



LEULU HOLDINGS

INTEGRATED
ANNUAL
REPORT

2021



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Report scope and boundary

WELCOME

LUXE Holdings Limited (“LUXE” or “LUXE Holdings” or “the Company” or “the Group”), is proud to present its 2021 integrated annual report, which is intended to concisely and accurately inform its stakeholder universe of the Company’s strategy, governance, performance, and prospects.

For clarity and brevity, this integrated annual report discusses only those matters considered most material to our shareholders and stakeholders for making properly informed decisions regarding the Company.

Supporting information is provided on the Company’s website and through other media.

FRAMEWORKS APPLIED

This integrated annual report accords with the Companies Act, No. 71 of 2008, as amended (“Companies Act”), the Listings Requirements of the JSE Limited (“JSE Listings Requirements”) and, where possible, the recommendations of the King IV Report on Corporate Governance™ for South Africa, 2016 (“King IV™”). The group annual financial statements were prepared in accordance with International Financial Reporting Standards (‘IFRS’) and the Financial Reporting Pronouncements issued by the Financial Reporting Standards Council.

As recommended by King IV™, this integrated annual report was also prepared following the International Integrated Reporting Council’s (“IIRC”) International Integrated Reporting framework (“IR framework”). The Board of Directors (“the Board”) and management have endorsed the IR framework’s concepts, guiding principles and content elements.

THE SIX CAPITALS

The IIRC’s six capitals model is used as a basis for describing the Group’s allocation of resources, its achievement of goals, risks and opportunities, and its ability to create value, both now and in the future.

PREPARATION AND PRESENTATION

The Group’s 2021 integrated annual report was prepared for the period 1 March 2020 to 28 February 2021 and covers the activities of LUXE Holdings and its subsidiaries operating in South Africa.

Matters raised through stakeholder engagement are assessed in terms of the stakeholder’s influence, legitimacy and urgency.

The executive directors and senior management were instrumental in preparing this integrated annual report, and the Board has fulfilled its responsibilities in terms of the King IV™ recommendations.

DIRECTORS’ STATEMENT OF RESPONSIBILITY

The Board acknowledges its responsibility to ensure the integrity of the integrated annual report and accordingly believes that it presents fairly the performance of the Group and its material matters.

On the recommendation of the audit and risk committee, the Board approved the 2021 integrated annual report on 29 June 2021.

FORWARD-LOOKING STATEMENTS

Many of the statements in this integrated annual report constitute forward-looking statements. These are not guarantees or predictions of future performance. As discussed in the report, the business faces risks and other factors outside its control. This may lead to outcomes unforeseen by the Group. These are not reflected in the report.

Readers are warned not to place undue reliance on forward-looking statements.

Feedback

The reporting process is an ongoing journey in which the Group continually strives to improve on the quality of its reporting. Therefore, feedback is welcomed from all stakeholders and the Group invites you to contact Hannes van Eeden should you have any questions.

Email : hannes@luxeholdings.co.za. This integrated annual report is available at www.luxeholdings.co.za



A close-up, profile view of a woman with dark hair styled in a bun. She is wearing a light beige, draped dress with a low back. Her eyes are closed, and she has a serene expression. She is wearing gold hoop earrings, a thin gold necklace with a small pendant, and a ring with a rectangular clear stone on her left hand. The background is a plain, light color.

Leadership Review

“

*Leadership is the
capacity to translate
vision into reality. ”*

- WARREN BENNIS -



Chairperson's report

OVERVIEW

This has been an eventful year; we started the year focussing on our luxury retail business strategy in line with the Group strategy to be a focussed luxury retail business and to exit the remaining food businesses that were placed into voluntary liquidation in March 2020. What followed was an extraordinary time for our country and our retail business, having to close our retail stores from 27 March 2020 to 31 May 2020 due to the national lockdown.

The Board and management responded rapidly to protect the Company, shareholder value and to ensure the health and safety of our employees and customers. Plans were implemented to reduce the cost base and management worked closely with our employees, bankers, landlords and suppliers to ensure the sustainability of the business going forward.

Our broad strategy was unchanged throughout and the business adapted to the new market dynamics arising out of the COVID-19 crisis. This is reflected in our earnings growth in a sector that was severely affected by the pandemic.

The performance of the past year, with strong performance in the second half under extremely challenging restrictions, highlights the resilience of the business in which the Group trades and our business model. It also demonstrates Management's continued focus on the execution of our business plans and strategies.

Our cash resources have been carefully managed with several actions taken to conserve funds during the year. We expect the shift in consumer behaviour towards online sales to continue for some time and one of our priorities during the year has been to continue the development of our online platform.

There were several learnings and actions born out of the crisis that are now incorporated in the management of the business. This all bodes well for the Group as these brought about efficiencies, improved working capital management, improved capital allocation decisions and revisions to the business model to enhance the sustainability of the business.

We are not out of the woods yet. The Board and Management's immediate focus remains short term recovery and building a sustainable business in the medium to long term to create value for stakeholders.

LOOKING AHEAD

We are focussed on the growth and expansion of the Jewellery and Watch Division driven by NWJ, Arthur Kaplan and World's Finest Watches brands; we continue to explore organic and new business opportunities.

We will continue to strive to remain relevant in this ever-changing environment that constantly requires a fresh approach. To this end, we will continue our programme of refurbishing stores.

Our business plan and objectives for the current year have been reviewed and revised given the impact of the pandemic. There is considerable uncertainty regarding the economy, trading conditions and future financial performance.

We are focussing on what we can control and preparing for outcomes that seem reasonably possible.

APPRECIATION

The year has been challenging with the pandemic having a significant impact on the performance of the Group. This has placed additional demands on directors, employees, partners, and suppliers.

The Board is pleased with the leadership of our Company and with the strategic progress being made and extends an extra thanks to the management team for the speed and agility exercised in its response to COVID-19, as well as the sacrifices made.

The strength of the Group is built on the hard work and dedication of all our people and this year has highlighted their resilience and ability to work together in times of crisis.

On behalf of the Board, we would like to thank all for their valued contribution and outstanding work during an extremely demanding year.



N Siyotula
Chairperson



Chief Executive Officer's report

DEAR STAKEHOLDER

During the year, the Group made further progress in advancing its strategic priorities despite the unprecedented challenges presented by the pandemic. Our vision is to be the preferred jewellery and premium watch retailer of choice in Southern Africa delivering a memorable shopping experience with a work environment that inspires our employees to give of their best for the Company and customers. Our focus is to put the customer at the centre of everything we do, delivering an affordable luxury omnichannel experience and becoming a part of their life journey.

The Group's strategic objectives are aimed at delivering sustained growth in revenue and profitability, enhancing long-term shareholder wealth, and creating value for other stakeholders. These strategic objectives for the Group will be realised through the delivery of short and medium-term action plans and projects, which are developed and implemented each year.

Our strategic priorities are to **grow revenue, profit, and return on capital employed** through continued investment in and elevation of our store portfolio, organic new store opportunities and new revenue streams. Our goal is to increase our footprint in under-represented regions, however fully mindful of assessing the viability of locations based on appropriate criteria, retail indices and leasing considerations. Online will continue to be an important focus and driver of sales where we do not have a physical presence, as well as providing an easy convenient modern shopping experience for the current and new younger customer. **Enhance brand partnerships**, our strong and long-standing relationships with the most recognised and prestigious Swiss luxury watch brands are a key point of distinction. We actively work with our brand partners to identify distribution opportunities and partner on product development and launches, store projects, online platform, and marketing activities. **Deliver an exceptional customer experience**, ensuring customers feel valued and supported throughout the celebration of special moments is central to our priority of delivering an exceptional experience. We look to create modern, welcoming, inviting, browsable, luxurious store environments. Our stores are designed to appeal to a broad audience, catering to customers across all demographics. **Leverage best in class operations**, throughout our retail network there is a high level of accountability and performance management. We strive to ensure a collective alignment, ownership and understanding at all levels within retail to ensure that we continually drive productivity and profitability.

We have prioritised **digital transformation** as a core strategic imperative, essential to accelerate growth within an evolving online consumer retail environment, with the goal of a simplification of functions and services, cost efficiency, greater productivity, organisational agility, operating resilience, and improved customer experience.

We recognise that the pandemic has shifted behaviour and the process of learning new ways to serve our customers, collaborating with partners and creating value for our shareholder. This is a task that involves every function in our business and requires a culture that embraces change and is not afraid to take risks. We have laid the groundwork for the journey to continued sustainable growth as one of the leaders in the luxury watches and jewellery category. The post-pandemic recovery has shown that we are on the right path.

OVERVIEW

Demand for luxury watches and jewellery has remained strong as evidenced by our online sales growth and robust performance from our stores since re-opening. We are confident that the strong fundamentals underpinning the luxury watches and jewellery category remain intact, and believe we are well-positioned to deliver on our plans to leverage our leading position in the market.

The second half of the year was significantly better than the first, when stores were closed from 27 March 2020 to 31 May 2020 during the level 5 lockdown, resulting in an estimated R73 million in lost sales; same store sales for the second half of the year improved +1% to R238 million (2020: R236 million).

Despite the tough trading environment, the Jewellery and Watch Division's operating profit improved by 38% to R16.9 million (2020: R12.2 million); a strong recovery in the 2nd half resulted in profit improving R22.6 million from an operating loss of R5.7 million at half year to a full year profit of R16.9 million.

The Group has shown its resilience and generated R8.3 million in cash from operations during this pandemic year, reporting improved gross margins, excellent inventory management and responsible cost control.

There were several learnings and realisations from this year. Our strategy is sound (refer above), and we will continue to position our brand's value propositions to the target market, the broad middle to upper-income market. We are aligning our business model to the new normal to ensure it lays the foundation for the business to grow sustainably. Our business model is robust, and we are well equipped to adapt to changing consumer behaviour and heightened safety concerns created by the pandemic.

Our primary focus from the outset was to improve the resilience of the business during the period of operational weakness (whilst our stores were closed) and ensure the sustainability of the business and preserve cash, whilst managing the implications of the pandemic on our employees, suppliers, landlords and customers.



Chief Executive Officer's report continued

Our response included a freeze on all uncommitted capital expenditure. In addition, we received good support from our landlords granting rental relief of R5.9 million and suppliers granting extended payment terms. We worked closely with our suppliers to improve efficiencies in our supply chain and optimise our inventory levels. We contained our employee costs by strict rostering and planning of our workforce and reducing our trading hours, where applicable.

The onset of the pandemic has accelerated the shift in consumer behaviour to online shopping; contributing 5.4% of total retail sales. Online sales grew 236% (+174% on a comparable basis) for the financial year; contributing 5.4% of total retail sales. Online will continue to be an important focus and driver of sales where we do not have a physical presence, as well as providing an easy convenient modern shopping experience for the current and new younger customer and an alternative safe shopping option for our customers.

The health and wellbeing of our colleagues and customers remain our foremost priority throughout this challenging time and beyond. We are proud of the response from our teams, who have demonstrated unwavering resilience, teamwork and dedication.

NWJ

NWJ's sales performance since reopening on 1 June 2020 has been more resilient than we expected, -5.5% on a same store basis, which surpassed our expectations. Black Friday which ran for an entire week this year underwhelmed with the same store performance at -6.4% for the week. However, the strong run-in we experienced prior to Black Friday resulted in an impressive overall November same store performance of +9.4%, bricks and mortar stores +2.3% and online +180%, December sales were less than our expectations, the impact of the second wave of the pandemic adversely affecting trading.

The success of our online business +159% on a comparable basis (contributing 7.8% of comparable sales), our value and breadth of our product offering, and the fact that we have stores in our store portfolio that are located out of the traditional super-regional settings (which have proven to be sluggish since reopening) have served to mitigate the worst effects of the pandemic on trade.

We are pleased to report that the emphasis we placed on retail gross margin management has reaped rewards. Our retail gross profit margins tracked ahead of our targets for the year at 64.6% (2019: 60.9%). This is as a direct result of optimising our supply chain efficiencies, managing our pricing and attests positively to our decision to close our factory.

Inventory was well controlled during the year; a combination of optimised inventory purchases, carefully managed, delayed or postponement of orders and better than expected sales, meant that we ended R10.7 million less than we commenced the financial year.

We continued closing stores that did not meet our investment criteria. During the year, 2 corporate stores and 4 franchise stores closed, and 1 store converted from franchise to corporate. Further closures of non-profitable stores are planned for the new year. At the end of the year, there were 48 NWJ stores (39 corporate and 9 franchise) (2020: 54 stores; 40 corporate and 14 franchise).

We completed the revamp of East Rand Mall and Musgrave stores as refurbishment work had commenced prior to the pandemic and national lockdown. For the period under review, all uncommitted capital expenditure, including new stores was suspended.

ARTHUR KAPLAN AND WORLD'S FINEST WATCHES

Sales performance since reopening has been significantly better than we expected, and we exceeded our expectations delivering positive same store sales of +2.9% since reopening in June. The recovery continued into the 2nd half posting same store sales of +7.3% for the period September 2020 to February 2021, driven by +17.9% same store sales over the Christmas and Black Friday promotional period. Our online business grew significantly during the year +581% (+241% on a same store basis), contributing 3.2% of total sales as consumers changed their shopping behaviour during the pandemic.

Focussing on controllable items, the business showed resilience and we managed to improve gross profit margins to 31.8% (2020: 29.6%) due to better management of pricing and less discounting.

Inventory was well managed in the period. A combination of reduced stock purchases, carefully managed, delayed or postponed orders and better than expected sales, meant that we ended the financial year R7.3m less than we commenced the financial year. Constrained supply from some of our Swiss partners also contributed to the lower than planned inventory levels, which in turn impacted sales.

At the end of the year, there were 6 Arthur Kaplan stores (2020: 7 stores) and 1 World's Finest Watches store (2020: 1 store). 1 store was closed in line with our strategy of closing non-performing stores that do not meet our investment criteria.

OUTLOOK

Our immediate focus remains short-term recovery and building a sustainable business in the medium to long term to create value for stakeholders. The Company's finances are in good shape; actions taken to improve our resilience and preserve cash, such as various cost savings, reduced inventory levels to support operations and sales, improvements in retail gross margins and suspended capital requirements for the year, mean that we are going into the new year with a healthy balance sheet.

As we navigate this period of uncertainty we continue to explore and evaluate organic and new business opportunities. Given that the recovery in consumer spending is likely to be gradual, there will be a comprehensive reassessment of our geographical footprint and store network and we will refurbish stores and close non-performing stores that do not meet our investment criteria. We will continue to invest in new business opportunities that will enable us to take the business forward.

Consumer spending is expected to remain under pressure in the medium term owing to the effects of South Africa's prolonged economic downturn, fuelled by the negative impact of the pandemic.

Over and above managing the business through the pandemic we must ensure that we continue to develop the business: its product ranges, operations, and online systems. Much of this work will revolve around the enhancement and development of our online platforms and the ability to cope with increasing volumes and breadth of offer.

We believe that the luxury jewellery and watch market is underpinned by strong long-term fundamentals and that it is well-positioned for continued growth, despite the current challenges presented by economic uncertainty, the pandemic and the luxury watch market experiencing supply constraints and customers' demand remaining significantly higher than availability. There are signs that trading performance is improving to 2019 levels, however, we remain cautious, with added risks of a third wave and the potential impact the vaccination rollout could have on the recovery of the economy.

APPRECIATION

I would like to express my gratitude to our Chairperson, and my fellow directors for their support, guidance, and oversight in confronting this pandemic. Thank you to our executive teams in Arthur Kaplan and NWJ, for their leadership during this time of crisis. Our employees have encountered work and social challenges on a scale never experienced before and I thank them for their commitment and resilience. I thank our external stakeholders, including our suppliers, landlords, funders, and regulators, for their engagement with the Group in addressing difficult issues during the lockdown.

I thank our loyal customers who have continued to support us in our stores and online during these trying times.

We look forward to continuing to exceed your expectations for quality luxury jewellery and watches.



DJ Crosson
Chief Executive Officer



Chief Financial Officer's report

HIGHLIGHTS

- ❖ **Online sales growth** of 236% (+174% on a comparable basis).
- ❖ **Positive same store sales** growth of +1% in the 2nd half of the financial year.
- ❖ **Retail stores gross profit % increased** from 41.1% to 44.0%.
- ❖ **Jewellery and Watch Division's operating profit improved by 38%** to R16.9 million (2020: R12.2million); a strong recovery in the 2nd half resulted in operating profit improving R22.6 million from an operating loss of R5.7 million at half year to a full year operating profit of R16.9 million.
- ❖ **Prudent management of costs and working capital**, specifically inventory and creditors, helped to generate cash from continuing operations of R8.3 million and improve the positive cash position of the continuing operations to R19.7 million (2020: R13.0 million).
- ❖ **Headline loss per share from continuing operations of 60.2 cents** in line with prior year despite the tough trading environment given the impact of the pandemic.
- ❖ **Net asset value (NAV)** per share of R5.86.

DEAR STAKEHOLDER

Luxe Holdings started the year focussed on implementing our luxury retail strategy which was impacted by the global pandemic ultimately resulting in the national lockdown.

The national lockdown meant our physical retail stores were closed from 27 March 2020 to 31 May 2020. These were unprecedented times, but we set ourselves clear objectives; to maintain the financial stability of the Group through cost savings, suspending all uncommitted capital expenditure, obtaining rental relief from our landlords, successfully negotiating extended payment terms from suppliers, optimising our inventory levels. We implemented safe trading practices across our business, continued to invest in merchandise, systems, infrastructure and new business opportunities that will enable us to take the business forward once the storm has passed.

Considering the disruption the pandemic caused, we are pleased with the performance of the Group, notably the +1% same store sales growth in the second half of the year. The financial performance highlights the business resilience and demand for luxury jewellery and watches.

Chief Financial Officer's report continued

GROUP PERFORMANCE OVERVIEW

Statements of comprehensive income

for the year ended 28 February 2021

	%	Audited 12 months ended 28 February 2021 R'000	Audited 12 months ended 29 February 2020 R'000
	change		
Revenue	(21)	361 951	459 414
Sale of goods – Luxury		343 686	425 198
Sale of stock to franchisees		9 388	22 187
Advertising fees – franchisees		1 456	2 232
Revenue from repairs of goods		5 603	7 257
Management fees – franchisees		1 390	2 073
Sale of packaging and stationery		206	438
Payroll services		222	29
Cost of sales		(203 163)	(271 827)
Gross profit	(15)	158 788	187 587
Other income		7 426	8 692
Expected credit loss		(200)	–
Operating costs	11	(178 298)	(199 920)
Operating loss	(237)	(12 284)	(3 641)
Investment income		492	5 272
Finance costs		(20 816)	(18 173)
Loss before taxation	(97)	(32 608)	(16 542)
Taxation		552	(3 443)
Loss from continuing operations	(60)	(32 056)	(19 985)
Loss on discontinued operation, net of tax		(4 469)	(417 014)
Total comprehensive loss for the year	92	(36 525)	(436 999)
Attributable to:			
Equity holders of the Company	92	(35 528)	(436 222)
Non-controlling interests		(997)	(777)
		(36 525)	(436 999)
Loss per share attributable to equity holders of the Company			
Basic loss per share (cents)	92	(160.1)	(1 965.9)
Continuing operations		(140.0)	(86.6)
Discontinued operations		(20.1)	(1 879.3)
Diluted loss per share (cents)	92	(160.2)	(1 965.9)
Continuing operations		(140.0)	(86.6)
Discontinued operations		(20.1)	(1 879.3)
RECONCILIATION OF HEADLINE LOSS:			
Loss attributable to ordinary shareholders	92	(35 528)	(436 222)
Adjusted for:			
Impairment losses		17 675	153 159
Loss on sale of property, plant and equipment		45	5 308
Tax effect on headline earnings adjustments		(13)	(1 486)
Loss on sale of business		–	70 242
Headline loss attributable to ordinary shareholders	91	(17 821)	(209 000)
Weighted average shares in issue ('000)		22 190	22 190
Weighted average diluted shares in issue ('000)		22 285	22 285
Loss per share (cents)	92	(160.1)	(1 965.9)
Diluted loss per share (cents)	92	(160.1)	(1 965.9)
Headline loss per share (cents)	91	(80.3)	(941.9)
Continuing operations headline earnings per share (cents)		(60.2)	(60.4)
Discontinued operations headline earnings per share (cents)	98	(20.1)	(881.5)
Diluted headline loss per share (cents)	91	(80.3)	(941.9)

REVIEW OF THE GROUP OPERATING PERFORMANCE

Operating performance – continuing operations (Jewellery and Watch Division and Corporate Services)

The pandemic and the national lockdown had a significant impact on our business as all our stores were closed from 27 March 2020 to 31 May 2020.

System-wide sales declined by 20% to R377 million (2020: R473 million) due to the impact of the pandemic, non-performing store closures, NWJ 6 (2 corporate and 4 franchise) store closures, Arthur Kaplan 1 store closure, and stores being closed during refurbishment periods.

The effect on same store sales during lockdown was severe, however, post-lockdown we benefited from pent up demand, June same store sales were +13% (NWJ +17% and Arthur Kaplan/World's Finest Watches +10%) exceeding expectations.

Due to the seasonality of our business, sales and profits are heavily weighted to the second half of the year with Black Friday, Christmas, and post-Christmas promotions. We are pleased with the second half performance as same store sales for the second half of the year improved +1% to R238 million (2020: R236 million) NWJ -6% (corporate stores -7% and franchise stores -4%) with Arthur Kaplan/World's Finest Watches +8%.

	H1	H2	FY
	%	%	%
Group	(40)	1	(19)
NWJ	(37)	(6)	(20)
Corporate	(34)	(7)	(19)
Franchise	(43)	(4)	(23)
Arthur Kaplan and Worlds' Finest Watches	(42)	8	(18)

Group revenue decreased by 21% to R362 million (2020: R459 million), the consequence of the global pandemic and national lockdown resulting in lost sales and lower trading levels.

Gross profit declined by 15% to R159 million (2020: R188 million). The gross profit margin however has improved from 40.8% to 43.9%. Overall retail gross profit % has improved from 41.1% to 44.0% due to initiatives which include less clearance sales, less discounting as well as improved sourcing of product.

Operating expenses decreased by R22 million (11%) to total R178 million (2020: R200 million). The Jewellery and Watch Division expenses decreased to R148 million (2020: R183 million) and Corporate Services expenses increased to R30 million (2020: R17 million).

Included in the Corporate Services expenses of R30 million is an impairment of R17.7 million relating to a Holdings Company liability that arose from the liquidation of the Food Division which has negatively impacted the performance of the Group, and which needs to be considered in the evaluation of the operating performance of the Group. Save for the once-off impairment charge, the Group has shown progress in restructuring Corporate Services in line with the revised strategy.

Strong second half trading performance from the Jewellery and Watch Division resulted in operating profit of R22.6 million, compared to the half year loss of R5.7 million. The Jewellery and Watch Division operating profit for the year improved by 38% to R16.9 million (2020: R12.2 million).

Operating loss from continuing operations increased to R12.3 million (2020: R3.6 million loss). The Corporate Services operating loss totalled R29.2 million (2020: R15.9 million); including the impairment of R17.7 million referred to above.

OPERATING PERFORMANCE – DISCONTINUED OPERATIONS

The remaining food businesses were placed into voluntary liquidation, effective 19 March 2020, as a deal could not be concluded with potential suitors and no further financial support was available to fund the business. The Jewellery and Watch Division was not impacted by our decision to liquidate the non-performing businesses.

The loss on discontinued operations, after investment income, finance cost and taxation of R4.5 million (2020: R417 million loss) is in respect of the remaining food business, consisting of the Domino's business, given the decision to exit the food business.

The remaining food business operating entities consisting of Taste Food Franchising (Pty) Ltd, Taste Commissary (Pty) Ltd, and Taste Food Trading 1 (Pty) Ltd, were placed into voluntary liquidation, effective 19 March 2020.

Chief Financial Officer's report continued

Group Financial position

as at 28 February 2021

	Audited 28 February 2021 R'000	Audited 29 February 2020 R'000
ASSETS		
Non-current assets	168 195	194 670
Property, plant and equipment	24 765	32 408
Right of use of asset	83 927	99 162
Intangible assets	43 793	45 469
Goodwill	9 532	9 532
Net investment in finance lease	714	2 038
Deferred tax	5 464	6 061
Non-current assets and discontinued operations	–	18 764
Current assets	263 356	254 726
Inventories	176 721	191 679
Net investment in finance lease	517	839
Trade and other receivables	36 428	28 312
Current tax receivables	7 573	1 419
Advertising levies	3 060	3 760
Other financial assets	571	122
Cash and cash equivalents	38 486	28 595
Total assets	431 551	468 160
EQUITY AND LIABILITIES		
Equity attributable to holders of the Company	130 723	167 085
Stated capital	1 238 765	1 238 765
Accumulated loss	(1 111 905)	(1 076 377)
Equity-settled share-based payment reserve	3 863	4 697
Non-controlling interest	(482)	515
Non-current liabilities	111 425	116 710
Borrowings	–	16 687
Lease liability	99 397	86 345
Deferred tax	12 028	13 678
Non-current liabilities and discontinued operations	–	93 292
Current liabilities	189 885	90 558
Trade and other payables	90 186	44 748
Lease liability	39 376	30 187
Bank overdrafts	21 710	15 623
Borrowings	38 613	–
Total equity and liabilities	431 551	468 160



Chief Financial Officer's report continued

Non-current assets

Property, plant and equipment decreases are mainly due to depreciation of assets.

The intangible assets decrease is mainly due to amortisation.

Current assets

Group current assets, excluding cash and cash equivalents, the decrease is mainly due to improved working capital management, specifically inventory management in the Jewellery and Watch Division.

Equity

On 26 June 2020, the Company consolidated the share capital on a 100 to 1 basis.

Borrowings

In terms of the memorandum of incorporation, the directors may exercise all powers of the Company to borrow money, as they consider appropriate.

Borrowings as at 28 February 2021 relate to the funding received from Domino's Pizza and funding received from certain shareholders, Riskowitz Value Fund LP ("RVF"), Eldon Capital and Rand Capital to execute the revised strategy and exit of the food business.

CASH FLOW

Cash and cash equivalents at the end of the financial year totalled R17 million (2020: R15 million).

During the year cash generated from operations totalled R22 million (2020: R43 million outflow).

Cash utilised in investment activities decreased to R1 million (2020: R53 million) due to a freeze on expenditure as a result of the pandemic.

LOOKING FORWARD

Our focus is clear; maintain the financial stability of the Group through saving costs, preserving and generating cash, adapt to safely trade through the pandemic and continue to invest in the merchandise, systems, infrastructure and new business opportunities that will enable us to take the business forward.

There is uncertainty around the impact on the South African economy arising from the 3rd wave and vaccine rollout and we are closely monitoring developments. The resilience of the business is holding up which bodes well for the future of the Group. Further strengthening of the financial position of the Group and improving the return on capital employed is a key priority and driver of our capital allocation decisions.

APPRECIATION

I want to thank all our employees for their commitment and dedication shown during this year. The year was a year of change and brought uncertainty for all involved.

Warm regards



Hannes van Eeden
Chief Financial Officer



WHAT WE
Value

“

If our “true north” acts as a beacon guiding our everyday decisions, then these values are the common glue that holds us together.



What we value

WE ARE CLEARLY FOCUSED ON:

Being the preferred jewellery and premium watch retailer of choice in Southern Africa delivering a memorable shopping experience with a work environment that inspires our employees to give of their best for the Company and customers.

Our purpose is to put the customer at the centre of everything we do, delivering an affordable and premium luxury omnichannel experience and becoming a part of their life journey.

OUR VISION FOR A BETTER COMPANY

If our “true north” acts as a beacon guiding our everyday decisions, then these values are the common glue that holds us together even when the strategy and culture may shift and tactics change. Our values guide our action and how we behave.

- Leadership:** the ability to make strategy happen and lead by example
- Quality:** our measure of excellence
- Diversity:** to be as inclusive as our brands
- Passion:** committed enthusiasm from the mind and heart
- Accountability:** if it is to be, it's up to me
- Integrity:** the quality of being honest and ethical in all areas of our business
- Collaboration:** shared common purpose
- Innovative:** drive innovation to stay relevant to consumers changing needs and environment
- Service excellence:** putting stakeholders and customers at the centre of what we do
- People:** we value our people and encourage their development.

OUR BRANDS

Jewellery
and Watch
Division

nww
JEWELLERY

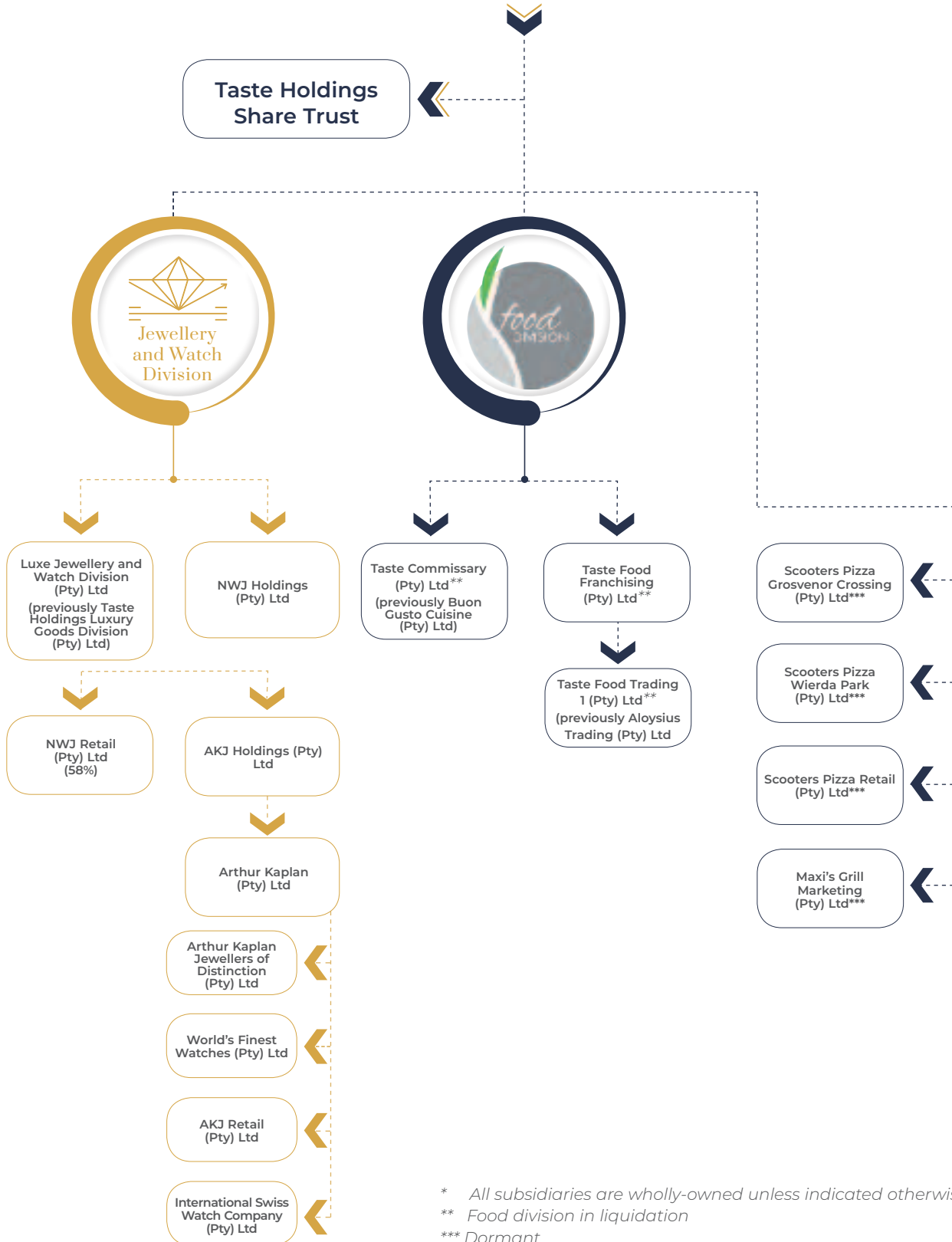
ARTHUR KAPLAN

WORLD'S
FINEST WATCHES



Group structure

LUXE HOLDINGS



* All subsidiaries are wholly-owned unless indicated otherwise.

** Food division in liquidation

*** Dormant

Our business model

Luxe Holdings is a South African based partly franchised retail and management Group, operating a portfolio of affordable and aspirational luxury value brands and superior quality products serving the broad middle to upper market resulting in value creation for all stakeholders and employees.

Pillars



Brand partnerships

Long-standing partnerships with leading Swiss luxury and international watch brands; identify distribution opportunities and partner on store projects, online platform, and marketing activities.



Store environment

Well-invested stores feature luxurious environments which are open, welcoming, contemporary, spacious non-intimidating and browsable.



Customer experience

Our employees receive training and development to provide a superior customer experience.



Marketing

Impactful marketing focussed on digital communications, customer experiences and cooperative activity with brand partners.



Omni-channel

Store network, with flagships and regional stores, complemented by a leading E-commerce platform.



Operational excellence

Technology: IT systems reporting solutions, live inventory availability and operations.

Merchandise: inventory management optimising inventory

Retail Operations: continually drive productivity and profitability, with a high level of accountability and performance management.



Financial discipline

Financial performance: store profitability, leveraging overheads through top line growth and strict investment criteria.

Cash generation: strong, consistent cash generation, driven by strict working capital management, with sufficient cash resources to fund growth, refurbishments and potential acquisition opportunities.

Capital allocation: we take a disciplined approach to capital allocation, our objective is to deliver long-term sustainable earnings growth and return on capital employed.

Our brands



- Retailer and wholesaler to our franchisees of affordable aspirational luxury jewellery and watches
- Market and sell private and international licensed jewellery and watch brands
- Corporate store business and partly franchised business. 80% corporate owned
- Omnichannel customer experience:
 - Physical retail stores – 40 – 50 sqm in super regional and regional malls
 - E-commerce
 - Merge online and offline
- Target market Socio Economic Measure (SEM) Supergroup 3 – 5 (previously known as LSM 8 – 10)
- Target age group: 25 – 45 years old
- South African and cross border footprint focus



- Retailer of affordable aspirational jewellery and watches and premium luxury watches
- Corporate owned stores
- Market and sell private and international licensed jewellery and watch brands.
- Omnichannel customer experience:
 - Physical retail stores – 75 – 100 sqm in super regional and regional malls
 - E-commerce
- Target market Socio Economic Measure (SEM) Supergroup 3 – 5 (previously known as LSM 8 – 10)
- Target age group: 25 – 45 years old
- South African footprint focus



- Retailer of primarily premium Swiss watch brands and accessories
- Corporate owned stores
- Target market Socio Economic Measure (SEM) Supergroup 3 – 5 (previously known as LSM 8 – 10)
- Target age group: 30 – 35



Our business model continued



We operate a decentralised model, with each brand team managing its own operational functions.

The decentralised model is aimed at ensuring that the managing executives of the brands can take full responsibility and accountability for all aspects of their operations, with an overarching emphasis on profitable stores.

SUPPORT SERVICE	BRANDS
Back-end management <ul style="list-style-type: none"> ❖ Capital allocation ❖ Capital raising and management ❖ Technology (IT) – infrastructure and data 	Front-end management <ul style="list-style-type: none"> ❖ Execution of strategy ❖ Store development and site acquisition ❖ Merchandise, planning and assortment ❖ Marketing ❖ Human resources ❖ Refinement of operating models



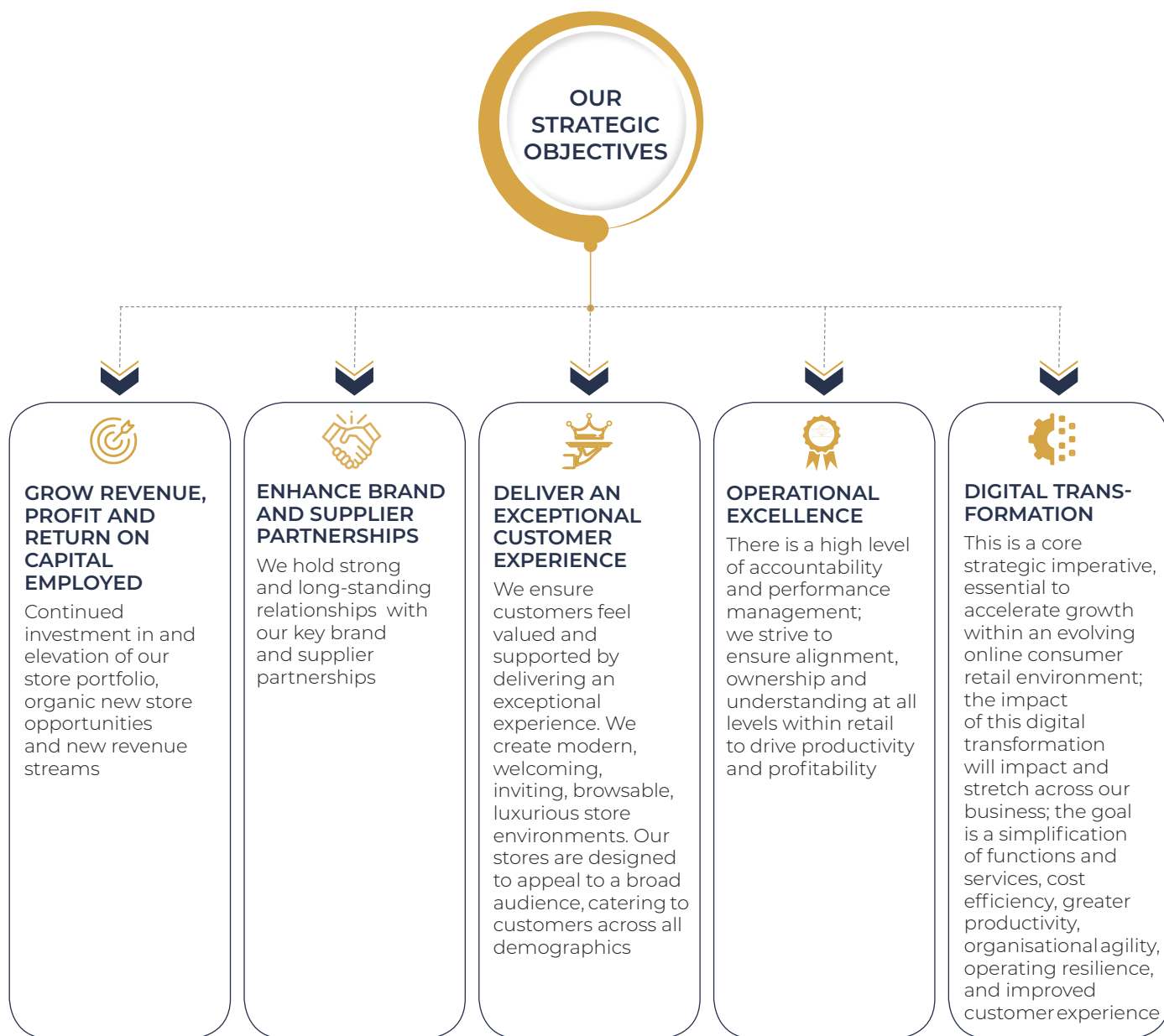
Strategic review

WE ADOPT AN INTEGRATED THINKING APPROACH TO UNDERSTANDING OUR BUSINESS

To create sustained value for our stakeholders, we need to look beyond short-term returns, by integrating all facets of our everyday business into our value creation model.

The capitals, or resources, we rely on for value creation are:

- ❖ Financial capital
- ❖ Human capital
- ❖ Social and relationship capital
- ❖ Built capital
- ❖ Intellectual capital
- ❖ Natural capital



Our approach has been to address the challenges and implement strategies to minimise the impact of the pandemic on our business; we are now focussed on positioning the Group to pursue opportunities to grow and prosper in a post-pandemic environment. The Group's strategic objectives are aimed at delivering sustained growth in revenue and profitability, enhancing long-term shareholder wealth, and creating value for other stakeholders. These strategic objectives for the Group will be realised through the delivery of short and medium-term action plans and projects, which are developed and implemented each year.



Operations & Performance Review

Operational and performance review

JEWELLERY AND WATCH DIVISION



FINANCIAL HIGHLIGHTS



OPERATING ENVIRONMENT

The Company's sales performance post lockdown has been resilient; our growing online business, the breadth of our product offering, and that community and neighbourhood store locations have outperformed major regional shopping nodes, has helped mitigate the effects of the pandemic on trade. The Group delivered a strong second half performance driven by positive same store sales of +1% (NWJ -6% and AK +8%), increased demand for jewellery and premium Swiss watches and improved retail margins.

Given that the recovery in consumer spending is likely to be gradual, there will be a comprehensive reassessment of our geographical footprint and store network and will refurbish stores and close non-performing stores that do not meet our investment criteria. We will continue to invest in new business opportunities that will enable us to take the business forward.

We expected consumer spending to remain under pressure in the medium term owing to the effects of South Africa's prolonged economic downturn, fuelled by the negative impact of the pandemic.

STRATEGIC RESPONSE

We regularly review the operating model for our business units intending to find ways of limiting the negative impact of the constrained operating environment. Leveraging economies of scale and reducing input costs are critical.

- ❖ We continue to close non-performing, unprofitable stores.
- ❖ Continue to rationalise our costs and staffing structures in line with our business needs.
- ❖ Occupancy costs to reflect the shift in market conditions impacting the business model.
- ❖ Improve our supply chain efficiencies and optimise inventory levels.
- ❖ Grow our omnichannel presence through social media and E-commerce sales platforms.

These changes have enabled the division to reduce fixed costs and better manage variable costs, thereby relieving pressure on working capital.

Operational and performance review

JEWELLERY AND WATCH DIVISION continued



ADDRESSING OUR OPERATING MODEL CHALLENGES

We continue to explore and evaluate new stores, as well as the sustainability of our current locations and will consider further consolidation of our store network to improve return on capital employed.

We are realigning our cost structures and improving productivity. This includes managing our occupancy costs down to sustainable levels and managing our employee costs down to levels that can be supported by retail sales in each store.

We are also exploring new revenue streams with the goal of leveraging our existing cost base.

We were, in many ways, fortunate that the business was well placed to ride out the swings in consumer behaviour caused by the pandemic. The building of an omnichannel platform, along with the development of online routes to market, has not been accidental. It is because of a conscious and consistent effort to adapt and change the business, and to maximise the opportunities presented by our online infrastructure.

Historically, NWJ's success has been built on our ability to identify good retail locations and disinvest in underperforming sites, delivering leading brands and support our store network through deep institutional knowledge. Going forward, these will remain key focus areas for maximising investment returns. We believe the changes we have made to date, coupled with our strong brands, will enable us to trade successfully despite the highly challenging economic environment.

To grow market share and remain relevant, we recognise the need to continuously improve the customer experience, evolve with the changing market and maintain and grow our customer base. Our stores are designed to appeal to a broad audience, catering to customers across all demographics. Our objective is to strengthen the Company's corporate identity to improve performance.

STRATEGY

Our dream is to make NWJ stores the modern jewellery and watch retailer of choice in a work environment that inspires our employees to give of their best for the Company and its customers. We strive to be a respected, ethical and trusted jeweller delivering an omnichannel experience, keeping in step with the modern consumer's desire and needs for a range of quality jewellery and watches.

At store level, we place a priority on a strong value proposition delivered through quality products and well-trained employees.

In a fast-changing environment, innovative store design will give NWJ a competitive advantage over its peers. The new look and feel of the stores were designed to entice the new more modern, on-trend customer and afford existing customers added luxury when shopping at our stores. The aim is to grow market share by targeting new customers while strengthening our position amongst our current customers.

Our new store strategy was a selective one, focussing on super-regional and regional malls with the footprint size of 40-50 sqm. Emphasis is placed on the quality of real estate, location, and store size. Given the uncertainty that the pandemic brought, we suspended our capital expenditure including suspending planned new store openings and revamps that did not commence before the pandemic. However, we remain opportunistic in that we are open to exploring appropriate expansion opportunities should they arise.

We continued to focus on creating a culture of accountability for store employees by integrating them into all store functions such as sales and profitability. This involves training and coaching employees to fully understand all deliverables.

We actively manage our store footprint and are fully engaged in improving or exiting sites that are loss-making and show no improvement in retail metric performance; as well as, securing rental reductions on lease renewals and marginal stores.

We have prioritised digital transformation as a core strategic imperative essential to accelerate the growth of the business within an evolving digital consumer retail environment; investment in Business Intelligence (BI) and enhancing the E-commerce shopping experience.

PERFORMANCE REVIEW

We have been able to capitalise on our previous digital investments and our omnichannel strategy reaped rewards as more consumers embraced E-commerce channels; our E-commerce store achieving sales growth of 159% this year.

Revenue for the 2021 financial year declined by 24% to R149 million (2020: R195 million), however second half performance saw a recovery for the first half with revenue of R100 million (H1: R49 million). Gross margins improved by 3.5% to 64.4% (2020: 60.9%). The division streamlined and optimised its cost base which included rental relief and reductions, store and support office expenses were rationalised, resulting in a 25% reduction in operating costs.

We were pleased with the second half performance as same store sales for the second half of the year improved to -6% compared to -37% in the first half. This is despite the impact of the second wave after the year's trade being severely affected with stores closures of over two months due to the lockdown in H1.

Operational and performance review

JEWELLERY AND WATCH DIVISION continued

A combination of improved inventory purchasing, carefully managed, delayed or postponement of orders and better than expected sales, meant that we ended the year with R10.7 million less inventory than we commenced the financial year.

During the year we completed the revamp of the East Rand Mall and Musgrave stores as work had commenced prior to the lockdown, all remaining planned revamps were suspended. During the year, 2 corporate stores and 4 franchise stores closed, one store was converted from franchise to corporate.

Highlights	<p>Online sales growth of 159%</p> <p>Improved second half performance of -6%, compare to -37% in the first half</p> <p>Improvement of 3.5% retail gross margin to 64.4% (2020: 60.9%)</p>
Challenges	<p>Sales growth remains a challenge</p> <p>Constrained consumer finances the result of the depressed SA economy pre the pandemic and the uncertain economic future the country faces as a result of the pandemic</p>
Store ownership	39 (2020: 40) corporate-owned; 9 (2020: 14) franchisee-owned
New and acquired stores	One acquired franchise store
Store revamps	Two corporate stores
Store closures	<p>Two corporate stores</p> <p>Four franchise store</p>
Job creation and training	<p>Our workforce consists of 82% females and 96% of the total workforce are previously disadvantaged individuals</p> <p>We remain committed to empowering employees and offering employment opportunities to school leavers and unemployed persons who illustrate potential after industry specific training</p> <p>We are committed to a programme of staff development based on a goal of creating a climate of development and opportunities for employee growth that will benefit the Company and the individual</p> <p>These initiatives dictate that store personnel participate in weekly training sessions which equip them with the skills to cope with the challenges of the industry and their roles</p> <p>All vacancies are advertised internally and opportunities are afforded to high performing employees to be developed to grow within the organisation and in doing so offer longer term, rewarding careers</p> <p>Developmental programmes are also facilitated to ensure the transfer of skills to ensure succession planning for employees who exit the Company. In this manner, the Company can reduce the loss of critical skill from the business and ensure business continuity and high productivity</p>
Brand expansion and opportunities	We will continue to invest in merchandise, systems, infrastructure and capitalise on new business opportunities and explore new revenue streams that will enable us to grow the business and improve return on capital employed

LOOKING FORWARD

We are focussed on short term recovery and building a sustainable business in the medium to long term to create value for all our stakeholders. The pandemic allowed us to refocus our efforts and we can now focus on building and growing a sustainable jewellery and watch business, that offers mass appeal.

We recognise the uncertainty and unpredictable trading patterns, coupled with a distressed consumer, lower footfall in the shopping centres and we will continue to closely manage and contain our cost base, inventory levels, capital expenditure with the goal of increasing our resilience in uncertain times.

To remain relevant, we must maintain a focus on customer needs and experience, enhance the digital experience, and provide customers a frictionless omnichannel experience.

Our new store approach will be a multi-faceted one with emphasis on smaller formats in desirable locations. This enables us to maximise our trading densities and improve return on capital employed. We will continue to fit out new stores and refurbish existing stores at a cost aligned to our value model, while delivering a superior shopping experience to customers.

Operational and performance review

JEWELLERY AND WATCH DIVISION continued



ADDRESSING OUR OPERATING MODEL CHALLENGES

The pandemic created an opportunity to evaluate our business model and realigning our support office and store costs in line with the changing business needs. This includes managing our occupancy costs down to sustainable levels and reducing our employee costs to levels that can be supported by retail sales in each store.

Jewellery pricing pressure continued to put pressure on jewellery sales, further exacerbated by the impact of the pandemic, where our strategy for sales post lockdown translated into higher jewellery discounts resulting in lower margins. We embarked on a jewellery repricing strategy to ensure we improved our margins. This resulted in

an improvement in our sales units for the year and we continue to expect further improvement for the coming year. Constrained supply from certain of our Swiss watch suppliers also contributed to lower inventory levels, which in turn impacted sales.

Trends indicate a growing preference for shopping online, closer to home with less frequent shopping trips, contactless payments, and a move to value. The pandemic accelerated the enhancement of our omnichannel platforms; learning new ways to serve our customers, including virtual sales assistants to encourage virtual selling and customer support through, digital platforms. The implementation of these channels has helped to build relationships between staff and customers and aided in expanding our sales capability.

STRATEGIC

Our vision is to be the preferred premium jewellery, watch and accessory retailer that delivers a memorable personal omnichannel shopping experience.

The pandemic afforded us an opportunity to reassess our strategy, evaluate our product offering to include new and more modern collections to grow market share and service the needs of our existing, loyal customers, whilst maintaining and growing our gross margin. Price increases by suppliers in the premium watch category have also contributed to improved gross profit.

Our strategic priorities are to maintain and expand our position of being the largest Swiss watch retailer in the region and develop and strengthen jewellery and watch ranges to complement each other and grow our physical footprint in geographically under-represented regions. This will be done whilst delivering an exceptional customer experience, creating modern welcoming, inviting store environments. We actively manage our store footprint and are fully engaged in improving or exiting sites that are loss-making and show no improvement in retail metric performance, as well as, securing rental reductions on lease renewals and marginal stores.

We have prioritised digital transformation as a core strategic imperative essential to accelerate the growth of the business within an evolving digital consumer retail environment. Our online consumer experience will be improved by incorporating elements of artificial intelligence and augmented reality whilst keeping abreast of consumer's expectations.

PERFORMANCE REVIEW

Sales performance since reopening has been significantly better than we expected, and we exceeded our expectations and delivered positive same store sales of +2.9% since June. The recovery continued into the 2nd half posting same store sales of +7.3% for the period September 2020 to Feb 2021, driven by +17.9% same store sales over the Christmas and Black Friday promotional period. Our online business grew considerably during the year +581% (+241% on a same store basis) as consumers changed their shopping behaviour during the pandemic.

Focussing on controllable items, the business showed resilience and we managed to improve gross profit margins to 31.8% (2020: 29.6%) due to better discount management and change in sales mix.

Despite the tough trading environment, Arthur Kaplan and World's Finest Watches operating profit in the 2nd half improved by R9.6 million from an operating loss of R1.3 million at half year to a full year profit of R8.3 million.

The division streamlined and optimised its cost base which included rental relief and reductions, and rationalising our store and support office expenses, resulting in an 18% reduction in operating costs.

Inventory was well managed in the period. A combination of reduced stock purchases, carefully managed, delayed or postponed orders and better than expected sales, meant that we ended the financial year R7.3 million less than we commenced the financial year. Constrained supply from some of our Swiss partners also contributed to the lower than planned inventory levels, which in turn impacted sales.

One store was closed in line with our strategy of closing non-performing stores that do not meet our investment criteria.



Operational and performance review

JEWELLERY AND WATCH DIVISION continued

Highlights	Improved overall margins on the luxury watch business. Increase in jewellery unit sales Positive cash generated from operating activities of R20.8 million
Challenges	Both jewellery and watch sales remained under pressure. Customers are searching for value for money and discounts. Reduced sales in certain premium watch brands Supply constraints of certain premium Swiss watch brands
Store ownership	7 (2020: 8) corporate-owned
New stores	None
Store revamps and/or upgrades	None
Store closures	One
Job creation and training	Staff promotion at store or support office level favoured over outside hiring. One promotion at the support office Ongoing training of sales personnel
Brand expansion and opportunities	No brand expansion

LOOKING FORWARD

We recognise that conditions are likely to remain constrained and mindful of this we will closely manage and contain our cost base, inventory levels and capital expenditure to build our resilience in these uncertain times.

While the future is uncertain, our strategy is to focus on short-term recovery and building a sustainable business in the medium to long term, positioning the business to take advantage of opportunities that may arise.

The pandemic has changed shoppers' behaviour forever and we remain focussed on our customers changing needs by enhancing the omnichannel experience and providing a frictionless experience.

We believe that the luxury jewellery and watch market is underpinned by strong long-term fundamentals and that it is well-positioned for continued growth, despite the current challenges presented by economic uncertainty, the pandemic and the luxury watch market experiencing supply constraints and customers' demand remaining significantly higher than availability.

Risks & Mitigation

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*A ship in harbour
is safe, but that
is not what ships
are built for.”*

- WILLIAM G.T. SHEDD -



Risks and mitigations

RISK PHILOSOPHY AND CULTURE

The pandemic has changed the world forever, with its ultimate impact on humanity and the world economy unknown at this stage. What is certain is that it impacted people and the economy adversely and that it will take the world economy years to recover. The pandemic intensified the world's problems and is highlighting items that we never questioned and accepted as the norm.

To have a sustainable business, the pandemic required us to review our business model, risks and mitigations given the 'new normal'.

The following philosophies are inherent in the adopted Risk Management Framework:

- ❖ Risk leadership and strategy are managed through a "top-down" approach while risk reporting follows a 'bottom-up' approach.
- ❖ Risk responsibilities are assigned to specific individuals and/or brands to ensure more effective enforcement and ultimately, accountability.
- ❖ The development of effective processes for identifying, assessing and measuring risk and identifying mitigating controls.
- ❖ Report on risk directly to the Board through the audit and risk committee and the executive.

RISKS AND MITIGATING CONTROLS

RISKS	DESCRIPTION OF RISK	MITIGATION CONTROLS
Strategic objectives and business model	Inability to optimise the business model could result in a failure to achieve the Company's strategic objectives, which could then result in the sale of the respective business units/ brands and/or closure.	<p>Review and revision of the business model are ongoing given the economic environment, consumer behaviour and distribution platforms available.</p> <p>Capital allocation decisions are evaluated and stress tested in order to ensure investments deliver on the strategic objectives.</p>
Long-term capital funding	Inability to secure long-term funding resulting in the Company's inability to meet its strategic objectives; restructuring and ultimately the sale of the respective business units/brands and/or closure.	<p>The Jewellery and Watch Division is a stand-alone business not impacted by the past Group structure. It is self-funded with adequate facilities in place to support its objectives.</p> <p>The Holding Company is honouring the guarantee and lease payments under the sale and lease back agreement that was entered into in 2017, for a 10-year period, in respect of the Midrand food production facility.</p> <p>The Jewellery and Watch Division has banking facilities in place to support the business operations.</p> <p>Anticipated retail sales are a key assumption in our projections.</p>

Risks and mitigations continued

RISKS	DESCRIPTION OF RISK	MITIGATION CONTROLS
Adverse trading conditions (COVID-19)	<p>The adverse impact that COVID-19 is having on the economy is a reality that we are dealing with. The consequences of the pandemic and 'new normal' is unknown and a risk to our business.</p> <p>Lower expected consumer spending resulting from COVID-19 and economic conditions adds to an already pressurised consumer.</p> <p>Risk that sales and margins fall below business plan targets due to the current economic uncertainties.</p> <p>Staff and customers' health and safety impacting footfall at stores and reduced trading hours.</p>	<p>Although the Company has no control over economic uncertainties, the economic climate is monitored closely. We implemented cost cutting initiatives and placed a hold on capital expenditure in FY21, given the impact of COVID-19. We are resuming our capital expenditure programme, consisting of revamps and new stores in FY22, and will place a hold on it should there be adverse trading conditions.</p> <p>The Company is, however, able to control aspects of the business relating to operational excellence and is able to somewhat encourage consumer spending through marketing initiatives.</p> <p>The Company has implemented marketing plans to drive sales, provide better customer service compared to its competitors, refined its product offering to focus on most wanted items and conducts monthly reviews of inventory purchase plans to adjust future orders where necessary.</p> <p>Our business plan has been adjusted and is reviewed on an ongoing basis given the market conditions.</p> <p>Strict COVID-19 protocols are implemented at stores and support offices to ensure staff and customer safety.</p> <p>Omnichannel methods and tools promoted and invested in to cater for changing customer behaviour and needs.</p>
Reputational damage	<p>Negative or incorrect information published and/or broadcast exacerbates the negative market sentiment and impacts every aspect of the business including the perception of various stakeholders, potential investors, funders, potential franchisees and the labour force, which in turn prevents the Company from realising the full value and potential of the business.</p>	<p>We have repositioned the Company given its focus on luxury retail. This included a new corporate identity.</p> <p>Regular engagement with stakeholders, including shareholders.</p> <p>Certain events e.g. Security incidents at our stores can impact our reputation hence our ongoing focus and investment in these areas. We want to ensure a safe and enjoyable shopping environment.</p>
Premium Swiss watch supply	<p>Due to the overall contribution of premium Swiss watch sales to the business, a reduction in supply could negatively impact the overall profitability.</p>	<p>The Company has little influence in guaranteeing the supply of premium Swiss watches as it is based on worldwide supply and demand.</p>
Exchange fluctuations	<p>Metals An unfavourable move in the foreign exchange rate and in metal prices will increase the cost of purchases and will drive selling prices upwards. This has the potential to make products less affordable (price inflation) and resulting in an adverse impact on sales.</p> <p>Watches An unfavourable move in the foreign exchange rate and in metal prices will increase the cost of purchases and will drive selling prices upwards. This has the potential to make products less affordable (price inflation) and resulting in an adverse impact on sales.</p>	<p>A good relationship has been developed with foreign suppliers which enables payments to be made when foreign exchange rates are favourable (in some cases).</p> <p>Product ranges/assortments are managed to ensure that demand is met in the price points most appealing to the consumers, minimising the inflationary impact of exchange range fluctuations.</p> <p>Product assortments to be adjusted in line with sales demand (affordability elasticity) and stock holding as a result of trading conditions.</p> <p>Sales mix and assortment management will go some way to mitigate the foreign exchange risk.</p>



Risks and mitigations continued

RISKS	DESCRIPTION OF RISK	MITIGATION CONTROLS
Security at outlets	<p>Security incidents (robberies) at store level results in reputational and financial damage to the Company.</p> <p>Staff and customers are at risk.</p> <p>Staff morale is impacted as is customer sentiment.</p> <p>Re-occurring incidents may impact the brand's ability to maintain and/or renew agreements with the landlord, where brands are perceived as high risk or targeted brands.</p> <p>Insurance costs escalate and financial performance is impacted adversely by security incidents.</p>	<p>Good relationships with the security service providers have been developed and are maintained.</p> <p>Security systems and protocols have been installed and are maintained.</p> <p>Increased awareness through staff training has improved store vigilance.</p> <p>Support from support office and operations will ensure that the impacted stores resume trade with minimal downtime.</p> <p>Improved security measures are constantly being evaluated, updated and implemented.</p>
Electricity interruptions	<p>Stores located in malls that do not have emergency power supply services will be closed in the event of power outages. The closure will result in loss of sales.</p>	<p>In the event of a power outage the store is closed in an orderly manner in order to safeguard products.</p>
Supply chain disruptions	<p>Delay or non-delivery of merchandise due to theft, supplier closure, supplier production issues or courier inability impacting promotions and sales.</p> <p>Heightened/increased risk during COVID-19.</p>	<p>Use reputable international shipping companies and transporters.</p> <p>Use a reputable nationwide courier Company alleviates the risk of non- delivery of goods.</p> <p>Maintain close relationship and monitor service providers' business operation.</p> <p>New service providers are screened to identify non-delivery incidents.</p> <p>Maintain and identify alternate suppliers where possible.</p>
Cyber, IT and data security measures	<p>Breaches in security measures, including data breaches, would materially impact all support services, resulting in measurable impacts at store level, both financially and reputationally.</p> <p>Data breaches would result in unauthorised collection of confidential information and customer details and unauthorised use and/or unauthorised dissemination of such information, putting our customers details at risk.</p>	<ul style="list-style-type: none"> ❖ IT security measures implemented which include Firewall on all WAN links; ❖ Usernames and passwords on all computers; ❖ Continuous software updates; encryption on all data transfers; ❖ Security software on all servers; ❖ External penetration testing; and ❖ Anti-virus software installed and periodically upgraded and updated. <p>In terms of data security, the Company has implemented security measures around its networks. It employs the use of usernames and lengthy and complex passwords.</p> <p>Data is stored in a secure environment supported with the necessary firewalls and encryptions.</p> <p>Customer credit card details are not stored by the Company but stored directly with its financial service providers who provide cutting-edge security measures.</p>

Capital outcomes

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We adopt an integrated approach to understanding our business. To create sustained value for our stakeholders, we need to look beyond short-term returns by integrating all facets of our everyday business into our value-creation model.



Capital outcomes continued



FINANCIAL CAPITAL

Our financial capital inputs are currently made up of equity financing, working capital facility from our bankers and cash generated by our operations. These funds provide working capital to run our business and finance both expansion and replacement capital expenditure. These funds will also be used to pay interest on borrowed money and distribute dividends to shareholders, when appropriate. Our financial capital is re-invested in other capitals in a measured way to grow and sustain our business, after careful consideration of the returns they will generate.

KEY INPUTS	OUTPUTS
<ul style="list-style-type: none"> ❖ Total equity R131 million ❖ Effective working capital management ❖ Working capital facilities from bankers to support business operations 	<ul style="list-style-type: none"> ❖ Revenue – Continuing operations R362 million (2020: R459 million) ❖ Cash from operating activities R22 million (2020: R43 million outflow)

TRADE-OFFS IN OUR USE OF FINANCIAL CAPITAL

Financial capital	Built capital	Human capital	Intellectual capital	Social and relationship capital
Financial capital sustains our expansion, brands, products, people and communities, usually with positive impacts on the other capitals.	The use of financial capital to build new stores and revamp existing stores may negatively impact on natural capital.	Remuneration strategies focus on entrenching a performance driven culture, which supports cost optimisation.	By investing in and improving our processes and systems, we boost our intellectual resources but decrease our financial capital. This will allow us to have better information, make better decisions and allocate capital appropriately which will strengthen the Company's financial position.	Ongoing investment in social and relationship capital underpins our social licence to operate and creates a strong environment for operations and investments over the long-term.

HOW WE MANAGE OUR FINANCIAL CAPITAL

Executive and investment committee

The Board routinely makes capital allocation decisions, within a board-decided framework for how opportunities are evaluated – the thresholds for which an investment committee sets allocation, and which are referred to the Board. It also sets the strategic direction for seeking opportunities.

Capital allocation

- ❖ Capital is primarily allocated based on an expected return on investments and the strategic areas of the investment within identified growth areas. Identifying these growth areas follows a process of annually mapping core competencies and reviewing the past performance of capital allocations against their specific investment cases.
- ❖ The Group assesses all capital allocation opportunities based on the predicted future cash flows of those opportunities, using the Group's weighted average cost of capital, adjusted upwards for opportunity-specific risks.
- ❖ For acquisitions, the discounted cash flow ("DCF") value must exceed the price by a margin of safety.

Capital outcomes continued



We are a consumer-focused business, with many processes relying on manual labour, sales and service skills. We depend on the expertise of our people to operate our stores safely and efficiently. Our people are fundamental to the delivery of our strategy.

Our people management is based on developing an effective employee value proposition through standardised employment practices that are consistently applied across the Group, fair remuneration, development opportunities and career progression.

KEY INPUTS	OUTPUTS
<ul style="list-style-type: none"> ❖ Ongoing skills development and training ❖ Compliance with labour legislation ❖ Pursuit of transformation ❖ Code of Ethics ❖ Health and safety policies and procedures ❖ Training and logistical support for franchisees 	<ul style="list-style-type: none"> ❖ Training and development opportunities for all employees through on-the-job training, instructor-led and online training. ❖ Reviewed and updated policies and procedures to ensure ongoing alignment to labour legislation and the business strategy. ❖ Reviewed and updated the employment equity strategy to enable transformation. ❖ Job-specific remuneration, with men and women receiving equal pay in the same job categories. All employees are paid within the parameters set by the relevant bargaining councils or regulatory bodies in each industry sector.

TRADE-OFFS IN OUR USE OF HUMAN CAPITAL

Human capital	Social and relationship capital	Intellectual capital	Financial capital
High employee turnover would result in higher cost in recruitment and training, with consequently higher costs in recruitment and training. Nevertheless, by imparting valuable industry skills, we embrace that we are contributing practical skills to South Africa's overall workforce.	Where possible, we hire management and staff from local communities, which intensifies our social and relationship capital.	Developing our employees builds skills and specific competencies, increasing our intellectual capital.	Remuneration strategies motivate a performance-driven culture that supports cost optimisation.



Capital outcomes continued

HUMAN CAPITAL continued

HOW WE MANAGE OUR HUMAN CAPITAL

The business strategy and model drive our human resource requirements.

Culture

- ❖ Our values are aligned with our purpose and vision and support the Group's culture.
- ❖ The Group's values shape behaviour and decision-making.
- ❖ The business model encourages behaviours that are aligned with our values.
- ❖ The culture enables the Group to achieve strategic aims while values guide the actions the business take to achieve them.
- ❖ Incentives and rewards are aligned with desired behaviours and achievements are assessed against how they are achieved.
- ❖ The Board and governance systems safeguard the culture and its alignment with our values.

Leadership development

- ❖ We invest in upskilling our managers to develop a succession pipeline into all levels of senior management.

Performance and career development

- ❖ Performance objectives are aligned to the business strategy, short- and medium-term targets and focussed on creating shareholder value.
- ❖ Training, career progression and incentives are linked to job performance.
- ❖ The training strategy incorporates online and facilitator-led training aimed at implementing improving customer service.

Employee relations

- ❖ The policies and procedures create a clear framework for employee behaviour at work.
- ❖ Training on HR policies and procedures is ongoing across the Group, and all new employees receive training on the policies as part of their induction.

Health and safety

We have a moral and legal obligation to protect our employees and customers against injuries, diseases and risks to their health and safety. Our health and safety committees hold monthly meetings to address any issues or potential risks.

Capital outcomes continued



SOCIAL AND RELATIONSHIP CAPITAL

Our social licence to operate depends largely on the quality of our stakeholder relationships with shareholders, employees, partners, franchisees, customers, suppliers and the communities where we operate. Long-term value creation depends on understanding the diverse needs of our stakeholders. Our stakeholder engagement process is therefore based on the principle of regular interaction, as underpinned by the principles of fairness, accountability, responsibility and transparency.

We support B-BBEE, local communities and sound environmental practices in all brand locations where we are active. We are acutely aware of the socio-economic challenges faced by communities around our stores. We recognise that our impact goes beyond the workplace and that our long-term sustainability is linked with that of our communities. Uplifting the communities in which we operate is fundamental to our business sustainability.

KEY INPUTS	OUTPUTS
<ul style="list-style-type: none"> ❖ Brand reputation and value ❖ Relationships with our various stakeholders ❖ Integrity and ethical standards ❖ Transparency and good governance 	<ul style="list-style-type: none"> ❖ High levels of responsiveness and consistent service quality ❖ Regular stakeholder engagement

TRADE-OFFS IN OUR USE OF SOCIAL AND RELATIONSHIP CAPITAL

Social and Relationship capital	Financial capital	Human capital	Intellectual capital	Built capital
Investment in socio-economic development reduces our financial capital in the short term. However, by creating opportunities and helping to reduce inequality, we ultimately boost financial capital while building human and intellectual capital.	Ongoing investment in social and relationship capital creates a stronger environment for operations, investments and returns over the long term.	Regularly engaging with employees improves Group collaboration.	Insight into customer requirements delivers competitive insights and business agility to grow our business.	Support of enterprise and brand development bolsters our stocks of intellectual, manufactured and financial capital.

HOW WE MANAGE OUR SOCIAL AND RELATIONSHIP CAPITAL

Creating new jobs in local communities

Where possible, we hire management and staff from local communities.

Franchisee engagement

Our franchising business model provides proven and sustainable enterprise development opportunities for small businesses. These franchised outlets also create new jobs.

All franchisees have direct access to a franchisee relationship manager, area manager and brand operations manager.

Marketing our brands

Marketing has a well-developed strategy that includes social media, promotions and events.

Capital outcomes continued

SOCIAL AND RELATIONSHIP CAPITAL continued

Stakeholder	Our stakeholders' interests	Our response	Our engagement strategy	Outcome
Shareholders	<ul style="list-style-type: none"> ❖ Financial performance ❖ Consistent growth in asset value ❖ Long-term stability ❖ Sound governance ❖ Regular reporting and disclosure 	<p>Our shareholders are important stakeholders and we engage with them as appropriate.</p> <p>Shareholders elect the Board of directors who appoint and supervise executives, including the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO).</p>	<p>The Group provides timely and transparent disclosures to shareholders by means of:</p> <ul style="list-style-type: none"> ❖ SENS releases as required; ❖ an integrated annual report; and ❖ telephonic and in-person interactions as requested. 	<p>Good relationships with providers of finance facilities.</p> <p>Alignment of management and shareholders' interests.</p>
Employees	<ul style="list-style-type: none"> ❖ Job security ❖ Fair remuneration ❖ Skills development ❖ Career opportunities ❖ Employee benefits 	<p>We regularly evaluate employee feedback. Our employee relationships are described in greater detail under Human Capital.</p>	<p>We communicate regularly with employees through:</p> <ul style="list-style-type: none"> ❖ meetings; ❖ video conferencing; ❖ business review meetings; ❖ department meetings; ❖ weekly and monthly store meetings; and ❖ staff engagement surveys. 	<p>Proactive employee engagement results in increased employee trust, job satisfaction and Group efficiency.</p>
Franchisees	<ul style="list-style-type: none"> ❖ Increased profitability and brand loyalty ❖ Providing high quality products at an affordable price to customers ❖ Timely delivery of ordered product with professional in-store merchandising ❖ Ongoing business management support ❖ Ongoing training for existing franchisees ❖ Create an opportunity for entrepreneurs 	<p>We ensure franchisees receive support in all aspects of managing a successful business, namely finance, marketing, design and development, training and procurement.</p>	<ul style="list-style-type: none"> ❖ Engagement with franchisee employees is maintained via in-store evaluations, training and promotional launches throughout the year. 	<p>We firmly believe that franchising is a social responsibility at work. The entrepreneurship unlocked by franchisees underpin sustainable economic growth by transferring skills and creating jobs.</p>
International partners	<ul style="list-style-type: none"> ❖ Mutually beneficial relationships ❖ Long-term stability ❖ Transparency, integrity and reliability ❖ Building strong teams to execute strategic objectives 	<p>We welcome assistance from our partners and value their wealth of industry knowledge and experience.</p>	<p>Regular, hands-on collaboration with our partners.</p>	<p>It broadens the Group's access to global supply chains, intellectual property and global best practices.</p>



Capital outcomes continued

SOCIAL AND RELATIONSHIP CAPITAL continued

Stakeholder	Our stakeholders' interests	Our response	Our engagement strategy	Outcome
Suppliers	<ul style="list-style-type: none"> ❖ Long-term service agreements to provide stability ❖ Fair terms and prompt payment 	We have a transparent pricing policy and fair procurement practices.	The Group engages with suppliers via: <ul style="list-style-type: none"> ❖ supplier visits; ❖ performance measurements; and ❖ quality assurance. 	We continue vetting all our suppliers in accordance with quality expectations.
Customers	<ul style="list-style-type: none"> ❖ Strong brands and value offering ❖ Convenience, accessibility and positive consumer experience ❖ Luxury experience and value for money jewellery and watches 	In a competitive marketplace, customer satisfaction plays a significant role in how much revenue we generate. We work hard to offer value, remain relevant, contemporary, and accessible.	The Group engages with customers via: <ul style="list-style-type: none"> ❖ customer satisfaction surveys; ❖ customer research; ❖ mystery shoppers; and ❖ Personal engagement and contact. 	All comments are collated in a central database and acted on as required. We respond swiftly to customer complaints, as these can result in reputational damage. Feedback from customers creates valuable opportunities to increase the overall quality of our customer service.
Communities	<ul style="list-style-type: none"> ❖ Community development and social contributions ❖ Job creation ❖ Alignment to country transformation targets 	We support the principles of transformation and aim to uplift historically disadvantaged individuals. Our brands employ staff from local communities and take part in CSI programmes where appropriate.	Training and skills development.	We are acutely aware of the socio-economic challenges faced by communities around our stores. We recognise that our impact goes beyond the workplace and that our long-term sustainability is linked with that of our communities.

Capital outcomes continued



Our asset base – our stores and inventory – is needed for servicing our customers. We constantly explore ways to operate our assets more efficiently and intelligently.

KEY INPUTS	OUTPUTS
<ul style="list-style-type: none"> ❖ Stores ❖ Inventory ❖ Working capital management 	<ul style="list-style-type: none"> ❖ Sales and customer experience

TRADE-OFFS IN OUR USE OF BUILT CAPITAL

Built capital	Intellectual capital	Human capital	Social and relationship capital	Financial capital
Pursuing excellence in operating manufactured assets across the value chain underpins performance in safety, reliability and cost effectiveness.	Adopting advanced technology provides more efficient business processes and allows us to take digital tools and solutions to customers to enhance the experience, attract new customers and retain loyalty.	New stores create new jobs and growth opportunities for existing staff.	The Jewellery and Watch Division has a deep knowledge of the industry and trends.	Pursuing our growth targets will likely increase our stocks of manufactured capital, but this could impact natural capital and would reduce financial capital from time to time.

HOW WE MANAGE OUR MANUFACTURED CAPITAL

Corporate store ownership at year-end

JEWELLERY AND WATCH DIVISION	
NWJ	39
Arthur Kaplan	6
World's Finest Watches	1
Total	46

Property and retail footprint

Our policy is to lease rather than to purchase business properties. The drivers for selecting sites differ from brand to brand, depending on their customer value propositions, relative target markets and store formats, among other factors.

The Jewellery and Watch Division concentrated on optimising its retail footprint by actively managing underperforming stores and closing unsustainable outlets. This is an area of continued focus in order to maximise investment returns.

Capital outcomes continued



INTELLECTUAL CAPITAL

Intellectual capital is becoming vital to whether enterprises can remain sustainable in the long term. We need to understand industry and consumer trends to stay relevant in the future while delivering to high standards today.

Our intellectual capital is derived from our extensive industry experience, combined with technology, procedures and processes developed by the Group.

KEY INPUTS	OUTPUTS
<ul style="list-style-type: none"> ❖ Employee skills and competence ❖ Experienced board and executive committees ❖ Policies and standards ❖ IT systems ❖ Brands and reputation ❖ Key suppliers 	<ul style="list-style-type: none"> ❖ Deep insight into running stores ❖ Tailormade work procedures for each brand ❖ Improved customer analysis ❖ Customer interfaces and online ordering platforms ❖ Legal compliance ❖ E-commerce platform

TRADE-OFFS IN OUR USE OF INTELLECTUAL CAPITAL

Intellectual capital	Financial capital	Human capital	Social and relationship capital	Built capital
The cumulative value of our investment into intellectual capital informs and drives our evolving business strategy. Linking into the other five capitals, intellectual capital keeps us sustainable.	Enables efficiencies, digital age and customer behaviour.	Intellectual capital dovetails with human capital through employee competence, skills, training and development. These include instilled knowledge of work procedures, ethics and values.	Our merchandise are aimed at customers across most market segments in South Africa. Our customer analysis and insight into consumer trends drives our marketing, online ordering and loyalty programmes. Our deep industry experience allows us to remain closely attuned to industry developments.	Improved standards and efficiencies. Correct procurement – what is customer's preference and demand.

HOW WE MANAGE OUR INTELLECTUAL CAPITAL

Intellectual capital exists in all key support functions such as finance, sales and marketing, client relations, merchandising and operations.

We constantly evaluate competencies and performance to achieve our objectives and delivering on the desired customer experience.

The management team are seasoned industry professionals with years of experience that have a deep understanding of the jewellery and watch and retail sector. The management team is respected by peers and partners alike and has forged strong relationships with key suppliers and partners over the years. The CEO of the business is a Board member of the Jewellery Council of South Africa.

We endeavour to make technology as user-friendly as possible for our stores and customers. We investigate where we can digitise and streamline business processes, while also reviewing technologies that can improve customer experience.

Cybersecurity

Online hacking is a growing worldwide threat and has security protocols in place. Our protocols and security measures include:

- ❖ business data is primarily stored in cloud-based server architecture, protected by firewalls and monitoring, encrypted security measures and advanced password protocols; and
- ❖ dedicated team oversee the IT environment, with regular meetings to review performance and execution.

IT governance

Our IT systems are audited in terms of applicable standards adopted.

Capital outcomes continued



Our most material impact on natural capital is our consumption of energy, the electricity used to power our stores and our packaging.

Despite our relatively small impact on the natural environment, we are committed to developing operating policies that incorporate energy control and environmentally friendly packaging procedures and efficiency gains.

KEY INPUTS	OUTPUTS
<ul style="list-style-type: none"> ❖ Energy ❖ Packaging 	<ul style="list-style-type: none"> ❖ Energy efficiency gains in new and renovated stores ❖ Environmentally friendly packaging materials

TRADE-OFFS IN OUR USE OF NATURAL CAPITAL

Natural capital	Human capital	Intellectual capital	Social and relationship capital
Our use of non-renewable resources such fossil fuels, as well as our emissions and wastes, negatively impact the planet's stocks of natural capital. However, by converting natural capital into value-added products, we boost the stocks of all the other capitals.	Our use of natural capital is a fundamental input that underpins our ability to manufacture products and create jobs.	By investing in improving processes to minimise our impact on natural capital, we boost our intellectual resources while decreasing our financial capital in the short term.	Consumers are increasingly aware of the environmental impact of products. Social and relationship capital is preserved by our responsible use of non-renewable resources.

HOW WE MANAGE OUR NATURAL CAPITAL

Fuel and electricity prices continued rising above the rate of inflation, with the prospect of sharper rises in the next few years. Reducing our energy consumption is a priority, for environmental preservation and reducing or mitigating our costs.

It is our objective to implement the use of environmentally friendly packaging where possible.

Corporate Governance





Corporate governance

BOARD OF DIRECTORS – NON-EXECUTIVE DIRECTORS

NONZUKISO (ZUKIE) SIYOTULA (37)

CA(SA), BAC, MBA

Independent non-executive director
Chairperson of the Board
Member of the audit and risk committee
Chairperson of the nominations committee
Member of the remuneration committee
Appointed: 30 January 2018

Zukie was previously the Chief Executive Officer for Thebe Capital. She also previously held senior roles at Barclays and Old Mutual. She serves on a number of boards, including Growthpoint Properties, African Phoenix Investments and Stangen. Zukie previously served on the boards of Shell SA, Safripol, Altech Netstar, Vodacom, Combined Motor Holdings, Compass Group, JLT Insurance, Thebe Unico and Thebe Energy. Her diverse professional experience in areas such as finance, mergers and acquisitions, corporate governance, strategy, restructuring, investment management, business development, sales and distribution adds value to businesses.

Zukie is a chartered accountant (CA(SA)) and a chartered management accountant (UK), who was ranked top student in South Africa on completion. She holds a Bachelor of Accountancy degree from Witwatersrand University and an MBA from the Gordon Institute of Business Science. She has completed executive programmes from Harvard, Insead and Oxford and won many industry awards.

LEO CHIH HAO CHOU (40)

BCom

Independent non-executive director
Chairperson of the remuneration committee
Member of the nominations committee
Appointed: 30 January 2018

Leo is the executive Chairman of Sygma Investment & Consulting Proprietary Limited, a private investment company based in Cape Town with holdings in international brand distribution, retail, niche logistics and investments in marketable securities and treasury management.

He previously served as Chairman and CEO of Snowball Wealth, a privately held investment company, which was sold to Conduit Capital Limited.

Leo obtained a Bachelor of Commerce degree from the University of South Africa. He currently serves as a non-executive director of Conduit Capital Limited.

ADRIAN MAIZEY (47)

Bachelor of Business Administration degree from the University of Nebraska, Certified Public Accountant

Non-executive director
Member of the remuneration and nominations committees
Member of the social, ethics and transformation committee
Appointed: 10 March 2021

Adrian is a partner at Protea Asset Management LLC ("Protea") and has extensive experience in managing investment firms focussed on controlling ownership stakes in both private and public companies. He holds the Chief Financial Officer and president titles for Protea. Before joining Protea, Adrian was Chief Operating Officer and Chief Compliance Officer of Leonard Green & Partners, LP, a Los Angeles based private equity firm. He holds an MBA from Harvard Business School (2003) and a Bachelor of Business Administration degree from the University of Nebraska (1996). Adrian is also a Certified Public Accountant. He currently serves as a non-executive director of Conduit Capital Limited.



Corporate governance continued

BOARD OF DIRECTORS – NON-EXECUTIVE DIRECTORS

CARMEN LE GRANGE (48)

CA(SA)

Independent non-executive director
Chairperson of the audit and risk committee
Member of the social, ethics and transformation committee
Appointed: 5 October 2020

Carmen is a qualified chartered accountant (CA(SA)) with over 22 years' experience in providing assurance and consulting services. She previously served as the Group Chief Financial Officer of Denel SOC Limited ("Denel"). Prior to joining Denel, Ms Le Grange served in various executive positions, including as interim Chief Executive Officer of Power & Infrastructure Engineering Proprietary Limited and as a Senior Partner at PricewaterhouseCoopers Inc.

LEAH McCRAE (45)

Entrepreneur

Independent non-executive director
Chairperson of the social, ethics and transformation committee
Appointed: 10 March 2021

Leah is an entrepreneur and management consultant with a people centric focus, specialising in communications and culture change management and public relations, creating meaningful brand building strategies that bring consumers closer to the brand values – how consumers feel, know and experience the brand. Her career spans over two decades across various industries. She founded New Age Events in 1998 and is the founder of The Park House of Events on 7 and Brand Tribe Society, an executive coaching consulting firm. Leah works primarily with leaders of blue-chip organisations across South Africa, high potential individuals, and entrepreneurs. She brings business sensibility, strategic insight, creative flair, and consumer perspectives to her clients.

LAUREN DE SWARDT (40)

Entrepreneur

Independent non-executive director
Member of the audit and risk committee
Appointed: 10 March 2021

Lauren is an entrepreneur and management consultant with over 15 years' experience in brand development, consumer and luxury goods and retail operations. She is the founder of Kids Emporium, a network of baby stores across South Africa offering leading brands for clothing, maternity wear, accessories, toys, gifts, furniture and travel systems. Lauren is also the founder of Cloudburst, a creative design agency, and Baby Meets World, a management consultant company that provides executive leadership and business model operations optimisation services to her clients, primarily in the high-end South African retail industry.



Corporate governance continued

BOARD OF DIRECTORS – EXECUTIVE DIRECTORS

DUNCAN JOHN CROSSON (55)

BCompt (Hons)

Group Chief Executive Officer
Member of the executive and investment committee
Appointed: 7 February 2003

Duncan obtained his BCompt (Hons) while serving articles with Morrison Murray in Durban. He gained valuable experience in a manufacturing and distribution environment servicing the retail and fast-moving consumer goods industry and progressed to Chief Financial Officer and shareholder of the group of companies. Duncan joined Scooters Pizza in 2000 and has been a member of the Board of Directors of Scooters Pizza since 2001 and the Group since inception. He was appointed Chief Operating Officer of NWJ Fine Jewellery in September 2009 and, subsequently, Chief Executive Officer in April 2010. Following the acquisition of Arthur Kaplan in December 2014, Duncan was appointed Chief Executive Officer of the Jewellery and Watch Division. In April 2014 he was appointed to the Board of the Jewellery Council of South Africa and served on the Jewellery Council's executive committee from February 2012 to 2014. Duncan has been instrumental in the successful management and control of the significant growth of the Group over the past 20 years. He is a member of the executive and investment committee and chairs the Jewellery and Watch Division management committee.

HANNES VAN EEDEN (49)

CA(SA)

Chief Financial Officer
Member of the executive and investment committee
Appointed: 14 January 2019

Hannes is a qualified Chartered Accountant (CA(SA)) and is an experienced CFO with a strong track record in implementing financial best practice and systems at companies such as Strate and Mix Telematics.

In the past 25 years, Hannes held various positions which include being CFO, Financial Director, Company Secretary and Head of Finance.



Corporate governance continued

HOW WE GOVERN OUR BUSINESS

Our approach to governance

We believe that good corporate governance, which includes transparency and accountability, is key to the integrity of the organisation and the ability to manage risk and perform at optimum levels. Underpinning the disciplined approach to governance is the determination to ensure that a balance is maintained between good governance and operational efficiency aimed at executing the strategy.

It is recognised that strategy, performance, sustainability and risk are inseparable. The Board also takes into consideration the concerns and priorities of the wider stakeholder environment in its strategic guidance and decision-making process.

To ensure that effective corporate governance is consistently prioritised throughout the Group, the Board applies the principles of King IV™ and the Listings Requirements of the JSE Limited (JSE Listings Requirements) (see the King IV Register Index and the reporting in terms of paragraph 3.84 of the JSE Listings Requirements on the website at www.luxeholdings.co.za under the Corporate Governance Section).

STATEMENT OF COMPLIANCE

JSE Listings Requirements

The Luxe Holdings directors have confirmed that, to the best of their knowledge, Luxe Group:

- (i) complied with the provisions of the Companies Act of South Africa; and
- (ii) operated in accordance with its memorandum of incorporation, during the year under review.

OUR BOARD GOVERNANCE STRUCTURE



GOVERNANCE AND MANAGEMENT SYSTEMS

Good governance is the cornerstone of the Board and committee structure. The Board recognises its leadership role and responsibility for the governance of the Group, always acting in the best interests of the Company. The Board sets the Company's values and is responsible for establishing and maintaining a strong ethical culture throughout the Group.

The Board performs its governance responsibilities within a framework of policies, procedures and controls which provide for effective risk assessment and management of the economic, environmental and social performance of the Group. The Board's responsibilities are outlined in its charter, duly reviewed annually, which is aligned with the recommendations of King IV™ and consistent with the memorandum of Incorporation of the Company ("MOI"). Mandates, charters and terms of reference governing the Board and its committees are available from the Company Secretary.

Shareholders are required to elect the members of the audit and risk committee, which is a statutory committee in terms of the Companies Act, No 71 of 2008, as amended ("the Companies Act") at the annual general meeting ("AGM"). Likewise, the members of the social, ethics and transformation committee, which is also a statutory committee, are appointed annually by the Board of the Company.

THE BOARD OF DIRECTORS

The Board of Directors meets a minimum of four times a year and met four times in the period between 1 March 2020 and 28 February 2021. Additional meetings are convened as necessary. Board packs are distributed prior to the meetings.

The Board comprises five independent non-executive directors, one non-executive director and two executive directors. The chairperson is an independent non-executive director.

The chairperson and the nominations committee ensure the overall effectiveness of the Board and its committees; that the Board provides effective leadership, maintains ethical standards and is responsible, accountable, fair and transparent; and that strategies are developed and implemented to achieve sustainable economic, social and environmental performance.

The chairperson encourages constructive debate and discussion within the Board through a culture of openness and constructive challenge.

Board members are accountable to shareholders and owe a duty of care and diligence to the Company. They act in the best interests of the Company and its shareholders. To fulfil their role, Board members participate in rigorous and constructive debate and discussion. Directors are able to take independent advice (at the Company's expense and after following an appropriate procedure) to ensure proper execution of their responsibilities.

The Board responsibilities include:

- ❖ strategy, strategic decision-making and execution;
- ❖ governing the Company on behalf of its shareholders;
- ❖ engaging with stakeholders;
- ❖ implementing the Company's approach to corporate citizenship, safety, health, the environment, ethics and risk;
- ❖ its own governance, including the rotation of directors, training of directors, conflicts of interest and the appointment of directors;
- ❖ monitoring and assessing the Group's reputation in the marketplace; and
- ❖ establishing the framework within which capital is allocated.

Changes to the Board during the year and post-financial year end:

- ❖ Mr TC Moodley resigned as a non-executive director, effective 6 March 2020;
- ❖ Mr A Maizey resigned as a non-executive director effective 6 March 2020 and was re-appointed, effective 10 March 2021
- ❖ Mr GM Pattison resigned as a non-executive director, effective 5 October 2020;
- ❖ Ms CL Le Grange was appointed as a non-executive director, effective 5 October 2020;
- ❖ Ms L McCrae was appointed as a non-executive director, effective 10 March 2021; and
- ❖ Ms L De Swardt was appointed as a non-executive director, effective 10 March 2021.

The directors' attendance at the Board meetings for the year under review was as follows:

BOARD	Designation	19 Mar [#]	27 Aug [#]	5 Nov [#]	25 Feb [#]
N Siyotula [^] , (Chairperson)	Independent non-executive director	Y	Y	Y	Y
G Pattison*	Independent non-executive director	Y	Y	n/a	n/a
LCH Chou	Independent non-executive director	Y	Y	Y	Y
CL Le Grange**	Independent Non-executive director	n/a	n/a	Y	Y
DJ Crosson	Executive director	Y	Y	Y	Y
H van Eeden	Executive director	Y	Y	Y	Y

* Resigned 5 October 2020 and served as Chairperson until 1 August 2020.

[^] Appointed Chairperson effective 1 August 2020.

** Appointed 5 October 2020.

[#] Via video conferencing.



Corporate governance continued

AUDIT AND RISK COMMITTEE

The audit and risk committee currently comprises of CL Le Grange (chairperson), N Siyotula and L De Swardt.

The audit and risk committee report for the year ended 28 February 2021 is included on page 4 of the annual financial statements.

This committee met four times during the year. The committee meets with the Group's external auditors and executive management periodically.

The committee comprises three independent non-executive directors. The CEO and CFO, who attend meetings by invitation, do not have a vote.

The external auditor also attends meetings by invitation.

The audit and risk committee ensures that appropriate checks and balances are in place to guarantee robust, independent and efficient audit processes and that financial reporting throughout the Group is accurate and reliable. The audit and risk committee has updated, formal, Board-approved terms of reference which are intended to ensure compliance with both governance recommendations and statutory requirements. The Board is satisfied that the committee has complied with these terms and with its legal and regulatory responsibilities as set out in the Companies Act, King IV™ and the JSE Listings Requirements.

The Board believes that the members collectively possess the knowledge and experience to exercise oversight of the Company's financial management, external auditors, the quality of the Company's financial controls, the preparation and evaluation of the Company's financial statements and financial reporting. The Board has established and maintains internal controls and procedures, which are reviewed on a regular basis. These are designed to manage the risk of business failures and to provide reasonable assurance against such failures but this is not a guarantee that such risks are eliminated.

The audit and risk committee's responsibilities are as follows:

- ❖ reviews and oversees integrated reporting;
- ❖ reviews and monitors the adequacy and effectiveness of the system of internal controls;
- ❖ reviews the findings of the external auditors;
- ❖ oversee the internal audit function once established. A dedicated internal audit function is, however, not warranted at this stage;
- ❖ obtains external assurance on the financial statements included in the integrated annual report and recommends them to the Board for approval;
- ❖ carries out its statutory duties set out in Section 90 of the Companies Act;
- ❖ satisfies itself as to the expertise and experience of the Group's financial director and the overall financial function. During the financial year under review, the committee agreed to an action plan in respect of areas of the Group where financial skills and/or procedures require enhancement;
- ❖ assists the Board with its responsibility for IT governance by ensuring that the Group manages its information assets effectively, that an adequate IT governance framework is in place and that management is implementing the framework; and
- ❖ monitors and evaluates significant IT investment and expenditure, if and when necessary.

The risk responsibilities are as follows:

- ❖ considers risk in its widest sense;
- ❖ identifies and assesses all risks, their impact and the probability of occurrence;
- ❖ monitors the perceived effectiveness of the Group's existing controls and systems and assesses their integrity;
- ❖ ensures the Company's risk policies and strategies are adequate, effective and effectively managed;
- ❖ establishes and maintains a common understanding of the body of risks that need to be addressed if the Company is to achieve its corporate objectives;
- ❖ reviews and confirms the Company's levels of risk tolerance and its risk profile;
- ❖ coordinates the Group's risk management efforts, identifying mitigating measures and reviews the results and ensures appropriate action is taken;
- ❖ monitors external development relating to corporate accountability, including emerging and prospective risks and opportunities; and
- ❖ reviews and discusses the Group risk register, which is aggregated from the risk registers prepared by the risk officers of the Company.

The audit and risk committee and the Board formally evaluated the performance and effectiveness of the external auditor in terms of King IV™ and the JSE Listings Requirements. It confirmed the suitability and effectiveness of the external auditors and nominated Mazars for appointment as external auditors for the coming financial year, having satisfied itself that the Company and its individual auditors are properly accredited and independent. The appointment is to be ratified by shareholders at the upcoming annual general meeting.

The committee also determines and carefully monitors and pre-approves the use of the external auditor for non-audit-related services. The formal policy in place precludes the auditor from providing services that could impair audit independence.

Corporate governance continued

The members' attendance at the committee meetings for the year under review was as follows:

AUDIT AND RISK COMMITTEE	18 March [#] 2020	16 August [#] 2020	5 November [#] 2020	25 February [#] 2021
CL Le Grange [^] (Chairperson)	n/a	n/a	Y	Y
N Siyotula	Y	Y	Y	Y
LCH Chou	Y	Y	Y	Y
GM Pattison*	Y	Y	n/a	n/a

* Resigned 5 October 2020.

[^] Chairperson from 5 October 2020.

[#] Via video conferencing.

REMUNERATION COMMITTEE

The remuneration committee currently comprises of LCH Chou (chairperson), N Siyotula and A Maizey.

The remuneration committee met four times during the period under review, additional meetings are convened as necessary.

The committee comprises three independent non-executive directors. The CEO and CFO attend portions of these meetings by invitation. They do not have a vote, nor do they participate in discussion regarding their remuneration.

Details of directors' fees and remuneration are fully disclosed in the financial statements. In addition, the proposed fees to be paid to non-executive directors are set out in the notice of the annual general meeting. The non-executive directors fees are put forward for approval by shareholders by way of a special resolution at the upcoming annual general meeting.

Remuneration of executive directors in their capacities as executive members of the management team, as approved by the committee, is fully disclosed in the consolidated financial statements. The committee invites executives and senior managers of the Group to attend meetings as and when required.

Remuneration responsibilities include:

- ❖ approving, guiding and influencing human resource policies and strategies;
- ❖ ensuring appropriate transparent disclosure of remuneration;
- ❖ skills development;
- ❖ recommending appropriate levels of remuneration to be paid to the members of the Board of Directors;
- ❖ upholding, reviewing and amending, if appropriate, the Company's remuneration philosophy and policy with particular reference to the remuneration of executive directors and senior management;
- ❖ ensuring that executive directors and senior management are fairly rewarded for their individual contributions to the Company's overall performance, having regard to the interests of stakeholders and the financial condition of the Group;
- ❖ approving remuneration packages to attract, retain and motivate high-performing executive directors and senior management; and
- ❖ benchmarking remuneration against competitor companies and third-party salary surveys.

The members' attendance at the committee meetings for the year under review was as follows:

REMUNERATION COMMITTEE	19 March [#] 2020	27 August [#] 2020	20 January [#] 2021	25 February [#] 2021
LCH Chou (Chairperson)	Y	Y	Y	Y
N Siyotula	Y	Y	Y	Y
CL Le Grange [^]	n/a	n/a	A	A
GM Pattison*	Y	Y	n/a	n/a

* Resigned 5 October 2020.

[^] Appointed 5 October 2020.

A Apologies.

[#] Via video conferencing.

NOMINATIONS COMMITTEE

The nominations committee currently comprises of N Siyotula (chairperson), LCH Chou and A Maizey.

The nominations committee met four times during the period under review and convenes additional meetings as necessary.

Nominations committee responsibilities include:

- ❖ setting the criteria for Board nominations and ensuring the appointment of directors is transparent;
- ❖ identifying, evaluating and recommending suitable candidates for appointment to the Board;
- ❖ succession planning;
- ❖ ensuring that executive leadership is representative of all race and gender groups and is in accordance with the spirit and targets set by the DTI codes of good practice;
- ❖ ensuring that the Board has adopted a formalised policy on the promotion of race and gender diversity at Board level;
- ❖ periodically assessing the performance of the Board and Board sub-committees; and
- ❖ ensuring directors retire and are re-elected in per the Company's memorandum of incorporation.

NOMINATIONS COMMITTEE	19 March [#] 2020	27 August [#] 2020	20 January [#] 2021	25 February [#] 2021
N Siyotula (Chairperson)	Y	Y	Y	Y
GM Pattison*	Y	Y	n/a	n/a
LCH Chou	Y	Y	Y	Y
CL Le Grange [^]	n/a	n/a	A	A

* Resigned 5 October 2020.

[^] Appointed 5 October 2020.

A Apologies.

[#] Via video conferencing.

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE

The social, ethics and transformation committee comprises of L McCrae (chairperson), A Maizey and C Le Grange.

The Group has established a social, ethics and transformation committee in accordance with the requirements of the Companies Act. The committee met twice during the period under review. This committee executes the duties assigned to it by the Companies Act, as well as any additional duties assigned to it by the Board of Directors. The Board remains ultimately responsible for Group sustainability and has delegated certain duties in this regard to the social, ethics and transformation committee.

A formal charter has been adopted which guides the committee in ensuring that the Group conducts its business in an ethical and properly governed manner and of reviewing or developing policies, governance structures and practices for sustainability.

Management reports to the committee on matters relevant to its deliberations and the committee, in turn, draws relevant matters to the attention of the Board and reports on them to the shareholders at the annual general meeting.

Mechanisms to encourage ethical behaviour such as the code of ethics, corporate citizenship policies and the whistle blower hotline were confirmed as adequate by the committee in the year. No human rights incidents were reported during the year. In South Africa, aspects such as prohibition of child labour forced compulsory labour and discriminatory practices are monitored by the Department of Labour in addition to the committee.

The committee has fulfilled its mandate as prescribed by the Companies Regulations to the Companies Act, and there were no instances of material non-compliance to disclose.

CODE OF ETHICS

Directors, employees, employees of companies providing outsourced functions and the suppliers are required to comply with the principles of this code and to act in accordance with it.

The social, ethics and transformation committee monitors ethical behaviour in the Group, and a code of conduct is in place.

Where there is any non-compliance with this code of conduct, disciplinary action is taken and consistently enforced across the Group to discourage a recurrence.

The Group does not engage or condone the perpetration of any illegal acts in the conduct of its business. It is the policy of the Board to actively pursue and prosecute perpetrators of fraudulent or other illegal activities of which they become aware.

Corporate governance continued

The primary role of the committee is to supplement, support, advise and provide guidance on the effectiveness or otherwise of management's efforts in respect of social, ethics and sustainable development-related matters which include:

- ❖ good corporate citizenship and embedding an ethical culture;
- ❖ safety, health and wellness;
- ❖ socio-economic development;
- ❖ human resource development and training;
- ❖ employment equity and transformation;
- ❖ the Group's empowerment credentials;
- ❖ the Group's corporate social responsibility;
- ❖ protection of Company assets;
- ❖ consumer relations, advertising and stakeholder engagement; and
- ❖ environmental responsibilities.

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE	19 March [#] 2020	27 August [#] 2020
CL Le Grange [^] (Chairperson)	n/a	n/a
GM Pattison [*]	Y	Y
LCH Chou	Y	Y
N Siyotula	Y	Y

* Resigned 5 October 2020.

[^] Appointed 5 October 2020.

[#] Via video conferencing.

EXECUTIVE AND INVESTMENT COMMITTEE

Meets monthly or more often if required to review the detailed operating performance of the Company and assesses capital allocation proposals in line with the Board's mandate.

The executive and investment committee comprises the Group's executive directors, the Jewellery and Watch Division Finance Executive and Managing Executives. It is responsible for the daily running of the Group and regularly reviews current operations in detail and develops strategy and policy proposals for submission to the Board.

The CEO liaises regularly with the CFO and other directors, concerning matters concerning the daily running of the Group to be raised at the committee meetings. The executive committee is responsible for, *inter alia*:

- ❖ developing strategy, operational plans, policies, procedures and budgets for consideration by the Board;
- ❖ implementing the Group's strategy;
- ❖ carrying out the Board's mandates and directives;
- ❖ the operational activities;
- ❖ monitoring operational and financial performance against set objectives;
- ❖ executing compliance and disclosure obligations; and
- ❖ deciding on capital allocation across the Group, including replacement and investment capital, based on proposals submitted by the divisions in terms of the Board-agreed investment mandate.

COMPANY SECRETARY

The Company Secretary is responsible for administering the proceedings and affairs of the directorate, the Company and, where appropriate, owners of securities in the Company, in accordance with the relevant laws. The Company Secretary is available to assist all the directors with advice on their responsibilities, their professional development and any other relevant assistance they may require.

During the course of the reporting period, CIS Company Secretaries (Pty) Ltd represented by Craig Laidlaw who resigned, and was replaced by Adolphina Kodisang and Sipehelele Ngidi.

None of the Company secretaries detailed above acted as directors of any companies in the Group. Accordingly, the Board is comfortable that at all times during the year, an independent relationship was maintained with the executive team, the Board and the individual directors in terms of paragraph 3.84(h) of the JSE Listings Requirements.

The Board has unlimited access to the Company Secretary, who advises the Board and its committees on issues, including compliance with Group policies and procedures, statutory regulations and relevant governance principles and recommendations. The Company Secretary attends Board and committee meetings to ensure that comprehensive minutes of meetings are recorded. The Company Secretary maintains an arm's length relationship with the executive team, the Board and the individual directors. The Board assesses the competence, qualifications and experience of the Company Secretary on an annual basis and has recorded its satisfaction in this regard in respect of the reporting period.

The declaration in terms of the Companies Act, No. 71 of 2008, is included on page 2 of the annual financial statements.

REPORTING IN TERMS OF SECTION 3.84 OF THE JSE LISTINGS REQUIREMENTS ON BOARD GOVERNANCE PROCESSES

REQUIREMENT	PRINCIPLE	APPROACH
3.84(a)	Is there a clear balance of power and authority at Board of Directors' level?	<p>The directors are appointed by means of a transparent and formal procedure, governed by the mandate and terms of reference of the remuneration and nominations committees and the Board charter. The Board adheres to a formal Board policy in this regard. The nominations committee responsibilities include setting the criteria for Board nominations, identifying, evaluating and recommending to the Board suitable candidates for appointment to the Board, as well as succession planning. The members of the remuneration and nominations committees are all independent non-executive directors.</p> <p>The Board charter and practices demonstrate that there is a clear balance of power and authority at Board level and that no one director has unfettered powers. Decisions, if not unanimous, are taken by a simple majority with one vote per director. The chairperson does not have a casting vote.</p>
3.84(b)	Is the role of CEO and Chairperson held separately? If the Chairperson is not independent and non-executive, does your company have a lead independent director?	<p>The CEO and Chairperson positions are held by different people and the Chairperson is an independent non-executive director. This principle is documented in the Board charter.</p>
3.84(c) Audit committee	Did your company disclose a brief mandate of the committee, the composition of the committee, meeting attendance, and other relevant information?	<p>The Company has a combined audit and risk committee. Details on page 44 to 45 of this integrated annual report.</p> <p>The committee currently has three members all of whom are independent non-executive directors, as set out in King IV™ Code.</p> <p>Ms C Le Grange is an independent non-executive Chairperson of the audit and risk committee.</p> <p>Ms Nonzukiso Siyotula is currently the Chairperson of the Board and a member of the audit and risk committee as her experience and knowledge of the Group's operations and risks are invaluable to the audit and risk committee.</p> <p>Additionally, the Company has complied with guidance from the JSE in this circumstance, in that:</p> <ul style="list-style-type: none"> ❖ all the other members of the audit and risk committee are independent non-executive directors; ❖ Ms Nonzuko Siyotula is not the Chairperson of the audit and risk committee; ❖ the dual role is specifically disclosed to shareholders; and ❖ shareholders will be approving the appointment of Ms C Le Grange as the Chairperson to the audit and risk committee at the annual general meeting. <p>Risk-related responsibilities are combined into the audit and risk committee.</p>
3.84(c) Remuneration committee	Did your company disclose a brief mandate of the committee, the composition of the committee, meeting attendance and other relevant information?	<p>The Board has appointed a remuneration committee, which consists of three independent non-executive directors.</p> <p>Details on page 45 of this integrated annual report.</p>

Corporate governance continued

REQUIREMENT	PRINCIPLE	APPROACH
3.84(c) Social and ethics committee	Did your company disclose a brief mandate of the committee, the composition of the committee, meeting attendance and other relevant information?	Details on pages 46 and 47 of this integrated annual report.
3.84(d)	Brief CVs of the directors standing for election or re-election are disclosed in the Annual Report.	Details on pages 39 to 41 of this integrated annual report.
3.84(e)	The directors have been categorised as per the Listings Requirements.	Details on pages 39 to 41 of this integrated annual report.
3.84(f)	The company has appointed a full-time executive financial director.	Mr H van Eeden is the full-time executive financial director. He does not hold any other position nor does he have any other commitments that could be considered as full-or part-time employment. Details on page 41 of this integrated annual report.
3.84(g)	Did the audit committee: (i) consider the expertise and experience of the financial director; (ii) ensure that appropriate financial reporting procedures exist and are working; and (iii) confirmation of responsibilities pursuant to paragraph 22.15(h)?	The Company has a full-time Chief Financial Officer who does not hold any other position nor does he have any other commitments that could be considered as full- or part-time employment.
3.84(g) Audit committee responsibilities	The audit committee must, notwithstanding its duties pursuant to Section 94 of the Companies Act: (i) consider, on an annual basis, and satisfy itself of the appropriateness of the expertise and experience of the financial director; (ii) ensure that the issuer has established appropriate financial reporting procedures and that those procedures are operating; (iii) request from the audit firm (and if necessary consult with the audit firm on) the information detailed in paragraph 22.15(h) in their assessment of the suitability for appointment of their current or a prospective audit firm and designated individual partner both when they are appointed for the first time and thereafter annually for every re-appointment as well as for an applicant issuers prior to listing; and (iv) ensure that the appointment of the auditor is presented and included as a resolution at the Annual General Meeting pursuant section 41 of the Companies Act.	(i) This is done annually by the audit committee and the Board of Directors. (ii) Ensured that the Company has established appropriate financial reporting and procedures and is satisfied that those procedures are operating. (iii) Have received from the audit firm the required information detailed in paragraph 22.15(h) in their assessment of the suitability of the appointed audit firm and the designated individual partner. (iv) Ensured that the appointment of the auditor is included as a resolution at the upcoming Annual General Meeting. Details on page 44 and 45 of this integrated annual report.
3.84(h)	Did the Board of Directors of the issuer consider and satisfy itself on the competence, qualifications and experience of the Company Secretary?	The Board has during the year: (i) satisfied itself regarding the expertise, qualifications and experience of the Company Secretary.
3.84(i)	Did the Board of Directors or the nomination committee adopt a policy on promotion of race diversity and agree on voluntary targets and report on those voluntary targets?	The Luxe Group believes that diversity at Board level helps the Company to achieve its business goals by providing the Board with an improved understanding of the diversity of South Africa and its people, including the environment in which the Group operates. A truly diverse Board will include and make good use of differences in age, gender, race, culture, skills, field of knowledge, industry experience and other distinctions. In identifying suitable candidates for appointment to the Board, the nomination committee will consider individuals on merit measured against objective criteria and with due regard for the potential benefits of, <i>inter alia</i> , race and gender diversity.

REQUIREMENT	PRINCIPLE	APPROACH
3.84(j)	Was the remuneration policy and implementation report tabled for a separate non-binding advisory votes by shareholders of the issuer at the AGM? The remuneration policy must record the measures that the Board of Directors of the issuer commits to take in the event that either the remuneration policy or the implementation report, or both, are voted against by 25% or more of the votes exercised.	The remuneration policy and implementation report are tabled for separate non-binding advisory votes by shareholders of the issuer at the AGM. The remuneration policy records the measures that the Board of Directors of the Company commits to take in the event that either the remuneration policy or the implementation report, or both, are voted against by 25% or more of the votes exercised at the annual general meeting.
3.84(k)	Did the CEO and FD sign off on the responsibility statement pursuant to paragraph 3.84(k) of the JSE LR?	The responsibility statement is included in the annual integrated report.

STATEMENT OF INTERNAL CONTROL

The Board acknowledges overall responsibility for the Group's system of internal controls. This includes the establishment of an appropriate control environment and framework, as well as reviewing the effectiveness, adequacy and integrity of this system.

The system of internal controls is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. The system of internal controls is designed to manage rather than eliminate risk. Accordingly, the system can only provide reasonable and not absolute assurance against the occurrence of any material misstatement or loss.

The Group has an ongoing process for identifying, evaluating, monitoring and managing the principal risks affecting the achievement of the business objectives, which is embedded in the Group's processes and structures.

Delegation of responsibilities

The Group has clearly defined the delegation of responsibilities for both executive and operating management, which includes authorisation levels, for all aspects of the business. The delegation of authority matrix of these responsibilities is reviewed annually.

Policies and procedures

Clearly documented policies and procedures are set out in the Company's policies and are subject to regular review and updates.

Divisional review meetings

Divisional and operating unit review meetings are held monthly. Operational, financial and key management issues are identified, discussed and actioned at these meetings.

Monitoring of results

Sales from outlets and through the distribution centres are monitored daily and weekly. Monthly monitoring of financial results against budget takes place at brand, divisional and Board levels. Major variances against the budget are followed up by management and action is taken.

On behalf of the Board



Company Secretary

per A Kodisang

CIS Company Secretaries (Pty) Ltd

SHARE DEALINGS

The Board has an approved Trading in Shares policy in terms of which dealing in the Company's shares by directors and employees is prohibited during closed periods as defined in the JSE Listings Requirements. Directors may also not deal in the Company's shares without first advising and obtaining clearance from the chairperson of the Board. In the absence of the chairperson, clearance must be obtained from the CEO. The directors of the Company advise the Company Secretary of all their dealings in securities for SENS publication purposes.

Closed periods include the period when the Company is operating under a cautionary announcement and the period between the close of annual and half-yearly reporting periods and the publishing of results.

RELATIONSHIP WITH STAKEHOLDERS

The Board is very much aware of the importance of constructive and positive relationships with all stakeholders of the Group. The Company aims to maintain dialogue with its key financial audiences. This has been identified as a key focus and area of improvement given the financial position and strategy of the Company. The Board encourages shareholders to attend its annual general meeting, notice of which is contained in this integrated annual report, where shareholders will have the opportunity to put questions to the Board and the chairpersons of the Board sub-committees.

REMUNERATION REPORT

Our remuneration philosophy

The Group's remuneration policy is based on the premise that fair and competitive remuneration motivates individual achievement and enhances a Company's general performance. We achieve what we believe is fair and competitive remuneration by combining fixed and performance-enhancing incentives to attract and retain competent and experienced employees. We recognise that senior management has more influence over the long term than junior management and seeks to reward those who are committed for the long term. We seek to align individual performance with Group performance and set individual objectives accordingly. The Company seeks to utilise efficient and transparent remuneration practices that are conservatively aligned with best practice, regulation and legislation. There were no changes made to the remuneration policy during the financial year.

We aim to create an environment where exceptional people can thrive in the building of quality branded businesses over many years. We aim to attract and retain these people with market-related and competitive incentive schemes.

Quality people should be given the opportunity to perform and should be rewarded for the success they create for the benefit of the Company. The general philosophy is one of fixed remuneration, short-term cash compensation linked to performance metrics over which the employee is directly responsible, and long-term cash and share ownership compensation. The objective is managers with a vested interest in the success of the Company over the long-term.

Base remuneration policy

Our base pay for executive directors and senior management is benchmarked annually against direct industry peers, comparable listed companies. We also take into consideration the revenue, profit and the number of employees and assets under each person's control. Salary increases are guided by a combination of the consumer price index and prevailing trends among listed companies.

No ex-gratia awards were made to directors, executive committee, or management committee members.

Retention and incentive policy

The main purpose of our remuneration policy and structure is to align management and shareholder interests. At the core of this alignment are the retention of key employees and the linking of management performance measures to shareholder and enterprise value per share. To this end, the Group uses two structures to retain employees. Our short-term cash incentive programme rewards increase in Company profitability, while our long-term share incentive scheme rewards increase in profitability and enterprise value per share.

Short-term cash incentive programme

An annual cash payment based on CTC on the achievement of annual audited targets set by the Board annually. The short-term incentive bonus is tailored to the performance of an individual measured by performance criteria over which they have influence. There is a maximum pay-out in any one year, but no minimum pay-out is guaranteed. The remuneration committee retains the authority to pay discretionary bonuses to executives under special circumstances.

Long-term share incentive scheme

During the year, the committee reviewed the LTIs to ensure they remain fit for purpose in motivating executives and other associates, address our value system while driving value creation for shareholders. As a result of the review, the Group has designed a new LTI scheme that will pay a cash bonus based on rolling three-year performance metrics.

- ❖ CAGR HEPS
- ❖ ROCE

Participants will be required to invest 50% of their award in the Company's shares. There is a maximum pay-out in any one year, but no minimum. The remuneration committee retains authority to pay discretionary bonuses to executives under special circumstances.



Corporate governance continued

Due to the uncertain trading conditions because of the COVID-19 pandemic, the committee has recommended the new scheme be implemented effective financial years ended 2023 – 2025.

DISCLOSURE OF REMUNERATION

King IV™ recommends that a company should disclose the salaries paid to the top three executives (aside from the executive directors).

The combined salaries paid to the two executives in the 2020/2021 financial year. Including their basic salaries, motor vehicle allowance, medical aid benefits and bonuses, the two were paid a combined total of R2 443 840.

The remuneration paid to directors is disclosed on pages 58 to 59 of the Annual Financial Statements.

NON-EXECUTIVE DIRECTORS' FEES

In accordance with the Company's policy of ensuring that non-executive directors' fees are market-related, the Company benchmarks periodically against direct competitors and comparable listed companies. The fees for our non-executive directors are paid in the context of good governance and in line with our strategy of attracting and retaining high-calibre individuals as custodians of the Company's business.

Their fees are based on a scale that takes into account membership or chairpersonship of sub-committees. They vary according to the different roles, such as chairperson, that non-executive directors undertake in the Board sub-committees.

To avoid any conflict of interest, non-executive directors do not and will not participate in any share-based incentive scheme or any other incentive scheme that the Group may implement. Non-executive fees are tabled annually for approval by shareholders. The non-executive directors' fees paid in the 2021 financial year are set out below. These take into account the evolving requirements of the Board, international licensing arrangements and an increased number of meetings, while also considering peer Group comparisons.

The non-executive directors' fees proposed by the remuneration committee for the 2022 financial year are as per the following table:

	Approved fee in 2021 R	Proposed fee in 2022 R
Annual remuneration: Per non-executive director		
Chairperson of the Board	275 000	288 750
Board membership	125 000	131 250
Chairperson of the audit and risk committee	110 000	204 750
Chairperson of the remuneration committee	55 000	57 750
Chairperson of the nominations committee	55 000	57 750
Chairperson of the social and ethics committee	55 000	57 750
Committee member – audit and risk committee	75 000	78 750
Committee member – other committees	30 000	31 500

REMUNERATION IMPLEMENTATION REPORT

Shareholders will be requested to provide a non-binding advisory vote on the implementation report at the annual general meeting. Non-executive directors' fees for the financial year ending 29 February 2022 are detailed above.

The remuneration implementation report details the outcomes following the implementation of the approved remuneration policy. These are detailed in note 34 of the Annual Financial Statements (on pages 58 to 59) of the integrated annual report. The remuneration committee complied with the remuneration policy and are not aware of any deviations that need to be reported.

The remuneration policy and implementation takes into account the performance of the Group, affordability, current economic conditions and strategic intent.

The main focus this year was to restructure the Group to ensure it is adequately positioned for the future. Specific focus areas included job gradings, positions and the overall structure of the Company.



Corporate governance continued

Annual incentive bonuses

The awarding of annual incentive bonuses are done in line with the Group's remuneration policy and stipulated allocation levels. No awards have been made in this financial year given the Company's performance.

Short-term incentives

The awarding of short-term incentives are done in line with the Group's remuneration policy and stipulated allocation levels. No awards have been made in this financial year given the Company's performance.

Long-term incentives

The awarding of long-term retention incentives were in line with the Group's remuneration policy and stipulated allocation level. No awards have been made in this financial year given the Company's performance.

Non-executive directors' remuneration

The participation of non-executive directors in the Group is essential to the Group achieving its strategic objectives and non-executive directors' fees are therefore recommended by the remuneration and nomination committee with this in mind.

The non-executive directors' remuneration for the year ended 28 February 2021 was in line with the Group's remuneration policy, which payments have been detailed on page 59 of the Annual Financial Statements.

In accordance with the Companies Act, No. 71 of 2008, as amended, and the Company's memorandum of incorporation, non-executive directors' fees are approved by the shareholders at the annual general meeting. The current fee levels are approved by shareholders at the annual general meeting and are stated on page 53 of this integrated annual report.

There are no fixed-term service contracts for executive or non-executive directors. The remuneration and nomination committee reviewed the employment contracts of the chairperson, Group Chief Executive Officer and Chief Financial Officer and found these to be still appropriate to meet the needs of the Company. The notice period for executive directors is three months, or as agreed by the remuneration committee.

JSE Listings Requirements

Voting at the previous annual general meeting

At the annual general meeting held on 22 October 2020, the shareholders endorsed the remuneration policy and the implementation report by way of separate non-binding advisory votes of 99,03% in favour of the remuneration policy and 99,08% in favour of the Company's implementation report on the remuneration policy. As the non-binding advisory votes were passed by the requisite majorities, no further engagement with shareholders was required.

Voting at the upcoming annual general meeting

Under Section 3.84(h) of the JSE Listings Requirements, the remuneration policy and the implementation report are tabled every year for separate non-binding advisory votes by shareholders at the annual general meeting.

The Company's remuneration policy and its implementation report will be presented to shareholders for separate non-binding advisory votes thereon at the upcoming annual general meeting. If 25% or more of shareholders vote against either the remuneration policy or the implementation report at the meeting, the Company will engage with shareholders through dialogue, requesting written submissions or otherwise, to address shareholder concerns, always with due regard to meeting the Company's stated business objectives while being fair and responsible toward both the employee and shareholders.

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Abridged financial statements





Declaration by Group Chief Executive Officer (CEO) and Chief Financial Officer (CFO)

for the year ended 28 February 2021

The Group CEO and the CFO, hereby confirm that:

- (a) the consolidated and separate annual financial statements as set out in pages 9 to 66 of the annual financial statements, which is separate from this annual integrated report, fairly present in all material respects the financial position, financial performance and cash flows of the Company 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 Company and its consolidated subsidiaries have been provided to effectively prepare the financial statements; 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 the King Report on Corporate Governance™ for South Africa, 2016 (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.

Duncan John Crosson
Group Chief Executive Officer

Hannes van Eeden
Chief Financial Officer

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Summarised consolidated Group statement of financial position

as at 28 February 2021

	Audited 28 February 2021 R'000	Audited 29 February 2020 R'000
ASSETS		
Non-current assets	168 195	194 670
Property, plant and equipment	24 765	32 408
Right of use of asset	83 927	99 162
Intangible assets	43 793	45 469
Goodwill	9 532	9 532
Net investment in finance lease	714	2 038
Deferred tax	5 464	6 061
Non-current assets and discontinued operations	–	18 764
Current assets	263 356	254 726
Inventories	176 721	191 679
Net investment in finance lease	517	839
Trade and other receivables	36 428	28 312
Current tax receivables	7 573	1 419
Advertising levies	3 060	3 760
Other financial assets	571	122
Cash and cash equivalents	38 486	28 595
Total assets	431 551	468 160
EQUITY AND LIABILITIES		
Equity attributable to holders of the Company	130 723	167 085
Stated capital	1 238 765	1 238 765
Accumulated loss	(1 111 905)	(1 076 377)
Equity-settled share-based payment reserve	3 863	4 697
Non-controlling interest	(482)	515
Non-current liabilities	111 425	116 710
Borrowings	–	16 687
Lease liability	99 397	86 345
Deferred tax	12 028	13 678
Non-current liabilities and discontinued operations	–	93 292
Current liabilities	189 885	90 558
Trade and other payables	90 186	44 748
Lease liability	39 376	30 187
Bank overdrafts	21 710	15 623
Borrowings	38 613	–
Total equity and liabilities	431 551	468 160

Summarised consolidated Group statement of comprehensive income

for the year ended 28 February 2021

	%	Audited 12 months ended 28 February 2021 R'000	Audited 12 months ended 29 February 2020 R'000
	change		
Revenue	(21)	361 951	459 414
Sale of goods – Luxury		343 686	425 198
Sale of stock to franchisees		9 388	22 187
Advertising fees – franchisees		1 456	2 232
Revenue from repairs of goods		5 603	7 257
Management fees – franchisees		1 390	2 073
Sale of packaging and stationery		206	438
Payroll services		222	29
Cost of sales		(203 163)	(271 827)
Gross profit	(15)	158 788	187 587
Other income		7 426	8 692
Expected credit loss		(200)	–
Operating costs	11	(178 298)	(199 920)
Operating loss	(237)	(12 284)	(3 641)
Investment income		492	5 272
Finance costs		(20 816)	(18 173)
Loss before taxation	(97)	(32 608)	(16 542)
Taxation		552	(3 443)
Loss from continuing operations	(60)	(32 056)	(19 985)
Loss on discontinued operation, net of tax		(4 469)	(417 014)
Total comprehensive loss for the year	92	(36 525)	(436 999)
Attributable to:			
Equity holders of the Company	92	(35 528)	(436 222)
Non-controlling interests		(997)	(777)
		(36 525)	(436 999)
Loss per share attributable to equity holders of the Company			
Basic loss per share (cents)	92	(160.1)	(1 965.9)
Continuing operations		(140.0)	(86.6)
Discontinued operations		(20.1)	(1 879.3)
Diluted loss per share (cents)	92	(160.2)	(1 965.9)
Continuing operations		(140.0)	(86.6)
Discontinued operations		(20.1)	(1 879.3)
RECONCILIATION OF HEADLINE LOSS:			
Loss attributable to ordinary shareholders	92	(35 528)	(436 222)
Adjusted for:			
Impairment losses		17 675	153 159
Loss on sale of property, plant and equipment		45	5 308
Tax effect on headline earnings adjustments		(13)	(1 486)
Loss on sale of business		–	70 242
Headline loss attributable to ordinary shareholders	91	(17 821)	(209 000)
Weighted average shares in issue ('000)		22 190	22 190
Weighted average diluted shares in issue ('000)		22 285	22 285
Loss per share (cents)	92	(160.1)	(1 965.9)
Diluted loss per share (cents)	92	(160.1)	(1 965.9)
Headline loss per share (cents)	91	(80.3)	(941.9)
Continuing operations headline earnings per share (cents)		(60.2)	(60.4)
Discontinued operations headline earnings per share (cents)	98	(20.1)	(881.5)
Diluted headline loss per share (cents)	91	(80.3)	(941.9)



Summarised consolidated Group statement of changes in equity

for the year ended 28 February 2021

	Stated capital R'000	Share capital R'000	Equity-settled share-based payments reserve R'000	Accumulated loss R'000	Total attributable equity of the Group R'000	Non-controlling interest R'000	Total R'000
Balance at 1 March 2019	8	1 238 765	9 268	(640 155)	607 878	1 292	609 170
Share-based payment	–	–	(4 571)	–	(4 571)	–	(4 571)
Comprehensive income for the year	–	–	–	(436 222)	(436 222)	(777)	(436 999)
Balance at 1 March 2020	8	1 238 765	4 697	(1 076 377)	167 085	515	167 600
Share-based payment reserve	–	–	(834)	–	(834)	–	(834)
Comprehensive income for the year	–	–	–	(35 528)	(35 528)	(997)	(36 525)
Balance at 28 February 2021	8	1 238 765	3 863	(1 111 905)	130 723	(482)	130 241



Summarised consolidated Group statement of cash flows

for the year ended 28 February 2021

	Audited 12 months ended 28 February 2021 R'000	Audited 12 months ended 29 February 2020 R'000
Cash flows from operating activities	21 997	(43 023)
Cash generated/(utilised) by operating activities	39 535	(22 427)
Investment income	492	5 272
Finance costs	(17 940)	(18 173)
Taxation paid	(90)	(7 695)
Cash flows from investing activities	(1 329)	(53 459)
Acquisition of property, plant and equipment	(2 537)	(14 216)
Proceeds of disposals of property, plant and equipment	11	-
Acquisition of business	-	(2 486)
Disposal of discontinued operations, net of cash	-	(33 486)
Investment in finance lease	1 646	(2 877)
Loans advanced	(449)	(122)
Acquisition of intangible assets	-	(272)
Cash flows from financing activities	(18 780)	(30 544)
Disposal of discontinued operations, net of cash	-	(7 471)
Shareholders' loans raised	-	16 696
Repayment of shareholders' loans	-	(12 353)
Loans raised	2 331	-
Repayment of lease liability	(21 111)	(27 416)
Change in cash and cash equivalents	1 888	(127 026)
Cash and cash equivalents at beginning of the year	14 888	141 914
Cash and cash equivalents at end of the year	16 776	14 888
Continuing operations	19 738	12 972
Discontinued operations	(2 962)	1 916

Summarised consolidated Group segmental report

for the year ended 28 February 2021

Audited 12 months ended 28 February 2021	Food Division R'000	Jewellery and Watch Division R'000	Corporate Services R'000	Total R'000
Revenue	–	361 951	–	361 951
Sale of goods – Luxury	–	343 686	–	343 686
Sale of stock to franchisees	–	9 388	–	9 388
Advertising fees – franchisees	–	1 456	–	1 456
Revenue from repairs of goods	–	5 603	–	5 603
Management fees – franchisees	–	1 390	–	1 390
Sale of packaging and stationery	–	206	–	206
Payroll services	–	222	–	222
Operating profit/(loss)	–	16 918	(29 202)	(12 284)
Investment income	–	486	6	492
Finance costs	–	(14 757)	(6 059)	(20 816)
Profit/(loss) before taxation	–	2 647	(35 255)	(32 608)
Segment depreciation and amortisation	–	(40 348)	(4 227)	(44 575)
Segment assets	9 416	421 757	378	431 551
Segment liabilities	87 402	161 665	52 243	301 310
Segment capital expenditure	–	2 537	–	2 537
Impairment of assets	–	–	17 674	17 674
Right of use asset	–	–	17 674	17 674
Audited 12 months ended 29 February 2020				
Revenue	–	459 414	–	459 414
Sale of goods – Luxury	–	425 198	–	425 198
Sale of stock to franchisees	–	22 187	–	22 187
Advertising fees – franchisees	–	2 232	–	2 232
Revenue from repairs of goods	–	7 257	–	7 257
Management fees – franchisees	–	2 073	–	2 073
Sale of packaging and stationery	–	438	–	438
Payroll services	–	29	–	29
Operating profit/(loss)	–	12 217	(15 858)	(3 641)
Investment income	–	2 611	2 661	5 272
Finance costs	–	(16 366)	(1 807)	(18 173)
Loss before taxation	–	(1 538)	(15 004)	(16 542)
Segment depreciation and amortisation	–	(10 240)	(1 591)	(11 831)
Segment assets	18 764	400 764	48 632	468 160
Segment liabilities	93 292	187 289	19 979	300 560
Segment capital expenditure	28 739	14 216	–	42 955
Impairment of assets	–	5 818	–	5 818
– goodwill	–	5 818	–	5 818



Notes to the summarised reviewed consolidated Group financial statements

for the year ended 28 February 2021

LUXE Holdings Limited ("the Company") is a South African registered company. The summarised consolidated financial statements of the Company comprise the Company and its subsidiaries (together referred to as the Group).

BASIS OF PREPARATION

Statement of compliance

The audited financial results are prepared in accordance with the Listings Requirements of the JSE Limited ("the JSE Listings Requirements") for provisional reports, and the requirements of the Companies Act, 2008 (Act No. 71 of 2008), as amended ("the Companies Act"). The JSE Listings Requirements require provisional reports to be 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, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 *Interim Financial Reporting*.

The accounting policies applied in the preparation of the audited summarised consolidated financial statements are in terms and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements as at and for the year 29 February 2020. Required by the JSE Listings Requirements, the Group reports headline earnings in accordance with Circular 1/2019: Headline Earnings as issued by SAICA.

This report was compiled under the supervision of Mr H van Eeden CA(SA), Group Chief Financial Officer and approved by the Board of Directors. The Board takes full responsibility for the preparation of this report and ensuring that the financial information has been correctly extracted from the underlying annual financial statements.

The financial results have been prepared on the historic cost basis. The results are presented in Rand, which is the Group's functional and presentation currency and are consistent with the prior year. All monetary information is rounded off to the nearest thousand (R'000), unless stated otherwise.

AUDIT OPINION

The summary of the consolidated annual financial statements has been derived from the Group's audited consolidated annual financial statements which have been audited by Mazars. The auditor, Mazars, has issued its unmodified opinion on the Group's audited consolidated annual financial statements for the year ended 28 February 2021. The audit was conducted in accordance with International Standards on Auditing. This auditor's report does not necessarily report on all the information contained in this announcement. A copy of the auditor's report on the consolidated annual financial statements is available electronically on the Group's website www.luxeholdings.co.za and is also available for inspection at the Company's registered address, together with the financial statements identified in the respective auditor's report. Any reference to future financial performance included in this announcement has not been reviewed or audited on by the Company's auditor.

Non-current assets

Property, plant and equipment decreases are mainly due to depreciation of assets.

The intangible assets decrease is mainly due to amortisation.

Current assets

Group current assets, excluding cash and cash equivalents, decrease is mainly due to improved working capital management, specifically inventory management in the Jewellery and Watch Division.

Equity

On 26 June 2020, the Company consolidated the share capital on a 100 to 1 basis.

Borrowings

In terms of the memorandum of incorporation, the directors may exercise all powers of the Company to borrow money, as they consider appropriate.

Borrowings as at 28 February 2021 relate to the funding received from Domino's Pizza and funding received from certain shareholders, Riskowitz Value Fund LP ("RVF"), Eldon Capital and Rand Capital in order to execute the revised strategy and exit of the food business.

Cash flow

Cash and cash equivalents at the end of the financial year totalled R17 million (2020: R15 million).

During the year cash generated from operations totalled R22 million (2020: R43 million outflow).

Cash utilised in investment activities decreased to R1 million (2020: R53 million) due to a freeze on expenditure as a result of the pandemic.



LEUDEX HOLDINGS

ANNUAL
FINANCIAL
STATEMENTS

2021



Annual financial statements

These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa, No. 71 of 2008.

These annual financial statements were authorised by the board of directors on 26 May 2021.

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Responsibility for financial statements

for the year ended 28 February 2021

DECLARATION IN TERMS OF THE COMPANIES ACT, NO. 71 OF 2008 (AS AMENDED) (COMPANIES ACT)

The preparation of these financial statements has been supervised by the chief financial officer, Hannes van Eeden, CA(SA), in terms of sections 29 and 30 of the Companies Act. The financial statements have been audited in compliance with the applicable requirements of the Companies Act.

Hannes van Eeden

Group chief financial officer

LUXE DIRECTORS' RESPONSIBILITY STATEMENT

for the year ended 28 February 2021

The directors are responsible for the preparation and fair presentation of the consolidated and separate annual financial statements of Luxe Holdings Limited, comprising the consolidated and separate statements of financial position at 28 February 2021, and the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards (IFRS), Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa, No. 71 of 2008. In addition, the directors are responsible for preparing the directors' report, which forms part of the financial statements.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether owing to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The directors have assessed the ability of the company and its subsidiaries to continue as going concerns and have no reason to believe that the businesses will not be going concerns in the year ahead.

The auditor is responsible for reporting on whether the consolidated and separate financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of consolidated and separate annual financial statements

The consolidated and separate annual financial statements of Luxe Holdings Limited from pages 9 to 66, were approved by the board of directors on 26 May 2021 and signed by:

Nonzukiso (Zukie) Siyotula

Chairperson

Duncan John Crosson

Group chief executive officer



Responsibility for financial statements continued

for the year ended 28 February 2021

DECLARATION BY COMPANY SECRETARY

for the year ended 28 February 2021

Luxe Holdings Limited has complied with all statutory and regulatory requirements in accordance with the Financial Markets Act, and all directives issued by the Financial Sector Conduct Authority. In terms of section 88 of the Companies Act, as amended, I hereby confirm that Luxe Holdings has lodged with the CIPC all such returns as are required of a public company in terms of the Companies Act of South Africa, No. 71 of 2008, and that all such returns are true, correct and up to date.

Adolphina Kodisang
Group Company Secretary



Report by audit and risk committee

for the year ended 28 February 2021

The composition of the audit and risk committee is in line with the provisions of the Companies Act of South Africa, No. 71 of 2008, and the recommendation of King IV, and is currently chaired by Carmen Le Grange.

During the financial year ended 28 February 2021, in addition to the duties set out in the integrated report, the audit and risk committee:

- ❖ considered the going concern of the company and made recommendations to the board;
- ❖ considered the following in respect of external audit:
 - satisfied itself that the external auditors and designated auditor are accredited on the JSE list of auditors and advisors. It further confirms that it has assessed the suitability for the appointment of the external auditor and the designated individual audit partner, in accordance with paragraph 3.84(g)(iii) of the JSE Listings Requirements. The audit and risk committee reports that it has reviewed the information detailed in paragraph 22.15(h) of the JSE Listings Requirements from the external auditors;
 - nominated Mazars (“Mazars”) as the registered independent auditor of the company after satisfying itself through enquiry that Mazars is independent, as defined in terms of the Companies Act of South Africa, No. 71 of 2008, for the 2021 financial year;
 - the engagement partner for the Luxe group is Gareth Jackson;
 - reviewed the quality and effectiveness of the scope of the external audit;
 - approved the terms of engagement and fees paid to Mazars; and
 - reviewed the nature of non-audit services provided by the external auditors in order to ensure that the fees for such services do not become so significant as to call to question their independence;
- ❖ the audit and risk committee has considered and satisfied itself in terms of paragraph 3.84(g)(i) of the JSE Listings Requirements of the appropriateness of the expertise and experience of the Group chief financial officer, Hannes van Eeden, and is unanimously satisfied of his suitability for the position. The committee has further assessed and satisfied itself in terms of paragraph 3.84(g)(ii) of the JSE Listings Requirements of the appropriateness of the expertise and adequacy of resources of the finance function and experience of the senior members of management responsible for the finance function and concludes that the internal financial controls and procedures of the group are operating effectively;
- ❖ the audit and risk committee recommended the annual financial statements for the year ended 28 February 2021 for approval to the board. The board has subsequently approved the annual financial statements which will be open for discussion at the forthcoming annual general meeting; and
- ❖ the audit and risk committee have reviewed the latest JSE proactive monitoring report.



Carmen Le Grange
Chairperson

Sandton
31 May 2021



Independent auditor's report

for the year ended 28 February 2021

TO THE SHAREHOLDERS OF LUXE HOLDINGS LIMITED

Report on the Audit of the Consolidated and Separate Financial Statements

OPINION

We have audited the consolidated and separate financial statements of Luxe Holdings Limited (the group and company) set out on pages 12 to 66, which comprise the consolidated and separate statements of financial position as at 28 February 2021, and the consolidated and separate statements of profit or loss and other comprehensive income, 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 Luxe Holdings Limited 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 Financial Statements* section of our report. We are independent of the 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' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. 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.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
<p>Impairment of goodwill and intangible assets (notes 6 and 7)</p> <p>The group's accounting policy in notes 1.3 and 1.4 of the consolidated financial statements states that goodwill and intangible assets are measured at cost less any accumulated amortisation and impairment losses.</p> <p>The directors conduct annual impairment review to assess the recoverability of the carrying value of goodwill and intangible assets. This is performed using discounted cash flow models. The valuation technique applied by the directors involves a significant amount of estimation and judgement.</p> <p>There are a number of key assumptions used and judgement made in determining inputs into these models which include among others:</p> <ul style="list-style-type: none"> ❖ EBITDA growth rate ❖ Terminal value growth rates; and ❖ Discount rates applied to projected future cash flows. <p>The significance of the estimates and judgement involved could result in a material misstatement, and therefore warrants specific audit focus</p>	<p>We performed the following substantive tests of detail on the lowest level of cash generating units to which the goodwill has been allocated:</p> <ul style="list-style-type: none"> ❖ recalculated the valuation obtained from the directors to assess the mathematical accuracy thereof; ❖ tested the key assumptions used in determining the valuation of the recoverable amount by comparing the cash flows to approved budgets and our expectations, and assessing the reasonability of the discount rates used; ❖ evaluated and challenged the inputs used by management in determining the discount rate with the assistance of our auditor's expert; ❖ assessed the capability, competence and independence of the auditor's expert used; and ❖ assessed the adequacy of the disclosures about the goodwill held in the consolidated financial statements. <p>Having performed our audit procedures and evaluated the outcomes, we concluded that our audit procedures appropriately address the key audit matter.</p>



Independent auditor's report continued

for the year ended 28 February 2021

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
<p>Impact of the COVID-19 outbreak on the financial statements (note 40)</p> <p>The consolidated financial statements are prepared on a going concern basis. The group has reported a decrease in revenue and profitability of 21.2% and 60.4% respectively. The decrease in revenue and profitability is attributable to subdued consumer spending ability over several years. Furthermore, the nationwide lockdown in South Africa due to COVID-19 put additional strain on consumer spending.</p> <p>The consolidated financial statements state that the future financial projections and recovery takes into account the impact of COVID-19 and are validated and compared to relevant retail and economic information that is presented by other retailers. The directors have concluded that based on the performance since the COVID-19 related lockdown and forward financial information projections the group is considered to be going concern 12 months after the 28 February 2021.</p> <p>The continued decrease in revenue and profitability is considered to be a key audit matter due to the level of judgement and estimation involved in performing assessments of cash flow forecasts and budgets and the application of the going concern assumption.</p> <p>As this assessment involves consideration of future events there is a risk that the judgements are inappropriate and the uncertainty could have been assessed as material, in which case additional disclosure would be required.</p>	<p>As part of the audit work performed, we have evaluated the impact COVID-19 has had on the group's business operations, as well as its ability to continue as a going concern in the foreseeable future. We obtained a cash flow forecast for the 12 months from the date of publishing the results, which was prepared for the working capital requirements of the group and we have assessed it as follows:</p> <ul style="list-style-type: none"> ❖ reviewed the forecast and made enquiries to understand the period of assessment and the completeness of adjustments considered and implication of those when assessing the most likely scenario on the group's future financial performance; ❖ evaluated the key assumptions in the forecast and assessed the reasonableness of the assumptions used given the information existing at the date of the audit report and against supporting documentation; ❖ enquired from management to understand the assumptions used in performing the forecast; ❖ confirmed access to available cash reserves to the group at year-end and up to the date of publication through the verification of available facilities; ❖ evaluated the recoverability of receivables by testing receipts after year-end; and ❖ reviewed the adequacy and appropriateness of the directors' disclosure of the effect of the COVID-19 pandemic on the group's results. <p>Based on the audit procedures performed, we are satisfied that there is no material uncertainty relating to the Group's ability to continue as a going concern.</p>
<p>Valuation of the deferred tax asset (note 12)</p> <p>Due to significant tax losses in the current and prior years the group has recognised a deferred income tax asset of R5.5 million at 28 February 2021. (Refer to note 12 to the financial statements).</p> <p>Management has performed an assessment to determine the extent that it is probable that taxable income will be available against which the deductible temporary differences can be utilised. In assessing the future taxable income, management has made estimates based on assumptions in relation to the future taxable income of the entity, thereby concluding on the recoverability of these deferred tax assets.</p> <p>These judgements and assumptions include the forecasted future taxable income of the entities which have tax losses.</p> <p>Due to the significant estimation uncertainty related to the future taxable income, the assessments of the recoverability of deferred tax assets are considered to be a matter of most significance to the current year audit.</p>	<p>We obtained management's assessment of the recoverability of the deferred tax asset balances at 28 February 2021 and performed the following substantive audit procedures:</p> <ul style="list-style-type: none"> ❖ evaluated the reasonableness of the assessments performed by management with regard to taxable income being probable in the foreseeable future; ❖ evaluated the assumptions applied and the methodologies used to determine whether it is probable that the group will generate taxable income in the foreseeable future; ❖ assessed management's taxation planning strategies to assess the utilisation of assessed losses on which deferred tax assets have been recognised; ❖ assessed the expected growth rate for reasonableness; and ❖ reviewed the adequacy of the group's disclosures on deferred tax assets and uncertain tax positions and assumptions used. <p>Having performed our audit procedures and evaluated the outcomes, we concluded that our audit procedures appropriately address the key audit matter.</p>



Independent auditor's report continued

for the year ended 28 February 2021

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
<p>Accuracy of the rental concessions (Note 19 and Note 28)</p> <p>Due to the ongoing COVID-19 pandemic, the landlords have agreed to provide rental relief for the months that the South African Government had imposed a country-wide lockdown in order to curb the infection rate.</p> <p>Luxe Holdings Limited has numerous lease agreements in place due to the Arthur Kaplan and NWJ jewellery stores located at high-end malls across the country. (Note 19)</p> <p>In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16). The pronouncement amended IFRS 16 Leases to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. On issuance, the practical expedient was limited to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2021.</p> <p>The rental concessions are expected to have a material impact on the lease liabilities due to the number of landlords at year end. The gain on rental concession for COVID-19 amount to R 5 822,864 in the current year (Note 29). Specific audit focus was placed on the determination of the accuracy of the rental concession and the disclosure thereof in the financial statements.</p>	<p>We performed the following substantive procedures:</p> <ul style="list-style-type: none"> ❖ confirmed that the rental concessions entered into met the practical expedient requirements per pars 46A-B of IFRS 16, through inspection of addendums to the lease agreements; ❖ re-performance of the lease calculation and agreed the difference recognised through profit or loss; and ❖ assessed the adequacy of the disclosures with regards to the leases in the consolidated financial statements. <p>Having performed our audit procedures and evaluated the outcomes, we concluded that our audit procedures appropriately address the key audit matter.</p>

OTHER MATTERS

The consolidated and separate financial statements of Luxe Holdings Limited for the year ended 28 February 2020 were audited by another auditor who expressed an unmodified opinion on those statements on 18 September 2020.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled "Luxe Holdings 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, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and/or the company or to cease operations, or have no realistic alternative but to do so.



Independent auditor's report continued

for the year ended 28 February 2021

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- ❖ Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ❖ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the company's internal control.
- ❖ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- ❖ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or the company to cease to continue as a going concern.
- ❖ Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ❖ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the 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 Mazars has been the auditor of Luxe Holdings Limited for 1 year.



Mazars
Registered auditor

Gareth Jackson
Partner
Registered auditor
Chartered Accountant (SA)

31 May 2021



Directors' report

for the year ended 28 February 2021

The directors submit their report for the year ended 28 February 2021.

NATURE OF BUSINESS

The company is a South African-based management group listed on the JSE Limited, the oldest recognised securities exchange in South Africa.

The Jewellery and Watch Division consists of retail outlets branded under NWJ, Arthur Kaplan and World's Finest Watches. Through Arthur Kaplan and World's Finest Watches, Luxe is the leading retailer (by number of outlets) of luxury Swiss watches in the region, with brands like Rolex, Zenith, Omega, Hublot, Breitling, TAG Heuer, Longines, Tudor, Frederique Constant, Rado, Tissot and Hamilton, among its custodian brands. Additionally, the division is custodian of Cartier, IWC and Montblanc in selected outlets. Its brands appeal to a diversified customer base ranging from premium watch and modern, contemporary jewellery buyers (Arthur Kaplan and World's Finest Watches) to first-time and middle- to upper- income jewellery and watch buyers (NWJ).

The financial year consisted of only 16 days of the Food division which was only the Domino's business. No sale agreement could be accomplished and therefore the Food division went into liquidation in March 2020.

The groups' revised strategy is to be a focused Jewellery and Watch retailer.

ACQUISITIONS

No acquisitions were made during the year.

DISPOSALS

No disposals were made during the year.

FINANCIAL STATEMENTS AND RESULTS

The group results and financial position are reflected in the financial statements on pages 9 to 66. The group recorded a loss after tax attributable to equity holders of the company for the year ended 28 February 2021 of R37 million (2020: R437 million loss after tax).

AUTHORISED AND ISSUED SHARE CAPITAL

The changes in authorised and stated capital from 2020 are as follows:

- ❖ On 26 June 2020, the company consolidated the share capital on a 100 to 1 basis.

As at 28 February 2021, 25 314 ordinary shares (2020: 2 531 443) were held by The Share Trust. These are treated as treasury shares and are eliminated on consolidation.

EMPLOYEE SHARE OPTION SCHEME

Details are reflected in note 33 of the annual financial statements.

BORROWINGS

In terms of the memorandum of incorporation, the directors may exercise all powers of the company to borrow money, as they consider appropriate.

Borrowings as at 28 February 2021 relates to the funding received from certain shareholders, Riskowitz Value Fund LP ("RVF"), Eldon Capital and Rand Capital in order to execute the revised strategy and exit of the food business. This is payable in November 2021.

CAPITAL EXPENDITURE

The capital expenditure incurred during the year related to revamps of corporate stores in the Jewellery and Watch Division.

DIVIDENDS

No dividend has been declared for the year ended 28 February 2021 (2020: nil).



Directors' report continued

for the year ended 28 February 2021

DIRECTORS

The directors of the company during the year and to the date of this report are as follows:

Name

Duncan John Crosson	
Grant Michael Pattison	resigned as chairman and non-executive director effective 5 October 2020
Tyrone Christie Moodley	resigned as non-executive director effective 6 March 2020
Nonzukiso (Zukie) Siyotula*#	
Leo Chih Hao Chou*	
Hannes van Eeden	
Carmen Le Grange*#	appointed as non-executive director on 5 October 2020
Adrian John Maizey*	appointed as non-executive director on 10 March 2021
Leah McCrae*#	appointed as non-executive director on 10 March 2021
Lauren De Swardt*#	appointed as non-executive director on 10 March 2021

* *Non-executive*

Independent

In terms of the memorandum of incorporation, Leo Chih Hao Chou will retire at the forthcoming annual general meeting and, being eligible, offer himself up for re-election. Service agreements with the directors at the date hereof do not impose any excessive notice periods on the company.

The executive directors are part of the group executive committee and have been identified as prescribed officers in terms of the Companies Act of South Africa, No. 71 of 2008.

COMPANY SECRETARY

The company secretary of the company is CIS Company Secretaries Proprietary Limited, A Computershare Company, of:

Business address Rosebank Towers
15 Biermann Avenue
Rosebank
South Africa
2196

Postal address Private Bag X9000
Saxonwold
South Africa
2132

SPECIAL RESOLUTIONS

At the previous general meeting of the shareholders held on 22 October 2020, the following special resolutions were passed:

- ❖ general authority to directors to acquire the company's shares;
- ❖ approval of fees payable to the non-executive directors for the 2021 financial year; and
- ❖ approval of authority to directors to provide financial assistance to all subsidiaries and their interrelated companies within the Luxe Holdings group of companies.

DIRECTORS' RESPONSIBILITY

The responsibility of the company's directors is detailed on page 2 of this report.

Directors' interests

No contracts in which directors or officers of the company or group had an interest and that significantly affected the affairs or business of the company or any of its subsidiaries were entered into during the year.

Director	Number of shares held			
	Beneficially direct	Beneficially indirect	Total	%
At 28 February 2021				
Duncan John Crosson	54 611	—	54 611	0.25
Leo Chih Hao Chou	—	76 887	76 887	0.35
	54 611	76 887	131 498	0.60



Directors' report continued

for the year ended 28 February 2021

There was no change in directors' shareholding between the year end and the approval date of the annual financial statements.

Director	Number of shares held			%
	Beneficially direct	Beneficially indirect	Total	
At 29 February 2020				
Duncan John Crosson	5 461 082	—	5 461 082	0.25
Grant Michael Pattison and associates	—	2 692 642	2 692 642	0.12
Leo Chih Hao Chou	—	7 688 707	7 688 707	0.35
	5 461 082	10 381 349	15 842 431	0.72

SUBSEQUENT EVENTS

The board has approved an agreement with the Landlord of the Midrand food production facility whereby Luxe Holdings Limited will be released of an R18.5 million liability, in respect of a lease which Luxe Holding Limited guaranteed. The landlord has accepted a purchase offer, the final sale of the property pending meeting the conditions of the agreement.

Further to the monitoring and assessment noted in the going concern note the Board has further reviewed the group's and company's position and operations, both at and after year end, and assessed that no adjustment was required to the consolidated and separate annual financial statements in respect of the COVID-19 pandemic. The event therefore is not an adjusting event.

Besides the above, the board is not aware of any significant matter or circumstances arising since the end of the financial year which significantly affect the financial position of the company or the results of its operations to the date of this report.

SHAREHOLDER SPREAD

Details of the company's shareholder spread are recorded on page 67.

GOING CONCERN

COVID-19 and the national lockdown had a significant impact on our business as all our stores were closed from 27 March 2020 to end 31 May 2020.

Performance since re-opening of the stores was closely monitored given the uncertainty introduced by COVID-19 pandemic. We are fortunate that actual performance exceeded our COVID-19 forecast. Our future financial projections and recovery takes into account the impact of COVID-19 and are validated and compared to relevant retail and economic information that are presented by other retailers, banks and other bodies including the landlords. Our projections have been stress tested and we have secured the required funding lines to support the business based on these projections.

We are monitoring and assessing our financial performance and projections closely based on trading information in order to assess the reasonableness and accuracy of our assumptions. Our focus continues to be recovery in the short to medium term post the impact of COVID-19.

Based on our post COVID-19 performance and forward financial projections the directors support that the group will continue as a going concern for the 12 months ended 28 February 2022.

The directors therefore support that the group will continue as a going concern in the foreseeable future and have prepared the financial statements on such basis.

Duncan John Crosson
Group chief executive officer

Nonzukiso (Zukie) Siyotula
Chairperson

Statements of financial position

as at 28 February 2021

	Notes	Group		Company	
		2021 R'000	2020 R'000	2021 R'000	2020 R'000
ASSETS					
Non-current assets					
Property, plant and equipment	4	24 765	32 408	12	49
Right of use of asset	5	83 927	99 162	–	–
Intangible assets	6	43 793	45 469	–	–
Goodwill	7	9 532	9 532	–	–
Investments in subsidiaries	8	–	–	51 607	51 607
Net investment in finance lease	10	714	2 038	–	–
Deferred tax	12	5 464	6 061	46	46
		168 195	194 670	51 665	51 702
Non-current assets and disposal group classified as held for sale	21	–	18 764	–	–
Current assets					
Loans to group companies	9	–	–	205 350	204 001
Net investment in finance lease	10	517	839	–	–
Other financial assets	11	571	122	–	–
Advertising levies	13	3 060	3 760	–	–
Inventories	14	176 721	191 679	–	–
Trade and other receivables	15	36 428	28 312	241	392
Current tax receivables		7 573	1 419	–	107
Cash and cash equivalents	16	38 486	28 595	208	2 312
		263 356	254 726	205 799	206 812
Total assets		431 551	468 160	257 464	258 514
EQUITY AND LIABILITIES					
Equity					
Equity attributable to equity holders of the company					
Stated capital	17	1 238 765	1 238 765	1 251 537	1 251 537
Accumulated loss		(1 111 905)	(1 076 377)	(1 100 075)	(1 076 378)
Equity-settled share-based payments reserve	33	3 863	4 697	2 573	2 339
Equity attributable to owners of the company		130 723	167 085	154 035	177 498
Non-controlling interest		(482)	515	–	–
Total equity		130 241	167 600	154 035	177 498
Liabilities					
Non-current liabilities					
Borrowings	18	–	16 687	–	16 687
Lease Liability	19	99 397	86 345	18 715	–
Deferred tax	12	12 028	13 678	–	–
		111 425	116 710	18 715	16 687
Non-current liabilities and disposal group classified as held for sale	21	–	93 292	–	–
Current liabilities					
Loans from group companies	9	–	–	61 396	60 280
Bank overdraft	16	21 710	15 623	–	–
Borrowings	18	38 613	–	19 563	–
Lease liability	19	39 376	30 187	1 323	–
Trade and other payables	20	90 186	44 748	2 432	4 049
		189 885	90 558	84 714	64 329
Total liabilities		301 310	300 560	103 429	81 016
Total equity and liabilities		431 551	468 160	257 464	258 514



Statements of comprehensive income

for the year ended 28 February 2021

	Notes	Group		Company	
		2021 R'000	2020 R'000	2021 R'000	2020 R'000
Revenue	22	361 951	459 414	12 643	20 021
Cost of sales	23	(203 163)	(271 827)	-	-
Gross profit		158 788	187 587	12 643	20 021
Other income		7 426	8 692	946	916
Expected credit loss		(200)	-	-	-
Operating expenses		(178 298)	(199 920)	(31 246)	(501 414)
Operating loss	24	(12 284)	(3 641)	(17 657)	(480 477)
Investment income	25	492	5 272	6	2 661
Finance costs	26	(20 816)	(18 173)	(5 956)	(1 807)
Loss before taxation		(32 608)	(16 542)	(23 607)	(479 623)
Taxation	27	552	(3 443)	(90)	(475)
Loss from continuing operations		(32 056)	(19 985)	(23 697)	(480 098)
Loss on discontinued operation, net of tax	21	(4 469)	(417 014)	-	-
Loss/total comprehensive loss for the year		(36 525)	(436 999)	(23 697)	(480 098)
Attributable to:					
Equity holders of the company		(35 528)	(436 222)	(23 697)	(480 098)
Non-controlling interests		(997)	(777)	-	-
		(36 525)	(436 999)	(23 697)	(480 098)
Loss per share attributable to equity holders of the company					
Basic loss per share (cents)	38	(160.1)	(1 965.9)	-	-
Continuing operations		(140.0)	(86.6)	-	-
Discontinued operations		(20.1)	(1 879.3)	-	-
Fully diluted loss per share (cents)	38	(160.1)	(1 965.9)	-	-
Continuing operations		(140.0)	(86.6)	-	-
Discontinued operations		(20.1)	(1 879.3)	-	-

Statements of changes in equity

for the year ended 28 February 2021

Group	Stated capital R'000	Equity-settled share-based payments reserve R'000	Accumulated loss R'000	Total attributable to equity holders of the company R'000	Non-controlling interest R'000	Total equity R'000
Balance at 1 March 2019	1 238 765	9 268	(627 033)	621 000	1 292	622 292
Adjustment from adoption of IFRS 16	–	–	(13 122)	(13 122)	–	(13 122)
Balance at 1 March 2019 – restated	1 238 765	9 268	(640 155)	607 878	1 292	609 170
<i>Changes in equity:</i>						
Loss/total comprehensive loss for the year	–	–	(436 222)	(436 222)	(777)	(436 999)
Share-based payment	–	(4 571)	–	(4 571)	–	(4 571)
Total changes	–	(4 571)	(436 222)	(440 793)	(777)	(441 570)
Balance at 1 March 2020	1 238 765	4 697	(1 076 377)	167 085	515	167 600
<i>Changes in equity:</i>						
Loss/total comprehensive loss for the year	–	–	(35 528)	(35 528)	(997)	(36 525)
Share-based payment	–	(834)	–	(834)	–	(834)
Total changes	–	(834)	(35 528)	(36 362)	(997)	(37 354)
Balance at 29 February 2021	1 238 765	3 863	(1 111 905)	130 723	(482)	130 241
Notes	17	33				

Company	Stated capital R'000	Equity-settled share-based payments reserve R'000	Accumulated loss R'000	Total attributable to equity holders of the company R'000	Total equity R'000
Balance at 1 March 2019	1 251 537	3 112	(596 280)	658 369	658 369
<i>Changes in equity:</i>					
Loss/total comprehensive loss for the year	–	–	(480 098)	(480 098)	(480 098)
Share-based payment	–	(773)	–	(773)	(773)
Total changes	–	(773)	(480 098)	(480 871)	(480 871)
Balance at 1 March 2020	1 251 537	2 339	(1 076 378)	177 498	177 498
<i>Changes in equity:</i>					
Loss/total comprehensive loss for the year	–	–	(23 697)	(23 697)	(23 697)
Share-based payment	–	234	–	234	234
Total changes	–	234	(23 697)	(23 463)	(23 463)
Balance at 29 February 2021	1 251 537	2 573	(1 100 075)	154 035	154 796
Notes	17	33			

Statements of cash flows

for the year ended 28 February 2021

	Notes	Group		Company	
		2021 R'000	2020 R'000	2021 R'000	2020 R'000
Cash flows from operating activities					
Cash generated/(utilised in) from operating activities	28	39 535	(22 427)	2 682	2 059
Investment income	25	492	5 272	6	2 661
Finance costs	26	(17 940)	(18 173)	(3 080)	(1 807)
Income tax paid	31	(90)	(7 695)	(90)	–
Net cash from operating activities		21 997	(43 023)	(482)	2 913
Cash flows from investing activities					
Acquisition of property, plant and equipment	4	(2 537)	(14 216)	–	–
Proceeds on disposal of property, plant and equipment		11	–	9	32
Acquisition of intangible assets	6	–	(272)	–	–
Acquisition of business	7	–	(2 486)	–	–
Disposal of discontinued operations, net of cash	21	–	(33 486)	–	–
Net investment in finance lease	10	1 646	(2 877)	–	–
Loans advanced	10	–	–	(3 767)	–
Loans advanced – other financial assets	11	(449)	(122)	–	–
Net cash from investing activities		(1 329)	(53 459)	(3 758)	32
Cash flows from financing activities					
Disposal of discontinued operations, net of cash	21	–	(7 471)	–	–
Loans repaid to group companies	29	–	–	–	(118 147)
Shareholder's loans raised – borrowings	30	–	16 696	–	16 687
Repayment of borrowings	30	–	(12 353)	–	(11 238)
Loans raised	10	2 331	–	2 331	–
Repayment of lease liability	19	(21 111)	(27 416)	(193)	–
Net cash from financing activities		(18 780)	(30 544)	2 136	(112 698)
Change in cash and cash equivalents		1 888	(127 026)	(2 104)	(109 753)
Cash and cash equivalents at beginning of the year		14 888	141 914	2 312	112 065
Cash and cash equivalents at end of the year	16	16 776	14 888	208	2 312
Continuing operations		19 738	12 972	–	–
Discontinued operations	21	(2 962)	1 916	–	–
Cash and cash equivalents at end of the year		16 776	14 888	–	–



Notes to the annual financial statements

for the year ended 28 February 2021

1. ACCOUNTING POLICIES

Presentation of annual financial statements

The group annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Interpretations Committee ("IFRICs"), Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements, and the Companies Act of South Africa, No. 71 of 2008. The group annual 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. The consolidated statements have been prepared in South African Rands, which is the presentation currency and have been rounded to the nearest thousands.

The consolidated annual financial statements have been prepared on the going concern basis as the directors have reasonable expectations that the group will continue as a going concern for the foreseeable future.

These accounting policies are consistent with the previous period, except for changes set out in note 2 – new standards and interpretations.

Significant estimates and judgements

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Where the group has made significant estimates and judgement, these are reflected under the relevant accounting policies.

Significant management judgements

The following are the judgements made by management in applying the accounting policies of the group that have the most significant effect on the financial statements.

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry forwards can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties.

Impairment of non-financial assets and goodwill

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

Inventories

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by other market-driven changes that may reduce future selling prices.

Going concern

In assessing the going concern, management's judgment regarding future profitability, the trading environment and resources available to the group is taken into account.

Trade receivables and loans and receivables

The group assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from the financial asset.

The impairment (or loss allowance) for trade receivables is calculated on a portfolio basis, except for individually significant trade receivables which are assessed separately. The impairment test on the portfolio is based on historical loss ratios, adjusted for economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Key sources of management estimation uncertainty

Allowance for slow moving, damaged and obsolete inventory

An allowance for stock to write down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operating profit note.



Notes to the annual financial statements continued

for the year ended 28 February 2021

1. ACCOUNTING POLICIES continued

Investment in subsidiaries

Judgements applied in determining the impairment include:

1. Economic conditions and industry factors
2. Historical and projected business performance
3. Business strategy
4. Inflation and growth expectation
5. Funding cost and available capital
6. Working capital requirements
7. Business margins
8. Discount rates
9. Growth rates

Impairment testing for non-financial assets

The recoverable amounts of cash generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs of disposal. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The company reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. When such indicators exist, management determines the recoverable amount by performing value-in-use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets.

Provisions

Provisions are inherently based on assumptions and estimates using the most reliable information available.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The company recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the company to realise the net deferred tax assets recorded at the end of the reporting period could be impacted. The directors considered the impact of IFRIC 23 – *Uncertainty Over Income Tax Treatments* and assessed that the interpretation does not have an impact in the financial results, as the principles of IFRIC 23 have been applied in principle in the past.

Effect of COVID-19 on estimates and assumptions

The COVID-19 pandemic is ongoing and its effects are considered on an on-going basis.

Future profitability and revenue generation are the areas that are impacted by the pandemic which are used in impairment testing.

Basis of consolidation

The consolidated annual financial statements incorporate the annual financial statements of the company and entities which are controlled by the company or its subsidiaries.

The company has control of an investee when it has power over the investee; it is exposed to or has rights to variable returns from involvement with the investee; and it has the ability to use its power over the investee to affect the amount of the investor's returns.

The results of subsidiaries are included in the consolidated annual financial statements from the effective date of acquisition to the effective date of disposal.

Adjustments are made when necessary to the annual financial statements of subsidiaries to bring their accounting policies in line with those of the company.



Notes to the annual financial statements continued

for the year ended 28 February 2021

1. ACCOUNTING POLICIES continued

All intra-company transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the company's interest therein, and are recognised within equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for non-controlling interest.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 *Business Combinations* are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell.

The excess of the cost of the business combination over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree, is recognised as goodwill arising on a business combination.

If the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss as a bargain purchase gain.

Costs directly attributable to the business combination are expensed as incurred.

The non-controlling interest in the acquiree is initially measured at the minority's proportion of the net fair value or carrying amount of the assets, liabilities and contingent liabilities recognised.

Contingent consideration is included in the cost of the combination at fair value as at the date of acquisition. Subsequent changes to the assets, liability or equity which arise as a result of the contingent consideration are not affected against goodwill, unless they are valid measurement period adjustments.

Management considers a benchmark of 10% of total value of assets to measure materiality of non-controlling interest.

1.2 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

Costs include costs incurred initially to acquire an item of property, plant and equipment and costs incurred subsequently to add to it.

Property, plant and equipment are depreciated to its estimated residual value over its estimated useful life.

Depreciation commences when an asset is available for use. Depreciation is charged so as to write off the depreciable amount of items to their residual values, over their estimated useful lives on a straight-line basis, being a method that reflects the pattern in which the asset's future economic benefits are expected to be consumed by the group.

Item	Average useful life
Furniture and fixtures	6 years
General equipment	5 years
IT equipment	3 years
Kitchen equipment	5 – 10 years
Leasehold improvements	Over the lease term
Motor vehicles	5 years
Office equipment	5 – 6 years
Plant and machinery	5 years

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Notes to the annual financial statements continued

for the year ended 28 February 2021

1. ACCOUNTING POLICIES continued

1.2 Property, plant and equipment continued

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying value is greater than its estimated recoverable amount.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period, if there are indicators present that there has been a significant change from the previous estimates.

Management applies its judgement based on past experience to determine expected useful lives and residual values of property, plant and equipment.

1.3 Goodwill

Goodwill arising on the acquisition of a business represents the excess of the cost of acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the business recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to annual impairment review.

On disposal of a business, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Internally generated goodwill is not recognised as an asset. A gain on bargain purchase on acquisition is recognised directly in profit or loss.

1.4 Intangible assets

Intangible assets are initially measured at cost.

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date. The group typically arrives at the cost of such intangibles on a relief from royalty basis.

An intangible asset is also recognised for the financial contributions made to franchisees for the conversion of their Scooters and St Elmo's stores to Domino's Pizza. This intangible asset is derecognised if any of the stores become corporate-owned stores. This intangible asset relates to the initial recognition difference arising from an interest free loan granted to the franchisees.

Subsequent to initial recognition, intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to nil as follows:

Item	Useful life
Trademarks and intellectual property	10 – 40 years
Franchise contributions	Agreement period
Computer software	3 years
Joining fees	10 years

1.5 Impairment of non-current assets

The group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the group estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the company also:

- ❖ tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value-in-use.

Key assumptions used in the calculation of the recoverable amounts are discount rates, terminal value growth rates and EBITDA growth rate.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.



Notes to the annual financial statements continued

for the year ended 28 February 2021

1. ACCOUNTING POLICIES continued

1.5 Impairment of non-current assets continued

An impairment loss is recognised immediately in profit or loss.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- ❖ first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit; and
- ❖ then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

1.6 Investments in subsidiaries

Group annual financial statements

The group annual financial statements include those of the holding company and its subsidiaries. The results of the subsidiaries are included from the date of acquisition or from the date control is achieved. The results of subsidiaries are included to the date of disposal or the date control is relinquished.

On acquisition, the group recognises the subsidiary's identifiable assets, liabilities and contingent liabilities at fair value, except for assets classified as held for sale, which are recognised at fair value less costs to sell.

Company annual financial statements

In the company's separate annual financial statements, investments in subsidiaries are carried at cost less any accumulated impairment.

The cost of an investment in a subsidiary is the aggregate of:

- ❖ the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company; plus
- ❖ any costs directly attributable to the purchase of the subsidiary.

An adjustment to the cost of the business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

1.7 Financial instruments

The group classifies financial instruments, or their component parts, on initial recognition according to the business model and contractual cash flow characteristics.

The group classifies financial assets and financial liabilities into the following categories:

- ❖ financial assets measured at amortised cost; and
- ❖ financial liabilities measured at amortised cost.

Financial assets and financial liabilities are recognised on the group's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets are measured at initial recognition at fair value plus transaction costs and are subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities are measured at initial recognition at fair value less transaction costs and are subsequently measured at amortised cost using the effective interest rate method.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Financial assets and financial liabilities measured at amortised cost on the face of the statement of financial position comprise of the following:

Loans to group companies

These include loans to subsidiaries and are recognised initially at fair value plus direct transaction costs. Loans to group companies are classified as financial assets measured at amortised cost.

Other financial assets

Other financial assets are measured at amortised cost.

Trade and other receivables

Trade and other receivables are classified as financial assets and measured at amortised cost. No significant component is recognised for trade and other receivables because the repayment term is less than 12 months. The group measures trade receivables at their transaction price at initial recognition.

Financial assets are subject to impairment testing.

Notes to the annual financial statements continued

for the year ended 28 February 2021

1. ACCOUNTING POLICIES continued

1.7 Financial instruments continued

Loans from group companies

These include loans from subsidiaries and are recognised initially at fair value less direct transaction costs. Loans from group companies are classified as financial liabilities measured at amortised cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash-on-hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Cash and cash equivalents are classified at amortised cost.

Trade and other payables

Trade and other payables are classified as financial liabilities measured at amortised cost.

Bank overdrafts and borrowings

Bank overdrafts and borrowings are classified as financial liabilities measured at amortised cost. Any difference between the proceeds (net of transaction costs) and settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the group's accounting policy for borrowing costs.

Dividends

Dividends are recognised in profit or loss when the group's right to receive payment has been established.

Interest

Interest is recognised in profit or loss, using the effective interest rate method.

Impairment of financial assets

Recognition of credit losses is no longer dependent on the group first identifying a credit loss event. Instead, the group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions and reasonable and supportable forecast that affect the expected collectability of the future cash flows of the instrument.

In applying this expected credit loss ("ECL") approach, a distinction is made between:

- ❖ financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have a low credit risk (Stage 1);
- ❖ financial assets that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (Stage 2); and
- ❖ financial assets that have objective evidence of impairment at the reporting date (Stage 3).

12 month expected credit losses are recognised for Stage 1, while lifetime expected credit losses are recognised for Stages 2 and 3. The group recognises a loss allowance for ECL on all loans and receivables using the general approach.

Measurement of the expected credit losses is determined by probability-weighted estimate of credit losses over the expected life of the financial instrument, taking into account the time value of money (where applicable).

A loan is in default when there is evidence that the borrower is in significant financial difficulty such that it will have insufficient funds to repay the loan on demand. This is assessed based on the number of factors including cash flow projections and various liquidity and solvency ratios.

A significant increase in credit risk ("SICR") assessment is performed qualitatively by reference to the borrower's cash flow and liquid asset position. The risk that the borrower will default on a demand loan depends on whether the subsidiary has enough cash or other liquid assets to repay the loan immediately (low risk of default) or insufficient cash or other liquid assets to repay the loan immediately (potential risk of default).

At year end, the group considers whether there was a significant increase in credit risk ("SICR") based on the accounting policy. With regards to loans repayable on demand, if there is no SICR, then it can be concluded that the risk of default is quantitatively small but still considered for a minimum 12 months of stage 1 and no expected credit loss ("ECL") allowance should be recognised. If there is a SICR, then the group evaluates the different recovery options and credit loss scenarios to assess the risk of default.

The group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit loss. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the lifetime of the financial instrument. In calculating, the group uses its historical experience, external indicators and forward-looking information such as financial projections and capability to calculate the expected credit loss by using a provision matrix. The assets are short term and not significantly impacted by the time value of money.



Notes to the annual financial statements continued

for the year ended 28 February 2021

1. ACCOUNTING POLICIES continued

1.8 Taxation

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities/assets for the current and prior periods are measured at the amount expected to be paid to/recovered from the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Judgement is required in determining the provision of income taxes due to the complexity of legislation.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- ❖ the initial recognition of goodwill; or
- ❖ the initial recognition of an asset or liability in a transaction which:
 - is not a business combination; and
 - at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

- ❖ is not a business combination; and
- ❖ at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

Assessing the recoverability of deferred income tax assets requires the group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations taking into account COVID-19, and the application of existing tax laws in South Africa. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the group to realise the net deferred tax assets recorded at the reporting date could be impacted.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the deferred tax arises from:

- ❖ a transaction or event which is recognised, in the same or a different period, directly in equity; or
- ❖ a business combination.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

1.9 Leases

From 1 March 2019, leases are recognised as a right of use asset and a corresponding liability at the date at which the leased asset is available for use by the company.

The company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Contracts may contain both lease and non-lease components. The company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Extension and termination options are included in a number of leases across the company. These are used to maximise operational flexibility in terms of managing the assets used in the company's operations.

Company as a lessee

The company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets (less than R20 000-00). The company recognises lease liabilities to make lease payments and right of use assets representing the right to use the underlying assets.

Notes to the annual financial statements continued

for the year ended 28 February 2021

1. ACCOUNTING POLICIES continued

1.9 Leases continued

Right of use assets

The company recognises right of use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes:

- ❖ the amount of the initial measurement of lease liability;
- ❖ any lease payments made at or before the commencement date less any lease incentives received;
- ❖ any initial direct costs; and
- ❖ restoration costs.

Right of use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right of use assets are also subject to impairment.

Lease liabilities

At the commencement date of the lease, the company 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 payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date; and
- ❖ payments of penalties for terminating the lease, if the lease term reflects the company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

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

In calculating the present value of lease payments, the company uses its incremental borrowing rate, which is 13%, at the lease commencement date because the interest rate implicit in the lease is not readily determinable. The incremental borrowing rate is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions. The rate is calculated using a build-up approach that starts with a risk-free interest rate adjusted for credit risk using a regression technique to determine the yield curve.

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 change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The company's lease liabilities are included on the face of the statement of financial position.

1.10 Inventories

Inventories are initially measured at cost.

Inventories are subsequently measured at the lower of cost and net realisable value on the weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable, and goods or services produced and segregated for specific projects are assigned using specific identification of the individual costs.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Management has made estimates of the selling price and direct cost to sell on inventory items to write stock down to the lower of cost and net realisable value. Any write-down is included in operating profit. Any stock that is physically identified as slow-moving, damaged or obsolete is written off when discovered.



Notes to the annual financial statements continued

for the year ended 28 February 2021

1. ACCOUNTING POLICIES continued

1.11 Non-current assets held for sale

Non-current assets are held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is concluded.

1.12 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are classified as equity.

Shares in the company held by The Taste Holdings Share Trust are classified as treasury shares. The number of shares held is deducted from the number of issued shares and the weighted average number of shares in the determination of earnings per share. Dividends received on treasury shares are eliminated on consolidation.

1.13 Equity-settled share-based payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the profit or loss over the vesting period with a corresponding increase in equity recorded in a share option reserve. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied.

If the share-based payments granted do not vest until the counterparty completes a specified period of service, the group accounts for those services as they are rendered by the counterparty during the vesting period (or on a straight-line basis over the vesting period).

If the share-based payments vest immediately, the services received are recognised in full.

1.14 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses and non-monetary benefits such as medical care) is recognised in the period in which the services are rendered and is not discounted.

Defined contribution plan

The group contributes to a defined plan. The group requires monthly-paid employees to participate in a group retirement fund and hourly-paid employees in the relevant industry funds. The group contributes a monthly contribution to these funds and does not bear any further responsibility thereafter. These funds are managed by various portfolio managers and are governed by Pension Funds Act, No. 24 of 1956.

1.15 Revenue

The group currently has several revenue streams that include the following:

- ❖ sale of goods (retail and franchisees);
- ❖ franchise joining fees;
- ❖ development revenue;
- ❖ management fees (franchisees and corporate); and
- ❖ advertising levies.

To determine whether to recognise revenue, the group follows a five-step process:

1. identifying the contract with a customer;
2. identifying the performance obligations;
3. determining the transaction price;
4. allocating the transaction price to the performance obligations; and
5. recognising revenue as/when performance obligation(s) are satisfied.

The group often enters into transactions involving a range of the group's services. In all cases, the total transaction price for a contract is allocated among the various performance obligations based on their relative stand-alone selling prices.

Revenue is recognised as/or when the group satisfies performance obligations by transferring the promised good or service to its customers.

The group had a customer loyalty programme whereby Starbucks customers are rewarded with points which are effectively used to redeem a product. A liability is raised as the customer accumulates points at an amount based on the stand-alone price of the customer's option adjusted for discount received. This business was sold in the prior year but still forms part of the comparatives. This is applicable for comparative purposes in 2020.



Notes to the annual financial statements continued

for the year ended 28 February 2021

1. ACCOUNTING POLICIES continued

1.15 Revenue continued

The group also has revenue in the form of franchise revenue, specifically joining fees for The Fish & Chip Co which is impacted by the adoption of IFRS 15. This is applicable for comparative purposes in 2020.

The group recognises a liability for consideration received in respect of unsatisfied performance obligations and reports these as income received in advance in the statement of financial position.

Sale of goods – Luxury

Revenue from sale of goods is recognised when control of the goods has transferred to the buyer on collection of the goods. Payment for the goods are due at the point of sale and revenue is recognised at a point in time. Items purchased from the Jewellery and Watch Division can be returned for a refund within 10 days from the date of purchase or exchanged within 30 days from the date of purchase. The refund liability, given insignificant volumes of returns, are insignificant.

Revenue is measured at the transaction price received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value-added tax.

Management fees and advertising levies – franchisees

Franchise fees and advertising levies are recognised on the accrual basis as services are rendered or the rights used in accordance with the substance of the related franchise agreements. Advertising levies are recognised as revenue to the extent of the expenditure incurred.

Payments for franchise fees are due on a weekly or monthly basis and are based either on a fixed amount or a percentage of the income earned by the respective store.

Sale of stock to franchisees

Stock purchased by franchisee is recognised when stock is delivered.

Revenue from repairs of goods

Items returned by customer for repairs is recognised as revenue over time.

Franchise joining fees

Franchise joining fees are recognised as revenue over the franchise agreement term and are considered services rendered. Payment of the franchise joining fee is due when an individual joins the franchise.

Management fees – corporate

Management fees are recognised as and when services are rendered, and payment is due on a monthly basis.

There are no significant judgements involved in determining the timing of the satisfaction of performance obligations or the transaction price and its allocation to performance obligations.

The group has taken advantage of the practical expedients:

- ❖ with regard to development revenue, not to account for significant financing components where the time difference between receiving consideration and transferring control of goods (or services) to its customer is one year or less; and
- ❖ expense the incremental costs of obtaining a contract when the amortisation period of the asset otherwise recognised would have been one year or less.

1.16 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.17 Advertising levies

In terms of the group's franchise agreements, the group receives advertising levies from franchisees which are held and accounted for separately in marketing funds. These funds are utilised for the procurement of marketing and advertising services for the benefit of franchisees. Advertising expenditure incurred in excess of the levies received is carried forward as a prepaid expense in the group statement of financial position to be set off against future levies.

Any amounts not expended are carried forward as liabilities in the group statement of financial position to be set off against future advertising expenditure.

Notes to the annual financial statements continued

for the year ended 28 February 2021

1. ACCOUNTING POLICIES continued

1.18 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rand, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each reporting date:

- ❖ foreign currency monetary items are translated using the closing rate; and
- ❖ non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in profit or loss in the period in which they arise.

1.19 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group chief executive officer. Intersegment revenues comprise services rendered between entities within the group. Intersegment revenues are accounted for as if the sale were to third parties, i.e. at current market prices.

1.20 Related party transactions

Related parties are those who control or have significant influence over the group, and parties who are controlled or significantly influenced by the group including subsidiaries. Refer to note 32 where the group companies have entered into transactions in the ordinary course of business with each other, and/or other institutions/individuals that are also shareholders or key management personnel.

2. NEW STANDARDS AND INTERPRETATIONS

2.1 New standards, interpretations and amendments effective from 1 January 2020

New standards impacting the group that were adopted in the annual financial statements for the year ended 28 February 2021, and which have given rise to changes in the group's accounting policies are:

Standard	Details of amendment		Effective date
IFRS 3 Business Combinations	Definition of a business		1 January 2020
IFRS 9 Financial Instruments	Interest rate benchmark reform	Phase 1	1 January 2020
IFRS 7 Financial Instruments: Disclosures	Interest rate benchmark reform	Phase 1	1 January 2020
IAS 1 Presentation of Financial Statements	Definition of material		1 January 2020
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	Definition of material		1 January 2020
The Conceptual Framework for Financial Reporting	Develop accounting policies when no IFRS Standard applies to a particular transaction		1 January 2020

❖ IFRS 3 – Amending definition of business	Impact
<ul style="list-style-type: none"> – Acquisition of assets or business – With acquisition of business goodwill is recognised – A comparison of the old definition to the new definition is as follows: 	The adoption of these amendments are expected to impact the group and company in any business combinations the group will under take after the effective date.

Old	New
An integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants.	An integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities.

❖ IFRS 16 and COVID-19	Impact
<ul style="list-style-type: none"> – Extension of practical expedient 	1 June 2020
	The adoption resulted the group in a gain of rental concession of R5.8 million as disclosed in note 19. There was no impact on the company.

Notes to the annual financial statements continued

for the year ended 28 February 2021

2. NEW STANDARDS AND INTERPRETATIONS continued

2.1 New standards, interpretations and amendments effective from 1 January 2020 continued

❖ IAS 1 and 8 definition and materiality	Impact
<ul style="list-style-type: none"> – Clarifying definition of 'material' and how to apply definition – As the concept of what is and is not material is crucial in preparing financial statements in accordance with IFRS, a change in the definition may fundamentally affect how preparers make judgments in preparing financial statements. 	The impact will improve disclosure.

2.2 New standards not yet effective

Standard	Details of Standard or amendment	Annual periods beginning on or after#
<i>IFRS 1 First-time Adoption of International Financial Reporting Standards</i>	<ul style="list-style-type: none"> ❖ Amendment: Subsidiary as a first-time adopter* <ul style="list-style-type: none"> – a subsidiary is permitted to measure cumulative translation differences at transition date using the amounts reported by its parent, based on the parent's transition date. 	1 January 2022
<i>IFRS 3 Business Combinations</i>	<ul style="list-style-type: none"> ❖ Amendment: Reference to the Conceptual Framework: <ul style="list-style-type: none"> – update to refer to the 2018 Conceptual Framework; – adds a requirement that transactions and other events within the scope of IAS 37 or IFRIC 21 must be accounted for per IAS 37 and IFRIC 21 to identify the liabilities assumed in a business combination; and – adds an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination. 	1 January 2022
<i>IFRS 9 Financial Instruments</i>	<ul style="list-style-type: none"> ❖ Amendment: Fees in the '10 per cent' test for derecognition of financial liabilities* <ul style="list-style-type: none"> – Clarifies which fees must be applied in the application of the '10 per cent' test when assessing whether to derecognise a financial liability. Only include fees paid or received between the borrower and the lender, including those paid or received on the other's behalf. 	1 January 2022
<i>IAS 16 Property, Plant and Equipment</i>	<ul style="list-style-type: none"> ❖ Amendment: Proceeds Before Intended Use <ul style="list-style-type: none"> – Prohibits the deduction of proceeds from selling items produced while brings an asset into use from the cost of that asset. The entity must recognise the proceeds from sale, and the cost of producing those items, in profit or loss. 	1 January 2022 <i>(retrospectively applied only to items of PPE that are bought in the location and condition necessary to operate as intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments)</i>

* Annual Improvements to IFRS Standards 2018 – 2020

Notes to the annual financial statements continued

for the year ended 28 February 2021

2. NEW STANDARDS AND INTERPRETATIONS continued

2.1 New standards not yet effective continued

Standard	Details of Standard or amendment	Annual periods beginning on or after#
<i>IFRS 16 Leases</i>	<ul style="list-style-type: none"> ❖ Amendment (lessee only): IFRS 16 and Covid-19 – Extension of practical expedient <ul style="list-style-type: none"> – Relief will now extend to 30 June 2022 	Extension of rental concession relief: 1 April 2021
<i>IAS 1 Presentation of Financial Statements</i>	<ul style="list-style-type: none"> ❖ Amendment: Classification of Liabilities as Current or Non-current: <ul style="list-style-type: none"> – Classification to be based on whether the right to defer settlement by at least twelve months exists at the end of the reporting period. – Classification is unaffected by expectation of settlement. – Settlement refers to transfer of cash equity instruments, other assets or services. – Clarifies that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification. 	1 January 2023
<i>IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors</i>	<ul style="list-style-type: none"> ❖ Amendment: Definition of Accounting Estimates <ul style="list-style-type: none"> – Distinguishes clearly between a change in accounting policy and a change in accounting estimate. – Revises the definition of an accounting estimate. – Provides reworded and specific examples of accounting estimates. – Clarifies that measurement techniques and inputs used in developing accounting estimates are not accounting policies. 	1 January 2023
<i>IAS 12 Income Taxes</i>	<ul style="list-style-type: none"> ❖ Amendment: Deferred Tax related to Assets and Liabilities arising from a Single Transaction <ul style="list-style-type: none"> – Narrows the scope of the exemption for recognition of taxable/deductible temporary differences that arise on certain transactions. The transaction should not give rise to equal taxable and deductible temporary differences. – Clarifies that deferred tax must be recognised on initial recognition of IFRS 16 leases and similar types of transactions that give rise to the recognition of an asset and a liability, such as decommissioning, restoration and similar liabilities with corresponding amounts recognised as part of the related asset. 	1 January 2023

Notes to the annual financial statements continued

for the year ended 28 February 2021

3. SEGMENT REPORTING

For management reporting purposes, the group is organised into three major operating divisions:

- Food Division (discounted and now excluded);
- Jewellery and Watch Division; and
- Corporate Services.

These operating segments are monitored by the group's chief operating decision-maker, Duncan John Crosson, and strategic decisions are made on the basis of adjusted segment operating results.

Such structural organisation is determined by the nature of risks and returns associated to each business segment and is representative of the internal reporting structure used for management reporting. The Jewellery and Watch Division is an aggregation of Arthur Kaplan, World's Finest Watches and NWJ, who all operate in the luxury sector comprising of watches and jewellery. Our operations are currently all based in South Africa.

Intersegment revenues comprise costs charged out to the divisions by corporate services, and inter-company revenues within the food segment.

The following tables present details of revenue, operating (loss)/profit, assets, liabilities and depreciation and amortisation, finance costs, investment income and capital expenditure by business segment:

	Food Division R'000	Jewellery and Watch Division R'000	Corporate Services R'000	Total R'000
2021				
Revenue	–	361 951	–	361 951
Sale of goods – Luxury	–	343 686	–	343 686
Sale of stock to franchisees	–	9 388	–	9 388
Advertising fees – franchisees	–	1 456	–	1 456
Revenue from repairs of goods	–	5 603	–	5 603
Management fees – franchisees	–	1 390	–	1 390
Sale of packaging and stationery	–	206	–	206
Payroll services	–	222	–	222
Operating profit/(loss)	–	16 918	(29 202)	(12 284)
Investment income	–	486	6	492
Finance costs	–	(14 757)	(6 059)	(20 816)
Profit/(loss) before taxation	–	2 647	(35 255)	(32 608)
Segment depreciation and amortisation	–	(40 348)	(4 227)	(44 575)
Segment assets	9 416	421 757	378	431 551
Segment liabilities	87 402	161 665	52 243	301 310
Segment capital expenditure	–	2 537	–	2 537
Impairment of assets	–	–	17 674	17 674
Right of use asset	–	–	17 674	17 674

Notes to the annual financial statements continued

for the year ended 28 February 2021

3. SEGMENT REPORTING continued

	Food Division R'000	Jewellery and Watch Division R'000	Corporate Services R'000	Total R'000
2020				
Revenue	–	459 414	–	459 414
Sale of goods – Luxury	–	425 198	–	425 198
Sale of stock to franchisees	–	22 187	–	22 187
Advertising fees – franchisees	–	2 232	–	2 232
Revenue from repairs of goods	–	7 257	–	7 257
Management fees – franchisees	–	2 073	–	2 073
Sale of packaging and stationery	–	438	–	438
Payroll services	–	29	–	29
Operating profit/(loss)	–	12 217	(15 858)	(3 641)
Investment income	–	2 611	2 661	5 272
Finance costs	–	(16 366)	(1 807)	(18 173)
Loss before taxation	–	(1 538)	(15 004)	(16 542)
Segment depreciation and amortisation	–	(10 240)	(1 591)	(11 831)
Segment assets	18 764	400 764	48 632	468 160
Segment liabilities	93 292	187 289	19 979	300 560
Segment capital expenditure	28 739	14 216	–	42 955
Impairment of assets	–	5 818	–	5 818
– goodwill	–	5 818	–	5 818

4. PROPERTY, PLANT AND EQUIPMENT

Group	2021			2020			
	Cost R'000	Accumulated depreciation R'000	Carrying value R'000	Cost R'000	Accumulated depreciation R'000	Transfer to non-current assets held for sale R'000	Carrying value R'000
Furniture and fixtures	63 158	(39 414)	23 744	75 114	(43 166)	(919)	31 029
Motor vehicles	377	(289)	88	8 593	(5 861)	(2 612)	120
Office equipment	1 907	(1 353)	554	2 041	(1 207)	(52)	782
IT equipment	3 059	(2 730)	329	11 899	(9 242)	(2 316)	341
Kitchen equipment	–	–	–	63 011	(33 149)	(29 862)	–
General equipment	74	(24)	50	1 201	(613)	(452)	136
Leasehold improvements	–	–	–	46 487	(20 964)	(25 523)	–
Plant and machinery	–	–	–	3 726	(2 408)	(1 318)	–
Total	68 575	(43 810)	24 765	212 072	(116 610)	(63 054)	32 408
Company							
Furniture and fixtures	–	–	–	103	(73)	–	30
IT equipment	57	(45)	12	57	(38)	–	19
Total	57	(45)	12	160	(111)	–	49

Notes to the annual financial statements continued

for the year ended 28 February 2021

4. PROPERTY, PLANT AND EQUIPMENT continued

Reconciliation of property, plant and equipment – group 2021

	Opening balance R'000	Additions R'000	Transfers R'000	Disposals R'000	Depre- ciation R'000	Total R'000
Furniture and fixtures	31 029	2 372	(1)	(26)	(9 630)	23 744
Motor vehicles	120	–	–	–	(32)	88
Office equipment	782	–	28	–	(256)	554
IT equipment	341	165	12	–	(189)	329
General equipment	136	–	(39)	(32)	(15)	50
Total	32 408	2 537	–	(58)	(10 122)	24 765

The assets are not pledged as security.

Reconciliation of property, plant and equipment – group 2020

	Opening balance R'000	Additions R'000	Transfers to inventories* R'000	Disposals R'000	Depreciation R'000	Transfer to non-current assets held for sale R'000	Total R'000
Furniture and fixtures	30 542	15 096	(22)	(3 949)	(9 719)	(919)	31 029
Motor vehicles	4 994	1 142	–	(1 616)	(1 788)	(2 612)	120
Office equipment	938	248	–	25	(377)	(52)	782
IT equipment	2 819	3 841	(73)	(3 168)	(762)	(2 316)	341
Kitchen equipment	38 534	3 106	(1 828)	(1 960)	(7 990)	(29 862)	–
General equipment	332	345	–	–	(89)	(452)	136
Leasehold improvements	72 253	13 429	(531)	(49 891)	(9 736)	(25 523)	–
Plant and machinery	18 042	5 748	(341)	(18 708)	(3 422)	(1 318)	–
Total	168 454	42 955	(2 796)	(79 267)	(33 884)	(63 054)	32 408

* Relates to equipment that transfers from property, plant and equipment to inventory when in use.

The disposal of property, plant and equipment relates to the sale of the Starbucks business, while the transfer of property, plant and equipment to non-current assets held for sale relates to the remaining food business. The assets are not pledged as security.

Reconciliation of property, plant and equipment – company 2021

	Opening balance R'000	Disposals R'000	Depre- ciation R'000	Total R'000
Furniture and fixtures	30	(24)	(6)	–
IT equipment	19	–	(7)	12
Total	49	(24)	(13)	12

Reconciliation of property, plant and equipment – company 2020

	Opening balance R'000	Disposals R'000	Depre- ciation R'000	Total R'000
Furniture and fixtures	48	(1)	(17)	30
IT equipment	27	–	(8)	19
Total	75	(1)	(25)	49

Notes to the annual financial statements continued

for the year ended 28 February 2021

5. RIGHT OF USE ASSET

Group	2021		
	Cost R'000	Accumulated depreciation R'000	Carrying value R'000
Right of use of asset – property, plant and equipment – buildings	237 727	(153 800)	83 927
Total	237 727	(153 800)	83 927

Group	Cost R'000	Accumulated depreciation R'000	Transfer to non-current assets held for sale R'000	Carrying value R'000
Right of use of asset – property, plant and equipment – buildings	304 742	(175 999)	(29 581)	99 162
Total	304 742	(175 999)	(29 581)	99 162

Reconciliation of right of use of asset – 2021

Group	Opening balance R'000	Additions R'000	Cancelled leases R'000	Disposals R'000	Impairment R'000	Depreciation R'000	Total R'000
Right of use of asset – property, plant and equipment – buildings	99 162	35 820	(259)	(487)	(17 674)	(32 636)	83 927
Total	99 162	35 820	(259)	(487)	(17 674)	(32 636)	83 927

Reconciliation of right of use of asset – 2020

Group	Balance on adoption of IFRS 16 R'000	Additions R'000	Cancelled leases R'000	Depreciation R'000	Transfer to non-current assets held for sale R'000	Total R'000
Right of use of asset – property, plant and equipment – buildings	132 009	88 863	(35 972)	(56 157)	(29 581)	99 162
Total	132 009	88 863	(35 972)	(56 157)	(29 581)	99 162

At year-end the right of use asset was impaired due to no value in use. The asset is the building under the food business entity that was impaired and liability transferred to the Holdings entity. The amount of impairment is R17.7 million and relates to the corporate services segment.

Leases on properties are normally contracted for periods of 5 years with no renewal options. Rental comprises minimum monthly payments. Rental escalations are approximately 8% per annum.

The incremental borrowing rate used was 13%.

Company	2021			
	Cost R'000	Accumulated depreciation R'000	Impairment R'000	Carrying value R'000
Right of use of asset – property, plant and equipment – buildings	20 232	(2 558)	(17 674)	–
Total	20 232	(2 558)	(17 674)	–

Notes to the annual financial statements continued

for the year ended 28 February 2021

5. RIGHT OF USE ASSET continued

Reconciliation of right of use of asset – 2021

Company	Opening balance R'000	Additions R'000	Impairment R'000	Depreciation R'000	Total R'000
Right of use of asset – property, plant and equipment – buildings	–	20 232	(17 674)	(2 558)	–
Total	–	20 232	(17 674)	(2 558)	–

In April 2020, the guarantee over Luxe Holdings Limited for the Taste Commissary premises was transferred to Luxe Holding Limited by way of an addendum therefore a right of use asset and corresponding liability has risen.

6. INTANGIBLE ASSETS

Group	2021		
	Cost R'000	Accumulated amortisation R'000	Carrying value R'000
Trademarks and intellectual property	62 707	(19 749)	42 958
Computer software	2 515	(1 680)	835
Total	65 222	(21 429)	43 793

Group	2020				
	Cost R'000	Accumulated amortisation R'000	Accumulated impairment R'000	Transfer to non-current assets held for sale R'000	Carrying value R'000
Trademarks and intellectual property	83 297	(18 183)	(20 590)	–	44 524
Master franchise licences	4 731	(920)	–	(3 811)	–
Franchise conversion contributions	20 199	(11 368)	(3 803)	(5 028)	–
Computer software	14 245	(9 596)	–	(3 704)	945
Joining fees	855	(340)	–	(515)	–
Key site premiums	3 633	(1 440)	(393)	(1 800)	–
Total	126 960	(41 847)	(24 786)	(14 858)	45 469

Reconciliation of intangible assets – 2021

Group	Opening balance R'000	Amortisation R'000	Total R'000
Trademarks and intellectual property	44 524	(1 566)	42 958
Computer software	945	(110)	835
Total	45 469	(1 676)	43 793

Based on the projected cash flows used in the goodwill impairment tests, the calculations indicate that there is no need for impairment of the carrying value. Information used in our testing is listed in note 7.

Profitability and cash flows took into account the impact of COVID-19, our anticipated recovery and improvements in the business model, working capital management, margin improvement, operational leverage and creating efficiencies which had a positive impact on the cash flow.

	Used	Sensitivity	Valued
Sensitivity	Terminal value	7.5%	R3.5 million
	Discount rate	15.0%	R6.5 million

Notes to the annual financial statements continued

for the year ended 28 February 2021

6. INTANGIBLE ASSETS continued

Reconciliation of intangible assets – 2020

Group	Opening balance R'000	Additions R'000	Disposals R'000	Impairment R'000	Amortisation R'000	Transfer to non-current assets held for sale R'000	Total R'000
Trademarks and intellectual property	59 410	–	–	(12 546)	(2 340)	–	44 524
Master franchise licences	6 442	–	(2 387)	–	(244)	(3 811)	–
Franchise conversion contributions	5 819	–	–	–	(791)	(5 028)	–
Computer software	4 694	3 031	(447)	–	(2 629)	(3 704)	945
Joining fees	4 027	1 989	(5 136)	–	(365)	(515)	–
Key site premiums	2 109	–	–	–	(309)	(1 800)	–
Total	82 501	5 020	(7 970)	(12 546)	(6 678)	(14 858)	45 469

Group	2021 R'000	2020 R'000
Trademarks and intellectual property consist of:		
NWJ trademark	42 958	44 524
Total	42 958	44 524

Trademarks and intellectual property

The Natal Wholesale Jewellers (“NWJ”) trademark originated through the acquisition of the NWJ subsidiary during the 2009 financial year. This trademark is amortised on a straight-line basis over its useful life of 40 years. The remaining amortisation period is 27.4 years (2020: 28.4 years). The trademark was tested for impairment and no impairment was raised.

7. GOODWILL

Group	2021			2020		
	Cost R'000	Accumulated impairments R'000	Carrying value R'000	Cost R'000	Accumulated impairments R'000	Carrying value R'000
Goodwill	17 772	(8 240)	9 532	157 418	(147 886)	9 532
Total	17 772	(8 240)	9 532	157 418	(147 886)	9 532

Reconciliation of goodwill – 2021

Group	Opening balance R'000	Total R'000
Goodwill	9 532	9 532
Total	9 532	9 532

Reconciliation of goodwill – 2020

Group	Opening balance R'000	Additions R'000	Impairment R'000	Total R'000
Goodwill	40 165	2 486	(33 119)	9 532
Total	40 165	2 486	(33 119)	9 532

Notes to the annual financial statements continued

for the year ended 28 February 2021

7. GOODWILL continued

For the purposes of impairment testing, goodwill is allocated to the following cash-generating units:

	2021 R'000	2020 R'000
Company-owned stores – NWJ	9 532	9 532
Total goodwill	9 532	9 532

This amount represents the excess of the purchase price paid over the fair value of acquired assets and liabilities of jewellery stores purchased by the company owned stores – NWJ. Goodwill recoverability is tested using the value-in-use valuation methodology, which discounts to present value, the future cash flows, attributable to each business, using an applicable discount rate. Cash flows were determined using projections from financial budgets approved by directors covering a three-year period, for gross profit and operating profit margin expectations. The key assumptions used in these budgets are a reflection of management's past experience in the market in which the unit operates.

	2021 R'000	2020 R'000
Assets acquired	363	3 218
Liabilities acquired	(344)	(3 218)
Net assets acquired	19	–
Consideration paid	–	(2 486)
Negative goodwill recognised in profit or loss and goodwill acquired	19	(2 486)

Information relevant to recoverability testing of goodwill and intangibles are as follows:

Profitability and cash flows took into account the impact of COVID-19 and our anticipated recovery.

Value-in-use calculations, taking into account profitability, cash flows and capital expenditure relating to revamps, were performed on an individual store basis.

	FY22	FY23 onwards		
Growth	<ul style="list-style-type: none"> – Evaluated on individual store basis taking into account COVID-19; and – Assumption largely based on achieving 2019 revenue levels. 	<ul style="list-style-type: none"> – 5% growth in revenue (combination of price, unit growth and inflation); and – Terminal value growth of 6%. 		
Discount rates	Determined on an individual store basis using post-tax discount rate of 15% and adjustment to post-tax discount rate per store. Post-tax discount rate ranging from 16.5% to 18.7% (2020: 17% to 21%) Post-tax discount rate determined using Capital Asset Pricing model. <ul style="list-style-type: none"> – Risk free rate 7.52% (quoted yield as R186 bond) – Market risk premium 6.75% – Small cap premium 5% – Prime rate 7% – Capital structure 70% equity, 30% debt 			
Cash flow period	6 years			
	Used	Sensitivity	Valued	
Sensitivity	Terminal value	6%	3%	R10 000
	Discount rate	6.5% to 18.7%	20%	R164 000

There was no goodwill impairment in the current year (2020: R4.1million). The prior year of R33 million impairment includes R29 million for the food division. The remaining food business was liquidated, effective 19 March 2020. See note 21.

Notes to the annual financial statements continued

for the year ended 28 February 2021

8. INVESTMENTS IN SUBSIDIARIES

Name of company (directly held)	Directly held	Company			
		% holding 2021	% holding 2020	Carrying amount 2021 R'000	Carrying amount 2020 R'000
NWJ Holdings Proprietary Limited – Dormant	Luxe Limited	100	100	–	–
Taste Holdings Luxury Goods Division Proprietary Limited	Luxe Limited	100	100	51 605	51 605
Maxi's Grill Marketing Proprietary Limited – Dormant	Luxe Limited	100	100	*	*
Scooters Pizza Wierda Park Proprietary Limited – Dormant	Luxe Limited	100	100	1	1
Scooters Pizza Retail Proprietary Limited – Dormant	Luxe Limited	100	100	*	*
Scooters Pizza Grosvenor Crossing Proprietary Limited – Dormant	Luxe Limited	100	100	*	*
Taste Food Franchising Proprietary Limited	Luxe Limited	100	100	*	*
Taste Commissary Proprietary Limited	Luxe Limited	100	100	*	*
Taste Holdings Share Trust	Luxe Limited	100	100	1	1
Total				51 607	51 607

* Less than or equal to R1 000.

The carrying amounts of subsidiaries are shown net of impairment losses of Rnil (2020: Rnil).

No impairment in the current year due to improved business model, working capital management, margin improvement and operational efficiencies which have a positive impact on the cash flow. This also mitigated the impact of the pandemic.

9. LOANS TO/(FROM) GROUP COMPANIES

Subsidiaries	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
The loan bears interest at a rate of 0% (2020: 0%)				
Taste Holdings Luxury Goods Division Proprietary Limited – Treasury loan	–	–	205 350	204 001
NWJ Holdings Proprietary Limited	–	–	(38 750)	(38 750)
Taste Holdings Luxury Goods Division Proprietary Limited	–	–	(22 646)	(21 530)
Total	–	–	(143 954)	143 721
Current assets	–	–	205 350	204 001
Current liability	–	–	(61 396)	(60 280)
Total	–	–	143 954	143 721

All loans are unsecured. Loans carry interest of 0%. Loans are to be settled on demand within 30 years.

The group applies the IFRS 9 expected credit losses approach using future cash flows in determining the expected credit losses in respect of the above loans.

The above loans were all considered to be in either Stage 2 or 3, thus expected credit losses were determined to be over the lifetime of the loans.

Notes to the annual financial statements continued

for the year ended 28 February 2021

9. LOANS TO/(FROM) GROUP COMPANIES continued

Company – 2021

	Gross loans R'000	Accumulated impairment at beginning of year R'000	Current year movement R'000	Net loan R'000
Amounts due by subsidiaries				
Taste Holdings Luxury Goods Division Proprietary Limited – Treasury loan	207 291	(1 843)	(98)	205 350
The loan carries interest at a rate of 0% (2020: 0%)				
Taste Commissary Proprietary Limited – Treasury loan	150 221	(150 221)	–	–
The loan carries interest at a rate of 0% (2019: 0%)				
Taste Commissary Proprietary Limited	14 415	(13 808)	(607)	–
Taste Food Franchising Proprietary Limited	21 896	(21 171)	(725)	–
Taste Food Franchising Proprietary Limited – Treasury loan	563 741	(563 272)	(469)	–
The loan carries interest at a rate of 0% (2019: 0%)				
The Taste Holdings Share Trust	1 651	(1 603)	(48)	–
Total	959 215	(751 918)	(1 947)	205 350
Amounts due to subsidiaries				
NWJ Holdings Proprietary Limited				
The loan carries interest at a rate of 0% (2020: 0%)	(38 750)	–	–	(38 750)
Taste Holdings Luxury Goods Division Proprietary Limited	(22 646)	–	–	(22 646)
Total	(61 396)	–	–	(61 396)
Total	897 819	(751 918)	(1 947)	143 954

Loans are repayable on demand.

Company – 2020

	Gross loans R'000	Accumulated impairment at beginning of year R'000	Current year movement R'000	Net loan R'000
Amounts due by subsidiaries				
Taste Holdings Luxury Goods Division Proprietary Limited – Treasury loan	205 844	(1 843)	–	204 001
The loan carries interest at a rate of 0% (2019: 0%)				
Taste Commissary Proprietary Limited – Treasury loan	150 221	(135 003)	(15 218)	–
The loan carries interest at a rate of 0% (2019: 0%)				
Taste Commissary Proprietary Limited	13 808	(12 078)	(1 730)	–
Taste Food Franchising Proprietary Limited	21 171	(25 794)	4 623	–
Taste Food Franchising Proprietary Limited – Treasury loan	810 061	(389 616)	(420 445)	–
The loan carries interest at a rate of 0% (2019: 0%)				
The Taste Holdings Share Trust	1 603	(1 593)	(10)	–
Total	1 202 708	(565 927)	(432 780)	204 001
Amounts due to subsidiaries				
NWJ Holdings Proprietary Limited	(38 750)	–	–	(38 750)
The loan carries interest at a rate of 0% (2020: 0%)				
Taste Holdings Luxury Goods Division Proprietary Limited	(21 530)	–	–	(21 530)
Total	(60 280)	–	–	(60 280)
Total	1 142 428	(565 927)	(432 780)	143 721

Notes to the annual financial statements continued

for the year ended 28 February 2021

10. NET INVESTMENT IN FINANCE LEASE

The finance lease asset is recognised in respect of agreements for the rental of equipment to franchisees in the Luxury Division for which the present value of the minimum lease payments due in terms of the lease agreements amounted substantially to the fair value of the equipment at the time the agreements were entered into.

The finance leases are for a period of 10 years. The lessor holds these assets as security.

2021				
Group	Within 1 year	2 to 5 years	>5 years	Total
Gross investment in finance lease	645	755	–	1 400
Unearned finance charges	(128)	(41)	–	(169)
	517	714	–	1 231

2020				
Group	Within 1 year	2 to 5 years	>5 years	Total
Gross investment in finance lease	1 163	2 284	–	3 447
Unearned finance charges	(324)	(246)	–	(570)
	839	2 038	–	2 877

11. OTHER FINANCIAL ASSETS

Group	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Loans and receivables				
<i>NWJ marketing fund</i>	571	122	–	–
This loan is unsecured, bears interest at the prime lending rate and is repayable in 120 equal instalments of R30 410 (2020: R30 410) per month.				
Total	571	122	–	–
Current assets	571	122	–	–
Total	571	122	–	–

2021				
Group	Other financial assets R'000	Expected loss rate %	Expected credit losses R'000	Net other financial assets R'000
Not past due	571	–	–	571
Past due	–	–	–	–
Total	571	–	–	571

2020				
Group	Other financial assets R'000	Expected loss rate %	Expected credit losses R'000	Net other financial assets R'000
Not past due	122	–	–	122
Past due	–	–	–	–
Total	122	–	–	122

Notes to the annual financial statements continued

for the year ended 28 February 2021

11. OTHER FINANCIAL ASSETS continued

Reconciliation of expected credit losses for other financial assets is as follows:

	2021 R'000	2020 R'000
Opening balance	-	4 334
Expected credit losses raised	-	3 925
Amounts written off as uncollectable	-	(8 259)
Closing balance	-	-

12. DEFERRED TAX

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Property, plant and equipment	(205)	-	-	-
Advertising levies and marketing funds	-	(1 053)	-	-
Prepayments	(779)	(75)	-	-
Provisions, accruals and deposits	3 470	3 649	46	46
Temporary differences relating to acquisition of business*	(12 028)	(12 432)	-	-
Accelerated wear and tear	-	(118)	-	-
Right of use of asset	(22 908)	(15 203)	-	-
Lease liability	26 610	17 615	-	-
Provision for bad debts	56	-	-	-
Turnover rentals	8	-	-	-
Workmen's compensation	17	-	-	-
Net investment in finance lease	(805)	-	-	-
Total	(6 564)	(7 617)	46	46
Deferred tax asset	5 464	6 061	46	46
Deferred tax liability	(12 028)	(13 678)	-	-
Total	(6 564)	(7 617)	46	46
Reconciliation of deferred tax				
At beginning of the year	(7 617)	14 768	46	521
Arising from adoption of IFRS 16	-	1 219	-	-
Recognised through profit or loss	404	(23 604)	-	(475)
Property, plant and equipment	(87)	-	-	-
Prepayments	(704)	-	-	-
Provisions, accruals and deposits	(179)	-	-	-
Net investment in finance lease	247	-	-	-
Right of use of asset	(7 704)	-	-	-
Lease liability	8 995	-	-	-
Provision for bad debt	56	-	-	-
Turnover rental	8	-	-	-
Workmen's compensation	17	-	-	-
Total	(6 564)	(7 617)	46	46

* The deferred tax liability of R12 million mainly consists of the NWJ trademark intangible.

The total estimated taxation loss available for set-off against future taxable income amounts to R15 989 731 (2020: R12 739 820) with no deferred taxation asset recognition. This relates to the continuing operations.

There was a change in the tax rate from 28% to 27% that is only in effect from 1 April 2022. An assessment of the rate change was performed and the effect was a reduction of R235 000.

Notes to the annual financial statements continued

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13. ADVERTISING LEVIES

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
This amount represents advertising expenditure incurred in excess of the levies received from NWJ franchisees. This amount is recovered through controlled underspending of marketing funds in subsequent years.	3 060	3 760	-	-
Total	3 060	3 760	-	-

14. INVENTORIES

Jewellery and Watch Division

Finished goods	170 137	186 415	-	-
Packaging	6 584	5 264	-	-
Goods in transit	-	-	-	-
Total	176 721	191 679	-	-

All inventories in the Jewellery and Watch Division have been ceded as security in terms of general banking facilities (refer to note 16). The cost of inventories expensed is R197 million (2020: R264 million).

15. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Gross trade receivables	21 180	19 102	241	-
Expected credit losses	(200)	-	-	-
Net trade receivables	20 980	19 102	241	-
Prepayments	16	568	-	-
Deposits	235	235	-	-
Sundry debtors*	12 195	8 407	-	392
VAT	367	-	-	-
Liquidating entity	2 635	-	-	-
Total	36 428	28 312	241	392

* Sundry debtors consists of Insurance assets and store clearing accounts.

The credit quality of trade receivables has been assessed based on the historical information of the counterparty and any evidence of financial distress, including non-adherence to credit terms. Normal credit terms are within 30 days from statement.

The group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. The expected credit loss took into account the franchisee debtor that has already defaulted.

The expected loss rates are based on the group's historical credit losses up to the period end. The historical loss rates are then adjusted for current and forward-looking information on macro-economic factors affecting the groups customers. These include assessment of changes in repayment capability of debtors, future profitability and financial position as well as business forecasts.

Luxe is mainly a cash business with credit terms provided to only a few franchisees in the Luxe Jewellery and Watch Division (Pty) Limited, as the franchisor has the right to attach inventory of the franchisees in the event that debts are not paid as per the franchise agreement. The value of inventory kept by franchisees are monitored to ensure that it adequately covers the outstanding debt. Given the impact of COVID-19, payment terms and credit awarded to franchisees are closely monitored.

Notes to the annual financial statements continued

for the year ended 28 February 2021

15. TRADE AND OTHER RECEIVABLES continued

As at 28 February 2021, the lifetime expected loss provision for trade receivables is as follows:

	2021			2020		
	Gross trade receivables R'000	Expected credit loss R'000	Net trade receivables R'000	Gross trade receivables R'000	Expected credit loss R'000	Net trade receivables R'000
Less than 30 days	2 346	–	2 346	12 205	–	12 205
31 to 60 days	834	–	834	–	–	–
61 to 90 days	5 502	–	5 502	762	–	762
91 to 120 days	7 355	–	7 355	3 338	–	3 338
Over 120 days	5 143	(200)	4 943	2 797	–	2 797
Total	21 180	(200)	20 980	19 102	–	19 102

The expected credit losses as of 28 February 2021 is R200 000 (2020: Rnil).

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Reconciliation of allowance for doubtful debts of trade and other receivables is as follows:				
Opening balance	–	15 052	–	–
Expected credit losses on non-current assets and disposal group classified as held for sale	–	(15 052)	–	–
Expected credit losses raised	200	–	–	–
Total	200	–	–	–

The maximum exposure to credit risk at the reporting date is the fair value of each class of trade receivables mentioned above.

The Jewellery and Watch Division's debtors have been ceded as security in terms of the general banking facilities (refer to note 16).

Company

Credit quality of trade and other receivables

No independent credit ratings are available.

The directors consider that the carrying value amount of trade and other receivables approximates their fair value due to their short-term nature.

Notes to the annual financial statements continued

for the year ended 28 February 2021

16. CASH AND CASH EQUIVALENTS

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Cash and cash equivalents consist of:				
Cash on hand	173	61	–	–
Bank balances	38 120	33 296	208	2 312
Bank overdraft	(18 555)	(18 469)	–	–
Transfer to non-current assets and disposal group classified as held for sale	–	(4 762)	–	–
Transfer to non-current liabilities and disposal group classified as held for sale	–	2 846	–	–
Liquidating entity	(2 962)	–	–	–
Total	16 776	12 972	208	2 312
Bank balance – continuing operations	38 293	28 595	208	2 312
Bank balance – liquidating entity	193	(15 623)	–	–
Total assets	38 486	12 972	208	2 312
Bank overdraft – continuing operations	(18 555)	–	–	–
Bank overdraft – liquidating entity	(3 155)	–	–	–
Total liability	(21 710)	–	–	–

Bank guarantees are in place to the amount of R9 509 516 (2020: R10 494 589) in favour of the lessor for leases entered into by Jewellery and Watch Division with these lessors.

Bank guarantees are in place to the amount of R1 699 645 (2020: R4 969 791) in favour of the lessor for leases entered into by Taste Food Franchising Proprietary Limited with these lessors.

At year end there is a R20 million (2020: R40 million) overdraft facility in place with Rand Merchant Bank. The overdraft facility and the guarantees are secured by cession in security, general notarial bonds over all moveable assets of the Jewellery and Watch Division and the company and cross guarantees from the company and the Jewellery and Watch Division. After year end the facility increased to R30 million.

The banking facility required the Tangible Net Equity of the group to exceed R490 million. This covenant was breached mainly due to the derecognition of the deferred tax assets relating to the assessed losses in Taste Food Franchising (Pty) Ltd and the Taste Commissioning (Pty) Ltd in 2019. The breach resulted in the bank reducing our facilities which would impact operations. Meetings took place to remedy the situation. We managed to obtain the required facilities from our bankers in order to support the business as noted in the paragraph above.

17. STATED CAPITAL

	Group		Company	
	Number of shares		Number of shares	
	2021	2020	2021	2020
Ordinary shares of no par value				
Authorised	40 000 000	4 000 000 000	40 000 000	4 000 000 000
Issued (fully paid-up)	22 215 009	2 221 500 948	22 215 009	2 221 500 948
In issue at 1 March	22 215 009	901 500 948	22 215 009	901 500 948
Rights issue (25 February 2020) ¹	–	1 320 000 000	–	1 320 000 000
In issue at 28 February	22 215 009	2 221 500 948	22 215 009	2 221 500 948
Treasury shares ²	(25 314)	(2 531 443)	(25 314)	(2 531 443)
In issue at 28 February – excluding treasury shares	22 189 695	2 218 969 505	22 189 695	2 218 969 505

¹ Shares issued at R0.10.

² Treasury shares held by Taste Holdings Share Trust.

Notes to the annual financial statements continued

for the year ended 28 February 2021

17. STATED CAPITAL continued

On 26 June 2020 a special resolution for the company's share capital consolidation on a 100 to 1 basis was approved. The consolidated unissued shares of 17 784 990 (2020: 1 788 499 052), are under the control of the directors in terms of a resolution passed at the last annual general meeting. This authority remains in force until the next annual general meeting.

750 000 (2020: 7 500 000) of the unissued ordinary shares are specifically reserved for the share incentive scheme, of which 67 594 (2020: 9 561 941) options have already been offered to and accepted by employees.

Shares forfeited during the year totals 30 748. No shares were taken up during the current year.

	Group Value of shares		Company Value of shares	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Balance at 1 March	1 238 765	1 238 765	1 251 537	1 251 537
Shares issued	–	–	–	–
Total	1 238 765	1 238 765	1 251 537	1 251 537

18. BORROWINGS

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
18.1 Shareholders' loan	12 228	10 430	12 228	10 430
The Riskowitz Value Fund ("RVF") loan is unsecured, bears interest at 16% per annum calculated daily and compounded monthly in arrears on a 365-day year, and is repayable on a date agreed to by the lender and borrower no later than the second anniversary of the funding date.				
18.2 Shareholders' loan	4 890	4 172	4 890	4 172
The Rand Capital loan is unsecured, bears interest at 16% per annum calculated daily and compounded monthly in arrears on a 365-day year, and is repayable on a date agreed to by the lender and borrower no later than the second anniversary of the funding date.				
18.3 Shareholders' loan	2 445	2 085	2 445	2 085
The Eldon Capital loan is unsecured, bears interest at 16% per annum calculated daily and compounded monthly in arrears on a 365-day year, and is repayable on a date agreed to by the lender and borrower no later than the second anniversary of the funding date.				
Liquidating entity	19 050	–	–	–
Total	38 613	16 687	19 563	16 687
Non-current liabilities				
Shareholders' loan	–	16 687	–	16 687
Current liabilities				
Shareholders' loan	19 563	–	19 563	–
Liquidating entity	19 050	–	–	–
Total	38 613	16 687	19 563	16 687

The carrying value of the current liabilities approximates their fair value because these are linked to market interest rates. The shareholders loan is expected to be settled in November 2021.

Notes to the annual financial statements continued

for the year ended 28 February 2021

19. LEASE LIABILITY

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Minimum lease payments due				
– within one year	33 488	33 218	3 815	–
– in second to fifth year inclusive	92 319	104 705	18 791	–
– later than five years	22 659	–	7 526	–
	148 466	137 923	30 132	–
Less: future finance charges	(24 127)	(21 391)	(10 094)	–
Liquidating entity	14 434	–	–	–
Present value of minimum lease payments	138 773	116 532	20 038	–
Present value of minimum lease payments due				
– within one year	25 459	30 187	1 324	–
– in second to fifth year inclusive	76 802	60 953	11 769	–
– later than five years	22 078	25 392	6 945	–
Liquidating entity	14 434	–	–	–
	138 773	116 532	20 038	–
Non-current liabilities	99 397	86 345	18 715	–
Current liabilities	39 376	30 187	1 323	–
Total	138 773	116 532	20 038	–

	Group	Company
	2021 R'000	2021 R'000
Reconciliation of the lease liability – 2021		
Opening balance (Gross leases including long and short-term)	116 532	–
Liability arising on new leases entered into during the year	35 820	20 232
Leases cancelled during the year	(1 079)	–
Repayments of lease obligations (Cash flow excluding interest component)	(37 434)	(2 567)
Gain on rental concession for COVID-19	(5 823)*	–
Interest component	16 323	2 373
Liquidating entity	14 434	–
Gross lease liability	138 773	20 038

* This has been disclosed in other income and the practical expedient has been applied on all rental concessions.

There are no restrictions or covenants imposed by lessors.

The Luxe group have applied the practical expedient as per IFRS 16.

	Total before transfer R'000	Transfer to non-current assets held for sale R'000	Total R'000
Reconciliation of the lease liability – 2020			
Adoption on 01 March 2019 upon transition to IFRS 16 standard	160 688	(98 610)	62 078
Liability arising on new leases entered into during the year	88 863	(7 002)	81 861
Leases cancelled during the year	(44 263)	44 263	–
Repayments of lease obligations (Cash flow excluding interest component)	(74 837)	33 277	(41 560)
Interest component	23 233	(9 080)	14 153
Gross lease liability	153 684	(37 152)	116 532

Notes to the annual financial statements continued

for the year ended 28 February 2021

19. LEASE LIABILITY continued

The following amounts are recognised in profit or loss relating to the IFRS 16 leases:

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Depreciation expense on right of use assets	32 636	31 822	2 558	–
Interest expense on lease liabilities	16 323	14 153	2 373	–
	48 959	45 975	4 931	–

In April 2020, the guarantee over Luxe Holdings Limited for the Taste Commissary premises was transferred to Luxe Holdings Limited by way of an addendum therefore a right of use asset and corresponding liability has risen.

20. TRADE AND OTHER PAYABLES

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Trade payables	32 039	31 787	1 781	1 784
VAT	–	1 813	281	350
Payroll accruals	5 764	4 578	15	920
Dividends payable	109	109	109	109
Other accrued expenses and deposits*	3 058	6 461	246	886
Liquidating entity	49 216	–	–	–
Total	90 186	44 748	2 432	4 049

* Other accrued expenses consists of accruals for workmen's compensation and outstanding invoices.

Notes to the annual financial statements continued

for the year ended 28 February 2021

21. DISCONTINUED OPERATIONS

21.1 Discontinued operation – Domino's business

In line with the revised strategy and disposal of the food business, these have been disclosed as discontinued operations. Starbucks, Fish and Chips Co. and Maxis were disposed of in November 2019. Domino's was liquidated in March 2020.

Result of discontinued operations

The Dominos business was being held as an asset for sale in the prior year end. The business was liquidated in March 2020.

The operating loss from discontinued operations is R4 million (2020: R261 million). The post-tax trading loss arising from discontinued operations was determined as follows:

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Revenue	6 671	242 850	–	–
Cost of sales	(3 135)	(162 469)	–	–
Gross profit	3 536	80 381	–	–
Other income	217	3 569	–	–
Operating expenses	(8 188)	(345 379)	–	–
Operating loss	(4 435)	(261 429)	–	–
Investment income	4	1 150	–	–
Finance costs	(38)	(5 716)	–	–
Loss before taxation	(4 469)	(265 995)	–	–
Taxation	–	(15 883)	–	–
Loss on discontinued operation, net of tax	(4 469)	(281 878)	–	–
Loss per share from discontinued operations				
Basic loss per share	(20.1)	(12.7)	–	–
Diluted loss per share	(20.1)	(12.6)	–	–
Statement of financial position				
Current assets				
Trade and other receivables	–	7 414	–	–
Current tax receivable	–	6 588	–	–
Cash and cash equivalents	–	4 762	–	–
Total assets	–	18 764	–	–
Non-current liabilities				
Borrowings	–	16 726	–	–
Lease liability	–	37 152	–	–
Current liabilities				
Trade and other payables	–	36 569	–	–
Bank overdraft	–	2 846	–	–
Total liabilities	–	93 293	–	–

Notes to the annual financial statements continued

for the year ended 28 February 2021

21. DISCONTINUED OPERATIONS continued

21.1 Discontinued operation – Domino's business continued

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Statement of cash flows				
The statement of cash flows includes the following amounts relating to discontinued operations:				
Cash flows from operating activities				
Cash utilised in operating activities	(7 451)	(66 497)	-	-
Investment income	4	1 150	-	-
Finance costs	(38)	(5 716)	-	-
Finance costs – income tax	-	(5 279)	-	-
Net cash utilised in operating activities	(7 485)	(76 342)	-	-
Cash flows from financing activities				
Acquisition of property, plant and equipment	-	(7 467)	-	-
Acquisition of intangible assets	-	(2 760)	-	-
Net cash from investing activities	-	(10 227)	-	-
Cash flows from financing activities				
Loans raised – Shareholders	-	16 726	-	-
Loans raised	2 331	80 612	-	-
Repayment of lease liability	-	(14 808)	-	-
Net cash from financing activities	2 331	82 530	-	-
Change in cash and cash equivalents	(5 154)	(4 039)	-	-
Cash and cash equivalents at beginning of the year	2 192	6 231	-	-
Cash and cash equivalents at end of the year	(2 962)	2 192	-	-
Cash utilised in operations				
Loss before taxation	(4 469)	(265 995)	-	-
<i>Adjustments for:</i>				
Depreciation and amortisation	89	18 773	-	-
Depreciation, right of use of asset	-	13 848	-	-
Loss on sale of property, plant and equipment	-	4 800	-	-
Investment income	(4)	(1 150)	-	-
Finance costs	38	5 716	-	-
Impairment of inventory	-	37 958	-	-
Impairment of goodwill	-	18 916	-	-
Impairment of intangible assets	-	14 862	-	-
Impairment of property, plant and equipment	(22 638)	63 054	-	-
Impairment of right of use of asset	-	29 581	-	-
Impairment of loans – net investment in finance lease	-	1 698	-	-
Impairment of loans – other financial assets	-	8 259	-	-
Impairment of assets	1 062	-	-	-
Other non-cash item	(502)	-	-	-
Share-based payment income	-	(2 215)	-	-
<i>Changes in working capital:</i>				
Trade and other receivables	4 778	5 534	-	-
Trade and other payables	14 195	(20 136)	-	-
Total	(7 451)	(66 497)	-	-

Notes to the annual financial statements continued

for the year ended 28 February 2021

21. DISCONTINUED OPERATIONS continued

21.2 Discontinued operation – Starbucks

In line with the revised strategy and disposal of the food business, these have been disclosed as discontinued operations..

Result of discontinued operations

The Starbucks business was disposed for R7 million in November 2019.

The operating loss from discontinued operations for 2020 was R94 million. The post-tax trading loss arising from discontinued operations was determined as follows:

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Revenue	-	85 504	-	-
Cost of sales	-	(30 832)	-	-
Gross profit	-	54 672	-	-
Other income	-	114	-	-
Operating expenses	-	(148 765)	-	-
Operating loss	-	(93 979)	-	-
Investment income	-	207	-	-
Finance costs	-	(4 930)	-	-
Loss before taxation	-	(98 702)	-	-
Taxation	-	(1 042)	-	-
Loss on discontinued operation, net of tax	-	(99 744)	-	-
Loss per share from discontinued operations				
Basic loss per share	-	(4.5)	-	-
Diluted loss per share	-	(4.5)	-	-
Statement of cash flows				
The statement of cash flows includes the following amounts relating to discontinued operations:				
Cash flows from operating activities				
Cash utilised in operating activities	-	(880)	-	-
Investment income	-	207	-	-
Finance costs	-	(4 930)	-	-
Net cash utilised in operating activities	-	(5 603)	-	-
Cash flows from financing activities				
Acquisition of property, plant and equipment	-	(21 271)	-	-
Acquisition of intangible assets	-	(1 989)	-	-
Net cash from investing activities	-	(23 260)	-	-
Cash flows from financing activities				
Loans raised	-	34 381	-	-
Repayment of lease liability	-	(8 005)	-	-
Net cash from financing activities	-	26 376	-	-
Change in cash and cash equivalents	-	(2 487)	-	-
Cash and cash equivalents at beginning of the year	-	2 184	-	-
Cash and cash equivalents at end of the year	-	(303)	-	-

Notes to the annual financial statements continued

for the year ended 28 February 2021

21. DISCONTINUED OPERATIONS continued

21.2 Discontinued operation – Starbucks continued

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Cash utilised in operations				
Loss before taxation	–	(98 702)	–	–
<i>Adjustments for:</i>				
Depreciation and amortisation	–	9 158	–	–
Depreciation, right of use of asset	–	9 565	–	–
Loss on sale of business	–	70 242	–	–
Investment income	–	(207)	–	–
Finance costs	–	4 930	–	–
<i>Changes in working capital:</i>				
Inventories	–	1 978	–	–
Trade and other receivables	–	771	–	–
Trade and other payables	–	1 385	–	–
Total	–	(880)	–	–

21.3 Discontinued operation – Maxi's

In line with the revised strategy and disposal of the food business, these have been disclosed as discontinued operations.

Result of discontinued operations

The Maxi's business was disposed for R2.2 million in November 2019.

The operating loss from discontinued operations for 2020 was R7.6 million. The post-tax trading loss arising from discontinued operations was determined as follows:

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Revenue	–	16 123	–	–
Cost of sales	–	(9 528)	–	–
Gross profit	–	6 595	–	–
Other income	–	13	–	–
Operating expenses	–	(14 208)	–	–
Operating loss	–	(7 600)	–	–
Investment income	–	793	–	–
Finance costs	–	(35)	–	–
Loss before taxation	–	(6 842)	–	–
Taxation	–	(1 146)	–	–
Loss on discontinued operation, net of tax	–	(7 988)	–	–
Loss per share from discontinued operations				
Basic loss per share	–	(0.4)	–	–
Diluted loss per share	–	(0.4)	–	–
Statement of cash flows				
The statement of cash flows includes the following amounts relating to discontinued operations:				
Cash flows from operating activities				
Cash utilised in operating activities	–	(1 619)	–	–
Investment income	–	793	–	–
Finance costs	–	(35)	–	–
Net cash utilised in operating activities	–	(861)	–	–



Notes to the annual financial statements continued

for the year ended 28 February 2021

21. DISCONTINUED OPERATIONS continued

21.3 Discontinued operation – Maxi's

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Cash flows from financing activities				
Loans raised	–	–	–	–
Loans repaid	–	(986)	–	–
Repayment of lease liability	–	(567)	–	–
Net cash from investing activities	–	(1 553)	–	–
Change in cash and cash equivalents	–	(2 414)	–	–
Cash and cash equivalents at beginning of the year	–	2 436	–	–
Cash and cash equivalents at end of the year	–	22	–	–
Cash utilised in operations				
Loss before taxation	–	(6 842)	–	–
<i>Adjustments for:</i>				
Depreciation, right of use of asset	–	412	–	–
Investment income	–	(793)	–	–
Finance costs	–	35	–	–
Impairment of goodwill	–	–	–	–
<i>Changes in working capital:</i>				
Trade and other receivables	–	3 882	–	–
Trade and other payables	–	1 687	–	–
Total	–	(1 619)	–	–

21.4 Discontinued operation – Fish & Chips

In line with the revised strategy and disposal of the food business, these have been disclosed as discontinued operations.

Result of discontinued operations

The Fish and Chips business was disposed for R2.8 million in November 2019.

The operating loss from discontinued operations for 2020 was R26.1 million. The post-tax trading loss arising from discontinued operations was determined as follows:

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Revenue	–	41 669	–	–
Cost of sales	–	(25 605)	–	–
Gross profit	–	16 064	–	–
Other expense	–	(634)	–	–
Operating expenses	–	(41 545)	–	–
Operating loss	–	(26 115)	–	–
Investment income	–	801	–	–
Loss before taxation	–	(25 314)	–	–
Taxation	–	(2 090)	–	–
Loss on discontinued operation, net of tax	–	(27 404)	–	–
Loss per share from discontinued operations				
Basic loss per share	–	(1.1)	–	–
Diluted loss per share	–	(1.2)	–	–

Notes to the annual financial statements continued

for the year ended 28 February 2021

21. DISCONTINUED OPERATIONS continued

21.4 Discontinued operation – Fish & Chips continued

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Statement of cash flows				
The statement of cash flows includes the following amounts relating to discontinued operations:				
Cash flows from operating activities				
Cash utilised in operating activities	–	(2 523)	–	–
Investment income	–	801	–	–
Net cash utilised in operating activities	–	(1 722)	–	–
Cash flows from financing activities				
Acquisition of property, plant and equipment	–	–	–	–
Proceeds on disposal of property, plant and equipment	–	–	–	–
Acquisition of intangible assets	–	–	–	–
Net cash from investing activities	–	–	–	–
Cash flows from financing activities				
Loans repaid	–	(2 090)	–	–
Repayment of lease liability	–	(817)	–	–
Net cash from financing activities	–	(2 907)	–	–
Change in cash and cash equivalents	–	(4 629)	–	–
Cash and cash equivalents at beginning of the year	–	4 634	–	–
Cash and cash equivalents at end of the year	–	5	–	–
Cash utilised in operations				
Loss before taxation	–	(25 314)	–	–
<i>Adjustments for:</i>				
Depreciation and amortisation	–	800	–	–
Depreciation, right of use of asset	–	511	–	–
Profit on sale of property, plant and equipment	–	(77)	–	–
Investment income	–	(801)	–	–
Impairment of goodwill	–	8 385	–	–
Impairment of intangible assets	–	12 543	–	–
<i>Changes in working capital:</i>				
Trade and other receivables	–	1 243	–	–
Trade and other payables	–	187	–	–
Total	–	(2 523)	–	–
22. REVENUE				
Sale of goods – luxury	343 686	425 198	–	–
Sale of stock to franchisees	9 388	22 187	–	–
Advertising fees – franchisees	1 456	2 232	–	–
Revenue from repairs of goods	5 603	7 257	–	–
Management fees – corporate	–	–	12 643	20 021
Management fees – franchisees	1 390	2 073	–	–
Sale of packaging and stationery	206	438	–	–
Payroll services	222	29	–	–
Total	361 951	459 414	12 643	20 021

All operations for sales is located in South Africa. Revenue is recognised at the point in time that the sale occurred with the exception of revenue from repairs of goods which is recognised over time.

Notes to the annual financial statements continued

for the year ended 28 February 2021

23. COST OF SALES

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Sale of goods – luxury	196 875	269 594	–	–
Services rendered	6 288	2 233	–	–
Total	203 163	271 827	–	–

24. OPERATING LOSS

Operating loss for the year is stated after accounting for the following:

Income from subsidiaries

Administration and management fees	–	–	(12 643)	(20 021)
Gain on rental concession for COVID-19	(5 823)	–	(12 643)	(20 021)
Total	(5 823)	–	(12 643)	(20 021)

Premises – short term	314	8 262	–	–
Equipment – low value	173	173	–	–
Total	487	8 435	–	–

Loss/(profit) on sale of property, plant and equipment	45	366	45	(31)
Depreciation of property, plant and equipment	10 122	10 087	13	24
Depreciation, right of use of asset	32 636	31 822	2 558	–
Amortisation of intangibles	1 676	1 744	–	–
Share-based payment income	(834)	(2 356)	234	(773)
Employee costs includes defined contribution plan	53 454	73 395	1 408	7 629
Profit on exchange differences	(55)	(138)	–	–
Expected credit loss expense	200	–	–	–
Audit fees	2 268	2 093	1 582	1 451
Consulting fees	2 264	4 420	1 603	3 925
Impairment				
– right of use asset	17 674	–	17 674	–
– goodwill	–	5 818	–	–
– inter-company loans	–	–	1 947	432 780
– investment in subsidiary	–	–	–	53 451

25. INVESTMENT INCOME

Interest income	430	2 610	6	–
Bank	62	2 662	–	2 661
Total	492	5 272	6	2 661

26. FINANCE COSTS

Borrowings	2 876	4 019	2 876	1 807
Bank	1 617	–	707	–
Lease liability	16 323	14 154	2 373	–
Total	20 816	18 173	5 956	1 807

Notes to the annual financial statements continued

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27. TAXATION

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Major components of the tax expense excluding tax on sale of discontinued operation				
Current				
SA normal income tax – current period	(179)	–	–	–
SA normal income tax – recognised in current year for prior periods	(90)	–	(90)	–
Total	(269)	–	(90)	–
Deferred				
Current period	821	308	–	(475)
Recognised in current year for prior periods	–	(3 751)	–	–
Total	821	(3 443)	–	(475)
Reconciliation of the tax expense	552	(3 443)	(90)	(475)
	%	%	%	%
<i>Reconciliation between applicable tax rate and average effective tax rate:</i>				
Applicable tax rate	28	28	28	28
Prior period underprovision	(0.3)	–	0.39	–
Assessed losses not recognised as deferred tax asset	–	(23.5)	(2.00)	0.3
Assessed loss utilised	–	–	–	–
Exempt income	2.6	–	0.66	–
Deferred taxation asset derecognition	(31.9)	(3.0)	–	–
Deferred taxation asset not recognised	–	(3.0)	(24.28)	–
Disallowable expenses – Impairments of loans	–	(0.7)	–	(28.4)
Disallowable expenses – Impairments right of use of asset	–	(2.0)	(2.38)	–
Disallowable expenses – Impairments intangibles	–	(1.9)	–	–
Disallowable expenses – Impairments goodwill	–	(2.2)	–	–
Disallowable expenses – other*	(0.1)	(0.4)	–	–
Effective rate	(1.7)	(5.7)	0.39	(0.1)
<i>Continuing and discontinued operations:</i>				
Income tax (expense)/credit from continuing operations	552	(3 443)	(90)	(475)
Income tax (expense)/credit from discontinued operations	–	(20 161)	–	–
Total	552	(23 604)	(90)	(475)

* Disallowable expenses other consists of donations, share based payments and legal fees not deductible.

The total estimated taxation loss available for set-off against future taxable income amounts to R57 106 181 (2020: R46 408 483) with no deferred taxation asset recognition.

Notes to the annual financial statements continued

for the year ended 28 February 2021

28. CASH UTILISED IN OPERATIONS

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Loss before taxation	(32 608)	(16 542)	(23 607)	(479 623)
<i>Adjustments for:</i>				
Depreciation and amortisation	11 798	11 831	13	25
Depreciation, right of use of asset	32 636	31 822	2 558	–
Loss/(profit) on sale of property, plant and equipment	45	366	15	(31)
Profit on foreign exchange	(55)	(138)	–	–
Investment income	(492)	(5 272)	(6)	(2 661)
Finance costs	20 816	18 173	5 956	1 807
Impairment of goodwill	–	5 818	–	–
Impairment of loans	–	–	1 947	432 780
Impairment of investments in subsidiaries	–	–	–	53 451
Impairment in right of use asset	17 674	–	17 674	53 451
Share-based payment income	(834)	(2 356)	234	(773)
Operating loss from discontinued operations, net of tax	–	(79 249)	–	–
Gain on rental concession for COVID-19	(5 823)	–	–	–
Leases cancelled during the year	(334)	–	–	–
Tax receivable written off	107	–	107	–
Liquidating entity	(7 451)	–	–	–
Negative goodwill	(19)	–	–	–
<i>Changes in working capital:</i>				
Inventories	14 958	4 455	–	–
Trade and other receivables	(5 481)	20 123	151	1 042
Advertising levies	700	(1 253)	–	–
Trade and other payables	(6 102)	(10 205)	(2 360)	(3 958)
Total	39 535	(22 427)	2 682	2 059

29. RECONCILIATIONS OF GROUP LOANS ARISING FROM FINANCING ACTIVITIES

Short-term borrowings

Opening balance	–	–	143 721	458 354
Impairment of loans	–	–	–	(432 780)
– Advances	–	–	–	118 147
Closing balance	–	–	143 721	143 721

30. RECONCILIATION OF BORROWINGS

Opening balance	16 687	12 353	16 687	11 238
– Interest charged	2 876	–	2 876	–
– Proceeds	–	16 687	–	16 687
– Repayment	–	(12 353)	–	(11 238)
Closing balance	19 563	16 687	19 563	16 687

Notes to the annual financial statements continued

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31. TAX (PAID) REFUNDED

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Balance at beginning of the year	1 419	313	107	107
Write off of tax receivable	(107)	–	(107)	–
Current tax for the period recognised in income tax	(269)	–	(90)	–
Non-current assets and disposal group classified as held for sale	–	(6 589)	–	–
Balance at end of the year	(1 133)	(1 419)	–	(107)
Cash movement	(90)	(7 695)	(90)	–

32. RELATED PARTIES

Related parties – Companies	Position in group	Nature of interest	Company	
			2021 R'000	2020 R'000
Taste Holdings Luxury Goods Division Proprietary Limited	Subsidiary	Loans receivable	205 350	205 844
The Taste Holdings Share Trust	Subsidiary	Loans receivable	–	1 603
NWJ Holdings Proprietary Limited	Subsidiary	Loans payable	(38 750)	(38 750)
Taste Holdings Luxury Goods Division Proprietary Limited	Subsidiary	Loans payable	(22 646)	(21 530)
NWJ Holdings Proprietary Limited	Subsidiary	Management fee received	(12 643)	(12 089)
Taste Food Franchising Proprietary Limited	Subsidiary	Management fee received	–	(7 932)

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Inventory sold to related parties	1 292	8 654	–	–

Notes to the annual financial statements continued

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33. EQUITY-SETTLED SHARE-BASED PAYMENTS RESERVE

Luxe Holdings Limited operates The Taste Holdings Share Trust which incorporates, among other things, share option schemes which enable directors and executive management to benefit from the Luxe Holdings share price performance and form part of the retention strategy for key executive management.

Scheme 1

This scheme confers the right to participants to acquire ordinary shares at a strike price of 43 cents per share (30-day volume-weighted average of Luxe shares on the grant date). Options vest in three tranches from the second anniversary of the option grant date. Once vesting of a tranche has been triggered, a third of the options within the tranche can be exercised one year after vesting was triggered, a further third, two years after the vesting was triggered and the final third, three years after the vesting was triggered. The options must be exercised within five years of vesting having been triggered. Upon cessation of employment, options that have been granted and accepted, but not yet vested, are forfeited unless approval is obtained from the trustees.

All options must be exercised no later than the eighth anniversary on which they were granted unless approval is obtained from the trustees.

Schemes 2 – 5

These schemes were modified and replaced by scheme 6 in financial year 2018.

Scheme 6

This scheme was approved by shareholders in January 2016 to more fully comply with the principles of King III. Share options comprise two types of options, namely retention and performance options. Retention options have no strike price and the performance options have a strike price equal to the volume-weighted average price of an ordinary share over the 30 business days immediately preceding the option grant date. Options vest and can be exercised in three equal tranches, beginning on the third anniversary of the option grant date up to the fifth anniversary of the option grant date. All options must be exercised by no later than the sixth anniversary of the option grant date unless approval is obtained from trustees. Upon cessation of employment, options that have been granted and accepted, but not yet vested, are forfeited unless approval is obtained from the trustees.

	2021		2020	
	Number	Weighted average exercise price (cents)	Number	Weighted average exercise price (cents)
Scheme 1				
Share options vested and were exercised during the year.				
There are no further share options available for allocation.				
The number of share options granted and accepted are:				
Opening balance	4 476	43	447 665	43
Exercised	–	–	–	–
Forfeited	(3 226)	–	–	–
Granted and accepted – shares not issued yet	1 250	43	447 665	43
Number of share options granted to and accepted by directors	1 250	–	125 000	–
Scheme 6				
The number of share options granted and accepted are:				
29 February 2020 – exercised	93 866	210	17 201 250	210
Forfeited	–	210	(4 396 966)	210
Granted and accepted – shares not issued yet	(27 522)	210	(3 417 591)	210
Granted and accepted – shares not issued yet	66 344	210	9 386 693	210
Number of share options granted to and accepted by directors	48 167	210	4 816 749	210

Notes to the annual financial statements continued

for the year ended 28 February 2021

33. EQUITY-SETTLED SHARE-BASED PAYMENTS RESERVE continued

Vesting period of options granted and accepted

Last vesting date	Performance options	Retention options	Performance options	Retention options
Year to February 2021	2 861	9 902	2 861	9 902
Year to February 2022	2 861	9 902	2 861	9 902
Year to February 2023	2 861	9 902	2 861	9 902
Total	8 583	29 706	8 583	29 706

	2021		2020	
	Performance options	Retention options	Performance options	Retention options
	Number	Weighted average exercise price (cents)	Number	Weighted average exercise price (cents)
The number of share options granted and accepted are:				
Granted and accepted	44 222	210	51 397	–
Forfeited	–	–	–	–
Granted and accepted – shares not issued yet	(2 188)	210	(27 086)	–
Number of share options granted to and accepted by directors	42 034	210	24 311	–
	31 497	229	16 670	–

	2021		2020	
	Performance options	Retention options	Performance options	Retention options
	Number	Weighted average exercise price (cents)	Number	Weighted average exercise price (cents)
The number of share options granted and accepted are:				
Granted and accepted	8 137 427	210	9 239 071	–
Forfeited	(1 653 527)	210	(2 743 439)	–
Granted and accepted – shares not issued yet	(2 061 661)	210	(1 355 930)	–
Number of share options granted to and accepted by directors	4 422 239	210	5 139 702	–
	3 149 729	229	1 667 021	–

IFRS 2 requires the fair value of equity-settled share-based payments granted to employees to be valued at the grant date and recognised in profit or loss over the vesting period. The fair value of each share option granted has been valued at grant date using the widely accepted Black-Scholes-Merton model which takes into account vesting periods. All market conditions were assumed to be met. Expected volatility was determined by using the daily share volatility of the share price over the last five years.

The following assumptions were applied in determining the value of the share options granted during the year:

	Scheme 6 performance options	Scheme 6 retention options	Scheme 6 performance options	Scheme 6 retention options	Scheme 1
Number of options granted and accepted	858 333	2 970 635	26 158 362	18 455 841	707 665
Weighted average fair value of options	32 cents	94 cents	81 cents	213 cents	15 cents
Exercise price	72 cents	zero cents	185 – 255 cents	zero cents	43 cents
Closing price of Taste share at grant date	73 cents	73 – 205 cents	185 – 246 cents	185 – 246 cents	230 cents
Expected volatility of share price (%)	38.7% – 41.7%	n/a	33.2% – 39.3%	33.2% – 39.3%	110.24%
Risk-free rate for the life of the option	7.70%	n/a	7.8% – 8.7%	7.8% – 8.7%	6.94%
Expected life of options	3 – 5 years	3 – 5 years	3 – 5 years	3 – 5 years	6 years
Expected dividend yield	0%	0%	0%	0%	1.48%

Notes to the annual financial statements continued

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33. EQUITY-SETTLED SHARE-BASED PAYMENTS RESERVE continued

Offer date		Performance option strike price	DJ Crosson	
			Performance options	Retention options
1 March 2016	Opening balance	0.43	1 250	–
1 June 2016	Granted	2.55	19 887	11 618
17 February 2017	Granted	1.85	11 618	5 051
28 February 2017	Forfeited	2.55	–	–
12 February 2018	Forfeited	1.85	–	–
28 February 2018	Closing balance		32 755	16 669
31 May 2018	Forfeited	2.55	–	–
31 May 2018	Forfeited	1.85	–	–
31 May 2018	Forfeited	0.43	–	–
28 February 2020	Closing balance		32 755	16 669
14 August 2020	Exercised			
29 February 2020	Forfeited		–	–
28 February 2021	–		–	–
28 February 2021 Closing balance			32 755	16 669

Retention options have a zero strike price. The options are exercisable on the third, fourth and fifth anniversary of the offer date. Number of options that can be exercised on these dates equal to one-third of the total number of options granted in the offer.

Reconciliation of share-based payment expense charged directly to profit or loss:

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Balance at beginning of the year	4 697	9 268	2 339	3 112
Charge to profit or loss – continuing operations	(834)	(2 356)	234	–
Charge to profit or loss – discontinued operations	–	(2 215)	–	(773)
Balance at end of the year	3 863	4 697	2 573	2 339

34. DIRECTORS' EMOLUMENTS

Executive – Paid by company Year ended 2021	Allowances and benefits		Total R'000	Short-term employee benefits	
	Basic R'000	R'000		R'000	Total R'000
Hannes van Eeden	1 840	–	1 840	–	1 840
Total	1 840	–	1 840	–	1 840
Executive – Paid by subsidiary Year ended 2021					
Duncan John Crosson	2 212	114	2 326	170	2 496
Total	2 212	114	2 326	170	2 496

Service agreements with the directors do not impose any excessive notice periods on the company.

Notes to the annual financial statements continued

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34. DIRECTORS' EMOLUMENTS continued

Executive – Paid by company Year ended 2020	Basic R'000	Allowances and benefits R'000	Total R'000	Short- term employee benefits R'000	Restraint payment R'000	Total R'000
Dylan Pienaar	1 537	–	1 537	126	1 000	2 663
Tyrone Christie Moodley	63	–	63	45	–	108
Hannes van Eeden	2 000	–	2 000	22	–	2 022
Total	3 600	–	3 600	193	1 000	4 793

Executive – Paid by subsidiary

Year ended 2020

Duncan John Crosson	2 441	103	2 544	–	–	2 544
Total	2 441	103	2 544	–	–	2 544

The executive directors are part of the group executive committee and have been identified as key management as well.

	2021 Number	2020 Number
Duncan John Crosson – performance options	32 747	3 274 729
Duncan John Crosson – retention options	16 670	1 667 021

The above options have been granted in terms of the Taste Holdings share option scheme (see note 33).

Non-executive fees	2021 R'000	2020 R'000
Grant Pattison – resigned 5 October 2020	179	284
Conduit Capital – T Moodley – resigned 9 March 2020	–	91
Adrian John Maizey – resigned 9 March 2020	–	311
Nonzukiso (Zukie) Siyotula	430	395
Carmen Le Grange – appointed 5 October 2020	141	–
Leo Chou	296	296
Total	1 046	1 377

These fees have been structured for meetings and performance as director.

Notes to the annual financial statements continued

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35. FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

	Notes	Category	Amortised cost R'000	Total R'000
Financial assets by category				
Group 2021				
Net investment in finance lease	10	Amortised cost	1 231	1 231
Other financial assets	11	Amortised cost	571	571
Trade and other receivables (ex VAT and prepayments)	15	Amortised cost	21 819	21 819
Cash and cash equivalents	16	Amortised cost	38 293	38 293
Total			61 914	61 914
Company 2021				
Loans to group companies	9	Amortised cost	205 350	205 350
Trade and other receivables (ex VAT and prepayments)	15	Amortised cost	241	241
Cash and cash equivalents	16	Amortised cost	208	208
Total			205 799	205 799
Group 2020				
Net investment in finance lease	10	Amortised cost	2 877	2 877
Other financial assets	11	Amortised cost	122	122
Trade and other receivables (ex VAT and prepayments)	15	Amortised cost	27 745	27 745
Cash and cash equivalents	16	Amortised cost	28 595	28 595
Total			59 339	59 339
Company 2020				
Loans to group companies	9	Amortised cost	204 001	204 001
Trade and other receivables (ex VAT and prepayments)	15	Amortised cost	392	392
Cash and cash equivalents	16	Amortised cost	2 312	2 312
Total			206 705	206 705

Notes to the annual financial statements continued

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35. FINANCIAL ASSETS AND LIABILITIES BY CATEGORY continued

	Notes	Category	Amortised cost R'000	Total R'000
Financial liabilities by category				
Group 2021				
Bank overdraft	16	Amortised cost	18 555	18 555
Borrowings	18	Amortised cost	19 563	19 563
Trade and other payables (excluding VAT, payroll accruals and dividends payable)	20	Amortised cost	35 097	35 097
Total			73 215	73 215
Company 2021				
Loans from group companies	9	Amortised cost	61 396	61 396
Borrowings	18	Amortised cost	19 563	19 563
Trade and other payables (excluding VAT, payroll accruals and dividends payable)	20	Amortised cost	2 027	2 027
Total			82 986	82 986
Group 2020				
Bank overdraft	16	Amortised cost	15 623	15 623
Borrowings	18	Amortised cost	16 687	16 687
Trade and other payables (excluding VAT, payroll accruals and dividends payable)	20	Amortised cost	38 248	38 248
Total			70 558	70 558
Company 2020				
Loans from group companies	9	Amortised cost	60 280	60 280
Borrowings	18	Amortised cost	16 687	16 687
Trade and other payables (excluding VAT, payroll accruals and dividends payable)	20	Amortised cost	2 670	2 670
Total			79 637	79 637

Notes to the annual financial statements continued

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36. RISK MANAGEMENT

The group's activities expose it to a variety of risks. These risks include: liquidity risk, interest rate risk, credit risk and foreign exchange risk.

Liquidity risk

The group's exposure to liquidity risk is that insufficient funds will be available to meet future obligations as they fall due. The group manages liquidity risk through an ongoing review of its future commitments and of the facilities available from financial institutions. Cash flow forecasts are prepared and adequate unutilised borrowing facilities are maintained. The following table represents the group and company's outstanding contractual maturity profile. The analysis presented is based on actual future contractual obligations.

	Notes	<1 year R'000	1 – 2 years R'000	2 – 3 years R'000	Total R'000
Group 2021					
Bank overdrafts	16	18 555	–	–	18 555
Borrowings	18	21 781	–	–	21 781
Lease liability	19	33 488	92 319	22 659	148 466
Trade and other payables	20	22 273	–	–	22 273
Total		96 092	92 319	22 659	211 075
Company 2021					
Loans from group companies	9	61 396	–	–	61 396
Borrowings	18	21 781	–	–	21 781
Lease liability	19	3 815	18 791	7 526	30 132
Trade and other payables	20	2 136	–	–	2 136
Total		89 128	18 791	7 526	115 445
Group 2020					
Bank overdrafts	16	15 623	–	–	15 623
Borrowings	18	–	16 687	–	16 687
Lease liability	19	33 218	104 705	–	137 923
Trade and other payables	20	38 357	–	–	38 357
Total		87 198	121 392	–	208 590
Company 2020					
Loans from group companies	9	60 280	–	–	60 280
Borrowings	18	–	16 687	–	16 687
Trade and other payables	20	2 779	–	–	2 779
Total		79 746	16 687	–	79 746

Interest rate risk

The group's and company's interest rate risk arises from fixed and variable rate interest-bearing assets and liabilities described in the table below. The group and company manage their interest rate exposure by only depositing cash and cash equivalents with major banks with high-quality credit standing and by limiting exposures to any one counterparty.

A hypothetical increase/decrease in interest rates by 1%, with all other variables remaining constant, would increase/decrease profits after tax by R422 433 (2020: R393 115) for the group.

Notes to the annual financial statements continued

for the year ended 28 February 2021

36. RISK MANAGEMENT continued

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

			Group		Company	
Notes	Interest rates applicable	2021 R'000	2020 R'000	2021 R'000	2020 R'000	
Variable rate instruments						
Assets						
Cash and cash equivalents	16	Daily call rates	38 293	28 595	208	2 312
Liabilities						
Bank overdrafts	16	Prime +2.25%	18 555	15 623	-	-

Foreign exchange risk

The group is exposed to foreign exchange risk to the extent that it, and its manufacturers, imports raw materials used to manufacture jewellery and inventory for the Jewellery and Watch Division and inventory for the Food Division. In the prior year the Food Division Domino's Pizza royalties are foreign currency denominated. These purchases are denominated mainly in US Dollar and Euro. The liabilities are settled in one of these foreign currencies.

The foreign exchange risk as a result of COVID-19 did not have a significant impact on the group as the group managed its imports during the lock down period. Subsequent to the lock down the foreign exchange rates turned to normalise levels.

		Group		Company	
		2021 R'000	2020 R'000	2021 R'000	2020 R'000
Trade and other payables – Euro		738	2 444	-	-
Trade and other payables – US Dollar		347	957	-	-
Trade and other payables – Swiss Franc		107	957	-	-
Trade and other payables – British pound		13	957	-	-
Total		1 205	3 401	-	-

Exchange rates used for conversion of foreign items were: USD15.01 (2020: USD15.5), Euro 18.08 (2020: Euro 17.05), Pound 21.03 (2020: Pound 20.08) and Swiss Franc 16.61 (2020: Swiss Franc 16.22) at the end of 2021.

If the foreign exchange rates change by R1 and were applied to the outstanding balances as at 28 February 2021, with all other variables held constant, the impact on post-tax profits would be R66 982 (2020: R205 085).

Credit risk

Credit risk is the risk of financial loss to the group if a counterparty to a financial asset fails to meet its contractual obligations. Credit risk arises on cash and cash equivalents, trade and other receivables and other financial assets and loans to group companies. The group only deposits cash with major banks with high-quality credit standing and limits exposure to any one counterparty. Trade and other receivables mostly comprise trade debtors, royalties and marketing fees receivable from franchisees. Management evaluates credit risk on a group and individual customer basis.

The credit risk is assessed on an on-going basis to assess the performance of credit facilities extended taking into account past experience and knowledge including, the financial position of the borrower, industry and economic factors impacting the borrower, past breaches and defaults, ability to pay, probability of default and expected credit losses.

The information is used to determine the probability of default, loss given default and the exposure given default. Where credit terms are not adhered to, an assumption is made that there will be an element of default and an appropriate credit loss is applied to the amount outstanding. Assumptions used are supported by the information obtained and are assessed on a regular basis.

Changes in risk are factored into our assumptions and determination of expected credit losses. The expected loss rates are based on the group's historical credit losses up to the period end. The historical loss rates are then adjusted for current and forward-looking information on macro-economic factors affecting the groups customers. These include assessment of changes in repayment capability of debtors, future profitability and financial position as well as business forecasts. The value of inventory kept by franchisees are monitored to ensure that it adequately covers the outstanding debt. Given the impact of COVID-19, payment terms and credit awarded to franchisees is closely monitored. No breaches nor default events have occurred during the year.

In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Notes to the annual financial statements continued

for the year ended 28 February 2021

36. RISK MANAGEMENT continued

The following table represents the group's and company's exposure to credit risk:

	Notes	<1 year R'000	1 – 2 years R'000	2 – 5 years R'000	More than 5 years R'000	Total R'000
Group 2021						
Net investment in finance lease	10	517	–	714	–	1 231
Other financial assets	11	571	–	–	–	571
Trade and other receivables	15	21 819	–	–	–	21 819
Cash and cash equivalents	16	38 293	–	–	–	38 293
Total		61 200	–	714	–	61 914
Company 2021						
Loans to group companies	9	205 350	–	–	–	205 350
Trade and other receivables	15	241	–	–	–	241
Cash and cash equivalents	16	208	–	–	–	208
Total		205 799	–	–	–	205 799
Group 2020						
Net investment in finance lease	10	1 163	2 284	–	–	3 447
Other financial assets	11	122	–	–	–	122
Trade and other receivables	15	27 745	–	–	–	27 745
Cash and cash equivalents	16	28 595	–	–	–	28 595
Total		57 625	2 284	–	–	59 909
Company 2020						
Loans to group companies	9	204 001	–	–	–	204 001
Trade and other receivables	15	392	–	–	–	392
Cash and cash equivalents	16	2 312	–	–	–	2 312
Total		206 705	–	–	–	206 705

Market Risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates and credit spreads will affect the group's income. The objective of market risk management is to manage and control market risk expenses within acceptable parameters, while optimising the return on risk.

37. CAPITAL MANAGEMENT

The board's policy is to maintain a strong capital base so as to maintain investors', creditors' and market confidence and to sustain future development of the business. The capital base primarily comprises equity. As a result, the board reviews its total capital employed on a regular basis and makes use of several indicative ratios which are appropriate to the nature of the group's operations and consistent with conventional industry measures. The principal ratios used in this review process are:

- gearing, defined as interest-bearing borrowings, less cash divided by capital employed; and
- return on equity, defined as headline earnings divided by average capital employed.

The debt/equity ratio for the group is 15%.

The group's approach to capital management during the year changed taking into account the state of the business and views equity as the most appropriate funding mechanism.

Notes to the annual financial statements continued

for the year ended 28 February 2021

38. LOSS AND HEADLINE LOSS PER SHARE

The below relates to continuing operations after adjusting for discontinued operations.

	2021 Cents	2020 Cents
Loss per share	(160.1)	(1 965.9)
Diluted loss per share	(160.1)	(1 965.9)
Headline loss per share	(80.3)	(941.9)
Diluted headline loss per share	(80.3)	(941.9)

	R	R
Loss per share is calculated on the loss for the group	(35 528 000)	(436 222 000)
Headline loss per share is calculated on headline losses	(17 821 000)	(208 999 592)

	Number	Number
Weighted average number of ordinary shares	22 190	22 190

The weighted average number of shares is calculated after taking into account the effect of setting off 25 314 (2020: 2 531 443) treasury shares held by the The Taste Holdings Share Trust against the issued share capital.

	2021 R	2020 R
Diluted headline loss per share is based on basic losses	(35 528 000)	(436 222 000)
Diluted headline loss per share is based on diluted headline losses	(17 821 000)	(208 999 592)

The share options shares have not been included in the weighted average number of shares used to calculate the diluted loss per share as they are anti-dilutive. These options are disclosed in note 33 and are anti-dilutive because of the loss position of the group.

	Number	Number
Weighted average diluted shares in issue	22 285	22 285

Weighted average diluted shares is calculated after taking into account the effect of the possible issue of 67 594 (2020: 95 699) ordinary shares in the future relating to the share option scheme and the no par value portion rights issue. The share option scheme shares have not been included in the Weighted average number of shares used to calculate the diluted loss per share or the diluted headline loss per share as they are anti-dilutive. These options and shares are disclosed in note 33 and are anti-dilutive because of the loss position of the Group.

The headline loss has been calculated in accordance with Circular 1/2019 issued by the South African Institute of Chartered Accountants.

	2021		2020	
	Gross R'000	Net R'000	Gross R'000	Net R'000
Headline loss has been computed as follows:				
Loss attributable to ordinary shareholders	–	(35 528)	–	(436 222)
Loss on sale of property, plant and equipment	45	32	5 308	3 822
Loss on sale of business	–	–	70 242	70 242
Impairment of goodwill	–	–	33 119	33 119
Impairment of intangibles	–	–	27 404	27 404
Impairment of right of use of asset	17 675	17 675	29 581	29 581
Impairment of property, plant and equipment	–	–	63 054	63 054
Headline loss		(17 821)		(209 000)

Notes to the annual financial statements continued

for the year ended 28 February 2021

39. GAINS AND LOSSES ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES PER CATEGORY

The following table represents the total net gains or losses for each category of financial assets and financial liabilities:

	Notes	Financial assets at amortised cost R'000	Financial liabilities at amortised cost R'000	Total R'000
Group 2021				
Interest received	25	492	–	492
Finance cost	26	–	(4 493)	(4 493)
Expected credit loss	15	(200)	–	(200)
Total		292	(4 493)	(4 201)
Company 2021				
Interest received	25	6	–	6
Finance cost	26	–	(3 583)	(3 583)
Total		6	(3 583)	(3 577)
Group 2020				
Interest received	25	5 272	–	5 272
Finance cost	26	–	(18 173)	(18 173)
Total		5 272	(18 173)	(12 901)
Company 2020				
Interest received	25	2 661	–	2 661
Finance cost	26	–	(1 807)	(1 807)
Impairment of financial assets	29	(432 780)	–	(432 780)
Total		(430 119)	(1 807)	(431 926)

40. GOING CONCERN

COVID-19 and the national lockdown had a significant impact on our business as all our stores were closed from 27 March 2020 to end 31 May 2020.

Performance since re-opening of the stores was closely monitored given the uncertainty introduced by COVID-19 pandemic. We are fortunate that the actual performance exceeded our COVID-19 forecast. Our future financial projections and recovery takes into account the impact of COVID-19 and are validated and compared to relevant retail and economic information that are presented by other retailers, banks and other bodies including the landlords. Our projections have been stress tested and we have secured the required funding lines to support the business based on these projections.

We are monitoring and assessing our financial performance and projections closely based on trading information in order to assess the reasonableness and accuracy of our assumptions. Our focus continues to be recovery in the short to medium term post the impact of COVID-19.

Based on our post COVID-19 performance and forward financial projections the directors support that the group will continue as a going concern for the 12 months ended 28 February 2022.

41. CONTINGENCY

No contingencies to disclose.

42. SUBSEQUENT EVENTS

The board has approved an agreement with the Landlord of the Midrand food production facility whereby Luxe Holdings Limited will be released of an R18,5 million liability, in respect of a lease which Luxe Holding Limited guaranteed. The landlord has accepted a purchase offer, the final sale of the property pending meeting the conditions of the agreement.

Further to the monitoring and assessment noted in the going concern note the Board has further reviewed the group's and company's position and operations, both at and after year end, and assessed that no adjustment was required to the consolidated and separate annual financial statements in respect of the COVID-19 pandemic. The event therefore is not an adjusting event.

Besides the above, the board is not aware of any significant matter or circumstances arising since the end of the financial year which significantly affect the financial position of the company or the results of its operations to the date of this report.



Shareholders' analysis

for the year ended 28 February 2021

	Number of shareholdings	%	Number of shares	%
Shareholder spread				
1 – 999 shares	3 342	88.93	366 453	1.65
1 000 – 9 999 shares	321	8.54	920 540	4.14
10 000 – 99 999 shares	81	2.16	2 340 369	10.54
100 000 shares and over	14	0.37	18 587 627	83.67
Total	3 758	100.00	22 214 989	100.00

Distribution of shareholders

Banks/brokers	26	0.69	16 233 788	73.08
Close corporations	20	0.53	24 418	0.11
Endowment funds	7	0.19	1 174 293	5.29
Individuals	3 567	94.92	2 928 123	13.18
Insurance companies	1	0.03	153 770	0.69
Mutual funds	6	0.16	491 222	2.21
Other corporations	8	0.21	125 223	0.56
Private companies	49	1.30	501 694	2.26
Public companies	3	0.08	5 500	0.02
Share trusts	1	0.03	7 850	0.04
Trusts	70	1.86	569 108	2.56
Total	3 758	100.00	22 214 989	100.00

Public/non-public shareholders

Non-public shareholders	11	0.29	14 602 067	65.73
Directors and Associates of the company	4	0.11	186 106	0.84
Share trust	1	0.03	7 850	0.04
Eldon Trust	1	0.03	1 657 241	7.46
Strategic holdings (more than 10%)	5	0.13	12 750 870	57.40
Public shareholders	3 747	99.71	7 612 922	34.27
Total	3 758	100.00	22 214 989	100.00

Beneficial shareholders holding 2% or more

Protea Asset Management LLC. Riskowitz Capital Management LLC. Snowball Wealth. Midbrook Lane (Pty) Ltd & Conduit Capital			12 750 870	57.40
Eldon Trust			1 657 241	7.46
Rand Group			1 620 278	7.29
Aaron Beare Foundation			891 278	4.01
PSG Konsult			491 072	2.21
Total			17 410 739	78.37



JSE performance

at 28 February 2021

Opening price (cents)	200
Closing price (cents)	120
High for the year (cents)	400
Low for the year (cents)	40
Volume of shares traded during the year	5 324 258
Value of shares traded during the year (R)	9 514 924
Shares in issue	22 214 989
Market capitalisation (R)	26 657 986



Corporate information

LUXE HOLDINGS LIMITED

(Formerly Taste Holdings Limited)
Incorporated in the Republic of South Africa
(Registration number 2000/002239/06)
JSE code: LUX
ISIN: ZAE000286035

DIRECTORS

N Siyotula (Chairperson)*#
DJ Crosson (Chief Executive Officer)
H van Eeden (Chief Financial Officer)
LCH Chou *
C le Grange *#
AJ Maizey*
L McCrae*#
L De Swardt*#

* Non-Executive
Independent

TRANSACTION ADVISER AND SPONSOR

PSG Capital Proprietary Limited
(Registration number 2006/015817/07)
1st Floor, Ou Kollege
35 Kerk Street
Stellenbosch, 7600
(PO Box 7403, Stellenbosch, 7599)

and

2nd Floor, Building 3
11 Alice Lane
Sandhurst
Sandton, 2196
(PO Box 650957, Benmore, 2010)

COMPANY SECRETARY

CIS Company Secretaries (Pty) Limited
A Kodisang

REGISTERED ADDRESS OF LUXE

1st Floor Atrium on 5th
Sandton City Mall
Cnr 5th and Rivonia
Gauteng, 2196

DATE AND PLACE OF INCORPORATION

7 February 2000
South Africa

TRANSFER SECRETARIES

Computer Investor Services Proprietary Limited
(Registration number 2004/003647/07)
Rosebank Towers
15 Biermann Avenue
Rosebank
Johannesburg 2196
(Private Bag X9000, Saxonwold, 2132)



LUXE

HOLDINGS

LUXEHOLDINGS.CO.ZA