



LABAT AFRICA LIMITED

Incorporated in the Republic of South Africa

(Registration number 1986/001616/06)

JSE code: LAB ISIN: ZAE000018354

("Labat" or "the Group")

**REVIEWED PROVISIONAL CONDENSED CONSOLIDATED FINANCIAL RESULTS FOR THE YEAR ENDED
31 AUGUST 2016**

During 2015, the Group changed its year end from February to August. The previous financial year therefore only constitutes operations for six months period ended 31 August 2015. As a result, the comparative figures for the year ended 31 August 2016 may not be fully comparable and thus the results for the year ended 28 February 2015 have also been included in this announcement.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	12 months ended 31 August 2016 R'000 Reviewed	6 months ended 31 August 2015 R'000 Audited	12 months ended 28 February 2015 R'000 Audited
Revenue	14 312	7 460	12 127
Cost of sales	(6 728)	(2 429)	(3 909)
Gross profit	7 584	5 031	8 218
Other income	5 085	673	2 606
Operating expenses	(12 414)	(8 406)	(9 419)
Operating profit/(loss)	255	(2 702)	1 405
Investment revenue	171	5	13
Finance costs	(59)	(3)	(398)
Profit/(loss) before taxation	367	(2 700)	1 020
Taxation	8 030	-	-
Profit/(loss) from continuing operations	8 397	(2 700)	1 020
Discontinued operations			
Profit from discontinued operations	-	138	404
Taxation – discontinued income	-	-	-
Profit/(loss) for the period	8 397	(2 562)	1 424
Other comprehensive loss for the year net of taxation	343	-	-
Total comprehensive income/(loss) for the period	8 740	(2 562)	1 424
Attributable to:			
Owners of the parent:			
Profit/(loss) for the period from continuing operations	8 397	(2 700)	1 020
Profit for the period from discontinuing operations	-	138	404
Income/(loss) for the year attributable to owners of the parent	8 397	(2 562)	1 424

	12 months ended 31 August 2016 R'000 Reviewed	6 months ended 31 August 2015 R'000 Audited	12 months ended 28 February 2015 R'000 Audited
Per share information:			
Earnings/(loss) and diluted earnings/(loss) per share:			
From continuing operations			
Basic and diluted earnings/(loss) per share (cents)	0,14	(1,05)	0,42
From discontinued operations			
Basic and diluted earnings per share (cents)	-	0,05	0,17
Total earnings/(loss) per share			
Basic and diluted earnings/(loss) per share (cents)	0,14	(1,00)	0,59
Headline earnings/(loss) and diluted headline earnings/(loss) per share			
From continuing operations			
Basic and diluted earnings/(loss) per share (cents)	0,14	(1,05)	0,40
From discontinued operations			
Basic and diluted earnings per share (cents)	-	0,05	0,21
Total earnings per share			
Basic and diluted earnings/(loss) per share (cents)	0,14	(1,00)	0,61
Share information			
	('000)	('000)	('000)
Weighted average shares in issue	255 992	255 992	216 446
Shares in issue at year end	255 992	255 992	255 992
Headline earnings reconciliation:			
Profit/ (loss) attributable to shareholders of the group	8 397	(2 700)	1 020
Profit/ (loss) on the sale of fixed assets	-	-	(38)
Headline earnings/ (loss) attributable to shareholders of the group	8 397	(2 700)	982

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 August 2016 Reviewed R'000	31 August 2015 Audited R'000	28 February 2015 Audited R'000
ASSETS			
Property, plant and equipment	1 176	92	35
Deferred taxation	7 896	-	-
Non-current assets	9 072	92	35
Inventories	3 142	3 448	2 589
Loans to shareholders	145	2 313	2 011
Other financial assets	10	10	10
Trade and other receivables	1 881	1 587	881
Cash and cash equivalents	9 280	14 189	16 458
Current Assets	14 458	21 547	21 949
Total Assets	23 530	21 639	21 984
EQUITY AND LIABILITIES			
Share Capital	2 111	2 111	2 111
Share premium	56 795	56 795	56 795
Reserves	343	-	-
Accumulated loss	(52 621)	(61 018)	(58 456)
Equity	6 628	(2 112)	450
Loans from directors and shareholders	284	387	387
South African Revenue Services liability	4 180	9 471	8 674
Trade and other payables	3 515	4 530	3 256
Provisions	8 923	9 363	9 212
Bank overdraft	-	-	5
Current Liabilities	16 904	23 751	21 534
Total Equity and Liabilities	23 530	21 639	21 984
Number of shares in issue ('000)	255 992	255 992	255 992
Total Net Asset /(Liability) Value per share (cents)	2,59	(0,83)	0,17

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	12 months ended 31 August 2016 Reviewed R'000	6 months ended 31 August 2015 Audited R'000	12 months ended 28 February 2015 Audited R'000
Net flow from operating activities	(3 804)	(2 691)	21 324
Net flow from investing activities	(669)	(68)	33
Net flow from financing activities	(435)	495	(5 924)
Net (decrease)/increase in cash	(4 909)	(2 264)	15 433
Cash at beginning of period	14 188	16 452	1 019
Cash at end of period	9 280	14 188	16 452

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital R'000	Share premium R'000	Total share capital R'000	Non distributable reserves/ revaluations R'000	Accumulated loss R'000	Total equity R'000
Balance at 28 February 2015						
- Audited	2 111	56 795	58 906	-	(58 456)	450
Loss for the period	-	-	-	-	(2 562)	(2 562)
Balance 31 August 2015						
- Audited	2 111	56 795	58 906	-	(61 018)	(2 112)
Profit for the year	-	-	-	-	8 397	8 397
Gains on plant and machinery revaluation	-	-	-	343	-	343
Balance 31 August 2016 - Reviewed	2 111	56 795	58 906	343	(52 621)	6 628

SEGMENT INFORMATION

	12 months ended 31 August 2016 Reviewed R'000	6 months ended 31 August 2015 Audited R'000	12 months ended 28 February 2015 Audited R'000
Technology			
External sales	13 618	7 460	12 127
Inter segmental revenue	-	250	257
Other Operations (including logistics)			
External sales	693	-	-
Inter segmental revenue	250	-	-
Adjustments and eliminations	(250)	(250)	(257)
Total revenue from continuing operations	14 311	7 460	12 127
Technology			
Profit for the year before disclosable items	14 366	2 383	3 747
Reversal of Impairment	-	-	4 525
Profit for the year before taxation and discontinued operations	6 336	2 383	8 272
Other Operations (including logistics)			
Profit/ (loss) for the year before taxation and discontinued operations	1 678	(5 083)	(2 727)
Total profit/ (loss) for the year before eliminations, tax and discontinued operations	8 298	(2 700)	5 545
Adjustments and eliminations	726	-	(4 525)
Total Profit/ (loss) for the year before taxation and discontinuing operations	8 740	(2 700)	1 020
SEGMENT ASSETS			
Technology	21 720	31 165	27 322
Other operations (including logistics)	3 580	3 220	2 495
Adjustments and eliminations	(1 770)	(12 746)	(7 833)
Total assets	23 530	21 639	21 984
SEGMENT LIABILITIES			
Technology	(41 410)	(57 583)	(56 260)
Other operations (including logistics)	(12 147)	(21 465)	(15 371)
Adjustments and eliminations	70 461	55 297	50 097
Total liabilities	(16 904)	(23 751)	(21 534)

COMMENTARY

BASIS OF PREPARATION

Statement of compliance

These reviewed condensed consolidated financial statements are prepared in accordance with the framework concepts and the recognition and measurement criteria of International Financial Reporting Standards (IFRS), its interpretations adopted by the International Accounting Standards Board (IASB), the presentation and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council, IAS 34 – Interim Financial Reporting, the Listings Requirements of the JSE Limited and the requirements of the Companies Act of South Africa (Act 71 of 2008), as amended.

The reviewed condensed consolidated financial results are prepared in accordance with the going concern principle under the historical cost basis as modified by the fair value accounting of certain assets and liabilities where required or permitted by IFRS.

All financial information presented in South African Rand has been rounded to the nearest thousand. These condensed consolidated financial statements have been prepared using accounting policies that comply with IFRS. The accounting policies used are consistent with those used in the audited annual consolidated financial statements for the six months ended 31 August 2015.

Review Conclusion

These condensed consolidated financial statements for the period ended 31 August 2016 which were prepared under supervision of the Group's financial director, Mr D.J. O'Neill CA, have been reviewed by Nexia SAB&T, who expressed an unmodified review conclusion. A copy of the auditor's review report is available for inspection at the Company's registered office together with the financial statements identified in the auditor's report.

Results

The total comprehensive profit for the year was R 8 740m as opposed to a loss of R2,562m in the six months to 31 August 2015.

Revenue for the year has increased over the previous comparative yearly figure and is projected to grow in the year ahead, both in the electronic chip segment and the newly established logistics business, currently reflected under other operations in the segment report.

Cost of sales and operating expenses increased substantially due to additional development costs.

The major improvement in the profit for the period has arisen from the recognition of a deferred tax asset of R7,896m, being a portion of the assessed loss of approximately R420m in South African Micro-electronic Systems Proprietary Limited ("SAMES"), more detail of which is set out below.

Going Concern

The board of directors is of the opinion that, having regard to the current status and the future strategy of the Group, the Group has sufficient resources to continue as a going concern. The Group is projecting positive cash flows for the year ahead from existing and new business. Additionally, the Company intends to place a limited number of shares in order to raise a further R9 million in cash in order to fund the working capital growth in the business and position the Company for small but strategic acquisitions. Current assets of R14,458m are substantially more than the core current liabilities of R3,800m as provisions for amounts due to directors and provisions for a SARS disputed liability are not considered current.

SAMES

The SAMES technology business continues to trade profitably. A new generation of products is being developed and is being introduced to the market over the next three years. There is still a demand for the older products but enhanced versions of these products will eventually replace them in a phased manner. All products will be on the 5 micron technology which will give enhanced margins and open new markets for our products.

We have moved to improved premises in a technology park and are recruiting development staff for growth. Manufacturing capacity and quality remain excellent. Capacity for growth is almost unlimited.

The recognition of the deferred taxation asset was based on a five year forecast for the SAMES business and the directors have decided that it is premature to raise the full deferred taxation asset of R117m at this point in time due to the nature of the business and the industry.

Prospects

Prospects for the year ahead are good. The existing business is showing good growth and the new logistics business has commenced in a very positive manner and the Company is already experiencing growth in revenues and it is also growing its network and client base aggressively.

Litigation

The Group has various claims and counter claims made by and against Labat which have risen in the normal course of business as previously disclosed, including a claim by an erstwhile partner, GEM Global Yield Fund LLC SCS, emanating from our cancellation of their facility offer. Labat is vigorously defending this claim and our attorneys are about to issue a substantial counter claim. These matters are being dealt with by the Company's attorneys. No material changes to litigations has occurred from the prior year except for the following:

Labat has concluded the SARS matter related to the disputed PAYE assessments. The company has concluded and settled with SARS on an amount of R1,2million.

Post Balance Sheet events

There are no significant post Balance Sheet events.

Acquisitions, Disposals, Share Issues and Repurchases

There were no disposals, share issues or share repurchases during the period under review.

As announced on SENS during March 2016, Labat decided not to pursue the proposed acquisition of Reinhardt Transport Group Proprietary Limited, in the best interest of Labat shareholders. It was further announced on 5 May 2016 that negotiations relating to the proposed acquisitions of Senna Motors Proprietary Limited and Marble Vervoer (Edms) (Bpk) were terminated following the completion of due diligence exercises.

New Strategy and Initiatives

As announced on 30 August 2016, Labat is continuing with its strategy of building a major BEE Logistics group. The Company has had discussions with various parties to secure logistics capacity through small acquisitions, joint ventures and sub contract agreements. The market is very supportive of the creation of a black-owned logistics group and indications are that substantial work is available to Labat.

Labat has won its first logistics work and deployed its first vehicles for a large mining company during August 2016 and the intention is to grow this contract and also secure other customers.

Share Capital

There have been no changes in the Company's issued and authorised share capital during the period.

Changes to the Board

There were no changes to the board during the period under review.

Dividends

No dividend has been declared for the period under review (August 2015: Rnil).

Financial instruments

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The carrying amount of all significant financial instruments approximates the fair value, except for the item listed below:

Category	Opening value R'000	Fair value adjustment R'000	Closing value R'000	Fair value hierarchy
Plant and equipment	833	343	1 179	Level 3

Financial risk management and fair value

There has been no material change in the Group's financial risk management objectives and policies compared to those disclosed in the consolidated financial statements as at and for the year ended 31 August 2015.

The Group does not currently carry any assets or liabilities at fair value which required any disclosure on its fair value measurement, other than those disclose above.

For and on behalf of the board.

B G VAN ROOYEN
CEO

D O'NEILL
FINANCIAL DIRECTOR

30 November 2016
Directors

B. van Rooyen*, D.J O'Neill*, R. Majiedt^, B. Jacobs^, D Asmal^
Executive*, Independent non-executive^

Company Secretary: Arbor Capital Company Secretarial Proprietary Limited

Registered Address: 23 Kroton Avenue, Weltevreden Park, 1709

Sponsor: Arbor Capital Sponsors Proprietary Limited

Transfer Secretary: Computershare Investor Services Proprietary Limited
