00
Risk-free interest rate (%) – tranche 1	4.11%	4.11%	4.11%
Risk-free interest rate (%) – tranche 2	4.59%	4.59%	4.59%

The volatility for the 2019 and 2020 awards was calculated using the exponentially weighted moving average volatility method. Due to the COVID-19 pandemic there were no performance conditions included for the 2021 awards and hence, no expected volatility included in the fair value measurement. 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.

2 153 622 (2020: 855 424) 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 R3.00 (2020: R4.28, R4.35 and R4.55) 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.

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	**2021 Number**	**2020 Number**
Beginning of the year	**18 600 000**	18 600 000
Forfeited due to performance conditions not met during the year	**(14 775 000)**	–
Exercised during the year	**(2 868 750)**	–
End of year	**956 250**	18 600 000
Share awards outstanding at year-end	**956 250**	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.

During the current financial year 14 775 000 (2020: nil) conditional share awards were forfeited. 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 (2020: R 2.88 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.

10. Remuneration continued

10.1 Share-based payments continued

Share Appreciation Rights Plan (SARs)

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

The number and weighted average exercise prices of share awards granted are:

	2021 Number	2021 Average price R	2020 Number	2020 Average price R
Beginning of the year	**5 885 606**	**R4.46**	6 775 606	4.46
Forfeited	**(1 199 032)**	**–**	(890 000)	–
Vested	**(2 348 519)**	**–**	–	
End of year	**2 338 055**	**R4.46**	5 885 606	R4.46
Share awards outstanding at year-end	**2 338 055**	**R4.46**	5 885 606	R4.46

The awards outstanding at 28 February 2021 have a weighted average strike price of R4.46 (2020: R4.46) contractual life of four years from the grant date (2020: five 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)	R5.01	R4.21	R5.29
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 1 199 032 (2020: 890 000) 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.

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:

	2021 R'000 Total	2021 R'000 Basic salary[1]	2021 R'000 COVID-19 reduction[1]	2021 R'000 Bonus for 2020 financial period[2]	2021 R'000 Long-term incen-tives[3]	2020 R'000 Total	2020 R'000 Basic salary	2020 R'000 Bonus for 2019 financial period
Remuneration and benefits paid to directors by the company								
Director								
Brian Joffe	**13 378**	**5 565**	**(649)**	**4 800**	**3 662**	10 077	5 477	4 600
Colin Datnow	**7 532**	**3 339**	**(390)**	**1 800**	**2 783**	4 886	3 286	1 600
Mireille Levenstein	**5 139**	**3 780**	**(441)**	**1 800**	**–**	5 520	3 720	1 800
Total	**26 049**	**12 684**	**(1 480)**	**8 400**	**6 445**	20 483	12 483	8 000

1 *Salary reductions for executives were temporarily reduced as a result of the COVID-19 pandemic.*

2 *Bonuses paid related to performance in the year ended 29 February 2020.*

3 *Vesting of conditional share plans – refer to note 10.1.*

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

Share plan awards

Conditional share plan	Balance at 28 February 2021	Awarded during the year	Exercised during the year	Forfeited due to performance conditions not met during the year	Balance at 1 March 2020
	Number of awards				
Director					
Brian Joffe	393 750	–	(1 181 250)	(11 025 000)	12 600 000
Colin Datnow	250 000	–	(750 000)	(1 000 000)	2 000 000
Total	643 750	–	(1 931 250)	(12 025 000)	14 600 000

FSP	Balance at 28 February 2021	Awarded during the year	Exercised during the year	Forfeited during the year	Balance at 1 March 2020
	Number of awards				
Director					
Brian Joffe	2 200 000	800 000	–	–	1 400 000
Colin Datnow	1 800 000	600 000	–	–	1 200 000
Mireille Levenstein	3 200 000	600 000	–	–	2 600 000
Total	7 200 000	2 000 000	–	–	5 200 000

Directors and other related fees

The remuneration paid to non-executive directors (excluding VAT) while in office of the company during the year ended 28 February 2021 is analysed as follows:

	2021 Total	2021 Directors' fees (excluding VAT) R'000	2021 COVID-19 reduction	2020 Directors' fees Total (excluding VAT) R'000
Non-executive director				
Graham Dempster	375	414	(39)	345
Keneilwe Moloko	398	447	(49)	343
Lionel Jacobs	398	447	(49)	424
Syd Muller	–	–	–	540
Tasneem Abdool-Samad	423	474	(51)	398
Total	1 594	1 782	(188)	2 050

Board fees were reduced in the first quarter of the financial year as a result of the COVID-19 pandemic.

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

	2021 R'000	2020 R'000
Balance at beginning of the year	**3 893 198**	4 314 291
Shares issued for executive remuneration	**–**	2 500
Shares cancelled during the year	**(536 713)**	(225 085)
Movement in treasury shares	**79 892**	(198 508)
Treasury shares purchased during the year	**(485 653)**	(426 513)
Shares transferred during the year	**28 832**	2 920
Shares cancelled during the year	**536 713**	225 085
Balance at the end of the year	**3 436 377**	3 893 198
Reserves		
Transactional costs for issuing equity instruments	**(20 435)**	(20 435)
Foreign currency translation reserve	**(122)**	(365)
Equity-settled share-based payment reserve	**100 668**	77 435
Retained earnings	**967 927**	750 574
Deferred consideration	**–**	3 238
Total reserves	**1 048 038**	810 447
Total capital and reserves comprise		
Amounts attributable to shareholders of the company	**4 484 415**	4 703 645
Amounts attributable to non-controlling interests	**16 532**	66 389
	4 500 947	4 770 034

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

Issued

709 989 417 ordinary shares of no par value
(2020: 858 546 348 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, the group acquired 141 958 125 (2020: 104 125 170) Long4Life Limited shares at an average cost of R3.42 (2020: R4.10) per share, totalling R485.7 million (2020: R426.5 million).

During the year, pursuant to the group's general share buyback programme, 148 556 931 (2020: 55 863 561) shares were cancelled and delisted.

At the reporting date, the group held 70 589 620 (2020: 84 102 353) Long4Life Limited shares at a total cost of R278.2 million (2020: R358.1 million).

30 715 969 (2020: 22 441 868) of these shares are held in escrow on behalf of participants of the L4L Forfeitable Share Plan (refer note 10.1), at a cost of R 130.9 million (2020: R102.0 million).

Reconciliation of number of shares	**2021 Number**	**2020 Number**
Balance at beginning of the year	**858 546 348**	913 909 909
Shares issued for executive remuneration	**–**	500 000
Less: Share cancellation	**(148 556 931)**	(55 863 561)
Shares in issue	**709 989 417**	858 546 348
Less: Treasury shares	**(70 589 620)**	(84 102 353)
Balance at the beginning of the year	**(84 102 353)**	(36 523 695)
Acquired during the year	**(141 958 125)**	(104 125 170)
Cancelled during the year	**148 556 931**	55 863 561
Shares transferred during the year	**6 913 927**	682 951
Shares in issue net of treasury shares	**639 399 797**	774 443 995

63 930 663 (2020: 87 266 914) unissued no par value ordinary shares are under the control of the directors until the next annual general meeting.

11.2 Dividends paid

	2021 R'000	**2020 R'000**
Non-controlling interests	**6 523**	2 562

11. Equity, distributions and group information continued

11.3 Net asset value and tangible net asset value per share

	2021	2020
Equity attributable to ordinary shareholders of the company (R'000)	**4 484 415**	4 703 645
Ordinary no par value shares in issue net of treasury shares ('000)	**639 400**	774 444
Net asset value per share attributable to ordinary shareholders of the company (cents)	**701**	607
Equity attributable to ordinary shareholders of the company (R'000)	**4 484 415**	4 703 645
Less:	**(3 075 844)**	(3 060 460)
Goodwill	**(2 287 952)**	(2 272 588)
Intangible assets	**(787 892)**	(787 872)
Tangible net asset value (excluding intangible assets and goodwill) (R'000)	**1 408 571**	1 643 185
Ordinary no par value shares in issue net of treasury shares ('000)	**639 400**	774 444
Tangible net asset value per share attributable to ordinary shareholders of the company (cents)	**220**	212

11.4 Group composition

The consolidated financial statements include the accounts of Long4Life and all of its subsidiaries for the year ended 28 February 2021.

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 two (2020: four) of the group's subsidiaries. During the current financial year the group acquired all the non-controlling interest's shares in Long4Life Health (Pty) Ltd and the Clayton Care Group (Pty) Ltd. The group does note have any material non-controlling interests at year-end.

Subsidiaries	Nature of business	Country of incorporation	Effective holdings % 2021	Effective holdings % 2020
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	**100**	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 (Deregistered)	5	South Africa	**–**	100
Chill Canning (Pty) Ltd (Deregistered)	5	South Africa	**–**	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 (Deregistered)	5	South Africa	**–**	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
Sew Trust	3	South Africa	**100**	100
Shelf Life (Pty) Ltd	4	South Africa	**76**	51
Sorbet Brands (Pty) Ltd	3	South Africa	**75**	75
Sorbet Man (Pty) Ltd	3	South Africa	**100**	100
Clayton Care Group (Pty) Ltd	3	South Africa	**100**	61
The Sorbet Experience (Pty) Ltd	3	South Africa	**100**	100
Associate				
Veldskoen (Pty) Ltd (Disposed)	4	South Africa	**–**	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 28 February 2021, there were no material transactions with related parties.

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.

	2021 R'000	2020 R'000
Purchases from related entity controlled by Brian Joffe – t/a Jair (Pty) Ltd	–	181

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.

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. .

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. Deferred tax assets have been recognised in respect of certain tax losses as the directors believe that the relevant companies will generate taxable profits in the near future, against which the benefits can be utilised.

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.

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 6.00% 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.

Assessment of the impact of COVID-19

The impact of the COVID-19 pandemic and the resulting trading restrictions imposed in South Africa have a had a material impact of the group's business and financial performance. The general trading restrictions and the impact of the lockdown on consumers had the following impact on the Long4Life businesses:

12. Other notes continued

12.1 Accounting estimates and judgements continued

Sport and Recreation

All the retail stores were closed from 27 March to 30 April 2020 with trading of only winter apparel allowed during May 2020. Team sports at a club and school level were significantly curtailed during the year and sales in these categories were largely lost. In addition, travel limitations also weighed on the sales of the camping and outdoor equipment. The muted demand was somewhat offset by a significant increase in demand for home fitness and gym equipment during the year.

Beverages

While the beverage operations traded throughout lockdown, volumes produced were significantly impacted by the suspension of alcohol sales which impacted demand for copack services. In addition, the trading restrictions and pandemic impacted negatively on-consumption sales with Own Brands mixers as well as copack sales columes reduced. Given the high fixed cost base in the Beverage division, the impact of the reduced sales had a significant impact on profit and loss.

Personal Care and Wellness

The Sorbet franchised stores were unable to trade until the end of June 2020 and when opened, operated with restricted capacity.

The sudden and significant loss in sales resulted in the franchisees incurring cash flow losses during the initial Level 5 restrictions.

The group temporarily discounted its franchise fees structures during the pandemic in an effort to assist franchisees' cash flow. The group also incurred considerable costs in providing support to franchise partners (including food vouchers and personal protective equipment for salons).

The continuing reduced sales due to both capacity restriction still in place as well as customer apprehension to have beauty treatments continues to impact the franchisees. Certain franchisees may not be able to continue to operate at the reduced volumes and we therefore anticipate that there may be some store closures in the year ahead.

ClaytonCare, the sub-acute rehabilitation medical group, was impacted as elective procedures came to a standstill. Overall, bed occupancy was down and 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.

Based on the magnitude of COVID and its potential impact on the consolidated annual financial statements, the group has conducted a review of all possible financial effects that COVID could have on the measurement, presentation and disclosure provided in the group consolidated annual financial statements.

Revenue

Demand substantially diminished as a result of the COVID-19 pandemic for many discretionary spend sectors, particularly across sport, recreation, beauty and travel-related segments. Our businesses actively sought solutions for each revenue stream and attempting to replace a small portion of this lost revenue.

Group sales have recovered in the second half of the year on an overall basis. Besides the restricted capacity for the Sorbet business, the group's assessment is that activity levels will improve to pre COVID-19 levels in the next 12 months.

Non-financial asset impairments

Goodwill is tested for impairment annually and whenever there are indicators of impairment. In determining the recoverable amounts the group's cash-generating units (CGU), the group considered several sources of estimation uncertainty and made certain assumptions or judgements about the future. Management also considered various scenario analyses with respect to the impact of COVID on the cash flow projections, given the evidence available at the time of finalising the group annual financial statements. Refer to note 3.1 and 8.3.

Inventories

The group's businesses actively managed their inventory exposure during the year to minimise the impact of the pandemic and limit potential surplus inventory. All inventory obsolescence has been expensed and the group does not believe that the current inventory on hand presents a significant further exposure. All stock continues to be carefully monitored and remains fit for the group's customer base.

An estimated R1.5 million for stock write-offs was accounted for due to the impact of COVID-19 on sale volumes. Refer to note 7.4.

Accounts receivable

The group's receivables comprise mainly of amounts owing by customers in the Beverage business as the stores in the Sport and Recreation division do not grant credit. As a result of pandemic, a number of beverage distributors were not able to meet their payment obligations and the expected credit loss of these customers increased significantly. An estimated R3.6 million expensed during the year as a provision against accounts receivables is estimated to have arisen as a result of COVID-19.

Leases

The IFRS 16: Leases, COVID-19 practical expedient was applied to all applicable leases whereby COVID-19 rental concessions were not accounted as lease modifications but rather as variable lease payments which was recognised in the statement of profit or loss. The COVID-19 expedient was only applicable for rental concessions given by landlords as agreed from 27 March 2020 to 17 August 2020 due to national lockdowns and restrictions imposed by government.
Refer to note 3.2.

Liquidity risk

The group has managed cash flows closely to ensure the operations have sufficient liquidity for their respective requirements. Long4Life's cash as well as access to potential operational gearing ensures that liquidity risk is well controlled. Save for the right of use lease liabilities, the group has no long term borrowings. Refer to note 6.3.

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 instrument's valuation) cannot be based on observable market data.

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.

12. Other notes continued

12.3 Accounting standards and interpretations in issue not effective at 28 February 2021

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:

- IFRS 3: Business Combinations: Reference to the Conceptual Framework. The amendment updates a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. Annual period beginning on or after 1 January 2022.
- Interest Rate Benchmark Reform Phase 2: The amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 amend requirements relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities, hedge accounting and disclosures. Annual period beginning on or after 1 January 2021.
- IFRS 9: Financial Instruments: Annual Improvements to IFRS Standards 2018–2020: The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognise a financial liability. Annual period beginning on or after 1 January 2022.
- IAS 16: Property, Plant and Equipment: Proceeds before intended use: The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items in profit or loss. Annual period beginning on or after 1 January 2022.
- IAS 37: Provisions, Contingent Liabilities and Contingent Assets: Onerous contracts. The amendments specify which costs should be included in an entity's assessment whether a contract will be loss-making. Annual period beginning on or after 1 January 2022.

The group intends to adopt the above standards at the start of the financial period following the effective date.

None of the standards that have been published, but not yet effective, are expected to have a significant impact on the amounts recorded in the financial statements.

12.4 Events after the reporting period

No material events have occurred between the reporting date up to the date of the financial statements. The company has engaged Investec Bank Limited (Corporate Finance division) to advise on the company's corporate structure and focus in order to maximise shareholder value going forward.

12.5 Going concern

The board has undertaken a rigorous going concern assessment in the light of current economic conditions in its various operating sectors taking into consideration available information about future risks and uncertainties. The projections for the group have been prepared covering its future anticipated performance and available capital and liquidity for a period of 12 months from the date of approval of these financial statements including performing sensitivity analyses.

The directors are satisfied that the group has adequate resources with a strong balance sheet and solid cash flow position to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

12.6 Contingent liabilities

The group has outstanding legal and other claims arising out of its normal ongoing operating activities, which are individually immaterial and are not expected, in aggregate, to result in material losses.

Separate statement of comprehensive income

for the year ended 28 February 2021

	Notes	2021 R'000	2020 R'000
Revenue		**31 863**	223 817
Dividends received		**–**	173 750
Finance income		**31 863**	50 067
Operating expenses		**(4 157)**	(2 475)
Profit on sale of associate		**3 100**	–
Operating profit		**30 806**	221 342
Profit before taxation		**30 806**	221 342
Taxation	1	**(8 452)**	(13 869)
Profit for the year attributable to shareholders		**22 354**	207 473

Separate statement of financial position

at 28 February 2021

	Notes	2021 R'000	2020 R'000
Assets			
Non-current assets		**3 487 817**	3 454 765
Investment in subsidiaries	2	**3 487 817**	3 449 765
Investment in associate	3	**–**	5 000
Current assets		**847 520**	1 011 276
Amounts owing by subsidiaries	4	**382 258**	508 599
Cash and cash equivalents	5	**465 262**	502 677
Total assets		**4 335 337**	4 466 041
Equity and liabilities			
Capital and reserves		**3 950 411**	4 464 770
Stated capital	6	**3 714 566**	4 251 279
Retained earnings		**235 845**	213 491
Current liabilities		**384 926**	1 271
Other payables		**1 262**	894
Amounts owing to subsidiaries	4	**383 329**	–
Taxation payable		**335**	377
Total equity and liabilities		**4 335 337**	4 466 041

Separate statement of changes in equity

for the year ended 28 February 2021

	Notes	2021 R'000	2020 R'000
Equity attributable to shareholders of the company		**3 950 411**	4 464 770
Stated capital	6	**3 714 566**	4 251 279
Balance at beginning of the year		**4 251 279**	4 473 864
Shares issued during the year		**–**	2 500
Shares cancelled during the year		**(536 713)**	(225 085)
Retained earnings		**235 845**	213 491
Balance at beginning of the year		**213 491**	6 018
Attributable profit		**22 354**	207 473

Separate statement of cash flows

for the year ended 28 February 2021

	2021 R'000	2020 R'000
Cash generated by operations	**19 580**	32 850
Operating profit	**30 806**	221 342
Less: Profit on sale of associate	**(3 100)**	–
Add: Other payables movement	**368**	251
Less: Dividend received	**–**	(173 750)
Cash utilised by operations	**28 074**	47 843
Taxation paid	**(8 494)**	(14 993)
Cash effects of investment activities	**134 441**	(97 565)
Proceeds from sale of associate	**8 100**	–
Proceeds from settlement of intercompany loans	**232 691**	113 845
Advancements of intercompany loans	**(106 350)**	(211 410)
Cash effects of financing activities	**(191 436)**	(96 744)
Treasury shares acquired and cancelled	**(536 713)**	(225 085)
Receipt (repayment) of intercompany loans	**383 329**	(45 409)
Dividends received	**–**	173 750
Acquisition of additional interest in subsidiaries	**(38 052)**	–
Decrease in cash and cash equivalents	**(37 415)**	(161 459)
Cash and cash equivalents at beginning of year	**502 677**	664 136
Cash and cash equivalents at end of year	**465 262**	502 677

Notes to the separate financial statements

for the year ended 28 February 2021

1. Taxation

	2021 R'000	2020 R'000
Current year	**8 452**	13 869
Reconciliation of the effective tax rate with the South African company tax rate:		
Taxation for the year as a percentage of profit before taxation.	**27.4%**	6.3%
Exempt income	**0.0%**	22.0%
Exempt portion of capital gains	**0.6%**	–
Disallowable expediture	**–**	(0.3%)
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

		2021 %	2020 %	2021 R'000	2020 R'000
Holdsport Limited	4	**100**	100	**2 523 719**	2 523 719
Inhle Beverages (Pty) Ltd	1	**100**	100	**271 764**	271 764
Sorbet Holdings Limited	3	**100**	100	**124 170**	124 170
Long18 (Pty) Ltd	2	**100**	100	*****	*
Long36 (Pty) Ltd	2	**100**	100	*****	*
Chill Holdings (Pty) Ltd	1	**100**	100	**490 243**	490 243
L4L Properties (Pty) Ltd	2	**100**	100	*****	*
L4L Personal Care and Wellness (Pty) Ltd	3	**100**	100	*****	*
L4L Health (Pty) Ltd	3	**100**	59	**77 921**	39 869
				3 487 817	3 449 765

* *Amounts below R1 000*

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 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. 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.

3. Investment in associate

	2021 R'000	2020 R'000
Unlisted associate	**–**	5 000

During the current financial year Long4Life disposed of its 49% equity stake in Veldskoen (Pty) Ltd.

4. Amounts owing by (to) subsidiaries

	2021 R'000	2020 R'000
Amounts owing by subsidiaries	**382 258**	508 599
Long18 (Pty) Ltd	**260 939**	278 580
Long36 (Pty) Ltd	**12 029**	174 028
L4L Personal Care and Wellness (Pty) Ltd	**31 228**	41 228
Chill Holdings (Pty) Ltd	**44 032**	–
Sorbet Holdings (Pty) Ltd	**16 803**	–
L4L Property (Pty) Ltd	**17 227**	14 763
Amounts owing to subsidiaries	**(383 329)**	–
Moresport (Pty) Ltd	**(366 772)**	–
Inhle Beverages (Pty) Ltd	**(5 000)**	–
L4L Health (Pty) Ltd	**(11 557)**	–

The inter-company equity loans are interest free and have no fixed terms of repayment.

5. Cash and cash equivalents

	2021 R'000	2020 R'000
Bank and cash deposits	**465 262**	502 677

Bank balances and deposits comprise cash on hand, money-market funds and short-term deposits held with the banks and financial institutions, all of which are available for use by the group unless otherwise stated. Bank balances, deposits, money market funds and bank overdrafts are measured at cost.

6. Stated capital

	2021 R'000	2020 R'000
Stated capital		
Balance at beginning of the year	**4 251 279**	4 473 864
Shares issued for executive remuneration	**–**	2 500
Shares cancelled during the year	**(536 713)**	(225 085)
Balance at the end of the year	**3 714 566**	4 251 279
Stated capital		
Authorised		
4 000 000 000 ordinary shares of no par value (2020: 4 000 000 000 ordinary shares of no par value)		
Issued		
709 989 417 ordinary shares of no par value (2020: 858 546 348 ordinary shares of no par value)		

	Number	Number
Reconciliation of number of shares in issue		
Balance at beginning of the year	**858 546 348**	913 909 909
Shares issued for executive remuneration	**–**	500 000
Shares cancelled during the year	**148 556 931**	(55 863 561)
	709 989 417	858 546 348

63 930 663 (2020: 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 28 February 2021. The company has engaged Investec Bank Limited (Corporate Finance division) to advise on the company's corporate structure and focus in order to maximise shareholder value going forward.

8. Related parties

The subsidiaries and associates of the group are related parties of the company. Refer to note 11.5.

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.

Shareholders' information

Shareholder Spread	Number of Shareholdings	% of total shareholdings	Number of Shares	% of issued Capital
1 – 1,000	4 733	38.68%	1 121 844	0.16%
1.001 – 10,000	4 509	36.85%	20 156 016	2.84%
10,001 – 100,000	2 503	20.46%	75 532 893	10.64%
100,001 – 1,000,000	393	3.21%	115 512 611	16.27%
Over 1,000,000	98	0.80%	497 666 053	70.09%
Total	12 236	100.00%	709 989 417	100.00%

Distribution of Shareholders	Number of Shareholdings	% of total shareholdings	Number of Shares	% of issued Capital
Assurance Companies	21	0.17%	15 547 054	2.19%
BEE Entities	1	0.01%	6 304	0.00%
Close Corporations	68	0.56%	2 079 846	0.29%
Collective Investment Schemes	155	1.27%	235 993 698	33.24%
Custodians	12	0.10%	3 252 090	0.46%
Foundations & Charitable Funds	87	0.71%	9 792 011	1.38%
Hedge Funds	22	0.18%	19 105 361	2.69%
Insurance Companies	5	0.04%	4 730 962	0.67%
Investment Partnerships	49	0.40%	1 789 321	0.25%
Managed Funds	22	0.18%	1 873 102	0.26%
Medical Aid Funds	8	0.07%	2 252 163	0.32%
Organs of State	4	0.03%	31 161 295	4.39%
Private Companies	273	2.23%	116 429 998	16.40%
Public Companies	5	0.04%	1 614 461	0.23%
Retail Shareholders	10 608	86.69%	125 178 352	17.63%
Retirement Benefit Funds	99	0.81%	24 375 751	3.43%
Scrip Lending	4	0.03%	10 767 555	1.52%
Share Schemes	13	0.11%	28 975 136	4.08%
Sovereign Funds	2	0.02%	26 599 339	3.75%
Stockbrokers & Nominees	15	0.12%	4 230 778	0.60%
Trusts	762	6.23%	44 234 839	6.23%
Unclaimed Scrip	1	0.01%	1	0.00%
Total	12 236	100.00%	709 989 417	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	**21**	**0.17%**	**67 862 219**	**9.56%**
Directors	8	0.07%	37 146 250	5.23%
Share Schemes	13	0.11%	30 715 969	4.33%
Public Shareholders	**12 215**	**99.83%**	**642 127 198**	**90.44%**
Total	**12 236**	**100%**	**709 989 417**	**100%**

Fund Managers With A Holding Greater Than 3% of The Issued Shares	Number of shares	% of issued capital
Allan Gray	56 036 205	7.89%
Aylett & Co	41 211 472	5.80%
PSG Asset Management	35 600 303	5.01%
Vanguard Investment Management	26 329 282	3.71%
Public Investment Corporation	23 824 141	3.36%
Ninety One	21 985 093	3.10%
Oasis Crescent Management Company	21 794 820	3.07%
Total	**226 781 316**	**31.94%**

Beneficial Shareholders With A Holding Greater Than 3% Of The Issued Shares	Number of shares	% of issued capital
Allan Gray	45 474 060	6.40%
PSG	35 520 403	5.00%
Long 18 (Pty) Ltd	31 846 129	4.49%
JDL Holdings	29 345 584	4.13%
Government Of Norway	26 599 339	3.75%
Government Employees Pension Fund	26 388 712	3.72%
Vanguard	26 329 282	3.71%
Aylett & Co	21 818 998	3.07%
Total	**243 322 507**	**34.27%**

Geographical Split of Beneficial Shareholders	Number of shares	% of issued capital
South Africa	625 643 573	88,12%
United States	45 429 151	6,40%
Norway	26 599 339	3,75%
Switzerland	3 083 333	0,43%
Rest of the World[1]	9 234 021	1,30%
Total	709 989 417	100.00%

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

Total number of shareholdings	**12 236**
Total number of shares in issue	**709 989 417**

Share Price Performance	
Opening Price 02 March 2020	R3.22
Closing Price 26 February 2021	R3.74
Closing High for period	R4.30
Closing Low for period	R2.50
Number of shares in issue	709 989 417
Volume traded during period	408 723 520
Ratio of volume traded to shares issued (%)	57.57%
Rand value traded during the period	R1 304 222 866
Price/earnings ratio as at 26 February 2021	12.43
Earnings yield as at 26 February 2021	8.05
Dividend yield as at 26 February 2021	–
Market capitalisation at 26 February 2021	R2 655 360 420

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 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