THE POWER TO DELIVER

LABAT
AFRICA LIMITED

INTEGRATED REPORT OF THE COMPANY AND ITS SUBSIDIARIES

for the twelve months ended 31 August 2017

LABAT AFRICA

Mission and Principal Objectives

Labat Africa prides itself in, and dedicates itself to it's mission:

"THE POWER TO DELIVER"

THE PRINCIPAL OBJECTIVES OF THE GROUP ARE:

"To succeed in our Mission by establishing and maintaining a corporate image as market leaders in the provision and delivery of quality management, business and retail services to commerce, industry, national and local government, the international market and all other organisations and individuals having a need for such services.

and

"To take advantage of this corporate image by profitably expanding the business of the group and ensuring a fair return on the capital invested by Labat Africa and the general public in the company, and appropriate rewards for all professionals and other workers employed in it's operations."

"THE POWER TO DELIVER"

Labat Africa Limited
(Registration number 1986/001616/06)
Consolidated and Separate Annual Financial Statements for the year ended 31 August 2017
These consolidated and separate annual financial statements were internally compiled by:
David O'Neill
Financial Director
These consolidated and separate annual financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.

CONTENTS

The following reports and financial statements for the Company and the Group are presented:

CHIEF EXECUTIVE'S REPORT AND REVIEW OF OPERATIONS

Results

The directors of Labat ("Board") are pleased to announce a profit of R4, 642m for the year ended 31 August 2017.

Revenue increased substantially to R52.0m for the year ended 31 August 2017 from R14, 3m in the year ended 31st August 2016. This substantial increase is primarily due to revenue generated in the logistics business, which was only started in August 2016. This is a major achievement for a start-up business and revenue generation has continued to grow in the subsequent quarter. The Company has won some attractive new logistics contracts. Cost of sales similarly increased in relation to the logistics business. Gross profit increased to R11.4m from R7.5m. Whilst the gross margin percentage from the logistics segment is lower than that of the SAMES electronic chip business, the growth in the logistics business has been exponential.

Other income has dropped to R1m for the year under review from R5.0m in the prior year. In the prior year R3.2m of the R5.0m related to VAT liabilities that were waived. Operating expenses were relatively well contained with an increase to R14.3m from R12.4m from the prior year, despite substantial start- up costs, which had to be absorbed for the logistics business. The group made a small operating loss of R1.9m for the year compared to the a small operating profit in the prior year, primarily due to Other Income being R4m higher in the prior year.

The Company realised R6.5m (2016: R171k) of investment revenue in the current year, which arose from interest receivable from overdue SARS receivables. Finance costs of R493k were higher during the year under review due to invoicing facilities taken out during the year to assist with the rapid growth of the logistics business.

Profit before taxation of R4.1m was achieved for the year ended 31 August 2017 against the prior year of R367k, whilst the taxation credit in the prior year was substantially higher due to the raising of a deferred taxation asset on a portion of the assessed losses in SAMES. This resulted in profit after taxation of R4.6m in the current year compared to R8.4m in the prior year.

During the current year, intangible assets of R1.4m arose from the capitalisation of development costs of energy measurement devices by SAMES. Trade and other receivables showed a substantial increase to R18.6m from R1.9m due to the commencement of the logistics business. Trade and other payables showed a similar quantum growth to R22.8m from R3.5m. Amounts receivable from SARS of R3.1m arose mainly as a result of interest receivable on overdue SARS receivables.

The improved performance of the group has also led to the net asset value of the group increasing by 82% to 4.73 cents per share.

SAMES

SAMES continues to trade profitably. Development of new products is ongoing and management are confident that its 10-year plan will yield positive growth for the Group. In addition, SAMES has embarked on its next development phase which entails the recruitment of highly skilled development engineers and support staff to support the Group's growth strategy.

Logistics

Labat has started its own Logistics business which commenced in August 2016 and this business is doing very well. We have made small trading profits each month since commencement which is extraordinary for a start-up. This business is continuing to improve on a monthly basis. Through our BEE certification we have managed to secure some excellent work. We trying to maintain our margins and it seems to be working well. We have also received additional work from Glencore and Sasol.

New Strategy and Initiatives

As announced on 30 August 2017, 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.

CHIEF EXECUTIVE'S REPORT AND REVIEW OF OPERATIONS

Going Concern

The Board 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 its existing and new business.

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. One of these, a claim by GEM Global Yield Fund LLC SCS was dismissed and costs were awarded to Labat. These matters are being dealt with by the Company's attorneys. No material changes to litigation have occurred since the previous year.

Post Balance Sheet Events

Labat has acquired a 55% shareholding in Labat Kufika Logistics a new logistics business with effect from 1 September 2017.

Acquisitions, Disposals, Share Issues and Repurchase

There were no acquisitions concluded by the Company during the year under review.

Dividends

No dividend has been declared for the period under review (August 2017: Rnil).

Prospects

Prospects for the year ahead are excellent. With the exponential growth of the newly established logistics business, the Board is of the view that the Group is well-positioned to explore greater opportunities and use current resources to broadly diversify the Group's logistics strategy, which includes a seamless franchising model.

Thanks

I take this opportunity to thank all my colleagues on the Board and our dedicated management team and staff for their contribution during the year.

Brian van Rooyen
CHIEF EXECUTIVE OFFICER

28 February 2017

FINANCIAL HIGHLIGHTS

Group Summary

	2017 August R'000	2016 August R'000
Key elements		
Continuing operations		
Revenue	52 010	14 312
Operating income/(loss) before interest, taxation and depreciation & amortisation	(1 890)	316
Headline earnings/(loss)	4 642	8 396
Total comprehensive income	**4 642**	**8 739**
Share performance		
Continuing operations		
Headline earnings/(loss) per share (cents)	1.79	3.28
Net asset/(liability) value per share (cents)	4.72	2.59
Total number of shares in issue (000)	**259 202**	**259 202**
Market price (cents per share)		
- opening (1 September 2015)	28	114
- high	50	156
- low	15	18
- closing – end of period	45	28
Closing market capitalisation (R'000)	117 946	72 577
Volume of shares traded (000)	43 023	108 135
Total value of transactions (R'000)	**19 300**	**114 393**
Average price per share (cents per share)	40 021	105
Employee information		
Total number of employees	25	23
Previously disadvantaged employees	11	10

ANALYSIS OF SHAREHOLDERS

Labat's shareholder spread as at 31 August 2017 is set out below:

Category	No. of Shareholders	No. of Shares	% Holding
Companies and Other Institutions	63	196 005 260	74.79%
Close Corporations	10	4 792 476	1.83%
Trusts	19	2 752 823	1.05%
Individuals	841	58 538 363	22.34%
Total	**933**	**262 088 922**	**100.00%**

Size of Shareholding	No. of Shareholders	No. of Shares	% Holding
1 - 10 000	671	1 381 666	0.53%
10 001 - 25 000	81	1375 498	0.52%
25 001 - 100 000	82	4 659 657	1.78%
100 001 - 500 000	109	16 674 350	6.36%
500 001 and over	34	237 997 751	90.81%
Total	**977**	**262 088 922**	**100.00%**

Public vs. Non-Public	No. of Shares	% Holding
Shareholders holdings more than 10% of total issued capital		
Link Private Equity and Investments (Pty) Ltd	105 029 815	40.07%
Directors and Associates	-	-
Public	157 059 107	59.93%
Total	**259 202 297**	**100.00%**

Shareholders holding more than 4% of the issued share capital

Shareholder	No. of Shares	% Holding
Link Private Equity and Investments (Pty) Ltd	105 029 815	40.07%
RMB Securities (Pty) Ltd	19 387 788	7.40%
Industrial Development Corporation	10 834 686	4.13%
Total	**135 252 289**	**51.61%**

CORPORATE GOVERNANCE AND SUSTAINABILITY REPORT

for the period ended 31 August 2017

INTRODUCTION

The Directors are pleased to present the Group's sustainability report to stakeholders. Labat's sustainability efforts are a continuous process through which the Group aims to move closer to the goals of sustainable development and to demonstrate its commitment to those goals. The Board has appointed a champion at director level, the Chief Executive Officer, to drive this process in conjunction with rolling out the acquisition strategy of the Group. As can be expected this is a major task and for this reason Labat has decided to adopt a staggered approach. The Board strives to broaden and deepen the contents of this report over a period of time. This will be done in conjunction with the Groups stakeholders to ensure meaningful, understandable and useful information is available on a timely basis, thus achieving true transparency and building a trusting relationship with all stakeholders.

REPORTING SCOPE

The activities of the operations in which Labat has management control are included in this report.

SUSTAINABLE DEVELOPMENT STRATEGY

The Company's sustainable development strategy is a matter of the Board and is currently in the process of being formally implemented Annual strategy sessions are held in addition to the four quarterly board meetings. The annual strategy sessions are used as a platform by the Board for the purpose of reviewing the Company's sustainable development.

The 2017 annual strategy session was held post the 2016 financial year end on 7 February 2017 at which the Board discussed the Company's growth strategy at length, with a core focus on the logistics sector in line with the company's logistics business plan. The board will evaluate Labat's sustainable development strategy during the course of 2018 at one of the scheduled quarterly board meetings.

CORPORATE GOVERNANCE

The Group subscribes to the values of good corporate governance at all levels and is committed to conducting business with discipline, integrity and social responsibility.

In terms of the Listings Requirements of the JSE, the Group was required to report in respect of King III Report on Corporate Governance ("King III") for its financial period ended 31 August 2017, on the extent to which it has complied with the principles as set out in King III. The Board is firmly committed to promoting Labat's adherence to the principles contained in the Code of Corporate Practices and Conduct as set out in the King III.

Shareholders are further advised that subsequent to the financial year ended 31 August 2017 the JSE has adopted the fourth King Report on Corporate Governance ("King IV") into the JSE Listings Requirements and has replaced King III. The Directors are comitted to adhearing to King IV principles, which will be constantly reviewed and implemended in a phased manner. The company's extent of compliance with King IV is disclosed in this integrated annual report. The Directors have always been committed to the implementation of the principles. Non-compliance is limited to the matters listed in this report.

INTERNAL AUDIT

The Group does not have an internal audit function. Currently the size and nature of the operations of the Group does not warrant an internal audit function. However, the Board in conjunction with the Audit and Risk Committee, continually assesses the need to establish an internal audit department as the Group's operations increase. During the period the Board has taken responsibility to ensure that an effective governance, risk management and internal control environment has been maintained.

FINANCIAL STATEMENTS

In terms of the Companies Act, 71 of 2008 ("Companies Act"), the Directors are responsible for the preparation, integrity and fair representation of the financial statements of Labat. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the International Standards on Auditing, the JSE Listings Requirements and in the manner required by the Companies Act.

The Group has implemented internal control systems designed to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard the accountability of its assets. Management has sound reporting facilities which are utilised within the Group. Monthly management reports are reviewed by management against budgets and past performances.

BOARD OF DIRECTORS

As at the date of this report there were three independent non-executive members of the Board. Meetings of executive directors

CORPORATE GOVERNANCE AND SUSTAINABILITY REPORT

for the period ended 31 August 2017 (Continued)

are held at regular intervals with regard to the running of day to day operations in addition to quarterly meetings of the full Board.

The composition of the Board is set out below:

Executive

BG van Rooyen (Chief Executive Officer)
DJ O'Neill (Financial Director)

Independent Non-executive

RM Majiedt (Independent Non-Executive Chairperson)
R Mohamed (Independent Non-Executive Director)
BA Penny (Independent Non-Executive Director)

DIRECTORS PROFILE

Brian George van Rooyen, (57) NHD (Accounting) CFA

Brian is a practising member of the Institute of Certified Public Accountants in South Africa. He has more than 25 years of business experience and during this time he held various positions in Industry including directorships of SBDS, Italtile, Square One Solutions, SAFDICO, Leeuw Mining as well as a number of positions within the Labat Group of Companies.

David John O'Neill, (70) FCA (IRL) Chartered Accountant

David is a Chartered Accountant with over 30 years of commercial experience gained internationally in a variety of industries both in the financial field and in general management. Prior to joining Labat, David served as a Consulting Director for a large Management Consulting practice where he engaged in a variety of investigations and consulting assignments.

David qualified as a Chartered Accountant in 1973, becoming a Fellow of the Institute of Charted Accountants of Ireland in 1983. He subsequently embarked on a successful career in Finance, General Management and Consulting. This experience has enabled him to acquire comprehensive knowledge and practice of the financial marketing and broad general management skills.

Rowena Mandy Majiedt (55) B. Com

A qualified Mathematics teacher, obtained her High Diploma in Education from the then Bellville College of Education and is currently studying towards a B. Com degree through the University of South Africa.

Rowena is a member of Electus Training and Development CC (a Training and Skills Development Corporation), Deputy Chairperson of NCEDA (Northern Cape Economic Development Agency), and the owner of MacDougall Lodge (an accommodation establishment) situated in Kimberley.

Rowena is also a shareholder in Goldfields' South Deep Mine through a Women's' Empowerment group. From 2002 to 2009, Rowena was the only female director of Ekapa Mining, and was also the HR Manager, for 350 employees, at Ekapa Mining from 2003 to 2005.

Rustum Mohamed (54)

Rustum has had over 30 years business experience as a director, Marketer and Business Development manager for a variety of prestigious organisations, including, Investment South Africa, Wesgro and The Eastern Cape Development Corporation.

Beverley Anne Penny (60) BA, B. Proc, LLB

Beverly is an admitted attorney and registered master tax practitioner. She obtained her BA Degree majoring in Law and Political Science at the University of Witwatersrand, B. Proc and LLB Degrees at UNISA as well a Higher Diploma in Tax Law at the University of Johannesburg.

She brings wealth of legal and tax experience to the Board and Audit and Risk Committee.

CORPORATE GOVERNANCE AND SUSTAINABILITY REPORT

for the period ended 31 August 2017 (Continued)

ROLE OF DIRECTORS

All Board members ensure that appropriate governance procedures are adhered to and there is a clear division of responsibilities at Board level to ensure a balance of power and authority so that no one individual has unfettered powers of decision making.

The role of chairman and CEO are not held by the same Director. The chairperson is an independent non-executive Director.

Board and Audit and Risk Committee meetings have been taking place periodically and the Executive Directors manage the daily Group operations with the Executive Committee meetings taking place on a monthly basis.

The Board is responsible for effective control over the affairs of the Group, including: strategy and policy decision-making, financial control, risk management, communication with stakeholders, internal controls and the asset management process. Although there was no specific committee tasked with identifying, analysing and reporting on risk during the financial year, this nevertheless forms part of the everyday functions of the Directors and was managed at Board level.

Directors are entitled, in consultation with the Chairperson to seek independent professional advice about the affairs of the Group, at Labat's expense.

BOARD AND BOARD COMMITTEE MEETINGS

The Board retains overall accountability for the day-to-day management and strategic direction of the Group, as well as for attending to relevant legislative, regulatory and the best practice requirements. Accountability to stakeholders remains paramount in Board decisions, and this is balanced against the demands of the regulatory environment in which the Group operates.

Four Board meetings were held during the twelve months under review as set out below:

Director	22/11/2016	23/5/2017	1/8/2017	21/11/2017
R Majiedt (Chairperson)	Present	Present	Present	Present
DJ O'Neill	Present	Present	Present	Present
BG van Rooyen	Present	Present	Present	Present
B Jacobs (*)	Present	N/A	N/A	N/A
D Asmal (^)	Present	Present	N/A	N/A
R Mohamed (#)	N/A	N/A	Present	Present

(*) At the AGM held on 2 May 2017, B Jacobs was not approved for re-election as a director by shareholders

(^) Resigned on 24 May 2017

(#) Appointed on 30 May 2017

Subsequent to year end Ms Beverley Penny was appointed to the board on 30 November 2017.

To assist the Board in discharging its collective responsibility for corporate governance, a combined Audit and Risk Committee has been established, to which certain of the Board responsibilities have been delegated.

Although the Board delegates certain functions to the Audit and Risk Committee, it retains ultimate responsibility for Audit and Risk Committee activities.

CORPORATE GOVERNANCE AND SUSTAINABILITY REPORT

for the period ended 31 August 2017 (Continued)

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee meets at least twice a year to review its strategy. The Audit and Risk Committee comprises the following members:

Mr Rustum Mohamed (Chairman);
Mrs Rowena Majiedt; and
Ms Beverley Penny.

During the financial year both Mr Brian Jacobs and Mr Dawood Asmal resigned and Mr Rustum Mohamed and Ms Beverley Penny appointed in their stead.

The Audit and Risk Committee has set out its roles and responsibilities within its charter and ensured that it is aligned to good corporate governance principles.

These include:

- The establishment of an Audit and Risk Committee to guide the audit approach, as well as its *modus operandi* and the rules that govern the audit relationship;
- Assess the processes relating to and the results emanating from the Group's risk and control environment;
- Oversee the financial reporting process;
- Evaluate and co-ordinate the external audit process;
- Foster and improve communication and contact with relevant stakeholders of the Group;
- Monitor the compliance of the Group with regulatory requirements and the Group's Code of Ethics;
- Review the independence of the external Auditors; and
- Review of the experience and expertise of the Financial Director.

The Audit and Risk Committee further sets the principles for recommending the external auditors for non-audit services use. The Audit and Risk Committee has satisfied itself of the suitability of the Financial Director, and that the Financial Director holds the necessary expertise and has the relevant experience.

The Audit and Risk Committee together with the Board, further satisfied itself of the suitability of the company secretary, Arbor Capital Company Secretarial Proprietary Limited, and that the company secretary, including its directors and employees holds the necessary expertise, qualifications and has the relevant experience. The company secretary has an arm's length relationship with the Board and is independent of the Board.

Four Audit and Risk Committee meeting were held during the twelve month period under review, with another held post the financial period end as set out below:

Member	22/11/2016	23/5/2017	1/8/2017	21/11/2017
R Majiedt	Present	Present	Present	Present
B Jacobs (*)	Present	Apologies	N/A	N/A
D Asmal (^)	Present	Present	N/A	N/A
R Mohamed (#)	N/A	N/A	Present	Present
By invitation				
BG van Rooyen	Present	Present	Present	Present
DJ O'Neill	Present	Present	Present	Present

(*) At the AGM held on 2 May 2017, B Jacobs was not approved for re-election by shareholders
(^) Resigned on 24 May 2017
(#) Appointed on 30 May 2017

During the financial year both Mr Brian Jacobs and Mr Dawood Asmal resigned and Mr Rustum Mohamed and Ms Beverley Penny appointed in their stead.

CORPORATE GOVERNANCE AND SUSTAINABILITY REPORT

for the period ended 31 August 2017 (Continued)

REMUNERATION COMMITTEE

The Remuneration Committee is empowered by the Board to set short, medium and long-term remuneration for the executive directors. More generally, the committee is responsible for the assessment and approval of a Board remuneration strategy for the Group. The Committee's policy is to meet twice a year to review the strategy.

The Remuneration Committee comprises the following members:

Mrs Rowena Majiedt (Chairperson);
Mr Dawood Asmal; and
Mr Brian Jacobs.

During the financial year both Mr Brian Jacobs and Mr Dawood Asmal resigned and Mr Rustum Mohamed and Ms Beverley Penny appointed in their stead.

One meeting was held for the Remuneration Committee during the twelve months under review and are meeting subsequent to year end as set out below:

Member	22/8/2017	21/11/2017
D Asmal (Chairman) (^)	N/A	N/A
B Jacobs (*)	N/A	N/A
R Majiedt	Present	Present
R Mohamed (#)	Present	Present
By invitation		
BG van Rooyen	Present	Present
DJ O'Neill	Present	Present

(*) At the AGM held on 2 May 2017, B Jacobs was not approved for re-election by shareholders
(^) Resigned on 24 May 2017
(#) Appointed on 30 May 2017

In terms of King IV a Remuneration Report has been adopted and details of this report are on pages 13 to 16 of this Annual Report.

SOCIAL AND ETHICS COMMITTEE

The Social and Ethics Committee comprises the following members, two of whom are non-executive:

R Majiedt (Chairperson);
D O'Neill; and
D Asmal.

During the financial year both Mr Brian Jacobs and Mr Dawood Asmal resigned and Mr Rustum Mohamed and Ms Beverley Penny appointed in their stead.

One Social and Ethics Committee meeting was held during the twelve months under review as set out below:

Member	22/8/2017
R Majiedt (Chairperson)	Present
D O'Neill	Present
D Asmal (^)	N/A
R Mohamed (#)	Present
By invitation	
BG van Rooyen	Present
B Jacobs	Present

(^) Resigned on 24 May 2017
(#) Appointed on 30 May 2017

A more detailed report is available on pages 17 to 19 of this Annual Report.

CORPORATE GOVERNANCE AND SUSTAINABILITY REPORT

for the period ended 31 August 2017 (Continued)

NOMINATION COMMITTEE

The Group currently does not have a nomination committee. In terms of the Labat Terms of Reference, directors are appointed through a formal process and this is a matter of the board as a whole.

New directors appointed to the Board during a year are appointed in accordance with the casual vacancy provisions of Labat's memorandum of incorporation, automatically retire at the next annual general meeting and their re-appointment is subject to the approval of shareholders at such annual general meeting.

On appointment, new directors receive an induction pack, consisting of, *inter alia*, the memorandum of incorporation of the Company, Section 3 of the JSE Listings Requirements relating to continuing obligations of listed companies, minutes of Board meetings for the prior 12 months, resolutions passed during the prior 12 months, all announcements published on SENS in the prior 12 months and an explanation of and copies of directors' declarations of interest.

With the exception of the executive directors, one third of the directors retire by rotation each year and each retiring director is eligible for re-election by shareholders in accordance with the memorandum of incorporation. Directors are required to retire from the Board at age 70. However, the Board can decide that a director continues in office beyond this age.

Due to the size and nature of the business, it is not anticipated that a nomination committee will be established and Board appointments will continue to be addressed by the Board as a whole. However, the Board is conscious of the fact that such a committee might be required in due course.

GOVERNANCE OF INFORMATION TECHNOLOGY ("IT")

The Board is responsible for IT governance as an integral part of the Group's governance as a whole. The IT function is not expected to significantly change in the short term.

The Board intends compiling the required policies and procedures to ensure governance of IT is adhered to in future periods.

INTEGRATED AND SUSTAINABILITY REPORTING

The King IV Code sets out the philosophy, principles, practices and outcomes which serve as the benchmark for corporate governance in South Africa. The King IV Code, which was launched on 1 November 2017, replaced the previous editions of the King Reports, namely the King III Code. The application regime for King IV is "apply and explain" rather than "apply or explain" but has reduced the 75 principles in King III to 17 basic principles in King IV.

The 17 basic principles are detailed under separate cover on page 13 to 21 of this Annual Report and is also available on the company's website, www.labat.co.za

EMPLOYMENT EQUITY

Labat upholds and supports the objectives of the Employment Equity Act 1998 (Act 53 of 1998). Labat's employment policies are designed to provide equal opportunities, without discrimination, to all employees.

PROMOTION OF GENDER AND RACE DIVERSITY

In terms of paragraph 3.84(k) of the JSE Listings Requirements, the Board is required to have a policy on the promotion of gender diversity at Board level. Furthermore, King IV requires a policy on race diversification.

The Board recognizes the need for gender and race diversification and has embraced race diversification from date of listing. Currently three of its five directors are black or coloured two of which are female. A diversity policy has been adopted that embraces gender, race and disabled diversification. A simple policy has been agreed that for future board appointments, female or black candidates will be preferred where qualifications and/or experience are equal.

During the financial year under review Rowena Majiedt was the only female on the board but subsequent to year end Beverley Penny has been appointed to the board.

CODE OF ETHICS

All employees of the Group are required to maintain the highest standards in ensuring that business practices are conducted in a manner, which, in all reasonable circumstances, are above reproach. The values have been embodied in a written Code of Ethics which commits directors and employees to the highest standards of ethical behavior. The code of ethics is in the process of being updated.

CORPORATE GOVERNANCE AND SUSTAINABILITY REPORT

for the period ended 31 August 2017 (Continued)

COMMUNICATION WITH STAKEHOLDERS

The Group is committed to ongoing and effective communication with its stakeholders.

DEALINGS IN SECURITIES

In respect to dealings in securities of Labat, as applied to the Directors and the Company Secretary, the chairperson is required to authorise such dealings in securities, prior to deals being executed. An independent Non-Executive Director is required to authorise the chairperson's dealings in securities. All the Directors and the Company Secretary are aware of the legislation regulating insider trading. A record of dealings by Directors and the Company Secretary is retained by the Company Secretary.

In accordance with the JSE Listings Requirements, the Directors and company secretary are prohibited from dealing in securities during closed and prohibited periods.

There were no dealings by Directors during the period under review.

An associate of Brian van Rooyen and David O'Neill transferred shares to a third party in *lieu* of payment for services rendered. This dealing was announced on the Stock Exchange News Service of the JSE ("SENS") on 27 January 2016.

CLOSED AND PROHIBITED PERIODS

A closed period is implemented by the Board from the date of the end of the reporting period until the Group's results are released on SENS. Additional closed or prohibited periods are enforced as required in terms of any corporate activity or when Directors are in possession of price sensitive information. All the Directors are aware of the legislation regulating insider trading.

TRANSFER OFFICE

Computershare Investor Services Proprietary Limited acts as Transfer Secretary to the Group.

APPLICATION OF KING IV PRINCIPLES

for the year ended 31 August 2017

Labat Africa Limited ("**Labat**" or "**the Company**" or "**the Group**") endorses the governance outcomes, principles and recommended practices contained in the King Report on Corporate Governance 2016 ("**King IV**" or "**King Code**"), which was published on 1 November 2016 and came into effect for companies listed on the JSE Limited ("**JSE**") on 1 October 2017.

The board of directors, which constitutes the governing body of the Company ("**Board**"), satisfied itself that Labat has substantially applied the applicable principles set out in King IV, together with the mandatory corporate governance requirements set out in 3.84 of the Listings Requirements of the JSE, for the year ended 31 August 2017.

King IV advocates an outcomes-based approach towards the achievement of four governance outcomes. A summary of the King IV principles implemented by the Company in meeting those outcomes is set out below. While recommended practices were applied where and to the extent applicable to the business, further enhancements will be made over time in line with the Company's aspirations to continuously improve its corporate governance practices.

This document should be read in conjunction with the 2017 Integrated Report (as cross-referenced below), which is available on the Company's website at www.labat.co.za.

Governance outcome: Ethical culture	
PART 1: Leadership, ethics and corporate citizenship	
Principle 1	**Leadership**
The Board should lead ethically and effectively	The Board is committed to the highest standards of corporate governance. The responsibilities of the Board include providing effective leadership based on an ethical foundation. To this end, the Board is in the process of adopting an updated Code of Ethics which is designed to ensure the effective management of ethics and is applicable to all directors, employees, contractors and other representatives of the Group. The Board and its committees will monitor compliance with the Code of Ethics. Directors have a legal obligation to prevent conflicts of interest with the Company and are obliged to disclose any potential conflicts prior to any consideration or discussion by the Board of such items and are required to recuse themselves from any meetings while such discussions are in progress. Disclosures of other directorships are tabled at the start of each Board meeting and this is a standard agenda item. Practices implemented with regards to the appointment of new directors are included under Principle 7 below. Due to the relatively small size of the company and the board, assessments have not been done. However, it is intended that a performance and effectiveness assessment of the Board, the Audit and Risk Committee, and the Social and Ethics Committee will be performed at least every two years for the Board, and every second year for the committees, and the results of these assessments will be communicated to the Board and its committees.
Governance outcome: Ethical culture	

APPLICATION OF KING IV PRINCIPLES

for the year ended 31 August 2017 (Continued)

PART 1: Leadership, ethics and corporate citizenship	
Principle 2	**Organisational ethics**
The Board should govern the ethics of the organisation in a way that supports the establishment of an ethical culture	In accordance with the Board Charter (which is in the process of being review), the Board is the guardian of the values and ethics of the Group and sets the tone for an ethical organisational culture across the Group. The Board has a fiduciary duty to act in good faith, with due care and diligence and in the best interests of the Group and its stakeholders and is therefore the primary body responsible for the corporate governance values of the Group. While control is delegated to management in the day-to-day management of the Group, the Board retains full and effective control over the Group. The revised Code of Ethics, which is in the process of being adopted by the Board, will commit the Group and its employees to the highest ethical standards of conduct and amongst others regulates aspects of confidentiality, non-discrimination, the acceptance of gifts and bribes and political contributions. Procedures exist in terms of which unethical business practices can be brought to the attention of the Board. The Board has adopted a zero-tolerance approach to fraud and the appropriate remedial action is taken should any substance be found to the matter reported.
Principle 3	**Responsible corporate citizenship**
The Board should ensure that the organisation is and is seen to be a responsible corporate citizen	The Social and Ethics Committee, which reports to the Board and shareholders, reflects and effects the Company's commitment to responsible corporate citizenship. Labat subscribes to the provisions of the Promotion of Equality and Prevention of Unfair Discrimination Act. The Group's good corporate citizenship is further evidenced by its promotion of the reduction of corruption, as well as its contribution to the development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed. The Company maintains a record of sponsorship, donations and charitable giving Shareholders are referred to the Social and Ethics Committee Report, which is included in the Company's 2017 Integrated Report, for further disclosures in this regard. During the period under review there were no material fines or penalties incurred which needed to be brought to the attention of stakeholders.
Governance outcome: Good performance	

PART 2: Strategy, performance and reporting	
Principle 4	**Strategy and performance**
The Board should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process	The Board, as a whole and through its committees, approves and monitors the implementation of the strategy and business plan of the Company. With the recent diversification and growth of the business, the board is in the process of setting objectives, establishing and reviewing key risks and opportunities that could threaten or enhance the Group's ability to provide sustainable long-term growth to stakeholders, and will in due course evaluate performance against the background of economic, environmental and social issues relevant to the Company and macro-economic conditions. The sustainability of the Group's businesses is a key consideration in the development and implementation of the Group's business model, supported by formal policies governing environmental, corporate social investment, ethical and remuneration matters, all of which form key components of the value-creation process and are effective in ensuring the long-term sustainability of the Group. It is the intention that risk disclosures, together with the steps to mitigate the same, will be made annually in the Integrated Report from the year ending 31 August 2018. The Board discusses the top risks faced by the Company and confirms its satisfaction with the management of the risk management processes. The Audit and Risk Committee actively monitors the Group's key risks as part of its standard agenda. Shareholders are referred to the Corporate Governance and Sustainability Report, which is included in the Company's 2017 Integrated Report, for further disclosures in this regard.
Principle 5	**Reporting**
The Board should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance and its short, medium and long-term prospects	The Board is responsible for the integrity and transparency of the Company's reporting and, assisted by the Audit and Risk Committee and the external auditors, oversees the issue of the Company's annual financial statements and integrated reports. The Social and Ethics Committee oversees the sustainability reporting process, which is currently not independently assured by a sustainability assurer. Independent assurance will be considered in the future as soon as the Company's size warrants such an initiative. The Company also ensures that these reports and other information are published on its website. The Board is committed to a communication policy to ensure that timely, relevant, accurate and honest information is provided to all stakeholders to enable them to make informed assessments of the Company's performance and its short, medium and long-term prospects. The Company adheres to the requirements in terms of the JSE Listings Requirements and Financial Markets Act and is in the process of updating its policies governing the dissemination of price-sensitive information and insider trading. The publication of external reports and press releases, including releases on the JSE's electronic news service (SENS), requires the prior approval of the Company's Chief Executive Officer, or as may be otherwise instructed.
Governance outcome: Effective control	

PART 3: Governing structures and delegation	
Principle 6	**Primary role and responsibilities of the Board**
The Board should serve as the focal point and custodian of corporate governance in the organisation	The Board ensures that the Company applies the governance principles contained in King IV and continues to further entrench and strengthen recommended practices through the Group's governance structures, systems, processes and procedures. The Board's governance role and responsibilities are set out in the Board Charter and includes the focal role of setting the strategic direction of the Group. The Board meets once every quarter; however, should an important matter arise between scheduled meetings, additional meetings may be convened. The Board may obtain independent, external professional advice at the Company's expense concerning matters within the scope of their duties and the directors may request documentation from and set up meetings with management as and when required. An appropriate governance framework and the necessary policies and processes are in place to ensure entities in the Group adhere to Group requirements and minimum governance standards. While it may delegate to its committees and management where appropriate, the Board remains ultimately accountable for corporate governance in the Group and for the appropriate and transparent reporting of corporate governance.
Governance outcome: Effective control	

PART 3: Governing structures and delegation	
Principle 7	**Composition of the Board**
The Board should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively	The Board comprises of two executive directors and three independent non-executive directors. All members of the Board have the requisite skills and knowledge from diverse industry backgrounds. The *curricula vitae* of the independent non-executive directors are included in the Integrated Report. The Board is chaired by an independent non-executive director ("**Chairman**") and the roles of the Chairman and the Chief Executive Officer are separate and clearly defined to ensure a balance of power and effective discharge of duties. The independence of the non-executive directors is reviewed on an annual basis by the Board against the criteria stipulated by the Listings Requirements of the JSE and King IV. The arrangements for the periodic, staggered rotation of Board members are included in the Company's Memorandum of Incorporation and are duly applied. To ensure a formal and transparent appointment process, any new appointment of a director is considered by the Board as a whole. The selection process involves considering the existing balance of knowledge, skills and experience on the Board and a continual process of assessing the needs of the Company and the Board's effectiveness and ability for it to discharge its governance role and responsibilities objectively and effectively. Directors are appointed in terms of the Company's Memorandum of Incorporation. New directors appointed to the Board are provided with an induction pack, including background material on the Company's business and Board matters, guidance on directors' duties and responsibilities, and meetings with senior executives. Directors receive regular briefings on legal and other developments, including changes in the business and the business environment. The Board has adopted a policy on the promotion of gender, race and disability diversity and inclusion at Board level, and reports in the Integrated Report on how it has made progress towards the targets established in the policy. The Board is mindful and supportive of the need for, and importance of, gender, race and disability diversity and has considered this when making new appointments to the Board during the past year. With all the changes to the Board during the current financial year he board has not been able to carry out a formal self-evaluation on the composition of the Board and the appropriate mix of knowledge, skills, experience, diversity and independence within but will do so during the coming financial year.
Governance outcome: Effective control	

<table>
<tr><th colspan="2">PART 3: Governing structures and delegation</th></tr>
<tr><th>Principle 8</th><th>Committees of the Board</th></tr>
<tr><td>The Board should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties</td><td>Details regarding the Board's delegation of authority framework are included under Principle 10 below.

The Board has delegated certain functions, without abdicating its own responsibilities, to the following committees ("Committees"), all of which has been established pursuant to written Terms of Reference:

•Audit and Risk Committee
•Social and Ethics Committee
•Remuneration Committee.

The Company does not have a Nominations Committee and this is handled by the Board as a whole.

The Committees are appropriately constituted and members are appointed by the Board, with the exception of the Audit and Risk Committee whose members are nominated by the Board and elected by shareholders of the Company. Meetings of the Committees are formally minuted.

The Committees assist the Board to effectively discharge its duties. The composition and mandates of the Committees, as detailed in the Corporate Governance Report (which is included in the Company's 2017 Integrated Report), ensure that there is an appropriate balance of power and that an independent perspective is brought to Board deliberations and that no single director has unfettered powers.</td></tr>
<tr><th>Principle 9</th><th>Evaluations of the performance of the Board</th></tr>
<tr><td>The Board should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness</td><td>The performance and effectiveness of the Board as a whole will be evaluated every two years going forward, while the effectiveness of the Audit and Risk Committee and the Social and Ethics Committee is evaluated every second year by the directors. The Chairman of the Board, assisted by the Company Secretary, will lead the Board's evaluation process. Items identified for improvement will be discussed and followed up to ensure the implementation of recommended actions and the continued improvement in performance and effectiveness.

An assessment of the suitability and effectiveness of the Chief Financial Officer is conducted annually by the Audit and Risk Committee and is confirmed in the Audit and Risk Committee's report in the annual financial statements.

The appointment of the Chairman is reviewed by the Board on an annual basis.</td></tr>
<tr><th colspan="2">Governance outcome: Effective control</th></tr>
</table>

PART 3: Governing structures and delegation	
Principle 10	**Appointment and delegation to management**
The Board should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities	While retaining overall accountability and subject to matters reserved to itself, the Board has delegated authority to the Chief Executive Officer and the Financial Director to run the day-to-day affairs of the Company, subject to a delegation of authority framework which contributes to the effective exercise of responsibilities. The Board is in the process of reviewing the delegation of authority framework due to the changes in the nature of the Group's business. The Chief Executive Officer is accountable to the Board for the successful implementation of its strategy and the overall management and performance of the Group. The role and responsibilities of the Chief Executive Officer, who was appointed by the Board, are set out in the Board Charter. The Board has satisfied itself that key management functions are fulfilled by competent and appropriately authorised individuals and are adequately resourced. Currently succession planning is not in place for the Chief Executive Officer, executive management and other key positions. This will be considered during the forthcoming year. The Company has appointed Arbor Capital Company Secretarial Proprietary Limited as Company Secretary, which reports to the Board on all statutory, regulatory and governance matters concerning the Group. The performance and independence of the Company Secretary is evaluated by the Board annually and the Board has satisfied itself as to the appropriateness of this appointment and as to the arms-length nature of this appointment.
PART 4: Governance functional areas	
Principle 11	**Risk governance**
The Board should govern risk in a way that supports the organisation in setting and achieving its strategic objectives	In terms of the Board Charter, the Board is responsible for the governance of risk and the Audit and Risk Committee assists the Board with this responsibility. The Audit and Risk Committee sets the approach for risk governance in a manner that ensures adequate evaluation of opportunity and risk and supports the Company in setting and achieving its strategic objectives. Executive management is in the process of finalising and implementing a new risk matrix which will categorise the estimated impact and likelihood of the risks identified in each different segment and advise the Board of the controls established/remedial action taking place at subsidiary level to mitigate the risks identified.
Principle 12	**Technology and information governance**
The Board should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives	The Board recognises the importance of technology and information in relation to the Group's strategy. However, this has not been a focus of the group and the Board has yet to adopt an IT Policy Framework, which will delegate implementation to management, including the information technology strategy, structure and procedures, ensuring alignment with the performance and sustainability of the Company, bearing in mind its status as an SME. In terms of the Board Charter and the Audit and Risk Committee Terms of Reference, the Board, together with the Audit and Risk Committee, will oversee the governance of information technology.
Governance outcome: Effective control	

APPLICATION OF KING IV PRINCIPLES

for the year ended 31 August 2017 (Continued)

PART 4: Governance functional areas	
Principle 13	**Compliance governance**
The Board should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen	The Board delegates its responsibility for the implementation and execution of effective compliance management to management; however, the Board retains overall accountability for compliance with applicable laws, adopted non-binding rules, codes and standards. The Audit and Risk Committee, together with the Social and Ethics Committee and the Company Secretary review the adequacy and effectiveness of the Group's procedures to ensure compliance with legal and regulatory responsibilities. Any material incidences of non-compliance and/or significant fines or penalties incurred are reported to the Board and/or the Audit and Risk Committee to ensure that appropriate remedial action is taken. The Board is apprised of relevant new legislation or regulations introduced from time to time to ensure that compliance requirements are kept up to date. Details of any material regulatory penalties, sanctions or fines for non-compliance with the Group's statutory obligations incurred will be disclosed in the Integrated Report. During the year under review, there were no material findings of non-compliance with applicable legislation or regulations.
Principle 14	**Remuneration governance**
The Board should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term	The Board oversees the governance of remuneration but does not set the direction for remuneration across the Group, which is currently set by the Chief Executive Officer and Financial Director. The Board is in the process of setting KPI's for the executive directors, with a focus on the sustainability and performance of the Group. The Company's remuneration policy, as approved by the Board, is tabled for a non-binding advisory vote at each Annual General Meeting of shareholders. Non-executive directors' fees are submitted annually to shareholders for approval at the Annual General Meeting. The remuneration policy ensures that the Company remunerates fairly, responsibly and transparently in the context of overall remuneration in the Group to enable the Company to achieve its strategic objectives and to secure positive outcomes in the short, medium and long term. A summary of the provisions of the remuneration policy is included in the Integrated Report.
Principle 15	**Assurance**
The Board should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports	The Company is committed to appointing service providers to provide independent assurance on both the financial and non-financial aspects of the business based upon their specific expertise and experience. The Board sets the direction for assurance services and functions but the responsibility for overseeing such arrangements is delegated to the Audit and Risk Committee, which is charged with supporting the integrity of information for internal decision-making use and for external reports. A combined assurance model has been developed and formally implemented across the Group to effectively cover the Group's significant risks and material matters. The model includes but is not be limited to the Group's risk management and compliance functions, the external auditors and regulatory inspectors, together with such other external assurance providers as may be appropriate or deemed necessary from time to time, including the Company Secretary, which provides assurance on aspects of corporate governance and a JSE Sponsor which advises on the Listings Requirements of the JSE. The Audit and Risk Committee has satisfied itself as to the independence of the external auditor. With regards to an internal audit function, the nature and size of the Company does not warrant such a function at this stage. However, the Audit and Risk Committee will continue to be guided by management regarding the requirement for the same, which would be reviewed from time to time.
Governance outcome: Legitimacy	

PART 5: Stakeholder relationships	
Principle 16	**Stakeholders**
In the execution of its governance role and responsibilities, the Board should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time	The Board as a whole, acts as a steward of the Company and each director acts with independence of mind in the best interests of the Company and its stakeholders. In its deliberations, decisions and actions, the Board is sensitive to the legitimate interests and expectations of the Company's stakeholders. Directors are mindful of their fiduciary duties and their duty to act in accordance with applicable legislation. Records of directors' financial interests are kept and updated on an on-going basis. The Company engages its stakeholders on multiple levels and this allows the Company to manage issues effectively and timeously. The appropriate balance between the Company's various stakeholder groupings and the best interests of the Company is assessed on a continuous basis. The Company acts in accordance with the requirements of the Companies Act and the JSE Listings Requirements regarding the equitable treatment of shareholders. Stakeholders are kept apprised of the Company's performance by publication of the Integrated Report, the interim and year-end results announcements and, where required, trading updates. Management is responsible for maintaining stakeholder relationships.
Principle 17	**Responsibilities of institutional investors**
The Board of an institutional investor organisation should ensure that responsible investment is practices by the Company to promote the good governance and the creation of value by the companies which it serves	Not applicable as the Company is not an institutional investor organisation.

REMUNERATION REPORT

BACKGROUND STATEMENT

The board is informing itself about the implications and the impact of the King IV Code on Corporate Governance (King IV) on the remuneration policy as well as the amended JSE Listing Requirements and present this report in two parts. The chairman's and CEO's reports provide context to the decisions and considerations taken during the reporting year which influenced the remuneration outcomes and will influence the remuneration going forward.

The board ensures that the company and the major subsidiary companies comply with the necessary principles as set out in the King Report on Governance for South Arica (King III and King IV, where applicable) and relevant sections of the Companies Act, 2008 (No. 71 of 2008) ("the Act") when determining the remuneration of the senior executives and non-executive directors.

Since the presentation of the summary of the last remuneration policy to shareholders no major changes were made. The board is in the process of establishing the key performance indicators (KPIs) which are used for the measurement and determination of short- and long-term incentive awards in order to align these with the changing goals and strategies of the Company.

PART 1 – REMUNERATION POLICY

Remuneration Policy Summary:

The key principles of the Remuneration Policy are:

Objective

Under the overriding guidance of the Remuneration Committee, ensure the integrity, transparency and legitimacy of remuneration within the Group including, the development and implementation of related policies, programmes, practices and decisions.

Key Policy

1. Non-discriminatory practice - remuneration policy directives and practices will be free of unfair distinction. Internal equity – transparent, equitable and consistent application.
2. External parity - competitive remuneration based on remuneration trends.
3. Performance based – direct link between remuneration and performance.
4. Motivation – integral component of employee motivation.

Consideration

1. Company viability – budgetary constraints as determined by the board.
2. Company performance – target achievement and wealth generation.
3. Retention of key skills.
4. Sustainability.
5. Career development.

Application

1. Cost to company – flexible total package structure.
2. Balance – basic salary vs performance reward.
3. Shares – implementation of appropriate share incentive scheme/s for management.

Directors' remuneration

1. Executive directors – determined by Remuneration Committee, ratified by the board.
2. Non-executive directors – determined by executive directors, approved by shareholders.

Going forward, a critical success factor of the Group will be its ability to attract, retain and motivate the entrepreneurial talent, design skills and logistics experience required to achieve positive operational outcomes, strategic objectives, and adherence to an ethical culture and good corporate citizenship. Both short- and long-term incentives will be used to this end.

Policy principles

The board evaluates and monitors the Group's remuneration philosophy and practices to ensure consistency with governance principles and corporate strategy. The board implements the approved remuneration policy to ensure:

- salary structures and policies motivate superior performance and are linked to realistic performance objectives that support sustainable long-term business growth
- stakeholders are able to make an informed assessment of reward practices and governance processes
- compliance with all applicable laws and regulatory codes.

The Company is currently listed on the Venture Capital section of the Main Board and is thus currently required to have an Audit Committee, Social and Ethics Committee as well as a Remuneration Committee, with compliance required in terms of Section 3 of King IV.

Governance

Board responsibility

The board carries the ultimate responsibility for the remuneration policy. The board will, when required, refer matters for shareholder approval, for example:

- new share-based incentive schemes and their design
- non-executive board and committee fees.

The remuneration report, Part 1 and Part 2, will be put to non-binding shareholders' votes at the AGM of shareholders.

Role of benchmarking

Going forward, to ensure that the Group remains competitive in the markets in which it operates, all elements of remuneration will be subject to regular reviews against relevant market and peer data. Up until recently, the size and nature of the business did not make this practical.

Executive directors

Terms of service

The minimum terms and conditions applied to executive directors are governed by legislation. The notice period for these directors is one month. In exceptional situations of termination of the executive directors' services, the board (assisted by independent labour law legal advisers), will oversee the settlement of terms. Executive directors are not required to retire for re-election.

Elements of remuneration

The Group operates a total cost-to-company (CTC) philosophy whereby cash remuneration, benefits (including a defined contribution retirement fund, medical aid and other insured benefits) form part of the employees' fixed total CTC remuneration. Senior management and executive directors also participate in short-term incentives in the form of a performance bonus plan.

The Group views the executive directors as the current "prescribed officers" as defined in the Companies Act and therefore no separate remuneration policy disclosure for prescribed officers is necessary.

Summary of remuneration components for executive directors

As the Group grows, it will strive to remunerate its employees at market related salaries and the board will be guided by one or more appropriate annual salary surveys produced by Industry specialists.

The board will be considering incentive schemes, (long and short term in due course), to:

- Promote growth in quality sustainable earnings
- Align shareholder and management objectives
- Enhance the ability to recruit and retain key employees and management.

The structure and basis for Performance Based Incentives will be approved by the Board is due course, to be aligned with company strategy and current shareholder and management objectives.

Non-executive directors

Terms of service

Non-executive directors are appointed by the shareholders at the AGM. Interim board appointments are permitted between AGMs. Appointments are made in accordance with Group policy. Interim appointees retire at the next AGM, when they may make themselves available for re-election.

In terms of the company's Memorandum of Incorporation one third of the non-executive directors may make him or herself available for re-election, provided that if a director is appointed as an executive director or as an employee of the company in any other capacity, he or she shall not, while he or she continues to hold that position or office, be subject to retirement by rotation and he or she shall not, in such case, be taken into account in determining the rotation or retirement of directors.

In addition, once a director has served for nine or more years, he or she may continue to serve in an independent capacity if the board concludes that the director exercises objective judgement and there is no interest, position, association or relationship which, when judged from the perspective of a reasonable and informed third party, is likely to influence unduly or cause bias in decision making. This assessment must be made each year after nine years.

Fees

The Company does not currently pay competitive fees for the role due to the difficult trading over prior years. The fees comprise an attendance fee for scheduled meetings, as tabled in Part 2 of this report. In addition, where non-executive directors are travelling from other Provinces, they are compensated for travel and subsistence on official business where necessary and to attend meetings. No contractual arrangements are entered into to compensate non-executive directors for the loss of office.

Non-executive directors do not receive short-term incentives nor do they participate in any long-term incentive schemes. The Group does not provide retirement contributions to non-executive directors.

Management proposes non-executive directors' fees to shareholders annually for shareholder vote. Due to the lower remuneration over the prior years, the Company is proposing an additional once-off payment to two of the Non-Executive Directors as detailed in Special Resolution Number 2 in the Notice of Annual General Meeting.

Shareholder engagement

The Group's remuneration policy and the implementation thereof are placed before shareholders for consideration and approval under the terms of an advisory non-binding vote at the 31 August 2017 AGM as recommended by King IV.

In the event that 25% or more of the votes cast are recorded against either the remuneration policy resolution or the implementation resolution, then:

- Executive management will engage shareholders to ascertain the reasons for dissenting vote. Where considered appropriate, non-executive board members may participate in these engagements with selected shareholders; and
- Executive management will make specific recommendations to the board as to how the legitimate and reasonable objections of shareholders might be addressed, either in the Group's remuneration policy or through changes on how the remuneration policy is implemented.

Directors' interests in contracts

During the financial year, none of the current directors had a material interest in any contract of significance to which the Company or any of its subsidiaries were parties.

Non-binding advisory vote

Shareholders are requested to cast an advisory vote on the remuneration policy as contained in Part 1 of this report.

REMUNERATION REPORT (Continued)

PART 2 – IMPLEMENTATION OF REMUNERATION POLICY

Executive director remuneration

Guaranteed pay – base pay and benefits

In determining the CTC increases for executive directors, the board considered the average increases to general staff and also used relevant market data.

In aggregate executive directors received a 0% increase. No short-term incentives were awarded.

Summary of executive directors guaranteed pay and short-term incentives

The remuneration paid to executive directors, while in office of the Company during the year ended 31 August 2017, is set out in note 33 of the Annual Financial Statements:

Short-term and long-term incentives 2018

Short-term and long-term criteria for performance measures and targets are to be set during the 2018 year.

Non-executive remuneration

The remuneration paid to non-executive directors while in office of the Company during the year ended 31 August 2017 is set out in note 33 of the annual Financial Statements.

Proposed non-executive directors' fees effective from 1 September 2017 are set out in Special Resolution Number 2:

The above fees are proposed net of VAT which may become payable thereon to directors, depending on the status of the individual director's tax position.

Refer to special resolutions 2 and 3 in the notice of AGM for approval of the fees by shareholders in terms of section 66 of the Companies Act.

Non-binding advisory vote

Shareholders are requested to cast an advisory vote on the remuneration implementation report as contained in Part 2 of this report.

Approval

This remuneration report was approved by the board of directors of Labat.

REPORT OF THE SOCIAL AND ETHICS COMMITTEE

SOCIAL AND ETHICS COMMITTEE REPORT

for the period ended 31 August 2017

BACKGROUND

Labat's social and ethics committee (the committee) is a statutory committee which assists the board in monitoring the group's corporate citizenship, sustainability and ethics.

Labat is a local black owned and managed Investment holding company and was founded and incorporated in 1995 by Brian van Rooyen and Victor Labat and listed on the JSE in 1999 as one of the first listed BEE companies. Labat has been a major Government contractor providing consulting and related services since 1995. Labat has since inception successfully implemented many high-profile Government assignments.

Labat values its reputation and is committed to maintaining the highest level of ethical standards in the conduct of its business affairs. The actions and conduct of the company's staff as well as others acting on the company's behalf remains key to maintaining these standards.

It is in this regard and in accordance with the Companies Act, 2008 (No. 71 of 2008) as amended, Section 43(5) of the Companies Regulations ("Companies Act") and the King IV Report on Good Corporate Governance that a Social and Ethics Committee ("the committee") was established by the board to consider and monitor the moral and ethical conscience of Labat.

This report is presented in accordance with the requirements of the Companies Act and forms part of the Integrated Report.

ROLE OF THE COMMITTEE

The committee acts in terms of the delegated authority of the board and assists the directors in monitoring the group's activities and disclosures in terms of legislation, regulation and codes of best practices relating to:

- ethics;
- sustainable development and sustainability;
- stakeholder engagement, including employees, customers, suppliers, communities and the environment; and
- strategic empowerment and transformation.

The committee is busy developing a new Code of Ethics that reflects the Company's core values and also embraces the principles as set out in King IV, where applicable.

RESPONSIBILITIES OF THE COMMITTEE

The responsibilities of the committee are as follows:

- monitor activities relating to social and economic development, good corporate citizenship, the environment, and health and public safety;
- ensure appropriate short, medium and long-term targets are set by management;
- monitor progress on strategic empowerment and performance against targets;
- monitor changes in the application and interpretation of empowerment charters and codes; and
- monitor functions required in terms of the Companies Act and its regulations.

COMPOSITION AND FUNCTIONING

The committee comprises of three members, being Ms RM Majiedt (Independent non-executive) as chairperson of the committee, Mr DJ O'Neill (Executive) and Mr R Mohamed (Independent non-executive). The committee receives feedback from management on other committees and will report on any significant matters to the board in terms of its mandate. The members of the committee are nominated and appointed by the board.

The remaining board members are encouraged to attend committee meetings as invitees. The committee met once during the year. Attendance at committee meetings is detailed on page 73of the Integrated Report and fees paid to committee members for 2017 and proposed for 2018 are detailed on page 76 of the Integrated Report.

Due to the recent resignations of various non-executive directors of the board and subsequent appointment of new non-executive directors the committee has not been able to be assessed properly of which assessment forms part of the annual board and committee self-evaluation process.

ACTIVITIES OF THE COMMITTEE

The responsibilities and functions of the committee which are aligned with the committee's statutory functions as set out in the Companies Act formed the basis of the work plan for 2018. These activities are as follows: -

To monitor the company's activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice, with regard to matters relating to:

- Social and economic development, including the company's standing in terms of the goals and purposes of:
  - (aa) the 10 principles set out in the United Nations Labat Compact Principles ("UNGCP");
  - (bb) the Organisation for Economic Co-operation and Development ("OECD") recommendations regarding corruption;
  - (cc) the Employment Equity Act; and
  - (dd) the Broad-Based Black Economic Empowerment Act.
- Good corporate citizenship, including the company's:
  - (aa) promotion of equality, prevention of unfair discrimination, and reduction of corruption;
  - (bb) contribution to development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed; and
  - (cc) record of sponsorship, donations and charitable giving.
- The environment, health and public safety, including the impact of the company's activities and of its products or services.
- Consumer relationships, including the company's advertising, public relations and compliance with consumer protection laws; and
- Labour and employment, including:
  - (aa) the company's standing in terms of the International Labour Organization Protocol on decent work and working conditions;
  - (bb) the company's employment relationships and its contribution toward the educational development of its employees;
  - (cc) to draw matters within its mandate to the attention of the board as occasion requires; and
  - (dd) to report, through one of its members, to shareholders at the company's annual general meeting on the matters within its mandate.

During the year under review the committee attended to the matters relating to the work plan above and reported to the board. Labat has realised that the monitoring of the above and conforming to the above will be ongoing work in progress within the company structure.

However, Labat has also adhered to the following matters, as mentioned above, with formal policies being implemented to address these: -

- **Social and economic development**. Labat adheres to the principles set out in the UNGCP and the OECD recommendations on corruption. Labat meets the labour law requirements of the Employment Equity Act (No. 55 of 1988) and has formal policies on bribery and corruption and protected disclosures.
- **Good corporate citizenship**. Labat subscribes to the provisions of the Promotion of Equality and Prevention of Unfair Discrimination Act. No incidents have been reported.
- **The environment, health and public safety**. Labat subscribes to and is compliant with the Occupational Health and Safety Act. No major incidents have been reported during the period.

REPORT OF THE SOCIAL AND ETHICS COMMITTEE (Continued)

- **Consumer relations**. Labat subscribes to and is compliant with the Consumer Protection Act (No. 68 of 2008). No incidents have been reported.
- **PAIA**. The Company is compliant with the requirements of the Promotion of Access to Information Act, No. 2 of 2000. No requests for information were received during the year under review.
- **Protection of Personal Information**. Labat subscribes to and is compliant with the Protection of Personal Information Act (No. 4 of 2013). No incidents have been reported.
- **Labour and employment**. Labat supports and adheres to the terms of the International Labour Organisation Protocol. Labat is compliant with the following acts:
  - Basic Conditions of Employment Act No. 75 of 1997;
  - Labour Relations Act No. 66 of 1995;
  - Skills and Development Levies Act No. 9 of 1999; and
  - the Unemployment Insurance Act No. 63 of 2001.

Other than as specifically stated above, no incidents have been reported during the period with regards to compliance.

PUBLIC REPORTING AND ASSURANCE

The committee, together with the Audit and Risk Committee, is responsible for reviewing and approving the sustainability content included in the Integrated Annual Report and published on the Company's website, as well as determining and making recommendations on the need for external assurance of the Group's public reporting on its sustainable performance. The committee has reviewed the content of the abridged Sustainability Report included in the Integrated Annual Report, and has recommended it for approval by the Board.

The committee is also required to report through one of its members to the Company's shareholders on the matters within its mandate at the Company's Annual General Meeting to be held on 15 May 2018. The committee has elected to provide this written report to be included in the Integrated Report as opposed to reporting verbally at the Annual General Meeting.

In the notice of the Annual General Meeting included in the Integrated Annual Report on page 73, shareholders are referred to this report by the committee, read with the Sustainability Report. Any specific questions to the committee may be sent to the Company Secretary prior to the meeting.

Rowena Majiedt
CHAIRPERSON

28 February 2018

REPORT OF THE AUDIT AND RISK COMMITTEE

for the period ended 31 August 2017

The report of the audit committee is presented as required by section 61(8)(a)(iii) of the Companies Act, 2008 ("the Companies Act").

The audit committee consisted of the following non–executive directors during the year under review:

R Mohamed (Independent Chairman)
RM Majiedt (Independent Member)
BA Penny (Independent Member)

During the financial year BJ Jacobs was not re-elected at the Annual General Meeting and therefore was not re-elected to his post as director on 2 May 2017 and D Asmal resigned on 24 May 2017. R Mohamed was appointed to the board as well as audit committee on 30 May 2017 and Ms BA Penny on 30 November 2017.

Statement of audit committee responsibilities for the year ended 31 August 2017

The role of the audit committee is to assist the Board by performing an objective and independent review of the functioning of the organisation's finance and accounting control mechanisms. It exercises its functions through close liaison and communication with corporate management and the external auditors. The committee is guided by its terms of reference, dealing with membership, structure and levels of authority and has the following responsibilities:

- ensuring compliance with applicable legislation and the requirements of regulatory authorities;
- nominating for appointment a registered auditor who, in the opinion of the audit committee, is independent of the company;
- matters relating to financial accounting, accounting policies, reporting and disclosure;
- internal audit policy including considering the need for an internal audit function and in due course, reviewing the activities, scope, adequacy, and effectiveness of the internal audit function and audit plans;
- review/approval of external audit plans, findings, reports, fees and determination and approval of any non-audit services that the auditor may provide to the company;
- review/consideration of expertise and experience of the financial director and the financial team;
- compliance with the Code of Corporate Practices and Conduct; and
- compliance with the company's code of ethics.

One of these responsibilities is the assessment of the independence of the auditor. The committee is satisfied that the auditor is independent of the company. It has further satisfied itself that the audit firm and designated auditor are accredited to appear on the Johannesburg Stock Exchange list of accredited auditors. The audit committee has also reviewed the relevant documentation to consider the suitability of the audit firm and designated auditor as stipulated in paragraph 3.84(h)(iii) of the JSE Listings Requirements, noting further that a new audit partner, Mr Aneel Darmalingam, will be appointed as the incoming designated partner, subject to the approval of Labat's shareholders at the Annual General Meeting.

The audit committee has established a non-audit services policy as well as an approval process for non-audit services, where utilised. During the year under review, no non-audit services were utilised.

The committee is of the opinion that Labat's system of internal financial controls and financial reporting procedures continue to be effective and operating and forms a basis for the preparation of reliable financial statements.

The company has not appointed an internal auditor based on the size of the company, the system of internal financial controls and considering information and explanations given by management, together with discussions held with the external auditors on the results of their audit. The consideration of internal audit is a standing agenda item for the audit committee meetings scheduled during the year.

The committee also oversees cooperation between management and the external auditors and serves as a link between the Board of directors and these functions. The committee is satisfied that it has complied with its legal, regulatory and other responsibilities.

The committee is also satisfied as to the expertise and experience of the financial director and the finance team. However, it is expected that the current financial directors will retire in due course. Management has reviewed the financial statements with the audit committee and the audit committee has reviewed them without management or external auditors being present. The quality of the accounting policies as well as any audit issues are discussed with the external auditors.

The audit committee considers the financial statements of Labat Africa Limited to be a fair presentation of its financial position as at 31 August 2017 and of the results of the operations, changes in equity and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the Companies Act.

R Mohamed
Chairman

28 February 2018

COMPANY SECRETARY'S REPORT

In our capacity as Company Secretary, we hereby confirm in terms of Section 88(2) (e) of the Companies Act, that for the twelve months ended 31 August 2017, the Group has lodged with the Companies and Intellectual Property Commission all such returns as required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

Arbor Capital Company Secretarial Proprietary Limited
COMPANY SECRETARY

28 February 2018

GENERAL INFORMATION

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Provision of quality management, business and retail services
Directors	B. G. van Rooyen D. J. O'Neill R. Majiedt R. Mohamed B. Penny
Registered office	23 Kroton Avenue Weltevreden Park Roodepoort 1709
Business address	23 Kroton Avenue Weltevreden Park Roodepoort 1709
Postal address	Private Bag X09-248 Weltevreden Park Roodepoort 1715
Bankers	ABSA Bank Limited
Auditors	Nexia SAB&T Registered Auditors
Secretary	Arbor Capital Company Secretarial Proprietary Limited
Company registration number	1986/001616/06
Level of assurance	These consolidated and separate annual financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.
Preparer	The consolidated and separate annual financial statements were internally compiled by: David O'Neill Financial Director

ANNUAL FINANCIAL STATEMENTS

The reports and statements set out below comprise the consolidated and separate annual financial statements presented to the shareholders:

Page

DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors are required in terms of the Companies Act of South Africa to maintain adequate accounting records and are responsible for the content and integrity of the consolidated and separate annual financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated and separate annual financial statements fairly present the state of affairs of the group as at the end of the financial period and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the consolidated and separate annual financial statements.

The consolidated and separate annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout

the group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated and separate annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the group's cash flow forecast for the foreseeable future and, in light of this review and the current financial position, they are satisfied that the group has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the group's consolidated and separate annual financial statements. The consolidated and separate annual financial statements have been examined by the group's external auditors and their report is presented on pages 4 to 6.

The consolidated and separate annual financial statements set out on pages 7 to 47, which have been prepared on the going concern basis, were approved by the board on 28 February 2018 and were signed on its behalf by:

Brian van Rooyen
CHIEF EXECUTIVE OFFICER

David O'Neill
FINANCIAL DIRECTOR

28 February 2018

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Labat Africa Limited

Report on the Audit of the Consolidated and Separate Annual Financial Statements

Opinion

We have audited the consolidated and separate annual financial statements of Labat Africa Limited and its subsidiaries (the Group) as set out on pages 10 to 52, which comprise the consolidated and separate statement of financial position as at 31 August 2017, and the consolidated and separate statement of profit or loss and other comprehensive income, consolidated and separate statement of changes in equity and consolidated and separate statement of cash flows for the year then ended, and notes to the consolidated and separate annual financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate annual financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group and Company as at 31 August

2017, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated and separate annual financial statements section of our report. We are independent of the group 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 International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). 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 judgment, were of most significance in our audit of the consolidated and separate annual financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate annual 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
Recoverability of deferred tax assets (Group)	
The group recognised R8.3 million (2016: R7.9million) of deferred tax assets as disclosed in note 6 of the consolidated and separate annual financial statements. We identified the recoverability of deferred tax assets as a key audit matter due to the recognition of these assets involving judgement by management as to the likelihood of the realisation of these deferred tax assets, which is based on a number of factors, including whether there will be sufficient taxable income in future periods to support the recognition.	Our procedures in relation to management's assessment about the recoverability of deferred tax assets included: • Recalculating the deferred tax asset calculations to confirm the accuracy thereof; • Evaluating management's assessment on the sufficiency of future taxable income in support of the recognition of the deferred tax assets by comparing management's forecasts of future profits to historical results and evaluating the assumptions used in those forecasts; • Obtaining the communications between the group and taxation authorities regarding the tax positions. We found that the basis of recognition of the deferred tax assets were appropriate in the circumstances. We consider the disclosure of the deferred taxation assets to be acceptable.

Other Information

The directors are responsible for the other information. The other information comprises 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 Integrated Annual Report, which is expected to be made available to us after that date. Other information does not include the consolidated and separate annual financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate annual 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 annual 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 annual financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate annual 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 the consolidated and separate annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate annual financial statements, the directors are responsible for assessing the group'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 or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated and Separate annual financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate annual 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 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 annual 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 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 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 annual 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 to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT (Continued)

- Evaluate the overall presentation, structure and content of the consolidated and separate annual financial statements, including the disclosures, and whether the consolidated and separate annual 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 and separate annual 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, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate annual 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 Nexia SAB&T has been the auditor of Labat Africa Limited for 6 years.

Nexia SAB&T
Per Director: A Darmalingam
Registered Auditor

28 February 2018

DIRECTORS' REPORT

The directors have pleasure in submitting their report on the consolidated and separate annual financial statements of Labat Africa Limited and the group for the year ended 31 August 2017.

1. Review of activities

The company is an investment holding company, which, through its subsidiary, is engaged in its main business during the period under review, being the design and marketing of integrated circuits. During the current year the group continued to expend operations in the logistics sector, securing numerous contracts with a large mining house.

The operating results and state of affairs of the company are fully set out in the attached consolidated annual financial statements and do not in our opinion require any further comment.

2. Financial results

Revenue in the SAMES business for the year ended 31 August 2017 has decreased from R13.6 million to the R9.6 million for the year ended. Revenue is projected to grow steadily in the years ahead. Revenue in the Logistics business for the year ended 31 August 2017 amounted to R42.3 million.

Group comprehensive income before tax for the period ended amounts to a profit of R4.6m compared to a profit of R8.74m for the comparative period. Cash resources have remained fairly consistent at the R9.2m level.

Full details of the financial position, results of operations and cash flows of the group are set out in these consolidated and separate annual financial statements.

3. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The going concern has been comprehensively dealt with in note 5 of the chief executive officer's report and in note 36 of these consolidated annual financial statements.

4. Events after the reporting period

Labat has acquired a 55% shareholding in Labat Kufika Logistics a new logistics business with effect from 1 September 2017. This has not been a success and we are currently engaged in reversing this transaction.

5. Directors' interests in shares

Details of the directors' interest in shares and emoluments are set out in note 34 to the consolidated financial statements.

6. Directors' emoluments

Details regarding director's emoluments are included in note 33 of the consolidated financial statements.

7. Share capital

Full details of the authorised and issued share capital of the Group and Company at 31 August 2017 are contained in note 13 of the consolidated financial statements. During the year under review, the Company issued shares under its general authority as follows:

- On 8 August 2017, 1 246 000 shares at 38.5 cents per share
- On 14 August 2017, 1 640 625 shares at 64 cents per share.

The Company has had no restrictive funding arrangements during the year under review. The Company did not repurchase any shares during the period under review.

8. Non-current assets

There was no major change in the nature of the non-current assets of the group or in the policy regarding their use.

9. Dividends

The company's dividend policy is to consider an interim and a final dividend in respect of each financial year. At its discretion, the board may consider a special dividend, where appropriate. Depending on the perceived need to retain funds for expansion or operating purposes, the board may pass on the payment of dividends.

No dividends were declared or paid to shareholders during the period under review.

10. Directorate

The directors in office at the date of this report are as follows:

Directors	Office	Designation	Nationality	Changes
B. G. van Rooyen	Chief Executive Officer	Executive	South African	
D. J. O'Neill	Financial Director	Executive	Irish	
R. Majiedt		Non-executive	South African	
B. Jacobs		Non-executive	South African	Resigned 02 May 2017
D. Asmal		Non-executive	South African	Resigned 24 May 2017
R. Mohamed		Non-executive	South African	Appointed 30 May 2017
P. Beverley		Non-executive	South African	Appointed 30 November 2017

11. Secretary

The company secretary is Arbor Capital Company Secretarial Proprietary Limited.

Business address: 20 Stirrup Lane,
Woodmead Office Park
Woodmead

12. Interests in subsidiaries

Details of material interests in subsidiary companies, associates and joint arrangements are presented in the consolidated and separate annual financial statements in notes 5.

The interest of the group in the profits and losses of its subsidiaries, associates and joint arrangements for the year ended 31 August 2017 are as follows:

Subsidiaries	2017 R	2016 R
Total profits after income tax	9 049 977	14 483 050

There were no significant acquisitions or divestitures during the year ended 31 August 2017.

13. Auditors

Nexia SAB&T continued in office as auditors for the company and its subsidiaries for 2017.

At the AGM, the shareholders will be requested to reappoint Nexia SAB&T as the independent external auditors of the company and to confirm Mr A Darmalingam as the designated lead audit partner for the 2018 financial year.

14. Liquidity and solvency

The directors have performed the required liquidity and solvency tests required by the Companies Act of South Africa and are satisfied that the company will have sufficient funds available to it in order to continue as a going concern. The group's current assets exceeded its current liabilities by R1.28 million, amounts owed to shareholders amounting to R8.4 million have been subordinated for the benefit of other creditors to the group, resulting a net current asset position of R9.68 million.

15. Borrowing powers

In terms of the Memorandum of Incorporation, the borrowing powers of the group are unlimited. However all borrowings by the group are subject to board approval as required by the board delegation of authority.

16. Litigation statement

The group has various claims and counter claims made by and against Labat Africa Limited, which have risen in the normal course of business. All these matters are being dealt with by the Company's attorneys. Further details have been disclosed in note 31 to the consolidated financial statements.

17. Major shareholding

Details of the major shareholders are provided in the shareholder analysis contained within the Annual Report.

18. Special resolutions

At the Company's annual general meeting held on 2 May 2017, the following special resolutions were passed:

- The Directors were authorised to repurchase ordinary shares in the issued share capital of the Company.

- A general authority to enter into funding agreements, provide loans or other financial assistance in terms of Sections 44 and 45 of the Companies Act was granted.

- Approval of non-executive directors' remuneration for the year commencing 1 September 2017.

As at the date of the report no repurchase in terms of the special resolution had been made. No special resolutions were passed at a subsidiary level.

19. Composition of Board and Board Committees

The directors of the Company, as well as the classification of each director, are fully disclosed in the Corporate Governance Report. The composition of the Board Committees, as well as the attendance of directors at the committee meetings, is fully disclosed in the Corporate Governance Report.

B. G. van Rooyen
Chief Executive Officer Executive

28 February 2018

STATEMENT OF FINANCIAL POSITION

as at 31 August 2017

		Group		Company	
Figures in Rand	Note(s)	2017	2016	2017	2016
Assets					
Non-Current Assets					
Property, plant and equipment	3	1 867 124	1 175 910	859 203	20 694
Intangible assets	4	1 421 720	-	-	-
Investments in subsidiaries	5	-	-	202 070	202 070
Deferred tax	6	8 389 102	7 896 316	-	-
		11 677 946	**9 072 226**	**1 061 273**	**222 764**
Current Assets					
Inventories	7	2 587 515	3 142 220	-	-
Loans to directors and shareholders	8	-	145 169	-	145 169
Other financial assets	9	714 783	9 923	704 860	-
South African Revenue Services	10	3 069 623	-	-	394 799
Trade and other receivables	11	18 576 791	1 881 224	16 757 079	793 256
Cash and cash equivalents	12	9 226 430	9 280 294	4 869 390	617 444
		34 175 142	**14 458 830**	**22 331 329**	**1 950 668**
Total Assets		**45 853 088**	**23 531 056**	**23 392 602**	**2 173 432**
Equity and Liabilities					
Equity					
Share capital	13	59 884 402	58 905 922	60 365 905	59 387 425
Reserves		300 146	343 024	33 721 355	29 702 260
Accumulated loss		(47 938 364)	(52 623 085)	(103 153 633)	(98 745 499)
		12 246 184	**6 625 861**	**(9 066 373)**	**(9 655 814)**
Liabilities					
Non-Current Liabilities					
Finance lease liabilities	17	715 595	-	715 595	-
Current Liabilities					
Loans from subsidiaries	18	-	-	318 252	318 252
Loans from directors and shareholders	8	399 006	284 255	399 006	284 255
Finance lease liabilities	17	173 653	-	173 653	-
South African Revenue Services	10	361 149	4 179 921	168 900	-
Trade and other payables	19	22 764 247	3 517 176	21 827 567	2 631 413
Provisions	20	9 193 254	8 923 843	8 856 002	8 595 326
		32 891 309	**16 905 195**	**31 743 380**	**11 829 246**
Total Liabilities		**33 606 904**	**16 905 195**	**32 458 975**	**11 829 246**
Total Equity and Liabilities		**45 853 088**	**23 531 056**	**23 392 602**	**2 173 432**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year end 31 August 2017

		Group		Company	
Figures in Rand	Note(s)	2017	2016	2017	2016
Revenue	21	52 010 600	14 311 651	42 593 897	943 207
Cost of revenues	22	(40 616 604)	(6 728 471)	(37 219 160)	(654 696)
Gross profit		**11 393 996**	**7 583 180**	**5 374 737**	**288 511**
Other income	23	1 026 100	5 085 287	22 623	3 296 545
Operating expenses		(14 310 422)	(12 413 949)	(9 375 627)	(9 721 938)
Operating (loss) profit	24	**(1 890 326)**	**254 518**	**(3 978 267)**	**(6 136 882)**
Investment income	25	6 474 251	171 099	5 001	7 873 707
Finance costs	26	(434 868)	(58 951)	(434 868)	(58 951)
Profit (Loss) before taxation		**4 149 057**	**366 666**	**(4 408 134)**	**1 677 874**
Taxation	27	492 786	8 029 714	-	-
Profit (loss) for the year		**4 641 843**	**8 396 380**	**(4 408 134)**	**1 677 874**
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Gains on plant and machinery revaluation		-	476 422	-	-
Taxation relating to other comprehensive income		-	(133 398)	-	-
Other comprehensive income for the year net of taxation		**-**	**343 024**	**-**	**-**
Total comprehensive income (loss) for the year		**4 641 843**	**8 739 404**	**(4 408 134)**	**1 677 874**
Profit (loss) attributable to:					
Owners of the parent:					
Profit/(loss) for the period		4 641 843	8 396 380	(4 408 134)	1 677 874
Per share information					
Basic/ Diluted earnings per share (c)	28	1.81	3.28	-	-

STATEMENT OF CHANGES IN EQUITY

for the year end 31 August 2017

Figures in Rand	Share capital	Share premium	Total share capital	Non distributable reserves - revaluations	Non distributable reserves - equity loans	Accumulated loss	Total equity and reserves
Group							
Balance at 01 September 2015	**2 110 520**	**56 795 402**	**58 905 922**	**-**	**-**	**(61 019 465)**	**(2 113 543)**
Profit for the year	-	-	-	-	-	8 396 380	8 396 380
Revaluation of property, plant and equipment	-	-	-	343 024	-	-	343 024
Total comprehensive income for the year	**-**	**-**	**-**	**343 024**	**-**	**8 396 380**	**8 739 404**
Balance at 01 September 2016	**2 110 520**	**56 795 402**	**58 905 922**	**343 024**	**-**	**(52 623 085)**	**6 625 861**
Profit for the year	-	-	-	-	-	4 641 843	4 641 843
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**4 641 843**	**4 641 843**
Issue of shares	28 866	949 614	978 480	-	-	-	-
Transfer of revaluation reserve	-	-	-	(42 878)	-	42 878	-
Balance at 31 August 2017	**2 139 386**	**57 745 016**	**59 884 402**	**300 146**	**-**	**(47 938 364)**	**12 246 184**
Note(s)	13	13	13	15	16		
Company							
Balance at 01 September 2015	**2 592 023**	**56 795 402**	**59 387 425**	**-**	**22 790 484**	**(100 423 373)**	**(18 245 464)**
Profit for the year	-	-	-	-	-	1 677 874	1 677 874
Reserve on equity loans	-	-	-	-	6 911 776	-	6 911 776
Balance at 01 September 2016	**2 592 023**	**56 795 402**	**59 387 425**	**-**	**29 702 260**	**(98 745 499)**	**(9 655 814)**
Loss for the year	-	-	-	-	-	(4 408 134)	(4 408 134)
Issue of shares	28 866	949 614	978 480	-	-	-	978 480
Reserve on equity loans	-	-	-	-	4 019 095	-	4 019 095
Balance at 31 August 2017	**2 620 889**	**57 745 016**	**60 365 905**	**-**	**33 721 355**	**(103 153 633)**	**(9 066 373)**
Note(s)	13	13	13	15	16		

STATEMENT OF CASH FLOWS

for the year end 31 August 2017

		Group		Company	
Figures in Rand	Note(s)	2017	2016	2017	2016
Cash flows from operating activities					
Cash receipts from customers		35 481 711	15 056 901	26 617 566	943 207
Cash paid to suppliers and employees		(33 391 249)	(18 963 621)	(25 669 743)	(9 816 732)
Cash used in operations	29	2 090 462	(3 906 720)	947 823	(8 873 525)
Investment revenue		45 940	171 099	141	-
Dividend income		-	-	-	7 873 707
Finance costs		(183 383)	(58 951)	(183 383)	(58 951)
Net cash from operating activities		**1 953 019**	**(3 794 572)**	**764 581**	**(1 058 769)**
Cash flows from investing activities					
Purchase of property, plant and equipment		(53 433)	(669 014)	-	(21 854)
Increase in development costs capitalised	4	(1 421 720)	-	-	-
Loans from group companies received		-	-	-	6 911 775
Loans from group companies repaid		-	-	-	(5 735 091)
Advances of other financial assets		(700 000)	-	(700 000)	-
Repayment of loans to directors and shareholders		85 000	-	85 000	-
Net cash from investing activities		**(2 090 153)**	**(669 014)**	**(615 000)**	**1 154 830**
Cash flows from financing activities					
Proceeds on share issue		505 000	-	505 000	-
Directors and shareholder's loans received	13	-	2 167 415	4 019 095	2 167 415
Repayment of South African Revenue Services liability		-	(2 612 663)	-	(1 675 415)
Finance lease payments		(170 730)	-	(170 730)	-
Repayment of loans from directors and shareholders		(251 000)	-	(251 000)	-
Net cash from financing activities		**83 270**	**(445 248)**	**4 102 365**	**492 000**
Total cash movement for the year		**(53 864)**	**(4 908 834)**	**4 251 946**	**588 061**
Cash at the beginning of the year		9 280 294	14 189 128	617 444	29 383
Total cash at end of the year	12	**9 226 430**	**9 280 294**	**4 869 390**	**617 444**

ACCOUNTING POLICIES

1. Presentation of Consolidated Annual Financial Statements

The consolidated and separate annual financial statements have been prepared in accordance with International Financial Reporting Standards, the Financial Reporting Guides issued by the Accounting Practices Committee of the South African Institute of Chartered Accountants, the Interpretations adopted by the International Accounting Standards Board (IASB), Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council (FRSC) Interpretations issued by the International Financial Reporting Interpretations Committee, the Companies Act of South Africa, and the Listing Requirements of the JSE Limited. The consolidated annual financial statements have been prepared on the cost basis, except for the measurement of certain other financial assets and plant and equipment which is measured at fair value, and incorporate the principal accounting policies set our below. They are presented in South African Rand.

These accounting policies are consistent with the previous financial statements except for the adoption of new standards and interpretations which became effective in the current year. Standards and interpretations effective from the current reporting period have been applied in line with the transitional provisions. Refer to note 2.

1.1 Consolidation Basis of Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

‘ Inter-company transactions, balances and unrealised gains on transactions between the group companies are eliminated. Unrealised losses are also eliminated.

1.2 Property, plant and equipment

Property, plant and equipment are are initially recognised at cost.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the group; and
- the cost of the item can be measured reliably.

Plant and equipment are stated in the consolidated statement of financial position at revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any revaluation is credited to the asset revaluation reserve, net of deferred tax. A decrease in carrying amount arising on the revaluation of such plant and equipment is charged to profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset. The revaluation reserve is realised directly in equity over the useful life of the revalued plant and equipment.

All other assets are stated in the consolidated statement of financial position at their cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit and loss during the financial period in which they are incurred.

The depreciation is calculated at rates considered appropriate to recognise the cost of the asset less residual value over their estimated useful life on the straight line basis.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Leasehold property	Straight line	Lease term
Plant and equipment	Straight line	3 - 8 Years
Furniture, fixtures and office equipment	Straight line	3 - 10 Years
Motor vehicles	Straight line	4 Years
Computer equipment	Straight line	3 - 5 Years

1.2 Property, plant and equipment (Continued)

The useful economic lives, depreciation methods and residual values of each item of property, plant and equipment are estimated annually. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. The actual lives, depreciation methods and residual values may vary depending on a variety of factors and circumstances.

1.3 Investments in subsidiaries

Company annual financial statements

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

1.4 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred. Intangible assets under development are classified as such until the asset is ready for use at which point amortisation will commence. Intangible assets under development are assessed annually for impairment.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

1.5 Financial instruments

(i) Financial assets

Initial recognition

The group initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated as at fair value through profit or loss) are recognised initially on the trade date, which is the date that group becomes a party to the contractual provisions of the instruments.

Derecognition

The group derecognises a financial asset when the contractual rights to the cash flow from the asset expire, or it transfers the rights to receive the contractual cash flow in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Any interest in such transferred financial assets that is created or retained by the group is recognised as a separate asset or liability.

Classification

The group classifies financial assets into the following categories:

- Financial assets at fair value through profit or loss; and
- Loans and receivables.

Classification depends on the purpose for which the financial instruments were obtained/incurred and takes place at initial recognition.

1.5 Financial instruments (Continued)

(i) Financial assets (Continued)

Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Financial assets are designated as at fair value through profit or loss if the group manages such assets and makes purchase and sale decisions based on their fair value in accordance with the group's risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, which takes into account any dividend and interest income, are recognised in profit or loss.

Financial assets at fair value through profit or loss comprise:

- Other financial assets

Loans and receivables

Loans and receivables are recognised initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise:

- Cash and cash equivalents;
- Loans to directors and shareholders;
- Loans to related parties;
- Trade and other receivables.
- Other financial assets.

(ii) Financial liabilities

Initial recognition

The group initially recognises debt securities issued and liabilities on the date they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that group becomes a party to the contractual provisions of the instruments.

Derecognition

Financial liabilities are derecognised when its contractual obligations are discharged or cancelled or expire.

Classification

The group classifies financial liabilities into the following category:

- Financial liabilities at amortised cost"

Financial liabilities comprises:

- Loans from directors and shareholders;
- Financial liabilities;
- Loans from subsidiaries; and
- Trade and other payables.

Classification depends on the purpose for which the financial instruments were obtained/incurred and takes place at initial recognition.

Financial liabilities measured at amortised cost

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest rate method.

1.5 Financial instruments (Continued)

(iii) Share capital and equity

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as deduction equity, net of any tax effects.

Treasury shares

The group operated a share incentive scheme under which employees had the option to purchase shares in the company through a share incentive scheme held in trust. Shares in the share incentive scheme have been converted into treasury shares.

Equity loans

The group regards an equity instrument as any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Contributions of funding without contractual requirement to settle has been accounted for as equity loans in the holding company and are included in non-distributable reserves. These are eliminated at consolidation level.

(iv) Impairment of financial assets

Assets carried at amortised cost

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset ('a loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of profit or loss and other comprehensive income.

1.6 Tax

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 end of the reporting period.

1.6 Tax (Continued)

Deferred tax assets and liabilities

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 all deductible temporary differences arising from investments in subsidiaries to the extent that it is probable that:

- the temporary difference will reverse in the foreseeable future; and
- taxable profit will be available against which the temporary difference can be utilised.

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. 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 group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

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 end of the reporting period.

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 tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

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

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 in equity.

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease. The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease liability.

1.8 Inventories

Inventories comprising merchandise for resale is valued at the lower of cost determined on a unit cost basis and net realisable value. Raw materials, consumables, work in progress and finished goods are valued at the lower of cost and net realisable value on a first-in first-out basis. Work-in-progress and finished goods include an allocation of fixed direct overheads based on normal levels of capacity. When necessary, allowance is made for obsolete, slow moving and defective inventories. The allowance for slow moving inventory is made based on the reliable evidence of the amount the inventories are expected to realise considering price fluctuations, possible damage to stock, technological obsolescence and previous sales trends.

1.9 Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of nonfinancial assets are reviewed for possible reversal at each reporting date.The group reviews and tests the carrying amount may not be recoverable. The fair value of non-financial instruments that are not traded in an active market is determined by using valuation techniques. The group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period.

1.10 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), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

The company and its subsidiaries contribute to defined contribution retirement plans.

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the group's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

1.11 Provisions and contingencies

Provisions are recognised when:

- the group has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. Provisions are not recognised for future operating losses.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 31.

1.12 Revenue

Revenue is measured at the fair value of the consideration received or receivable. The group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the group's activities, as described below. The group bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Design and development services and merchandise sold

Revenue from sale of design and development services is recognised when predetermined deliverable targets,including design, development and delivery requirements, agreed with customers have been met. Revenue from sale of merchandise, net of returns, is brought to account when delivery takes place to the customer

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

(ii) Rendering of services

Rendering of services consist of management fees and logistics services. For rendering of services, revenue is recognised in the accounting period in which the services are rendered. Service revenue is recognised by reference to the stage of completion of the transaction at the end of the reporting period. Stage of completion is determined by services performed to date as a percentage of total services to be performed in accordance with the predetermined deliverable obligations.

(iii) Investment revenue

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

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

1.13 Finance costs

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

1.14 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, 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 the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- 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; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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 consolidated and separate annual financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

1.15 Statement of Cash Flows

The statement of cash flows is prepared on the direct method.

1.16 Segment reporting

The group determines and presents segments based on the information that is internally provided to the Chief Executive Officer, who is the chief operating decision maker.

An operating segment is a component of the group that:

- engages in business activities from which it may earn revenues and incurr expenses, including revenue and expenses that relate to transactions with any of the group's other components;
- whose operating results are regularly reviewed by the Chief Executive Officer; and
- for which financial information is available.

No geographical segment analysis has been included as geographical location does not play a significant role in the group's operations and thus this information will not be beneficial.

1.17 Earnings per share

The group presents basic and headline earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dillutive potential ordinary shares held as part of a long-term incentive scheme.

Headline earnings per share (HEPS) is calculated using the weighted average number of ordinary shares in issue during the period and is based on the earnings attributable to ordinary shareholders, after excluding those items as required by Circular 2/2015 issued by the South African Institute of Chartered Accountants (SAICA).

2. New Standards and Interpretations

2.1 Standards and Interpretations effective and adopted in the current year, effective for the years beginning on or after 1 January 2016:

In the current year, the group as adopted the following standards and interpretations that are effective for the current financial period and relevant to its operations:

- Amendment to IFRS 7: Financial Instruments: Disclosures: Annual Improvements project;
- Amendment to IAS 19: Employee Benefits: Annual Improvements project;
- Disclosure Initiative: Amendment to IAS 1: Presentation of Financial Statements;
- Amendment to IAS 34: Interim Financial Reporting. Annual Improvements project;
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation.

The impact of the amendment is not material.

2.2 Standards and Interpretations not yet effective

The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 01 September 2017 or later periods:

- Amendments to IAS 7: Disclosure initiative, effective for financial years beginning on or after 01 January 2017;
- IFRS 9 Financial Instruments, effective for financial years beginning on or after 01 January 2018;
- IFRS 15 Revenue from Contracts with Customers, effective for financial years beginning on or after 01 January 2018;
- IFRS 16 Leases, effective for financial years beginning on or after 01 January 2019.

The Group will adopt the above standards and interpretations when they become effective.

The Board's initial view on the standards are that they do not expect these standards not yet effective to materially impact the Group.

3. Property, plant and equipment

Group	2017 Cost or valuation	2017 Accumulated depreciation	2017 Carrying value	2016 Cost or valuation	2016 Accumulated depreciation	2016 Carrying value
Leasehold property	281 805	(55 492)	226 313	229 669	-	229 669
Plant and equipment	4 989 921	(4 230 627)	759 294	4 989 921	(4 113 766)	876 155
Furniture and fixtures	-	-	-	571 459	(571 459)	-
Motor vehicles	969 701	(121 213)	848 488	-	-	-
Office equipment	125 813	(125 813)	-	125 813	(124 849)	964
Computer equipment	256 938	(223 909)	33 029	255 643	(186 521)	69 122
Total	**7 128 721**	**(5 261 597)**	**1 867 124**	**6 172 505**	**(4 996 595)**	**1 175 910**

Company	2017 Cost or valuation	2017 Accumulated depreciation	2017 Carrying value	2016 Cost or valuation	2016 Accumulated depreciation	2016 Carrying value
Furniture and fixtures	413 507	(413 507)	-	413 507	(413 507)	-
Motor vehicles	969 701	(121 213)	848 488	-	-	-
Office equipment	-	-	-	125 813	(124 849)	964
Computer equipment	54 089	(43 374)	10 715	54 089	(34 359)	19 730
Total	**1 563 110**	**(703 907)**	**859 203**	**593 409**	**(572 715)**	**20 694**

Reconciliation of property, plant and equipment - Group - 2017

	Opening balance	Additions	Depreciation	Total
Leasehold property	229 669	52 133	(55 489)	226 313
Plant and equipment	876 155	-	(116 861)	759 294
Motor vehicles	-	969 701	(121 213)	848 488
Office equipment	964	-	(964)	-
Computer equipment	69 122	1 297	(37 390)	33 029
	1 175 910	**1 023 131**	**(331 917)**	**1 867 124**

Reconciliation of property, plant and equipment - Group - 2016

	Opening balance	Additions	Revaluations	Depreciation	Total
Leasehold property	-	229 669	-	-	229 669
Plant and equipment	9 022	417 491	476 422	(26 780)	876 155
Office equipment	964	-	-	-	964
Computer equipment	81 978	21 854	-	(34 710)	69 122
	91 964	**669 014**	**476 422**	**(61 490)**	**1 175 910**

Reconciliation of property, plant and equipment - Company - 2017

	Opening balance	Additions	Depreciation	Total
Motor vehicles	-	969 701	(121 213)	848 488
Office equipment	964	-	(964)	-
Computer equipment	19 730	-	(9 015)	10 715
	20 694	**969 701**	**(131 192)**	**859 203**

Reconciliation of property, plant and equipment - Company - 2016

	Opening balance	Additions	Depreciation	Total
Office equipment	964	-	-	964
Computer equipment	3 185	21 854	(5 309)	19 730
	4 149	**21 854**	**(5 309)**	**20 694**

3. Property, plant and equipment (Continued)

Property, plant and equipment encumbered as security

The following assets have been encumbered as security over the finance lease liability. Refer to note 17 relating to the finance lease liability where the minimum lease payments due payable as commitments have been disclosed.

Motor Vehicles	848 888	-	848 888	-

Valuation process of the group

The group's finance department includes a team that assesses the valuation of plant and machinery required for financial reporting purposes. This includes an assessment of the fair value hierarchy to which the asset belongs. The team reports directly to the Financial Director, who reports to the Audit Committee. It is the Group's policy to perform valuations on plant and equipment every three years or more frequently, if deemed appropriate, to ensure that the fair value of revalued assets do not differ materially from their carrying values. A valuation was performed on the group's plant and equipment in August 2016. The following table shows the valuation technique used in measuring the fair value of the Group's plant and equipment, as well as significant inputs used:

Valuation technique	Significant unobservable inputs	Key unobservable inputs and fair value measurement
Discounted production unit cost: The valuation model considers the present value of the net cash flows to be generated from the sale of the production units taking into account expected volumes and revenue growth. The expected cash flows are discounted using a discount rate as determined by management, over a three year period.	• Growth rate at 6% pa; • Discount rate at 12% pa; • Production unit increase rate of 8% pa.	The estimated fair value would increase (decrease) if: • The expected revenue growth rate was higher (lower); • The expected discount rate was higher (lower); • The expected production unit was higher (lower).

No contractual commitments are in effect as at reporting period end, relating to the acquisition of property, plant and equipment, other than minimum repayments relating to the motor vehicles.

The carrying value of the plant and equipment carried at fair value, would have been Nil, had the cost method been applied.

There is a direct inter-related relationship between the revenue growth and the expected production, impacting fair value measurement, where changes in the unobservable inputs are directly correlated.

4. Intangible assets

	2017			2016		
Group	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Intangible assets under development	1 421 720	-	1 421 720	-	-	-

Reconciliation of intangible assets - Group - 2017

	Opening balance	Additions	Total
Intangible assets under development	-	1 421 720	1 421 720

Restricted access and pledged as security

The intangible assets are not restricted or pledged as security over liabilities.

5. Investments in subsidiaries

The following table lists the entities which are controlled by the group, either directly or indirectly through subsidiaries.

Group

Name of company	Issued share capital	Profit 2017	Profit 2016	% holding 2017	% holding 2016	Carrying amount 2017	Carrying amount 2016
SAMES Proprietary Limited	8 368 000	9 252 146	14 366 065	100 %	100 %	202 070	202 070

Other information

The carrying amounts of subsidiaries are shown net of impairment losses. None of the subsidiaries have been impaired during the year. There are no significant restrictions related to any of subsidiaries of the group.

6. Deferred tax

Deferred tax liability

	Group		Company	
Figures in Rand	2017	2016	2017	2016
Plant and equipment	(116 723)	(133 398)	-	-
Prepayments	(24 686)	(30 514)	-	-
Total deferred tax liability	**(141 409)**	**(163 912)**	**-**	**-**
Deferred tax asset				
Provisions	91 354	93 564	-	-
Operating lease liability	39 157	15 093	-	-
Deferred tax balance from temporary differences other than unused tax losses	130 511	108 657	-	-
Tax losses available for set off against future taxable income	8 400 000	7 951 571	-	-
Total deferred tax asset	**8 530 511**	**8 060 228**	**-**	**-**

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction for the same legal entity, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

Deferred tax liability	(141 409)	(163 912)	-	-
Deferred tax asset	8 530 511	8 060 228	-	-
Total net deferred tax asset	**8 389 102**	**7 896 316**	**-**	**-**
Reconciliation of deferred tax asset / (liability)				
At beginning of year	7 896 316	-	-	-
Increase in tax losses available for set off against future taxable income	448 430	7 951 571	-	-
Temporary difference on property, plant and equipment	16 675	(133 398)	-	-
Temporary difference on provisions	(2 211)	93 564	-	-
Temporary difference on operating leases	24 064	15 093	-	-
Temporary difference on prepayments	5 828	(30 514)	-	-
	8 389 102	**7 896 316**	**-**	**-**
Unrecognised deferred tax asset				
Unused tax losses not recognised as deferred tax assets	129 481 322	131 082 857	20 945 942	16 897 154

6. Deferred tax (Continued)

Recognition of deferred tax assets:

Deferred tax assets have been recognised only to the extent that the amount f unused tax losses relating to the group's operations can be caried forward indefinitely and there is evidence that it is probable that sufficient taxable profits will be available in the future to utilise tax losses carried forward.

The group, except for its subsidiary, South African Micro-Electronic Systems Proprietary Limited, has experienced significant tax losses in preceding years. Through review of historical and prospective financial results of Labat Africa Limited, the company, uncertainty of whether sufficient taxable profits will be made remain questionable, which is the basis from which management concluded not to raise the deferred taxation on the tax losses incurred by Labat Africa Limited.

Through review of historical and prospective financial results of its subsidiary, South African Micro-Electronic Systems Proprietary Limited is expected to make future taxable returns. Management has assessed estimates used in the calculation of expected future taxable income.

Unused tax losses do not have an expiry date.

7. Inventories

	Group		Company	
Figures in Rand	2017	2016	2017	2016
Work in progress	412 363	938 623	-	-
Finished goods	2 309 640	2 203 597	-	-
	2 722 003	**3 142 220**	**-**	**-**
Inventories (write-downs)	(134 488)	-	-	-
	2 587 515	**3 142 220**	**-**	**-**

No inventory has been pledged as security against financial liabilities.

8. Loans to (from) directors and shareholders

Directors and shareholders loans	(284 255)	(284 255)	(284 255)	(284 255)
Link Private Equity Investments Proprietary Limited	(114 751)	145 169	(114 751)	145 169
	(399 006)	**(139 086)**	**(399 006)**	**(139 086)**

These loans are unsecured, bear no interest and have no fixed terms of repayment.

The carrying value of the loans to directors approximates its fair value due to the short term nature thereof.

Current assets	-	145 169	-	145 169
Current liabilities	(399 006)	(284 255)	(399 006)	(284 255)
	(399 006)	**(139 086)**	**(399 006)**	**(139 086)**

Loans to directors and shareholders past due but not impaired

None of the loans to directors and shareholders are considered as past due but not impaired.

Loans to shareholders impaired

As of 31 August 2017, no loans to directors and shareholders were impaired and provided for.

9. Other financial assets

	Group		Company	
Figures in Rand	2017	2016	2017	2016
At fair value through profit or loss				
Total Client Services Limited The total of 992 363 (2016: 992 363) shares held with a value of 1 cent per share (31 August 2016: 1 cent per share) at 31 August 2017.	9 923	9 923	-	-
Loans and receivables				
Kufika Transport Proprietary Limited The loan is unsecured, bears no interest and has no fixed terms of repayment.	704 860	-	704 860	-
Total other financial assets	**714 783**	**9 923**	**704 860**	**-**
Current assets				
At fair value through profit or loss	9 923	9 923	-	-
Loans and receivables	704 860	-	704 860	-
	714 783	**9 923**	**704 860**	**-**

Fair value information

The carrying value of the loans and receivables approximates its fair value due to the short term nature of the receivable.

Loans and receivables past due but not impaired

Loans and receivables which are less than 3 months past due are not considered to be impaired. At 31 August 2017, no loans and receivables were past due but not impaired.

As of 31 August 2017, no loans and receivables were impaired and provided for.

10. South African Revenue Services

South African Revenue Services consist of significant assets and liabilities payable in terms of the income Tax Act, VAT Act and other statutory regulations. Due to the significance of these balances they have been disclosed separately within the consolidated annual financial statements. The nature of the account relates mostly to disputes with SARS surrounding outstanding VAT receivables set off against income taxation payable in historic financial periods, calculated incorrectly based on disallowed tax losses.

During the comparative year, Labat Africa Limited reached a settlement agreement with SARS related to the ongoing dispute around its PAYE and VAT assessments dating to the period 28 February 2013. The settlement has resulted in an amount of R1.2 million being paid to SARS and the remaining liability raised being reversed. As a result, the dispute regarding Labat Africa Limited and SARS has been concluded.

During the current year, SAMES (Pty) Ltd had lodged an application with the tax court to have the outstanding balance of V.A.T and interest thereon recovered, with cost. Based on legal representation obtained independently management is confident the receivable recognised will be recovered in due course.

	2017	**2016**	**2017**	**2016**
Value added taxation	11 570 482	11 114 026	(168 900)	394 799
Employee related taxes	(13 438 476)	(13 447 068)	-	-
Interest and penalties	4 778 540	(1 644 807)	-	-
Current tax payable	(202 072)	(202 072)	-	-
	2 708 474	**(4 179 921)**	**(168 900)**	**394 799**
Current assets	3 069 623	-	-	394 799
Current liabilities	(361 149)	(4 179 921)	(168 900)	-
	2 708 474	**(4 179 921)**	**(168 900)**	**394 799**

11. Trade and other receivables

	Group		Company	
Figures in Rand	2017	2016	2017	2016
Trade receivables	18 298 133	1 769 244	16 566 587	790 256
Prepayments	158 747	108 980	70 581	-
Deposits	103 336	-	103 336	-
Other receivables	16 575	3 000	16 575	3 000
	18 576 791	1 881 224	16 757 079	793 256

Trade and other receivables pledged as security

None of the above stated trade and other receivables were pledged as security at period end.

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates. Management believes the credit quality of the trade receivables to be high, as there has not been any historic default on these trade receivables.

Fair value of trade and other receivables

They carrying value of trade and other receivables approximates their fair value due to the short term nature thereof.

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 31 August 2017, R 188 246 (2016: R 25 901) were past due but not impaired. The ageing of amounts past due but not impaired is as follows:

1 month past due	188 246	25 901	-	-

Trade and other receivables impaired

As of 31 August 2017, trade and other receivables of R Nil (2016: R 22 160) were impaired and provided for. The allowance is in line with the group policy of providing for trade debtors outstanding for greater than 90 days. No settlements have been received in the current year in respect of the amounts outstanding.

The ageing of these loans is as follows:

Over 3 months	-	22 160	-	-

Reconciliation of provision for impairment of trade and other receivables

Opening balance	(22 160)	(338 268)	-	-
Amounts written off as uncollectable	-	316 108	-	-
Unused amounts reversed	22 160	-	-	-
	-	(22 160)	-	-

12. Cash and cash equivalents

Cash and cash equivalents consist of:				
Cash on hand	21 524	7 014	-	3 000
Bank balances	8 276 943	8 149 122	4 869 390	614 444
Short-term deposits	927 963	1 124 158	-	-
	9 226 430	9 280 294	4 869 390	617 444

The fair value of the cash and cash equivalents approximates its fair value, due to the short term nature of the cash and cash equivalents.

The total amount of undrawn facilities available for future operating activities and commitments	20 000	20 000	-	-

12. Cash and cash equivalents (Continued)

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates. Management believes the credit quality of cash and cash equivalents are high in nature, as they bank with reputable financial institutions.

13. Share capital

	Group		Company	
Figures in Rand	2017	2016	2017	2016
Authorised				
5 000 000 000 Ordinary shares of 1 Cent each	50 000 000	50 000 000	50 000 000	50 000 000
Reconciliation of number of shares issued:				
Reported as at 01 September	259 202 297	259 202 297	259 202 297	259 202 297
Treasury shares	(3 210 023)	(3 210 023)	(3 210 023)	(3 210 023)
Issue of shares – ordinary shares	2 886 625	-	2 886 625	-
	258 878 899	**255 992 274**	**258 878 899**	**255 992 274**
Issued				
262 088 922 Ordinary shares of 1 cent each	2 620 889	2 592 023	2 620 889	2 592 023
Share premium	57 745 016	56 795 402	57 745 016	56 795 402
Treasury shares	(481 503)	(481 503)	-	-
	59 884 402	**58 905 922**	**60 365 905**	**59 387 425**

14. Treasury Shares

The Group entered a share incentive scheme for the benefit of employees during 2001. Share options totaling 4,866,667 had been allotted towards this scheme during the 2001 financial period through the issue of 4,866 667 shares to the share incentive scheme. In terms of the scheme, employees were entitled to exercise their options to purchase these shares in specific tranches within a five year period from grant date. These options have subsequently expired or has been exercised. Included in the share capital are 3 210 023 Labat Africa Limited shares that have been issued to the share incentive scheme and remain in the custody of the group through the Share incentive scheme with a value of R481 503. The shares are held in separate entity. These shares have been treated as treasury shares.

15. Non-distributable reserves - Revaluations

The revaluation reserve arose as a result of the revaluation of plant and machinery in accordance with the group's accounting policies.

Opening balane	343 024	-	-	-
Revaluation	-	343 024	-	-
Utilisation of the revaluation reserve	(42 878)	-	-	-
	300 146	343 024	-	-

16. Non-distributable reserves - Equity loans

A loan owing to a subsidiary company was purchased at a discount on acquisition of the subsidiary. This loan was treated as part of equity at acquisition of the subsidiary as the loan is not repayable by the holding company to the subsidiary. The movement in the loan represents loan payments from the subsidiary. Movements in loans during the year from the subsidiary arising from transactions in the current year are considered as part of capital loans. The additional loan movements are disclosed as part of non-distributable reserves.

Opening balance - Equity loan toward South African Micro-Electronic Systems Proprietary Limited	-	-	29 702 260	22 790 484
Movement	-	-	4 019 095	6 911 776
	-	**-**	**33 721 355**	**29 702 260**

17. Finance lease liabilities

	Group		Company	
Figures in Rand	2017	2016	2017	2016
Minimum lease payments due				
- within one year	310 180	-	310 180	-
- in second to fifth year inclusive	882 423	-	882 423	-
	1 192 603	-	1 192 603	-
less: future finance charges	(303 355)	-	(303 355)	-
Present value of minimum lease payments	**889 248**	**-**	**889 248**	**-**
Present value of minimum lease payments due				
- within one year	173 653	-	173 653	-
- in second to fifth year inclusive	715 595	-	715 595	-
	889 248	**-**	**889 248**	**-**
Non-current liabilities	715 595	-	715 595	-
Current liabilities	173 653	-	173 653	-
	889 248	**-**	**889 248**	**-**

The lease does not contain contingent rental, repurchase renewal options and does not impose restrictions on the entity. The average lease term was 4 years and the average effective borrowing rate was 17%.

The group's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 3.

18. Loans from subsidiaries

SAMES Properties Proprietary Limited	-	-	(318 252)	(318 252)

The loan is unsecured, bears no interest and has no fixed terms of repayment.

Fair value of loans from subsidiaries

The carrying value of loans from subsidiaries approximates its fair value, due to the short term nature thereof.

19. Trade and other payables

Trade payables	22 110 500	3 197 376	21 471 513	2 532 466
Accruals	156 896	166 000	-	-
Operating lease payable	164 155	137 825	24 308	83 922
Other payables	332 696	15 975	331 746	15 025
	22 764 247	**3 517 176**	**21 827 567**	**2 631 413**

Fair value of trade and other payables

The carrying value of trade and other payables approximates its fair value, due to the short term nature thereof.

20. Provisions

Reconciliation of provisions - Group - 2017

	Opening balance	Additions	Utilised during the year	Total
Provision for salaries	8 304 126	2 000 000	(1 816 000)	8 488 126
Provision for leave pay	608 728	737 595	(652 184)	694 139
Provision for Workmen's Compensation	10 989	-	-	10 989
	8 923 843	**2 737 595**	**(2 468 184)**	**9 193 254**

Reconciliation of provisions - Group - 2016

	Opening balance	Additions	Utilised during the year	Total
Provision for salaries	8 719 688	2 532 438	(2 948 000)	8 304 126
Provision for leave pay	632 772	85 533	(109 577)	608 728
Provision for Workmen's Compensation	10 989	-	-	10 989
	9 363 449	**2 617 971**	**(3 057 577)**	**8 923 843**

Reconciliation of provisions - Company - 2017

	Opening balance	Additions	Utilised during the year	Total
Provision for salaries	8 304 126	2 000 000	(1 816 000)	8 488 126
Provision for leave pay	291 200	319 793	(243 117)	367 876
	8 595 326	**2 319 793**	**(2 059 117)**	**8 856 002**

Reconciliation of provisions - Company - 2016

	Opening balance	Additions	Utilised during the year	Total
Provision for salaries	8 719 688	2 532 438	(2 948 000)	8 304 126
Provision for leave pay	248 745	42 455	-	291 200
	8 968 433	**2 574 893**	**(2 948 000)**	**8 595 326**

Provision for leave pay

The leave pay provision represents management's best estimate of the group's liability under the current employment terms where the employees of Labat Africa Limited are eligible for leave based on the underlying terms and conditions of employment with the entity. The uncertainties within the provision relates to the timing differences due mainly with regard to utilisation and compensation of leave owed, as the leave pay can be accrued indefinitely.

Provision for salaries

The provision related to salaries has been raised as significant uncertainty exists as to whether these emoluments wil be paid and when these emoluments will be paid, due to the current financial constraints of the group. No payments have been made subsequent to the financial year end.

21. Revenue

	Group		Company	
Figures in Rand	2017	2016	2017	2016
Sale of goods	9 616 703	13 618 444	-	-
Rendering of services	42 393 897	693 207	42 393 897	693 207
Management fee income	-	-	200 000	250 000
	52 010 600	**14 311 651**	**42 593 897**	**943 207**

22. Cost of sales

	Group 2017	Group 2016	Company 2017	Company 2016
Sale of goods	3 397 444	6 073 775	-	-
Rendering of services	37 219 160	654 696	37 219 160	654 696
	40 616 604	**6 728 471**	**37 219 160**	**654 696**

23. Other income

	Group		Company	
Figures in Rand	2017	2016	2017	2016
Derecognition of SARS liability (Refer to note 10)	906 210	3 193 464	-	3 193 464
Derecognition of trade payables prescribed	-	1 480 036	-	103 081
Cost recovery and scrap sales	116 240	-	22 623	-
Gains on foreign exchange gain	-	411 787	-	-
Profit on disposal of assets	3 650	-	-	-
	1 026 100	**5 085 287**	**22 623**	**3 296 545**

24. Operating profit (loss)

Operating (loss) profit for the year is stated after charging (crediting) the following, amongst others:

Auditor's remuneration - external				
Audit fees	516 762	590 034	280 584	436 385
Employee costs				
Salaries, wages, bonuses and other benefits	7 261 165	6 021 866	4 684 324	3 957 553
Retirement benefit plans: defined contribution expense	108 260	62 087	103 800	52 820
Total employee costs	**7 369 425**	**6 083 953**	**4 788 124**	**4 010 373**
Leases				
Operating lease charges				
Premises	981 424	684 969	366 306	374 561
Motor vehicles	51 144	-	51 144	-
Equipment	-	3 009	-	3 009
	1 032 568	**687 978**	**417 450**	**377 570**

25. Investment income

Dividend income				
From group entities:				
Subsidiaries - Local	-	-	-	7 873 707
Interest income				
Per category:				
Bank and other cash	45 941	171 099	141	-
Loans and receivables at amortised cost	4 860	-	4 860	-
South African Revenue Services outstanding receivables	6 423 450	-	-	-
Total interest income	**6 474 251**	**171 099**	**5 001**	**-**
Total investment income	**6 474 251**	**171 099**	**5 001**	**7 873 707**

26. Finance costs

Finance leases	90 278	-	90 278	-
South African Revenue Services	161 452	58 951	161 452	58 951
Factoring facilitation finance charge	183 138	-	183 138	-
Total finance costs	**434 868**	**58 951**	**434 868**	**58 951**

27. Taxation

	Group		Company	
Figures in Rand	2017	2016	2017	2016
Major components of the tax income				
Current				
Local income tax	-	-	-	-
Deferred				
Originating and reversing temporary differences	(492 786)	(8 029 714)	-	-
Reconciliation of the tax expense				
Reconciliation between accounting profit and tax expense.				
Accounting profit/(loss)	4 149 057	366 666	(4 408 134)	1 677 874
Tax at the applicable tax rate of 28% (2016: 28%)	1 161 736	102 666	(1 234 278)	469 805
Tax effect of adjustments on taxable income				
Tax charges not deductible	104 190	16 506	104 190	16 506
Non-taxable income	-	-	-	(2 204 638)
Deferred tax assets raised on initial recognition of tax losses	-	(8 029 714)	-	-
Utilisation of deferred tax losses	-	(1 837 499)	-	-
Tax losses carried forward	-	1 718 327	-	1 718 327
Previous tax losses not recognised now utilised	-	(1 758 712)	1 130 088	-
	(492 786)	**(8 029 714)**	**-**	**-**

28. Earnings per share

Basic earnings per share was based on earnings of R4 641 843, (2016: R8 396 378) and a weighted average number of ordinary shares of 256 150 445 (2016: 255 992 274).

Diluted earnings per share of 1.81 cents (2016: 3.28 cents) is equal to earnings per share because there are no dilutive potential ordinary shares in issue. Headline earnings per share are determined by dividing headline earnings by the weighted average number of ordinary share outstanding during a period. In the determination of headline earnings per share, profit or loss attributable to the equity holders

of the parent, and the weighted average number of ordinary shares are adjusted for the effects of all potential headline transactions applicable to the ordinary shares.

Reconciliation of headline earnings per share				
Basic/ Diluted Basic earnings attributable to owners of Labat Africa Limited	4 641 843	8 396 378	-	-
Profit on disposal of tangible assets	(3 650)	-	-	-
Tax on profit on disposal of tangible assets	1 022	-	-	-
	4 639 215	**8 396 378**	**-**	**-**
Earnings attributable to owners of Labat Africa Limited				
Headling/ Dilutive headline earnings per share	1.81	3.28	-	-
Reconciliation of weighted average number of shares				
Issued shares at the begining of the year	255 992 274	255 992 274	-	-
Share issue for cash - 11 August 2017	158 171	-	-	-
	256 150 445	255 992 274	-	-

29. Cash generated from (used in) operations

	Group		Company	
Figures in Rand	2017	2016	2017	2016
Profit (loss) before taxation	4 149 057	366 666	(4 408 134)	1 677 874
Adjustments for:				
Depreciation	331 917	61 490	131 192	5 309
Derecognition of SARS liability	(906 210)	(3 193 464)	-	(3 193 464)
Derecognition of trade payables	-	1 480 035	-	103 081
Losses on foreign exchange	437 877	-	-	-
Dividend received	-	-	-	(7 873 707)
Inventory write-off	134 488	-	-	-
Finance costs	434 868	58 951	434 868	58 951
Investment revenue	(6 474 251)	(171 099)	(5 001)	-
Profit on disposal of fixed assets	(3 650)	-	-	-
Impairment of loan	-	-	-	109 163
Movements in provisions	269 411	(439 606)	260 676	(373 107)
Unrealised foreign exchange gains	-	411 787	-	-
Changes in working capital:				
Inventories	554 705	305 963	-	-
Trade and other receivables	(16 695 567)	(294 177)	(15 963 823)	(230 203)
Trade and other payables	19 857 817	(2 493 266)	20 498 045	842 578
	2 090 462	**(3 906 720)**	**947 823**	**(8 873 525)**

30. Commitments

Operating leases – as lessee (expense)				
Minimum lease payments due				
- within one year	819 207	955 093	146 410	425 920
- in second to fifth year inclusive	1 934 179	1 797 006	-	146 410
	2 753 386	**2 752 099**	**146 410**	**572 330**

Operating lease payments represent rentals payable by the group for certain of its office properties. The operating lease commitment stated above escalated at an annual rate of 10%. The entity has not entered into any sublease agreements, neither does the lease agreement contain any contingent rents, purchase or renewal options, or impose any restrictions on the entity.

31. Contingencies

There are various claims and counter claims made by and against Labat Africa Limited which have risen in the normal course of business which may have a material effect on the Labat Africa Limited Group's financial position. Estimates of the financial effect, when reliable estimates are available, are included. Details of these matters are as follows:

The South African Post Office Limited:

A consortium of which Labat Africa Limited forms part of is suing The South African Post Office Limited for breach of contract regarding the implementation of a contract awarded to Labat Africa Limited. A damages claim has been prepared. The legal representatives of the respective parties are currently engaged in settlement discussions. Directors are of the view that a substantial settlement will be obtained, however, the financial effect cannot be reliably determined at the date of these financial statements.

Limpopo Province:

Labat Africa Limited has requested a review of the process, which led to the award of a contract to pay pensions in the Limpopo Province. The contract has now been set aside and Labat Africa Limited is preparing a damages claim. The financial effect cannot be reliably determined at the date of these financial statements.

31. Contingencies (Continued)

Audit fees:

A dispute has arisen with the previous auditors who are claiming fees of R1.1m against a quoted figure of R438 900. The board has taken the decision to aggressively fight this claim. This is being dealt with the assistance of the Company's attorneys, Norton Rose. No approval was obtained for such overruns in addition, the board has taken a decision to lodge a complaint with South African Institute of Chartered Accountants ("SAICA") for overcharging and have already lodged a complaint with Independent Regulatory Board for Auditors ("IRBA").

It is not anticipated that any material liabilities will arise from the aforementioned contingent liabilities. As a result no provision had been raised in the annual financial statements as at 31 August 2017.

32. Related parties

Relationships	
Subsidiaries	Refer to note 5
Shareholder with significant influence	Link Private Equity Investments Proprietary Limited
Directors and members of key management	Brian van Rooyen
	David O'Neill
	Rowena Majiedt
	Beverley Penny
	Rustum Mohamed
	Dawood Asma

	Group		Company	
Figures in Rand	2017	2016	2017	2016
Related party balances				
South African Micro-Electronic Systems Proprietary Limited				
Loan accounts - Owing (to) by group companies	-	-	33 721 355	32 983 000
SAMES Properties Proprietary Limited				
Loan accounts - Owing (to) by group companies	-	-	(318 252)	(318 252)
Dawood Asmal				
Loan accounts - Owing (to) by shareholders and directors with significant influence	(284 255)	(284 255)	(284 255)	(284 255)
Director services raised as provision				
Provisions from directors	(8 488 126)	(8 304 126)	(8 488 126)	(8 304 126)
Link Private Equity Investments Proprietary Limited				
Loan accounts - Owing (to) by shareholders and directors with significant influence	(114 751)	145 169	(114 751)	145 169
Related party transactions				
Link Private Equity Investments Proprietary Limited				
Rent paid to (received from) related parties	366 306	374 561	366 306	374 561
South African Micro-Electronic Systems Proprietary Limited				
Administration fees paid to (received from) related parties	-	-	(200 000)	(250 000)
Compensation to directors and other key management				
Short-term employee benefits	3 979 000	3 979 000	3 979 000	3 979 000

33. Directors' emoluments

Executive

2017	Emoluments	Provident fund	Medical Aid	Travel	Total
B. G. van Rooyen	2 269 000	144 776	52 182	300 000	2 765 958
D. J. O'Neill	1 710 000	51 108	52 182	180 000	1 993 290
	3 979 000	**195 884**	**104 364**	**480 000**	**4 759 248**
2016					
B. G. van Rooyen	2 269 000	144 776	52 182	300 000	2 765 958
D. J. O'Neill	1 710 000	51 108	52 182	180 000	1 993 290
	3 979 000	**195 884**	**104 364**	**480 000**	**4 759 248**

Non-executive

2017	Directors' fees	Total
R. Majiedt	84 000	84 000
B. Jacobs	30 000	30 000
D. Asmal	15 000	15 000
R. Mohamed	15 000	15 000
	144 000	**144 000**
2016		
R. Majiedt	100 000	100 000
B. Jacobs	60 000	60 000
D. Asmal	60 000	60 000
	220 000	**220 000**

34. Directors' interest in shares

As at 31 August 2017, the Directors interests were as follows:

	August 2017 Beneficial			**August 2016 Beneficial**		
	Direct	Indirect	%	Direct	Indirect	%
B. G. van Rooyen	-	52 514 908	20.19	-	52 514 908	20.26
D. J. O'Neill	-	52 514 907	20.19	-	52 514 907	20.26
	-	**105 029 815**	**40.07**	**-**	**105 029 815**	**40.52**

35. Risk management

Capital risk management

The group and company's capital structure consists of debt which includes non-interest bearing borrowings and equity attributable to equity holders of the company which comprises issued share capital, share premium and accumulated earnings. The group's capital management objective is to achieve an effective weighted average cost of capital while continuing to safeguard the group's ability to meet its liquidity requirements, repay borrowings as they fall due and continue as a going concern. Management reviews the capital structure, analyses interest rate exposure and re-evaluates treasury management strategies in the context of economic conditions and forecasts regularly. There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

35. Risk management (Continued)

Financial risk management

The group and company is exposed to risks from its use of financial instruments. This note describes the group's objective, policies and processes for managing those risks and the methods used to measure them. As the risk management is addressed on a group wide basis, the policies and procedures governing the risk management processes are addressed at group level and information specific to the company is added. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes to the group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note. Information disclosed has not been disaggregated as the financial instruments used by the group share the same economic characteristics and market conditions.

The principal financial instruments used by the group, from which financial risk arises, are as follows:

- Trade and other receivables;
- Cash and cash equivalents;
- Loans to/(from) subsidiaries;
- Financial lease liabilities
- Other financial assets;
- Loans to/(from) directors and shareholders; and
- Trade and other payables.

The group is currently exposed to credit risk, liquidity risk and market risk (which comprises cash flow interest rate risk and price risk). The group is exposed to foreign exchange risk as the group does have direct dealings with suppliers or customers where an exchange risk may occur.

Risk management is carried out by management under policies approved by the Board. The Board provides principles for overall risk management, as well as policies covering specific areas, such as interest rate risk and credit risk. The directors monitor their collections from the group's receivables, movement in prime lending rates and the risks that the group is exposed to base on current market conditions, on a monthly basis.

The directors are of the opinion that the carrying amount of all current financial assets and financial liabilities approximate their fair values due to the short term maturities of these financial instruments unless otherwise stated. The fair value of other financial liabilities and financial assets are determined in accordance with generally accepted pricing models comprising discounted cash flow analysis or quoted market information. Where the effects of discounting are immaterial, short term receivables and short term payables are measured at the original invoice amount. The group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. The group does not use derivative financial instruments to hedge certain risk exposures.

The main purpose of financial liabilities is to raise finance to fund the acquisition of plant and equipment, working capital and any future acquisitions. Procedures for avoiding excessive concentration of risk include:

- Maintaining a wide customer base;
- Continually looking for opportunities to expand the customer base;
- Reviewing current developments in technology in order to identify any product line which may increase margins in the future;
- Reviewing the trade debtors' age analysis regularly with the intention of minimising the group's exposure to bad debt;
- Maintaining cash balances and agreed facilities with reputable financial institutions;
- Effecting necessary price increases as and when required; and
- Reviewing the group's bank accounts daily.

35. Risk management (Continued)

Liquidity risk

Liquidity risk is the risk that the group will experience financial difficulty in meeting its financial obligations as they fall due. The group's policy is to ensure that it will always have sufficient cash or funding facilities to allow it to meet its obligations when they fall due. To achieve this it seeks to maintain cash balances and agreed facilities with reputable financial institutions. This is also achieved by monitoring the economy to ensure that necessary price increases are affected. There have been no defaults or breaches on financial liabilities during the course of the current financial year. Management of liquidity risk in regard to financial liabilities includes a daily review of the group's bank accounts and transfer of excess funds from the main current account to other facilities in order to increase the group's interest earnings.

The table below analyses the group's financial liabilities into relevant maturity groupings based on the remaining period at the consolidated statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Group

At 31 August 2017	Less than 1 year	Between 2 and 5 years
Trade and other payables	22 600 092	-
Loans from directors and shareholders	399 006	-
Finance lease liability	173 653	715 595

At 31 August 2016	Less than 1 year
Trade and other payables	3 379 352
Loans from directors and shareholders	284 255

Company

At 31 August 2017	Less than 1 year	Between 1 and 2 years
Loan from subsidiaries	318 252	-
Trade and other payables	21 803 259	-
Loans from directors and shareholders	399 006	-
Finance lease liabilities	173 653	715 595

At 31 August 2016	Less than 1 year
Trade and other payables	2 547 941
Loan from directors and shareholders	284 255
Loans from subsidiaries	318 252

Interest rate risk

Interest rate risk refers to the risk of fluctuating interest rates that will have a negative financial effect on cash outflows and the income statement. It is the risk that the future cash flow of a financial instrument will fluctuate because of changes in interest rates. The group's interest rate risk mainly arises from cash and cash equivalents. Future changes to the prime lending rates will have a direct impact on the future cash payments received on financial assets held. The risk remains un hedged at the reporting date. Exposure to cash flow interest rate risk on financial assets is monitored on a continuous basis. The group does not carry any fixed interest bearing financial instruments and is therefore not exposed to fair value interest rate risk. Deposits and cash balances attract interest at a rate that varies with prime.

The group has used a sensitivity analysis technique that measures the estimated change to the consolidated statement of profit or loss and other comprehensive Income of an instantaneous increase or decrease in market interest rates on financial instruments from the applicable rate as at 31 August 2017, for each class of financial instrument with all other variables remaining constant. The calculations were determined with reference to the outstanding financial asset balances for the year. At 31 August 2017, if interest rates on Rand-denominated borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been R83 372 (2015: R92 803) lower/higher, mainly as a result of higher/lower interest income on floating rate assets.

35. Risk management (Continued)

Cash flow interest rate risk

Financial instrument	Current interest rate	Balance
Other deposits	4.30%	8 276 943
Cash and cash equivalents	30.30%	927 963
Finance lease obligation	17.0%	889 248

Credit risk

Credit risk arises mainly from trade receivables and bank balances. The credit quality of customers is assessed by taking into account the financial position, past experience and other factors. Individual risk limits are set internally and are regularly monitored. It is the group's policy that all customers be subjected to a credit verification procedure before agreements are entered into. In addition, the trade debtors' age analysis is reviewed weekly with the intention of minimising the group's exposure to bad debts.

When a customer is identified as having cash flow problems, the credit manager will take the following steps:

- Confirm the situation with the customer;
- Advise the director of the situation during the monthly meeting at which outstanding debtors balances are reviewed;
- Place the customer on hold to mitigate further risks; and
- Issue letters of demand and decide whether to proceed with further legal action.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties. No collateral has been provided for any of the financial assets held by the group.

The maximum exposure of financial assets to credit risk equates to the carrying amounts as presented on the consolidated statement of financial position. Due to the short term nature of financial assets, the fair value of all financial assets are considered to approximate its carrying values as reflected in the consolidated statement of financial position.

Management believes the credit quality of financial assets to be high, as there has historically not been any significant default from counter parties.

	Group		Company	
Figures in Rand	2017	2016	2017	2016
Financial instrument				
Trade and other receivables	18 418 044	1 772 244	16 686 498	793 256
Other financial assets	714 783	9 923	704 860	-
Loans to directors and shareholders	-	145 169	-	145 169
Cash and cash equivalents	9 204 906	9 273 280	4 869 390	617 444

Foreign exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, the British Pound and the Euro to a lesser extent. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities. The group does not hedge foreign exchange fluctuations.

- At 31 August 2017, if the currency had weakened/strengthened by 10% against the US dollar with all other variables held constant, post-tax profit for the year would have been R116 618 (2016: R91 893) higher/lower, mainly as a result of foreign exchange gains or losses on translation of US dollar denominated trade receivables, cash and cash equivalents and trade payables.

The group reviews its foreign currency exposure, including commitments on an ongoing basis.

35. Risk management (Continued)

Foreign currency exposure at the end of the reporting period

	Group		Company	
Figures in Rand	2017	2016	2017	2016
Current assets				
Trade debtors (USD)	1 708 170	918 938	-	-
Liabilities				
Trade payables (USD)	5 153	581 637	-	-

Exchange rates used for conversion of foreign items were:

USD	13.0139	14.5456

Market risk

The group's activities expose it primarily to the risks of fluctuations in foreign currency exchange rates and price risk. Foregoing currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Refer to the currency risk disclosure as stated above where the sensitivity analysis on the effect of currency fluctuations are shown.

Price risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices other that those arising from currency risk.

The table below summarises the impact of increases/decreases of the indexes on the group's post-tax profit for the year and on equity. The analysis is based on the assumption that the equity indexes has increased/decreased by 5% with all other variables held constant:

Group

	Impact on post tax profit in Rand		Impact on other components of equity in Rand	
Financial instrument	2017	2016	2017	2016
Total Client Services Limited	497	497	-	-

Post-tax profit for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through profit or loss.

36. Going concern

The consolidated and separate annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

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 R9m 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 R34.2m are more than the current liabilities of R32.9m as provisions for amounts due to directors being subordinated.

Based on the above, 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 with a profitable business, sufficient cash resources for working capital and acquisition requirements. The Board therefore considers the group to be a going concern.

37. Events after the reporting period

Labat has acquired a 55% shareholding in Labat Kufika Logistics a new logistics business with effect from 1 September 2017. Initial accounting for the business combination is incomplete at the time the financial statements are authorised for issue, as management is finalising outstanding areas with regard to the acquisition.

38. Determination of fair value hierarchy

Financial instruments and plant and equipment measured in the statement of financial position at fair value require disclosure. The following is the fair value Measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2);
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of financial instruments traded in active markets is based on quoted market prices, which represent actual and regularly occurring market transactions between market participants at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker or industry group pricing market transactions on an arm's length basis and transactions occur regularly. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. For all other financial assets and liabilities, the carrying value approximates the fair value.

No transfers between the various levels occured during the current financial period.

The following table presents the Group's assets and liabilities that are measured at fair value:

2017	Level 1	Level 2	Level 3	Total
Other financial assets	-	-	9 923	9 923
Plant and equipment	-	-	759 294	759 294
	-	-	**769 217**	**769 217**

39. Segment reporting

The company has three segments as follows:

- Technology which manufactures and distributes integrated circuits South African Micro - Electronic Systems;
- Logistics which renders bulk logistics services;
- Head office operations which provides management services and seeks further investment opportunities for the Group;
- The segments as reported in the segmental analysis are consistent with internal reports that are provided to the chief operations decision makers;
- The Technology segment does not have extensive reliance on any single customer;

39. Segment reporting

The following factors have been utilised to differentiate between the individual reporting segments:

- The nature of products /services delivered by these individual segment's operational activities; and
- The financial significance of the individual segment

39.1. Segment reporting

Reconciliation of segment reporting - Group - 2017

31 August 2017	Technology R	Logistics R	Property R	Operational total R	Head office R	Elimin-ations R	Total R
Statement of profit or loss							
External revenue	9 616 703	42 393 897	-	52 010 600	-	-	52 010 600
Management fees	-	-	-	-	200 000	(200 000)	-
	9 616 703	42 393 897	-	52 010 600	200 000	(200 000)	52 010 600
Cost of revenues	(3 397 445)	(37 219 161)	-	(40 616 606)	-	-	(40 616 606)
Gross profit	6 219 258	5 174 736	-	11 393 994	-	-	11 393 994
Other income	1 003 477	-	-	1 003 477	22 663	-	1 026 100
Operating expenses	(4 731 901)	(1 070 534)	(202 169)	(6 004 604)	(8 173 901)	200 000	(13 978 505)
Depreciation	(200 725)	-	-	(200 725)	(131 192)	-	(331 917)
Recurring operating profit/ (loss)	2 290 109	4 104 202	(202 169)	6 192 142	(8 082 470)	-	(1 890 328)
Interest received	6 469 251	-	-	6 469 251	5 001	-	6 474 252
Finance costs	-	-	-	-	(434 868)	-	434 868
Profit/ (loss) before taxation	8 759 360	4 104 202	(202 169)	12 661 393	(8 512 337)	-	4 149 057
Taxation	492 786	-	-	-	-	-	(492 786)
Profit/ (loss) for the year	9 252 146	4 104 202	(202 169)	13 154 179	(8 512 337)	-	4 641 843
Segment assets	22 630 362	16 566 587	340 722	39 537 671	6 826 015	(510 598)	45 853 088
Segment liabilities	(33 067 591)	(21 471 511)	(318 251)	54 857 353	(10 987 465)	(32 237 913)	(33 606 905)

39.1 Segment reporting (Continued)

Reconciliation of segment reporting - Group - 2016

31 August 2016	Technology R	Logistics R	Property R	Operational total R	Head office R	Eliminations R	Total R
Statement of profit or loss							
External revenue	13 618 444	693 207	-	14 311 651	-	-	14 311 651
Management fees	-	-	-	-	250 000	(250 000)	-
	13 618 444	693 207	-	14 311 651	250 000	(250 000)	14 311 651
Cost of revenues	(6 073 775)	(654 696)	-	(6 728 471)	-	-	(6 728 471)
Gross profit	7 544 669	38 511	-	7 583 180	-	-	7 583 180
Other income	1 788 742	-	-	1 788 742	3 296 545	-	5 085 287
Operating expenses	(2 994 993)	-	-	(2 994 993)	(9 716 630)	359 163	(12 352 460)
Depreciation	(56 181)	-	-	(56 181)	(5 309)	-	(61 490)
Recurring operating profit/ (loss)	6 282 237	38 511	-	6 320 748	(6 098 372)	109 163	254 517
Interest received	54 114	-	116 985	171 099	-	-	171 009
Dividends received	-	-	-	-	7 873 707	(7 873 707)	-
Finance costs	-	-	-	-	(58 951)	-	(58 951)
Profit/ (loss) before taxation	6 336 351	38 511	116 985	-	1 639 362	(7 764 544)	366 665
Taxation	8 029 714	-	-	8 029 714	-	-	8 029 714
Profit/ (loss) for the year	14 366 065	38 511	116 985	14 521 561	1 639 362	(7 764 544)	8 396 379
Segment assets	21 720 130	-	52 891	22 263 021	2 173 431	(905 397)	23 531 055
Segment liabilities	(41 409 506)	-	(318 251)	(41 727 757)	(11 829 246)	36 651 808	(16 905 195)

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of shareholders of the Company will be held at 10:00 on Tuesday, 15 May 2018 at 23 Kroton Avenue, Weltevreden Park, Roodepoort to consider, and if deemed fit, to pass, with or without modifications, the resolutions set out below.

Record Dates

The board of directors of the Company has determined that the record date for the purpose of determining which shareholders of the Company are entitled to receive notice of this annual general meeting is Friday, 9 March 2018 and the record date for purposes of determining which shareholders of the Company are entitled to participate in and vote at the AGM is Friday, 4 May 2018. Accordingly, only shareholders who are registered in the register of members of the Company on Monday, 30 April 2018 will be entitled to participate in and vote at the annual general meeting.

Who May Attend

1. If you are the registered holder of certificated shares or you hold dematerialised shares with "own name" registration:

   - you may attend the AGM in person; or
   - you may appoint a proxy to represent you at the AGM by completing the attached form of proxy in accordance with the instructions contained therein and by returning it to the transfer secretaries to be received no later than 10:00 on, Friday, 11 May 2018 for administrative purposes or thereafter to the Company by hand by no later than 10:00 on Tuesday, 15 May 2018.

   A proxy need not be a shareholder of the Company.

   Certificated Shareholders or Own-name Dematerialised Shareholders may attend and vote at the Annual General Meeting, or alternatively appoint a proxy to attend, speak and, in respect of the applicable resolutions, vote in their stead by completing the attached form of proxy and returning it to the Company's transfer secretaries, Computershare Investor Services Proprietary Limited, at Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196, or posting to the transfer secretaries PO Box 61051, Marshalltown, 2107, to be received by no later than 10:00 on Friday, 11 May 2018 for administrative purposes or thereafter to the Company by hand by no later than 10:00 on Tuesday, 15 May 2018.

2. If you hold dematerialised shares which are not registered in your name:

   - and you wish to attend the AGM in person, you must obtain the necessary letter of representation from your Central Securities Depository Participant (CSDP) or broker or nominee (as the case may be); or
   - if you do not wish to attend the AGM but would like your vote to be recorded at the meeting, you should contact your CSDP or broker or nominee (as the case may be) and furnish them with your voting instructions; and
   - you must not complete the attached proxy form.

   Electronic Participation at the AGM

   In accordance with the provisions of section 61(10) of the Companies Act, the Company intends to make provision for shareholders and their proxies to participate in the AGM by way of telephone conference call. Shareholders wishing to do so:

   - must contact the Financial Director at +27 11 675-6841 by not later than 10:00 on Friday, 11 May 2018, to obtain a pin number and dial-in details for the conference call;
   - will be required to provide reasonably satisfactory identification;
   - will be billed separately by their own telephone service providers for the telephone call to participate in the AGM; and
   - must submit their voting proxies to the transfer secretaries, Computershare Investor Services Proprietary Limited, at Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 (PO Box 61051, Marshalltown, 2107) (Tel: (011) 370 5000) by no later than 10:00 on Friday, 11 May 2018 for administrative purposes on commencement of the AGM on Tuesday, 15 May 2018. No changes to voting instructions after this time and date can be accepted unless the Chairman of the meeting is satisfied as to the identification of the electronic participant.

Purpose of the AGM

The purpose of the AGM is to present to the shareholders of the Company:

- the group audited financial statements for the year ended 31 August 2017;
- the directors' report;
- the report of the Audit Committee;
- the report of the Social & Ethics Committee; and
- to deal with any other business that may lawfully be dealt with at the AGM, and to consider and, if deemed fit, to pass, with or without modification, the resolutions set out below:

1. ORDINARY RESOLUTION NUMBER 1 – ANNUAL FINANCIAL STATEMENTS

"RESOLVED THAT the annual financial statements of the Company and its subsidiaries for the year ended 31 August 2017, including the directors' report, the independent auditors' report, the audit and risk committee report and the social and ethics committee report, be received, considered and adopted."

Explanatory Note:

The annual financial statements are required to be approved in terms of the Companies Act, 2008 (No 71 of 2008) ("the Companies Act").

The minimum percentage of voting rights that is required for ordinary resolution 1 to be adopted is 50% (fifty percent) of the voting rights plus 1 (one) vote to be cast on this resolution.

2. ORDINARY RESOLUTION NUMBER 2 – DIRECTOR APPOINTMENT – R MOHAMED

"RESOLVED THAT the interim appointment of R Mohamed, as an independent non-executive director of the Company with effect from 30 May 2017 be and is hereby approved".

Mr Mohamed's curriculum vitae is set out on page 7 of this integrated annual report

3. ORDINARY RESOLUTION NUMBER 3 – DIRECTOR APPOINTMENT – MS. BA PENNY

"RESOLVED THAT the interim appointment of Ms.BA Penny, as an independent non-executive director of the Company with effect from 30 November 2017 be and is hereby approved".

Ms Penny's curriculum vitae is set out on page 7 of this integrated annual report

Explanatory note for ordinary resolutions 2 and 3:

In terms of the Company's Memorandum of Incorporation ("MOI"), all directors appointed to fill a casual vacancy or an interim appointment shall be elected by an ordinary resolution of the shareholders at the next general or annual general meeting of the company.

In order for these resolutions to be adopted, the support of more than 50% of the voting rights exercised on the resolutions by shareholders present or represented by proxy at the AGM and entitled to exercise voting rights on the resolutions is required.

4. ORDINARY RESOLUTION NUMBER 4 – DIRECTOR RETIREMENT AND RE-ELECTION – MS. RM MAJIEDT

"RESOLVED THAT Ms. RM Majiedt, which director retires in terms of the Company's MOI and, being eligible, offers herself for re-election as a director of the Company be and is hereby approved."

Ms Majiedt's curriculum vitae is set out on page 7 of this Annual Report.

Explanatory Note:

In accordance with the MOI of the Company, one-third of the non-executive directors or any interim appointed directors are required to retire at each meeting and may offer themselves for re-election. In terms of the MOI of the Company the executive directors, during the period of their service contract, are not taken into account when determining which directors are to retire by rotation.

The minimum percentage of voting rights that is required for ordinary resolution 4 to be adopted is 50% (fifty percent) of the voting rights plus 1 (one) vote to be cast on the resolution.

5. ORDINARY RESOLUTION NUMBER 5 – RE-APPOINTMENT AND REMUNERATION OF AUDITORS

"RESOLVED THAT the re-appointment of Nexia SAB&T as nominated by the Group's audit committee, as the independent external auditor of the Group be and is hereby approved and that the audit committee be and are hereby authorised to determine the remuneration of the auditors. It is noted that Mr Aneel Darmalingam is the individual registered auditor who will undertake the audit for the financial year ending 31 August 2018, being the designated auditor."

Explanatory Note:

Nexia SAB&T has indicated their willingness to be reappointed as the Company's auditor until the next Annual General Meeting. During the year, the audit partner changed to Mr Aneel Darmalingam. The Audit Committee has satisfied itself as to the independence of Howarth Leveton Boner and Mr Aneel Darmalingam and has also considered the requirements for the reappointment of the audit firm and audit partner in accordance with recent amendments to the JSE Listings Requirements. Further details are set out in the Audit Committee Report on page 29 of this integrated report.

The Audit Committee has the power in terms of the Companies Act to approve the remuneration of the external auditors. The remuneration paid to the auditors during the year ended 31 August 2017 is set out in note 60 of the Annual Financial Statements.

The minimum percentage of voting rights that is required for ordinary resolution 5 to be adopted is 50% (fifty percent) of the voting rights plus 1 (one) vote to be cast in favour of the resolution.

6. ORDINARY RESOLUTION NUMBER 6 – APPOINTMENT OF AUDIT AND RISK COMMITTEE MEMBER – R MOHAMED

"RESOLVED THAT R Mohamed be and is hereby approved to be appointed as a member and Chairman of the Audit and Risk Committee."

Mr R Mohamed's curriculum vitae is set out on page 7 of this Annual Report.

7. ORDINARY RESOLUTION NUMBER 7 –-APPOINTMENT OF AUDIT AND RISK COMMITTEE MEMBER – MS. BA PENNY

"RESOLVED THAT Ms. BA Penny be and is hereby approved to be appointed as a member of the Audit and Risk Committee."

Ms. BA Penny's curriculum vitae is set out on page 7 of this Annual Report.

8. ORDINARY RESOLUTION NUMBER 8 – RE-APPOINTMENT OF AUDIT AND RISK COMMITTEE MEMBER – MS. RM MAJIEDT

"RESOLVED THAT Ms. RM Majiedt be and is hereby approved to be reappointed as member of the Audit and Risk Committee."

Ms. RM Majiedt's curriculum vitae is set out on page 7 of this Annual Report.

Explanatory Note for ordinary resolutions number 6 to 8:

In terms of Section 61 (8)(c)(ii) of the Companies Act, shareholders are required to approve the appointment of the Audit Committee members.

The minimum percentage of voting rights that is required for each of ordinary resolutions 6 to 8 to be adopted is 50% (fifty percent) of the voting rights plus 1 (one) vote to be cast on each resolution.

9. ORDINARY RESOLUTION NUMBER 9 - ENDORSEMENT OF LABAT'S REMUNERATION POLICY

"RESOLVED THAT, the company's remuneration policy as set out in Part I of the Remuneration Report, be and is hereby approved."

Explanatory Note:

In terms of King IV dealing with boards and directors, companies are required to table their remuneration policy every year to shareholders for a non-binding advisory vote at the AGM. This vote enables shareholders to express their views on the remuneration policies adopted and on their implementation.

Part I of the company's Remuneration Report is contained on pages 22 to 25 of this integrated annual report.

Ordinary resolution 9 is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing arrangements. However, the board will take the outcome of the vote into consideration when considering the company's remuneration policy.

10. ORDINARY RESOLUTION NUMBER 10 - ENDORSEMENT OF THE IMPLEMENTATION OF LABAT'S REMUNERATION POLICY

"RESOLVED THAT, the implementation of the company's remuneration policy as set out in Part II of the company's Remuneration Report, be and is hereby approved."

Explanatory Note:

In terms of King IV dealing with boards and directors, companies are required to table their remuneration policy every year to shareholders for a non-binding advisory vote at the AGM. This vote enables shareholders to express their views on the remuneration policies adopted and on their implementation.

Section B of the company's Remuneration Report is contained on page 25 of this integrated annual report.

Ordinary resolution 10 is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing arrangements. However, the board will take the outcome of the vote into consideration when considering the company's remuneration policy.

Should more than 25% of the total votes cast be against either ordinary resolutions 9 or 10, the company will issue an announcement on the Stock Exchange News Services ("SENS") inviting shareholders who voted against the resolutions to meet with members of the Remuneration Committee. The process to be followed will be set out in a SENS announcement.

11. ORDINARY RESOLUTION NUMBER 11 – GENERAL AUTHORITY TO ALLOT AND ISSUE SHARES FOR CASH

"**Resolved that**, subject to the provisions of the Companies Act, the Listings Requirements of the JSE and the company's memorandum of incorporation, as a general authority valid until the next Annual General Meeting of the company and provided that it shall not extend past 15 months from the date of this Annual General Meeting, the authorised but unissued ordinary shares of the company be and are hereby placed under the control of the directors who are hereby authorised to allot, issue, grant options over or otherwise deal with or dispose of these shares to such persons at such times and on such terms and conditions and for such consideration whether payable in cash or otherwise, as the directors may think fit, provided that:

- the shares which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such equity securities or rights that are convertible into a class already in issue;
- this authority shall not endure beyond the next Annual General Meeting of the company nor shall it endure beyond 15 months from the date of this meeting;
- the shares must be issued only to public shareholders (as defined in the Listings Requirements of the JSE) and not to related parties (as defined in the Listings Requirements of the JSE);
- Upon any issue of shares for cash which represent, on a cumulative basis within a financial year, 5% (five percent) of the number of shares in issue prior to that issue, the company shall publish an announcement containing full details of the issue, (including the number of shares issued, the average discount to the weighted average traded price of the shares over the 30 days prior to the date that the price of the issue is agreed in writing between the company and the party/(ies) subscribing for the shares and the effects of the issue on the Statement of Financial Position, net asset value per share, net tangible asset value per share, the Statement of Comprehensive Income, earnings per share, headline earnings per share, and if applicable diluted earnings per share and diluted headline earnings per share), or an explanation, including supporting information (if any), of the intended use of the funds, or any other announcements that may be required in such regard in terms of the Listings Requirements which may be applicable from time to time;
- the number of ordinary shares issued for cash shall not, in the current financial year, in aggregate, exceed 15% or 39 313 338 of the Company's issued ordinary shares (including securities which are compulsorily convertible into shares of that class and excluding treasury shares) provided that;
  a) any equity securities issued under the authority during the period contemplated above must be deducted from the 39 313 338 ordinary shares as stated above; and
  b) in the event of a sub-division or consolidation of issued equity securities during the period contemplated above, the existing authority must be adjusted accordingly to represent the same allocation ratio.
- the maximum discount at which shares may be issued is 10% of the weighted average traded price of the company's shares over the 30 business days prior to the date that the price of the issue is determined or agreed by the directors of the Company."

11. ORDINARY RESOLUTION NUMBER 11 – GENERAL AUTHORITY TO ALLOT AND ISSUE SHARES FOR CASH (Continued)

Explanatory Note:
An ordinary resolution is required in terms of the Listings Requirements of the JSE in order for shareholders to place the authority to issue shares for cash under the control of the directors.

In order for this resolution to be adopted, it must be approved by 75% (seventy five percent) of the voting rights exercised on ordinary resolution 11 by shareholders present or represented by proxy at the Annual General Meeting and entitled to exercise voting rights on the resolution is required.

12. SPECIAL RESOLUTION NUMBER 1 – AUTHORITY TO ISSUE SHARES, SECURITIES CONVERTIBLE INTO SHARES OR RIGHTS THAT MAY EXCEED 30% OF THE VOTING POWER OF THE CURRENT ISSUED SHARE CAPITAL

"**Resolved that**: the authorised but unissued shares of the Company be and are hereby placed under the control of the directors (to the extent that this is necessary in terms of the Company's memorandum of incorporation) and the Directors be and are hereby authorised, to the extent required in terms of section 41(3) of the Companies Act, to allot and issue such number of shares in the authorised but unissued share capital of the Company as may be required for purposes of issuing shares, securities convertible into shares, or rights exercisable for shares in a transaction or series of integrated transactions notwithstanding the fact that such number of ordinary shares may have voting power equal to or in excess of 30% of the voting rights of all ordinary shares in issue immediately prior to such issue. This authority specifically includes the authority to allot and issue any ordinary shares in the authorised but unissued share capital of the Company to any underwriter(s) of a rights or claw-back offer (whether or not such underwriter is a related party to Labat (as defined for purposes of the Listings Requirements) and/or person falling within the ambit of section 41(1) of the Companies Act, being a director, future director, prescribed officer or future prescribed officer of the Company or a person related or inter-related to the Company or related or inter-related to a Director or prescribed officer of the Company or a nominee of any of the foregoing persons."

Explanatory Note:

The reason for special resolution number 1 is to:

a. obtain approval from the shareholders of the Company, in terms of the provisions of sections 41(1) and (3) of the Companies Act (to the extent required), to issue additional ordinary shares in the authorised but unissued share capital of the Company to enable the Company to issue shares, securities convertible into shares, or rights exercisable for shares in a transaction or series of integrated transactions notwithstanding the fact that such number of ordinary shares may have voting power equal to or in excess of 30% of the voting rights of all ordinary shares in issue immediately prior to such issue; and
b. to provide for the possibility of such shares being issued to persons and parties considered to be related and/or inter-related parties as defined in section 2 of the Companies Act, 2008 and the Listings Requirements of the Johannesburg Stock Exchange ("JSE"), which issue will be subject to the JSE Listings Requirements.

In order for this resolution to be adopted, the support of at least 75% of the voting rights exercised on the resolution by shareholders present or represented by proxy at the AGM and entitled to exercise voting rights on the resolution is required.

13. SPECIAL RESOLUTION NUMBER 2 – NON-EXECUTIVE DIRECTORS' REMUNERATION

"RESOLVED THAT the approval of the remuneration payable to the non-executive directors for the financial year commencing 01 December 2017 as follows:

Board:	Chairman	Other directors / members of committees
Remuneration per annum (Maximum):	R100 000	R80 000

The above fees are proposed net of VAT which may become payable thereon to directors depending on the status of the individual director's tax position.

Explanatory Note:
In terms of Section 66(9) of the Companies Act, shareholders are required to approve the remuneration of directors.

The minimum percentage of voting rights that is required for this special resolution to be adopted is 75% (seventy five percent) of the voting rights to be cast on this resolution.

14. SPECIAL RESOLUTION NUMBER 3 – ONCE-OFF PAYMENT TO NON-EXECUTIVE DIRECTORS

"**RESOLVED THAT** shareholders approve the once-off payment to the non-executive directors for work performed over and above their duties as directors to the company payable for the financial year ended 31 August 2017 as follows:

R M Majiedt	R Mohamed
171 000	114 000

Explanatory Note:

A once-off payment has been approved by directors, subject to shareholder approval, for work performed by the non-executive directors during the financial year ended 31 August 2017.

The minimum percentage of voting rights that is required for this special resolution to be adopted is 75% (seventy five percent) of the voting rights to be cast on this resolution.

15. SPECIAL RESOLUTION NUMBER 4 – GENERAL AUTHORITY TO ENTER INTO FUNDING AGREEMENTS, PROVIDE LOANS OR OTHER FINANCIAL ASSISTANCE

"**RESOLVED that** in terms of Section 45 of the Companies Act, as amended, the Company be and is hereby granted a general approval authorising that the Company and or any one or more of and/or its wholly-owned subsidiaries incorporated in the Republic to enter into direct or indirect funding agreements or to provide loans or financial assistance between any one or more of the subsidiaries from time to time, subject to the provisions of the JSE Listings Requirements, for funding agreements and as the directors in their discretion deem fit.

Explanatory Note:

The purpose of this resolution is to enable the Company to enter into funding arrangements with its subsidiaries and to allow intergroup loans between subsidiaries.

The minimum percentage of voting rights that is required for this special resolution to be adopted is 75% (seventy five percent) of the voting rights to be cast on each resolution.

16. SPECIAL RESOLUTION NUMBER 5: GENERAL AUTHORITY TO ACQUIRE (REPURCHASE) SHARES

"**RESOLVED THAT,** subject to the approval of 75% of the shareholders present in person and by proxy, and entitled to vote at the Annual General Meeting, the Company and/or any subsidiary of the Company is hereby authorised, by way of a general authority, from time to time, to acquire ordinary shares in the share capital of the Company from any person in accordance with the requirements of Labat's memorandum of incorporation, the Companies Act and the JSE Listings Requirements, provided that:

- any such acquisition of ordinary shares shall be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement with the counterparty;
- this general authority shall be valid until the earlier of the Company's next Annual General Meeting or the variation or revocation of such general authority by special resolution at any subsequent general meeting of the Company, provided that it shall not extend beyond 15 months from the date of passing of this special resolution number 5;
- an announcement will be published as soon as the Company or any of its subsidiaries have acquired ordinary shares constituting, on a cumulative basis, 3% of the number of ordinary shares in issue and for each 3% in aggregate of the initial number acquired thereafter, in compliance with paragraph 11.27 of the JSE Listings Requirements;
- acquisitions of shares in aggregate in any one financial year may not exceed 5% of the Company's ordinary issued share capital, as the case may be, as at the date of passing of this special resolution number 5;
- ordinary shares may not be acquired at a price greater than 10% above the weighted average of the market value at which such ordinary shares are traded on the JSE as determined over the five business days immediately preceding the date of acquisition of such ordinary shares;
- the Company has been given authority by its memorandum of incorporation;
- the board of directors authorises the acquisition and that the Company passed the solvency and liquidity test, as set out in Section 4 of the Companies Act, and that since the solvency and liquidity test was performed there have been no material changes to the financial position of the Company;

16. SPECIAL RESOLUTION NUMBER 5: GENERAL AUTHORITY TO ACQUIRE (REPURCHASE) SHARES (Continued)

- in terms of section 48 (2)(b) of the Companies Act, the board of a subsidiary Company may determine that it will acquire shares of its holding company, but (i) not more than 10%, in aggregate, of the number of issued shares of any class of shares of a Company may be held by, or for the benefit of, all of the subsidiaries of that Company, taken together; and (ii) no voting rights attached to those shares may be exercised while the shares are held by the subsidiary, and it remains a subsidiary of the Company whose shares it holds;
- in terms of section 48 (8)(b) of the Companies Act, the repurchase of any shares is subject to the requirements of sections 114 and 115 if, considered alone, or together with other transactions in an integrated series of transactions, it involves the acquisition by the Company of more than 5% of the issued shares of any particular class of the Company's shares;
- at any point in time, the Company and/or its subsidiaries may only appoint one agent to effect any such acquisition;
- the Company and/or its subsidiaries undertake that they will not enter the market to so acquire the Company's shares until the Company's sponsor has provided written confirmation to the JSE regarding the adequacy of the Company's working capital in accordance with Schedule 25 of the Listings Requirements of the JSE; and
- the Company and/or its subsidiaries may not acquire any shares during a prohibited period, as defined in the Listings Requirements of the JSE unless a repurchase program is in place, where dates and quantities of shares to be traded during the prohibited period are fixed and full details of the program have been disclosed in an announcement over the SENS prior to the commencement of the prohibited period.

Explanatory Note:

The reason for and effect of this special resolution is to grant the Company and its subsidiaries a general authority to facilitate the acquisition by the Company and/or its subsidiaries of the Company's own shares, which general authority shall be valid until the earlier of the next Annual General Meeting of the Company or the variation or revocation of such general authority by special resolution at any subsequent general meeting of the Company, provided that this general authority shall not extend beyond 15 months from the date of the passing of this special resolution number 5.

Any decision by the directors, after considering the effect of an acquisition of up to 5% of the Company's issued ordinary, as the case may be, to use the general authority to acquire shares of the Company will be taken with regard to the prevailing market conditions and other factors and provided that, after such acquisition, the directors are of the opinion that:

- the Company and its subsidiaries will be able to pay their debts in the ordinary course of business;
- recognised and measured in accordance with the accounting policies used in the latest audited annual group financial statements, the assets of the Company and its subsidiaries will exceed the liabilities of the Company and its subsidiaries;
- the share capital and reserves of the Company and its subsidiaries will be adequate for the purposes of the business of the Company and its subsidiaries; and
- the working capital of the Company and its subsidiaries will be adequate for the purposes of the business of the Company and its subsidiaries, for the period of 12 months after the date of the notice of the Annual General Meeting. The Company will ensure that its sponsor will provide the necessary letter on the adequacy of the working capital in terms of the Listings Requirements of the JSE, prior to the commencement of any purchase of the Company's shares on the open market.

The JSE Listings Requirements require, in terms of section 11.26, the following disclosures, which appear in this annual report:

- Major shareholders – refer to page 5 of this annual report.
- Share capital of the Company – refer to page 57 of this annual report.

16. SPECIAL RESOLUTION NUMBER 5: GENERAL AUTHORITY TO ACQUIRE (REPURCHASE) SHARES (Continued)

Litigation statement

In terms of paragraph 11.26 of the JSE Listings Requirements, the directors, whose names appear on page 7 of this annual report of which the notice of Annual General Meeting forms part, are aware of a likely legal proceeding that is pending. The directors are of the opinion that the lodged claim is of a frivolous nature and has little prospect of succeeding. The outcome of this claim should not have, being at least the previous 12 months, a material effect on Labat's financial position.

Directors' responsibility statement

The directors, whose names appear on page 7 of this annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statements false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this special resolution contains all information required by law and the JSE Listings Requirements.

Material changes

Other than the facts and developments reported on in this annual report, there have been no material changes in the financial or trading position of the Company and its subsidiaries since the date of signature of the audit report and up to the date of the notice of Annual General Meeting. The directors have no specific intention, at present, for the Company or its subsidiaries to acquire any of the Company's shares but consider that such a general authority should be put in place should an opportunity present itself to do so during the year, which is in the best interests of the Company and its shareholders.

The directors are of the opinion that it would be in the best interests of the Company to extend such general authority and thereby allow the Company or any of its subsidiaries to be in a position to acquire the shares issued by the Company through the order book of the JSE, should the market conditions, tax dispensation and price justify such an action.

The minimum percentage of voting rights that is required for this special resolution to be adopted is 75% (seventy five percent) of the voting rights to be cast on this resolution.

Voting Rights

Each shareholder, whether present in person or represented by proxy, is entitled to attend and vote at the AGM. On a show of hands every shareholder who is present in person or by proxy shall have one vote, and, on a poll, every shareholder present in person or by proxy shall have one vote for each share held by him/her.

By order of the Board

Arbor Capital Company Secretarial (Pty) Ltd
(Registration Number 1998/025284/07)
Company Secretary

28 February 2018

FORM OF PROXY

LABAT AFRICA LIMITED
INCORPORATED IN THE REPUBLIC OF SOUTH AFRICA
(REGISTRATION NUMBER 1986/001616/06)
JSE CODE: LAB ISIN: ZAE 000018354
("LABAT" OR "THE COMPANY")

(for use by certificated and own name dematerialised shareholders only)

For use by certificated and "own name" registered dematerialised shareholders of the Company at the annual general meeting of Labat be held at 10:00 on Tuesday, 15 May 2018 at the registered offices of the Company ("the annual general meeting").

I/We (please print) ______________________________

Of (address) ______________________________

being the holder/s of ______________________ ordinary shares of no par value, appoint (see note 1):

1. ______________________________ or failing him/her,
2. ______________________________ or failing him/her,
3. the chairperson of the annual general meeting,

as my/our proxy to act for me/us and on my/our behalf at the annual general meeting which will be held for the purpose of considering, and if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at any adjournment thereof; and to vote for and/or against the resolutions and/or abstain from voting in respect of the ordinary shares registered in my/our name/s, in accordance with the following instructions (see note 2):

	Number of votes		
	For	**Against**	**Abstain**
Ordinary Resolution Number 1 – Approval of Financial Statements			
Ordinary Resolution Number 2 – Director appointment- Mr R Mohamed			
Ordinary Resolution Number 3 – Director appointment- Ms. BA Penny			
Ordinary Resolution Number 4 – Director retirement and re-election (Ms RM Majiedt)			
Ordinary Resolution Number 5 – Re-appointment and remuneration of auditors			
Ordinary Resolution Number 6 – Appointment of Audit Committee member – Mr R Mohamed			
Ordinary Resolution Number 7 – Appointment of Audit Committee member – Ms BA Penny			
Ordinary Resolution Number 8 – Re-appointment of Audit Committee member – Ms RM Majiedt			
Ordinary Resolution Number 9 – Endorsement of Labat's Remuneration Policy			
Ordinary Resolution Number 10 – Endorsement of the implementation of Labat's Remuneration Policy			
Ordinary Resolution Number 11- General authority to allot and issue shares for cash			
Special Resolution Number 1 – Authority to issue shares that may exceed 30% of the voting power of the current issued share capital			
Special Resolution Number 2 – Non-Executive Directors' Remuneration			
Special Resolution Number 3 – Approval of Once-off payment to Non-Executive Directors			
Special Resolution Number 4 – General authority to enter into funding agreements, provide loans or other financial assistance			
Special Resolution Number 5 – General authority to repurchase the Company's securities			

Signed at ______________________ on ______________ 2018

Signature ______________ Assisted by me (where applicable) ______________

Name ______________ Capacity ______________ Signature ______________

1. This form is for use by certificated shareholders and dematerialised shareholders with "own-name" registration whose shares are registered in their own names on the record date and who wish to appoint another person to represent them at the meeting. If duly authorised, companies and other corporate bodies who shareholders are having shares registered in their own names may appoint a proxy using this form, or may appoint a representative in accordance with the last paragraph below.

   Other shareholders should not use this form. All beneficial holders who have dematerialised their shares through a Central Securities Depository Participant ("CSDP") or broker, and do not have their shares registered in their own name, must provide the CSDP or broker with their voting instructions. Alternatively, if they wish to attend the meeting in person, they should request the CSDP or broker to provide them with a letter of representation in terms of the custody agreement entered into between the beneficial owner and the CSDP or broker.

2. This proxy form will not be effective at the meeting unless received at the registered office of the Company at 23 Kroton Avenue, Weltevreden Park, Roodepoort, Republic of South Africa, not later than Friday, 11 May 2018 at 10:00.

3. This proxy shall apply to all the ordinary shares registered in the name of shareholders at the record date unless a lesser number of shares are inserted.

4. A shareholder may appoint one person as his proxy by inserting the name of such proxy in the space provided. Any such proxy need not be a shareholder of the Company. If the name of the proxy is not inserted, the chairman of the meeting will be appointed as proxy. If more than one name is inserted, then the person whose name appears first on the form of proxy and who is present at the meeting will be entitled to act as proxy to the exclusion of any persons whose names follow. The proxy appointed in this proxy form may delegate the authority given to him in this proxy by delivering to the Company, in the manner required by these instructions, a further proxy form which has been completed in a manner consistent with the authority given to the proxy of this proxy form.

5. Unless revoked, the appointment of proxy in terms of this proxy form remains valid until the end of the meeting even if the meeting or a part thereof is postponed or adjourned.

6. If –

   6.1 a shareholder does not indicate on this instrument that the proxy is to vote in favour of or against or to abstain from voting on any resolution; or

   6.2 the shareholder gives contrary instructions in relation to any matter; or

   6.3 any additional resolution/s which are properly put before the meeting; or

   6.4 any resolution listed in the proxy form is modified or amended,

   The proxy shall be entitled to vote or abstain from voting, as he thinks fit, and in relation to that resolution or matter. If, however, the shareholder has provided further written instructions which accompany this form and which indicate how the proxy should vote or abstain from voting in any of the circumstances referred to in 6.1 to 6.4, then the proxy shall comply with those instructions.

7. If this proxy is signed by a person (signatory) on behalf of the shareholder, whether in terms of a power of attorney or otherwise, then this proxy form will not be effective unless:

   7.1 it is accompanied by a certified copy of the authority given by the shareholder to the signatory; or

   7.2 The Company has already received a certified copy of that authority.

8. The chairman of the meeting may, at his discretion, accept or reject any proxy form or other written appointment of a proxy which is received by the chairman prior to the time when the meeting deals with a resolution or matter to which the appointment of the proxy relates, even if that appointment of a proxy has not been completed and/or received in accordance with these instructions. However, the chairman shall not accept any such appointment of a proxy unless the chairman is satisfied that it reflects the intention of the shareholder appointing the proxy.

9. Any alterations made in this form of proxy must be initialled by the authorised signatory/ies.

10. This proxy form is revoked if the shareholder who granted the proxy:

    10.1 delivers a copy of the revocation instrument to the Company and to the proxy or proxies concerned, so that it is received by the Company by not later than Tuesday, 15 May 2018 at 10:00; or

    10.2 appoints a later, inconsistent appointment of proxy for the meeting; or

    10.3 attends the meeting in person.

11. If duly authorised, companies and other corporate bodies who are shareholders of the Company having shares registered in their own name may, instead of completing this proxy form, appoint a representative to represent them and exercise all of their rights at the meeting by giving written notice of the appointment of that representative. This notice will not be effective at the meeting unless it is accompanied by a duly certified copy of the resolution/s or other authorities in terms of which that representative is appointed and is received at the Company's registered office at 23 Kroton Avenue, Weltevreden Park, Roodepoort, Republic of South Africa, not later than Tuesday, 15 May 2018at 10:00.

Summary of rights established by section 58 of the Companies Act, as required in terms of subsection 58(8)(b)(i)

1. A shareholder may at any time appoint any individual, including a non-shareholder of the Company, as a proxy to participate in, speak and vote at a shareholders' meeting on his or her behalf (section 58(1) (a)), or to give or withhold consent on behalf of the shareholder to a decision in terms of section 60 (shareholders acting other than at a meeting) (section 58(1) (b)).
2. A proxy appointment must be in writing, dated and signed by the shareholder, and remains valid for one year after the date on which it was signed or any longer or shorter period expressly set out in the appointment, unless it is revoked in terms of paragraph 6.3 or expires earlier in terms of paragraph 10.4 below (section 58(2)).
3. A shareholder may appoint two or more persons concurrently as proxies and may appoint more than one proxy to exercise voting rights attached to different securities held by the shareholder (section 58(3) (a)).
4. A proxy may delegate his or her authority to act on behalf of the shareholder to another person, subject to any restriction set out in the instrument appointing the proxy ("proxy instrument") (section 58(3)(b)).
5. A copy of the proxy instrument must be delivered to the Company, or to any other person acting on behalf of the Company, before the proxy exercises any rights of the shareholder at a shareholders' meeting (section 58(3)(c)) and in terms of the memorandum of incorporation ("MOI") of the Company at least 48 hours before the meeting commences.
6. Irrespective of the form of instrument used to appoint a proxy:

    the appointment is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder (section 58)4)(a));

    6.1 the appointment is revocable unless the proxy appointment expressly states otherwise (section 58(4)(b)); and

    6.2 if the appointment is revocable, a shareholder may revoke the proxy appointment by cancelling it in writing or by making a later, inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and to the Company (section 58(4)(c)).

7. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of the date stated in the revocation instrument, if any, or the date on which the revocation instrument was delivered as contemplated in paragraph 6.3 above (section 58(5)).
8. If the proxy instrument has been delivered to a Company, as long as that appointment remains in effect, any notice required by the Companies Act or the Company's MOI to be delivered by the Company to the shareholder must be delivered by the Company to the shareholder (section 58(6)(a)), or the proxy or proxies, if the shareholder has directed the Company to do so in writing and paid any reasonable fee charged by the Company for doing so (section 58(6)(b)).
9. A proxy is entitled to exercise, or abstain from exercising, any voting right of the shareholder without direction, except to the extent that the MOI or proxy instrument provides otherwise (section 58(7)).

10. If a Company issues an invitation to shareholders to appoint one or more persons named by the Company as a proxy, or supplies a form of proxy instrument:

10.1 the invitation must be sent to every shareholder entitled to notice of the meeting at which the proxy is intended to be exercised (section 58(8)(a));

10.2 the invitation or form of proxy instrument supplied by the Company must:

10.2.1 bear a reasonably prominent summary of the rights established in section 58 of the Companies Act (section 58(8)(b)(i));

10.2.2 contain adequate blank space, immediately preceding the name(s) of any person(s) named in it, to enable a shareholder to write the name, and if desired, an alternative name of a proxy chosen by the shareholder (section 58(8)(b)(ii)); and

10.2.3 provide adequate space for the shareholder to indicate whether the appointed proxy is to vote in favour of or against any resolution(s) to be put at the meeting, or is to abstain from voting (section 58(8)(b)(iii));

10.3 the Company must not require that the proxy appointment be made irrevocable (section 58(8)(c)); and

10.4 the proxy appointment remains valid only until the end of the meeting at which it was intended to be used, subject to paragraph 7 above (section 58(8)(d)).

LABAT
AFRICA LIMITED

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