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

AUDITED PROVISIONAL SUMMARISED RESULTS
for the year ended 28 February 2019

BUILDING ON OUR VISION

Commentary

SALIENT FEATURES
for the financial year ended 28 February 2019

Revenue:
R3.6bn

Trading profit:
R454.2m

Trading profit before depreciation and amortisation:
R534.9m

HEPS:
38.7 cents

Cash:
R1.1bn

Long4Life Limited ("L4L" or "the Company" or "the group") was listed on the JSE Limited in April 2017. L4L's strategy is focused on investment in the leisure and lifestyle sectors in both the emerged and emerging consumer markets. The group is currently structured into three operating divisions: Sport and Recreation, Beverages and Personal Care and Wellness, each with their own management teams.

FINANCIAL OVERVIEW

The group delivered pleasing results for the year under review, notwithstanding a weak consumer market. Revenue of R3.642 billion for the year was achieved and gross profit amounted to R1.446 billion, at a gross margin of 39.7%. Trading profit for the year was R454.2 million at a trading margin of 12.5%.

Divisional performance for the year under review is set out below:

	Sport and Recreation	Beverages	Personal Care and Wellness	Central/ corporate	Total
Revenue (R'm)	2 113.0	1 355.5	173.8	-	3 642.3
Trading profit (R'm)	321.1	153.8	38.9	(59.6)	454.2
Trading margin (%)	15.2	11.3	22.4	-	12.5

The group maintained gross profit and trading margins across its businesses despite consumer pricing pressure, the increase in VAT and the devaluation in the Rand. Corporate costs, whilst well controlled, cater for the potential of managing a larger platform of businesses.

The divisions due to seasonality had significant operating leverage in the second half of the financial year. Beverage consumption, as well as demand for beauty treatments, increases substantially in the summer months and the Sport and Recreation retail stores experience significant increase in trading over the holiday and Christmas periods.

The group's financial position is solid with cash of R1.1 billion at year-end. Return on funds employed amounted to 42%. Cash generated from operations was strong at R465.1 million.

Comparatives

As 2019 is the group's first full 12-month trading period since listing, comparatives are largely not meaningful. The results for the previous financial period include trading results for a four-month period and incorporate finance income earned on cash balances for eleven months. Holdsport, Sorbet and Inhle Beverages were acquired effective 1 November 2017, Chill Beverages effective 1 March 2018, and the ClaytonCare Group effective 1 September 2018.

OPERATIONAL REVIEW

L4L has positioned its respective businesses for continued growth and efficiency enhancement, and the last year's performance is indicative of the inherent potential within the various businesses. Management continues to introduce new and extensions of existing products and services, while expanding the geographic store footprint and continually assessing complementary and bolt-on acquisitions. The subsidiaries are primarily wholly owned, which enables the full benefit of cash flows.

The group has a central function that provides financial, governance and strategic support to its businesses all of which operate within a decentralised entrepreneurial philosophy. L4L provides the necessary capital to support organic growth within its businesses and seeks new investments to build capability and capacity across the branded lifestyle space.

The past year has, however, been characterised by an underperforming South African economy weary from ongoing corruption revelations and frustrations with service delivery. Consumer confidence and purchasing power remains low.

In the light of the difficult economic environment, the group is pleased with the performance and the strategic progress of its businesses.

Sport and Recreation division

This division comprises sports retail, outdoor warehouse, a dedicated e-commerce division and performance brands.

Price deflation measured 0.9% across the retail businesses and the overall weighted average trading area increased by 3.5% relative to the previous year.

Sports Retail: Total sales increased by 10.1% and by 4.0% on a like-for-like basis. Over the past year, Sportsmans Warehouse introduced a new mall-based concept with a smaller footprint, which still offers an authentic and recognisable shopping experience. Three of these new concept stores were opened during the year: Rosebank Mall, Sandton City and Eikestad Mall in Stellenbosch, bringing the total number of Sportsmans Warehouse stores to 43. This new concept, which creates exciting opportunity in various mall-based locations where Sportsmans Warehouse is not currently represented, has been well received and is trading successfully. The next store in this format is opening in Eastgate Mall in May 2019. The new design elements and fixtures are being introduced across the existing store base and all stores are being refurbished over the next three years to the latest concept.

Outdoor Warehouse: Sales performed satisfactorily with an increase of 3.3% and by 4.1% on a comparable basis. Sales growth was slightly hamstrung by price deflation while the shorter than normal December holiday restricted customers' traditional camping vacations and, consequently their demand for outdoor merchandise. Two stores were reduced in size as part of this business' objective to enhance trading density and ensure cost-efficiency. Outdoor Warehouse currently trades from 26 stores and a new store in Randburg will open later this calendar year.

Performance Brands: This business owns, designs, procures, manufactures and distributes the First Ascent, Capestorm, Second Skins, OTG Active and African Nature brands. Total external sales were 2.5% lower than the previous year whilst sales to the group's retail divisions increased by 0.5% year on year. A new manufacturing facility was commissioned in 2018 and management is committed to build production capacity with unique technical skills which will support design excellence and provide customised merchandise to key markets. Performance Brands was recently awarded the exclusive distribution rights for Speedo swimwear, effective January 2020.

Beverages division

L4L acquired Inhle Beverages, which manufactures in Heidelberg (Gauteng), in 2017 and Stellenbosch (Western Cape) based Chill Beverages, in 2018. Although the division's plants have different capabilities and capacities, there is complementary production back-up and synergy which will prove to be beneficial in future years.

Own Brands are products (such as Score Energy, Bashews and Fitch & Leedes) where the trademarks and intellectual property are owned, while the manufacture of products for third parties is referred to as contract packing. The division packs for and services both multinational and local beverage brands. Private label develops products to the needs of a specific customer, and can include a combination of product development, manufacture and/or distribution. Future growth is aligned to the constantly changing consumer trends: wellness, eco-footprint, authenticity, urbanisation, de-formalisation, function, flavour, as well as e-shopping.

Total volumes for this division, which includes Own Brands, Contract Packing and Private Label, increased by 19% year on year. Own Brands, Contract Packing and Private Label accounted for 53%, 41% and 6% of the division's revenue respectively. Growth in Own Brands was particularly pleasing with 50% increase in volumes year on year.

The now familiar demand and supply challenges faced by the South African economy affected the Beverage division in varying degrees. Water shortages in the Western Cape did not have a material effect, but power outages had a slightly negative influence over both the Stellenbosch and Heidelberg plant's production output. The "sugar tax" became effective on 1 April 2018, and whilst it has not significantly affected beverage consumption volumes, it has had a small impact on gross margins.

There has been a substantial upgrade to the division's canning and glass packaging capacity as well as new infrastructure, which resulted in capital expansion expenditure of R61.4 million. Continued product innovation and incremental growth in targeted categories through the introduction of new brands and flavours is continuing while attention is being focused on digitisation, which is important to achieve future efficiency gains and insightful consumer interaction.

Personal Care and Wellness division

This division comprises both the beauty and grooming businesses Sorbet and LimeLight and the Health business ClaytonCare. L4L intends expanding this division, largely through bolt-on acquisitions that are complementary to the current core offering. Various opportunities are being considered, together with an assessment of additional and/or new products and services.

Sorbet: Performance has exceeded expectations for the year and annual revenue reached the R100 million mark for the first time, a growth of 19% year on year. Most gratifying has been the significantly improved performance and returns with trading profit up year on year by 74%.

Sorbet (Sorbet salons, nail bars, dry bars, Sorbet Man and Candi & Co) offers a fully franchised, owner-operator, beauty treatment business and the brand has exceptionally strong recognition and a loyal client base. The overall store base has grown to 207 outlets countrywide and interest from potential franchisees remains strong. Sorbet Man in particular exceeded growth expectations, with this offering now extended to 21 stores.

With the ongoing modernisation programme, a revamp of some 60 existing franchise stores is planned for the current year. Sorbet will be launching Sorbet SK-N, a high-end skin and aesthetic treatment offering, with the first store scheduled to open in May 2019 in Hyde Park Corner, Johannesburg.

LimeLight: This business procures and distributes hair and beauty products and equipment to professional salons and has been acquired to enhance the range of beauty products and create a distribution channel that will augment the division as a professional services and brands supplier. The business is building its portfolio of products as part of the ongoing strategy and has acquired the exclusive distribution rights for various international brands including American Crew (men's grooming products) and OWAY (organic hair and skin products). Other opportunities are currently being explored in this space.

ClaytonCare: Long4Life Health, of which 59% is held by Long4Life group, acquired 61% of ClaytonCare Group ("Clayton"), which has resulted in an effective 36% economic interest therein. Clayton is a sub-acute rehabilitation medical group which is located in two facilities: one in Randview and the other in Midstream. It has 83 sub-acute beds with 16 beds being High Care. The sub-acute care model is attractive in terms of the rising demand for cost-effective healthcare. Clayton provides the group with a platform on which to build post-acute and rehabilitation business and creates opportunities to participate in the transformation of the current healthcare delivery model.

PROSPECTS

The group is proud of its achievements in the past two years in a difficult and competitive environment. Whilst the consumer is expected to continue to be under significant pressure, the group remains cautiously optimistic about the future. The group is confident in its business model, the positioning of the respective businesses and the ability of the experienced management teams to achieve above average returns.

The group has reviewed several investment opportunities in the past year, however, sellers' expectations and asset valuations have not reflected the difficult economic climate and in many instances have not met the group's valuation criteria. Nonetheless, the group remains optimistic on investment opportunities materialising in the forthcoming year.

The group's balance sheet strength, access to an appropriate transactional pipeline as well as a wide spectrum of investors are all catalysts for its ongoing yet diligent assessment of organic and acquisitive possibilities. The focus is on businesses that can provide satisfactory growth and returns to shareholders and where L4L's capital and strategic capability can be successfully leveraged. The group continues to seek acquisitions and trading opportunities in order to scale its activities.

DIVIDEND

The board has resolved not to declare a dividend for the year under review. In arriving at this decision, the board has taken into consideration the R159.6 million spent on share repurchases and the prospects for further investments. Whilst the group has no formal dividend policy at this stage, this position will be reviewed and assessed by the board.

Signed on behalf of the board

Brian Joffe
Chief executive officer

Mireille Levenstein
Chief financial officer

Johannesburg, South Africa

14 May 2019

Summarised consolidated statement of profit or loss
for the year ended 28 February 2019

	Notes	Audited 2019 R'000	Audited Restated 11 months 2018 R'000
Revenue	4	3 642 342	884 750*
Cost of sales		(2 196 554)	(466 220)*
Gross profit		1 445 788	418 530
Operating expenses		(929 467)	(263 046)
Other income		18 618	15 717
Trading profit before depreciation and amortisation		534 939	171 201
Amortisation		(41)	(453)
Depreciation		(80 741)	(23 298)
Trading profit		454 157	147 450
Share-based payment expense		(21 939)	(12 100)
Acquisition costs		(8 285)	(16 839)
Net capital items		4 752	(1 469)
Operating profit		428 685	117 042
Net finance income		71 579	122 298
Share of losses from associate		(1 572)	-
Profit before taxation		498 692	239 340
Taxation		(142 676)	(69 680)
Profit for the year		356 016	169 660
Attributable to			
Shareholders of the company		351 512	168 948
Non-controlling interests		4 504	712
		356 016	169 660
Basic earnings per share (cents)		39.0	30.0
Diluted basic earnings per share (cents)		38.5	29.6

* Refer to note 9.

Summarised consolidated statement of comprehensive income
for the year ended 28 February 2019

	Audited 2019 R'000	Audited 11 months 2018 R'000
Profit for the year	356 016	169 660
Other comprehensive income (loss) net of taxation		
Items that may be reclassified subsequently to profit and loss		

Exchange differences on translating foreign operations	(25)	(393)
Total comprehensive income for the year	355 991	169 267
Attributable to		
Shareholders of the company	351 520	169 061
Non-controlling interest	4 471	206
	355 991	169 267

Summarised consolidated statement of financial position
at 28 February 2019

	Notes	Audited 2019 R'000	Audited 2018 R'000
ASSETS			
Non-current assets		3 597 478	2 800 362
Property, plant and equipment		526 502	198 955
Goodwill		2 252 854	1 927 606
Intangible assets		785 887	644 127
Deferred taxation assets		22 762	6 692
Interests in associate		3 428	-
Other investments and loans		6 045	22 982
Current assets		2 199 185	2 344 015
Inventories		812 525	580 363
Trade and other receivables		291 768	66 642
Taxation receivable		6 747	5 348
Cash and cash equivalents		1 088 145	1 691 662
Total assets		5 796 663	5 144 377
EQUITY AND LIABILITIES			
Capital and reserves		4 871 375	4 523 863
Stated capital		4 314 291	4 339 723
Reserves attributable to shareholders of the company		496 795	163 361
Non-controlling interests		60 289	20 779
Non-current liabilities		398 284	257 089
Deferred taxation liabilities		227 419	159 610
Long-term portion of borrowings		74 839	-
Other financial liability	8	48 000	48 000
Long-term provisions		-	2 126
Long-term portion of straight-lining of leases		48 026	47 353
Current liabilities		527 004	363 425
Trade and other payables		497 495	200 377
Short-term portion of borrowings		18 105	160 338
Provision for taxation		11 404	2 710
Total equity and liabilities		5 796 663	5 144 377

Summarised consolidated statement of cash flows
for the year ended 28 February 2019

	Notes	Audited 2019 R'000	Audited 11 months 2018 R'000
Cash flows from operating activities		390 195	200 135
Cash generated by operations	5	465 090	151 702
Net finance income received		71 579	122 298
Taxation paid		(146 474)	(73 865)

Cash effects of investment activities		(566 462)	(489 878)
Additions to property, plant and equipment		(155 316)	(41 234)
Proceeds on disposal of property, plant and equipment		6 456	15 650
Additions to intangible assets		(4 782)	(58)
Acquisition of subsidiaries	6	(426 132)	(399 309)
Acquisition of associate		(5 146)	-
Acquisition of investments		(6 368)	(64 927)
Proceeds on disposal of investments		24 826	-
Cash effects of financing activities		(427 250)	1 981 411
Capital raised on listing		-	2 000 000
Purchase of treasury shares		(159 573)	-
Borrowings repaid		(215 887)	(17 850)
Dividends paid		(51 790)	(739)
Net (decrease)/increase in cash and cash equivalents		(603 517)	1 691 668
Cash and cash equivalents at beginning of year		1 691 662	*
Effects of exchange rate fluctuations on cash and cash equivalents		-	(6)
Cash and cash equivalents at end of year		1 088 145	1 691 662

* Amount below R1 000.

Summarised consolidated statement of changes in equity
for the year ended 28 February 2019

	Notes	Audited 2019 R'000	Audited 11 months 2018 R'000
Equity attributable to shareholders of the company		4 811 086	4 503 084
Stated capital	7	4 314 291	4 339 723
Balance at beginning of the year		4 339 723	*
Shares issued during the year		134 141	4 339 723
Treasury shares held by subsidiaries		(159 573)	-
Transactional costs for issuing equity instruments		(20 435)	(20 435)
Balance at beginning of the year		(20 435)	(18 763)
Transaction costs incurred		-	(1 672)
Foreign currency translation reserve		(385)	(393)
Balance at beginning of the year		(393)	-
Exchange differences on translating foreign operations		8	(393)
Equity-settled share-based payment reserve		41 068	15 371
Balance at beginning of the year		15 371	-
Recognition of share-based payment expense		21 939	12 100
Deferred taxation recognised directly in reserve		3 758	3 271
Retained earnings		471 097	168 818
Balance at beginning of the year		168 818	(130)
Profit for the year		351 512	168 948
Dividends paid		(49 233)	-
Deferred consideration		5 450	-
Equity attributable to non-controlling interests of the company		60 289	20 779
Balance at beginning of the year		20 779	-
Other comprehensive income		4 471	206
Profit for the year		4 504	712
Exchange differences on translating foreign			

operations	(33)	(506)
Dividends paid	(2 557)	(739)
Arising on acquisition of subsidiaries	37 596	21 312
Total equity	4 871 375	4 523 863

* Amount below R1 000.

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

BASIS OF PRESENTATION AND ACCOUNTING POLICIES

These summarised consolidated financial statements have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, and includes, at a minimum, disclosure as required by IAS 34 Interim Financial Reporting, and complies with the requirements of the Companies Act of South Africa and the JSE Listings Requirements. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the group's financial position and performance.

The accounting policies applied in these summarised consolidated financial statements are in terms of IFRS and, where applicable, are consistent with those applied in the consolidated financial statements for the period ended 28 February 2018, except for the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers as noted below.

These summarised consolidated financial statements are extracted from the audited consolidated financial statements. The directors take full responsibility for the preparation of the preliminary report and that the summarised financial information has been correctly extracted from the underlying audited consolidated financial statements.

IFRS STANDARDS THAT BECAME EFFECTIVE DURING THE PERIOD

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

The group's revised policy regarding financial instruments and revenue are summarised below:

IFRS 9: Financial Instruments

The impact of IFRS 9 for the group relates to the application of the Expected Credit Loss (ECL) model in the measurement of the impairment allowance of our trade and other receivables (through the application of the simplified approach). In terms of IAS 39, trade and other receivables were impaired when there was objective evidence of default. IFRS 9 dictates that the impairment is based on the lifetime expected credit losses on trade and other receivables. In general, the ECL model is expected to result in a higher impairment allowance than the historical incurred loss model, as provision rates must now reflect all possible future losses based on past experience as well as future economic factors. To measure ECLs, trade receivables are assessed on an individual basis. The ECL rates are based on historical credit losses experienced during the period, adjusted to reflect current and forward looking information on macro economic factors affecting the ability of the debtor to settle the receivable. The group applied IFRS 9 with an initial application date of 1 March 2018. The group applied the standard retrospectively but has elected not to restate comparative information, which continues to be reported under IAS 39.

IFRS 15: Revenue from Contracts with Customers

IFRS 15 relates to the measurement, classification and disclosure of revenue from contracts with customers and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised as the group satisfies performance obligations and transfers control of goods or services to its customers as opposed to the application of the risks and rewards criteria under IAS 18. The measurement of revenue is determined based on the amount to which the group expects to be entitled, allocated to each specific performance obligation. Depending on whether certain criteria are met, revenue is recognised either over time or at a point in time, as or when control of goods or services is transferred to the customer. IFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue', however the Standard does not prohibit an entity from using alternative descriptions in the statement of financial position. The group has adopted the terminology of 'deferred revenue' to describe such balances. The only impact on adoption of this standard was on classification of deferred revenue, previously disclosed as other payables as part of the trade and other payables note in the consolidated annual financial statements. Relevant prior period financial information has been restated, with no impact on the group's previously reported earnings and headline earnings.

PREPARER OF THE SUMMARISED PROVISIONAL CONSOLIDATED FINANCIAL STATEMENTS

The summarised consolidated 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 were approved by the board of directors on 14 May 2019.

REPORT OF INDEPENDENT AUDITORS

The auditors, Deloitte & Touche, have issued their opinion on the consolidated financial statements for the year ended 28 February 2019. The audit was conducted in accordance with International Standards on Auditing. They have issued an unmodified opinion. A copy of the auditor's report together with a copy of the audited consolidated financial statements are available for inspection at the company's registered office.

These summarised consolidated financial statements have been derived from the consolidated financial statements and are consistent in all material respects with the consolidated financial statements. The summarised consolidated financial statements have been audited by the company's auditors who have issued an unmodified opinion. The auditors' report does not necessarily report on all of the information contained in this announcement. Shareholders are advised, that in order to obtain a full understanding of the nature of the auditors' engagement they should obtain a copy of that report together with the accompanying financial information from the company's registered office. Any reference to future financial information included in this announcement has not been reviewed or reported on by the auditors.

EVENTS AFTER THE REPORTING PERIOD

There are no material subsequent events from the reporting date.

Comparative figures

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

Restatement

Shareholders are advised that the company has restated revenue and cost of sales contained in the group financial results for the eleven-month period ended 28 February 2018. The restatement has no impact on the group's profit, earnings per share, headline earnings per share or its financial position. Further detail of the restatement is contained in note 9 to the audited summarised financial statements presented herewith.

Change in directorate

Mireille Levenstein was appointed as an executive director to the board on 15 October 2018 and Peter Riskowitz resigned from the board as executive director on 31 October 2018.

1. Segmental report

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

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

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

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

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

Operating profit					428 685
Net finance income					71 579
Share of losses from associate					(1 572)
Profit before tax					498 692
Segmental assets	649 632	764 917	202 327	5 016 935	6 633 811
Inter-group eliminations					(837 148)
					5 796 663
Segmental liabilities	393 416	664 080	109 440	595 500	1 762 436
Inter-group eliminations					(837 148)
					925 288

	Sport and Recreation	Beverages	Personal Care and Wellness	Corporate	Total
Segmental capital expenditure					
Spent on expansion	22 100	60 532	1 875	83	84 590
Spent on replacement	68 858	868	1 000	-	70 726
	90 958	61 400	2 875	83	155 316
For the period ended 28 February 2018					
Revenue	791 597*	60 384	32 769	-	884 750*
Trading profit before depreciation and amortisation	159 455	23 855	10 128	(22 237)	171 201
Depreciation and amortisation	(20 922)	(1 185)	(380)	(1 264)	(23 751)
Trading profit	138 533	22 670	9 748	(23 501)	147 450
Share-based payment expense					(12 100)
Acquisition costs					(16 839)
Net capital items					(1 469)
Operating profit					117 042
Net finance income					122 298
Profit before tax					239 340
Segmental assets	3 962 188	101 146	104 573	5 095 365	9 263 272
Inter-group eliminations					(4 118 895)
					5 144 377
Segmental liabilities	2 968 997	26 411	39 225	1 704 776	4 739 409
Inter-group eliminations					(4 118 895)
					620 514
Segmental capital expenditure					
Spent on expansion	5 512	8 774	62	7 583	21 931
Spent on replacement	-	19 003	300	-	19 303
	5 512	27 777	362	7 583	41 234

* Refer to note 8.

2. Headline earnings per share

	Audited 2019 R'000	Audited 11 months 2018 R'000
Profit attributable to shareholders of the company	351 512	168 948

Adjusted for:		
Profit on disposal of property, plant and equipment	(780)	-
Gain on reacquired intangible asset	(3 024)	-
Loss on disposal of property, plant and equipment	-	105
Impairment of associate	-	1 364
Tax effects	1 106	(29)
Headline earnings	348 814	170 388
Weighted average number of shares in issue ('000)	902 054	564 067
Headline earnings per share (cents)	38.7	30.2
Diluted headline earnings per share (cents)	38.2	29.8

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

	Audited 2019 R'000	Audited 11 months 2018 R'000
Equity attributable to ordinary shareholders of the company (R'000)	4 811 086	4 503 084
Ordinary no par value shares in issue net of treasury shares ('000)	877 386	889 642
Net asset value per share attributable to ordinary shareholders of the company (cents)	548	506
Tangible net asset value	1 772 345	1 931 351
Ordinary no par value shares in issue net of treasury shares ('000)	877 386	889 642
Tangible net asset value per share attributable to ordinary shareholders of the company (cents)	202	217

4. Revenue

	Audited 2019 R'000	Audited 11 months 2018 R'000
Sale of goods		
Rendering of services	3 523 242	859 522*
Royalty income	48 739	2 688
Franchise income, royalties and administration fees	69 432	22 540
Other - rental income	929	-
	3 642 342	884 750*

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

* Refer to note 9.

5. Cash generated from operations

	Audited 2019 R'000	Audited 11 months 2018 R'000
Reconciliation of operating profit to cash generated from operations:		
Operating profit	428 685	117 042
Acquisition costs	8 285	11 384
Depreciation and amortisation	80 782	23 751

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

6. Acquisition of subsidiaries

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

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

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

Goodwill represents the value paid in excess of the fair value of the acquisitions. This consists largely of the values assigned to the unique operating models, future growth and future market development of the businesses acquired. The benefits are not separately recognised from goodwill because they do not meet the recognition criteria for identifiable intangible assets. The acquisitions have enabled the group to further establish its presence in the lifestyle sector and as a consequence, has broadened the group's base in the market place. The group controls an investee when it is exposed, or has the rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

	Audited 2019				Audited 2018
	Chill R'000	ClaytonCare R'000	Other R'000	Total R'000	Total R'000
Fair value of tangible assets/ (liabilities) acquired					
Property, plant and equipment	235 480	2 538	20 630	258 648	196 774
Trademarks	136 945	-	-	136 945	644 530
Other intangible assets	-	-	-	-	45
Other investments and loans	347	(24)	-	323	92 790
Inventories	121 670	323	6 152	128 145	609 534
Trade and other receivables	166 307	18 645	3 022	187 974	67 634
Cash and cash equivalents	22 683	14 582	878	38 143	48 356

Straight-lining of leases	-	-	-	-	(45 141)
Borrowings	(143 170)	(1 607)	(4 054)	(148 831)	(178 869)
Put option liability	-	-	-	-	(48 000)
Trade and other payables	(224 100)	(7 237)	(345)	(231 682)	(223 622)
Provisions	-	-	-	-	(2 136)
Deferred taxation	(57 178)	879	(1 754)	(58 053)	(161 978)
Taxation	(7 796)	(1 033)	292	(8 537)	4 241
Total identifiable assets at fair value	251 188	27 066	24 821	303 075	1 004 158
Cash	367 539	39 869	48 728	456 136	436 281
Issue of shares	125 295	-	3 846	129 141	2 335 973
Fair value of previously held interest	-	-	-	-	45 408
Inter-group loan	-	-	-	-	92 790
Deferred consideration	-	-	5 450	5 450	-
Consideration transferred	492 834	39 869	58 024	590 727	2 910 452
Consideration transferred	492 834	39 869	58 024	590 727	2 910 452
Plus: Non-controlling interest measured at their share of fair value of net assets	-	37 596	-	37 596	21 312
Less: Identifiable assets at fair value	(251 188)	(27 066)	(24 821)	(303 075)	(1 004 158)
Goodwill arising at acquisition	241 646	50 399	33 203	325 248	1 927 606
Consideration paid in cash	(367 539)	(39 869)	(48 728)	(456 136)	(436 281)
Cash acquired	22 683	14 582	878	38 143	48 356
Costs incurred in respect of acquisitions	(1 798)	(572)	(170)	(2 540)	(11 384)
Cost incurred in respect of potential acquisitions			(5 599)	(5 599)	-
Net cash outflow on acquisition of subsidiaries	(346 654)	(25 859)	(53 619)	(426 132)	(399 309)
Contribution to results for the year					
Revenue	1 205 632	42 513	28 237	1 276 382	730 661
Trading profit	96 884	4 455	5 006	106 345	164 604

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

7. Stated capital

	Audited 2019 R'000	Audited 2018 R'000
Balance at beginning of the year	4 339 723	*
	134 141	4 339 723
Shares issued pursuant to listing on the JSE	-	2 000 000
Shares issued for business acquisitions	129 141	2 335 973
Shares issued for executive remuneration	5 000	3 750
Less: Shares held by subsidiary as treasury shares	(159 573)	-
Balance at the end of the year	4 314 291	4 339 723

Authorised

4 000 000 000 ordinary shares of no par value

(2018: 4 000 000 000 ordinary shares of no par value)

Issued

913 909 909 ordinary shares of no par value

(2018: 889 775 767 ordinary shares of no par value)

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.

During the year, group subsidiaries acquired 36 389 582 (2018: 134 103) Long4Life Limited shares at an average cost of R4,38 (2018: nil) per share, totalling R159,6 million (2018: nil). 13 199 478 of the company's shares are held in escrow on behalf of participants of the L4L Forfeitable Share Plan at a cost of R59,3 million.

At the reporting date, the group owned 36 523 695 (2018:134 103), Long4Life Limited shares held by subsidiaries, at a total cost of R159,6 million (2018: Nil).

Incremental costs directly attributable to the issuance of new no par value ordinary shares are deducted from the stated capital account.

* Amount below R1 000.

8. Financial instruments

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

Level 1: Measured using unadjusted, quoted prices in an active market for identical financial instruments.

Level 2: Valued using techniques based significantly on observable market data. Instruments in this category are valued using:
(a) Quoted prices for similar instruments or identical instruments in markets which are not considered to be active, or
(b) Valuation techniques where all the inputs that have a significant effect on the valuation are directly or indirectly based on observable market data.

Level 3: Valued using valuation techniques that incorporate information other than observable market data and where at least one input (which could have a significant effect on instruments' valuation) cannot be based on observable market data.

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

	Level	Carrying amount R'000	Within 1 year R'000	Audited 1 - 2 years R'000	2 - 5 years R'000	More than 5 years R'000
At 28 February 2019						
Financial assets						
At fair value						
Investment in listed shares	1	5 776	5 776	-	-	-
Financial liabilities						
At fair value						
Foreign exchange contracts	1	(1 631)	(1 631)	-	-	-
Other financial liability - NCI put option	3	(48 000)	-	(23 721)	(24 279)	-
Total		(49 631)	(1 631)	(23 721)	(24 279)	-

	Level	Carrying amount R'000	Within 1 year R'000	Audited 1-2 years R'000	2 - 5 years R'000	More than 5 years R'000
At 28 February 2018						
Financial assets						
At fair value						
Investments - listed held-for-trading	1	22 982	22 982	-	-	-
Financial liabilities						
At fair value						
Foreign exchange contracts	1	(5 334)	(5 334)	-	-	-
Other financial liability - NCI put option	3	(48 000)	-	(23 721)	(24 279)	-
Total		(53 334)	(5 334)	(23 721)	(24 279)	-

Valuation technique

The value of the put option liability was determined using a profit multiple designed to approximate the fair value of the shares of the non-controlling interest's proportionate share of the profit after tax for the year ending 28 February 2019, discounted using a risk adjusted discount rate.

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

Inter-relationship between significant unobservable inputs and fair value measurement

The estimated fair value would increase (decrease) if:

- the profit after tax were higher (lower); or
- the risk-adjusted discount rate were lower (higher).

9. Restatement

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

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

10. Capital commitments

	Audited 2019 R'000	Audited 2018 R'000
The board of directors' policy is to maintain a strong capital base so as to sustain future growth of the business so that it can continue to generate benefits to its shareholders.		
Capital expenditure approved:		
Contracted for	37 992	17 500
Not contracted for	166 266	89 700
	204 258	107 200

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

Administration

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

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

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

Independent auditors
Deloitte & Touche
Practice number: 902276
Deloitte Place, The Woodlands
20 Woodlands Drive, Woodmead, Sandton, 2193
Private Bag X6, Gallo Manor, 2052

Transfer secretaries
Computershare Investor Services
Proprietary Limited
Registration number: 2004/003647/07
1st Floor, Rosebank Towers
13 - 15 Biermann Avenue
Rosebank, Johannesburg, 2196
PO Box 61051, Marshalltown, 2107
Telephone +27 (11) 370-5000

Sponsor
The Standard Bank of South Africa Limited
30 Baker Street, Rosebank
South Africa, 2196

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

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