



LABAT AFRICA LIMITED

Incorporated in the Republic of South Africa
 (Registration number 1986/001616/06)
 JSE code: LAB ISIN: ZAE000018354
 ("Labat" or "the Group")

**AUDITED CONSOLIDATED FINANCIAL RESULTS
 FOR THE YEAR ENDED 31 AUGUST 2019**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	31 August 2019 R'000 Audited	31 August 2018 R'000 Audited
Revenue	616 431	73 347
Cost of sales	(570 525)	(58 963)
Gross profit	45 906	14 384
Gain on bargain purchase	715	-
Other income	7 447	6 447
Impairments	(49 920) -49 206	- -
Operating expenses	(69 444)	(20 808)
Operating (loss)/profit	(65 296)	23
Finance Income	159	13 693
Finance costs	(11 968)	(1 106)
(Loss)/Profit before taxation	(77 105)	12 610
Taxation	4 161	(25)
(Loss)/Profit for the year	(72 944)	12 585
Other comprehensive income	-	-
Total comprehensive income for the year	(72 944)	12 585
Attributable to:		
Owners of the parent:		
(Loss)/Profit for the year	(72 944)	12 585
Total comprehensive (loss)/income for the year	(72 944)	12 585
Per share information:		
Basic and diluted earnings per share (cents)	(25.22)	4.86
Weighted average shares in issue (net of treasury shares) ('000)	289 257	258 879

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31-Aug-19 Audited R'000	31-Aug-18 Audited R'000
ASSETS		
Non-current assets		
Property, plant and equipment	27 090	13 579
Goodwill	30 430	-
Intangible assets	34 031	3 029
Deferred tax	14 275	8 364
	105 826	24 972
Current assets		
Inventories	5 350	3 689
Trade and other receivables	56 080	10 445
South African Revenue Services	17 616	17 363
Cash and cash equivalents	11 660	6 435
	90 706	37 932
Total assets	196 531	62 904
EQUITY AND LIABILITIES		
Equity		
Share capital	16 831	2 620
Share premium	57 745	57 745
Treasury shares	(481)	(481)
Reserves	213	257
Accumulated loss	(108 742)	(35 310)
	(34 434)	24 831
Non-current liabilities		
Finance lease liabilities	2 985	6 965
Other financial liabilities	80 833	-
Loans from directors and shareholders	2 035	-
Deferred tax	7 957	-
	93 810	6 965
Current liabilities		
Loans from directors and shareholders	2 755	1 929
Finance lease liabilities	493	4 930
South African Revenue Services	9 232	3 531
Trade and other payables	91 787	7 944
Provisions	13 072	12 774
Other financial liabilities	13 371	-
Bank overdraft	6 445	-
	137 154	31 108
Total Liabilities	230 964	38 073
Total equity and Liabilities	196 531	62 904
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Number of ordinary shares in issue (net of treasury shares) ('000)	289 699	258 879
Net asset value per share (cents)	(11.89)	9.59
Net tangible asset value per share (cents)	(34.14)	8.42

CONSOLIDATED STATEMENT OF CASH FLOWS

	31 August 2019 Audited R'000	31 August 2018 Audited R'000
CASH FLOWS GENERATED FROM OPERATING ACTIVITIES		
Cash generated from/(utilised in) operations	35 833	(515)
Interest received	159	-
Interest paid	(11 182)	(915)
Tax paid	(440)	-
Net cash generated from/(utilised in) operating activities	24 370	(1 430)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(633)	(247)
Increase in development costs capitalised	(1 544)	(1 607)
Repayment of other financial assets	-	2 201
Advances of other financial assets	-	(1 486)
Net cash from business acquisition	(7 308)	-
Net cash utilised in investing activities	(9 485)	(1 139)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share issue	410	-
Proceeds of loans from directors and shareholders	532	1 470
Repayment of loans from directors and shareholders	(3 620)	(378)
Finance lease payments	(808)	(1 314)
Repayment of other financial liabilities	(12 619)	-
Net cash utilised in financing activities	(16 105)	(222)
Total net cash movement for the year	(1 220)	(2 791)
Cash and cash equivalents at the beginning of the year	6 435	9 226
Cash and cash equivalents at the end of the year	5 215	6 435

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital (net of treasury shares) R'000	Share premium R'000	Total share capital R'000	Non- distributable reserves/ revaluations R'000	Accumulated loss R'000	Total equity R'000
Balance at 1 September 2017 - Audited	2 139	57 745	59 884	300	(47 938)	12 246
Profit for the year	-	-	-	-	12 585	12 585
Total comprehensive income for the year	-	-	-	-	12 585	12 585
Transfer of revaluation reserve through use	-	-	-	(43)	43	-
Balance at 1 September 2018 - Audited	2 139	57 745	59 884	257	(35 310)	24 831
Loss for the year	-	-	-	-	(72 943)	(72 943)
Total comprehensive loss for the year	-	-	-	-	(72 943)	(72 943)
Issue of shares	14 211	-	14 211	-	-	14 211
Transfer of revaluation reserve through use	-	-	-	(43)	43	-
IFRS 9 Adjustment	-	-	-	-	(532)	(532)
Balance at 31 August 2019 - Audited	16 350	57 745	74 095	214	(108 742)	(33 434)

SEGMENT INFORMATION

Reconciliation of segment reporting - Group - 2019

31 August 2019	Technology	Bulk Logistics	Fuel	Properties	Operational Total	Head Office	Inter-Segment Eliminations	Total
Statement of Profit or loss								
External revenue	14 795	37 969	560 683	588	614 034	-	-	616 432
Management Fees	-	-	3 917	3 220	7 136	2 400	(9 536)	-
	14 794	37 969	564 599	3 808	621 171	2 400	(9 536)	616 432
Cost of revenues	(4 179)	(31 078)	(536 788)	-	(573 046)	-	2 521	(570 526)
Gross Profit	10 615	6 891	27 811	3 808	49 125	2 400	(7 016)	45 906
Other income	256	-	2 495	715	3 466	7 094	(3 111)	7 447
Gain on bargain purchase	-	-	-	-	-	-	715	715
Impairments	-	-	(15 765)	-	(15 765)	(13 800)	(20 355)	(49 920)
Operating expenses	(7 537)	(17 518)	(35 592)	(2 644)	(63 291)	(2 126)	10 126	(57 166)
Amortisation	-	-	(6 476)	-	(6 476)	-	-	(6 476)
Depreciation	(233)	-	(4 862)	(481)	(5 576)	(706)	-	(5 801)
Recurring operating profit/(loss)	3 101	(10 627)	(32 389)	1 398	(38 517)	(7 138)	(19 641)	(62 597)
Interest received (Finance income)	107	-	1 019	-	1 126	-	(967)	160
Finance cost	-	(557)	(10 784)	(967)	(12 308)	(627)	967	(11 968)
Profit/(loss) before taxation	3 209	(11 184)	(42 153)	431	(49 699)	(7 765)	(20 355)	(77 105)
Fair Value Adjustments	-	-	-	643	643	-	(643)	0
Taxation	5 911	-	(1 269)	(481)	4 161	-	-	4 161
Profit/(loss) for the year	9 120	(11 184)	(43 422)	593	(44 895)	(7 765)	(20 998)	(72 944)
Segment assets	73 065	15 405	121 212	14 081	223 763	15 819	(43 051)	196 531
Segment liabilities	(59 073)	(11 655)	(185 521)	(12 751)	(269 000)	(33 414)	71 449	(230 965)

Reconciliation of segment reporting - Group - 2018

31 August	Technology	Bulk Logistics	Property	Operational total	Head Office	Inter-Segment Eliminations	Total
Statement of Profit or loss							
External revenue	12 834	60 513	-	73 347	-	-	73 347
Management Fees					3 000	(3 000)	-
	12 834	60 513	-	73 347	3 000	(3 000)	73 347
Cost of revenues	(3 964)	(54 998)	-	(58 963)	-	-	(58 963)
Gross Profit	8 869	5 515	-	14 384	3 000	(3 000)	14 384
Other income	708	-	-	708	5 753	(13)	6 447
Operating expenses	(7 679)	(808)	-	(8 487)	(14 469)	3 003	(19 953)
Depreciation	(256)	(431)	-	(687)	(169)	-	(856)
Recurring operating profit/(loss)	1 642	4 276	-	5 918	(5 885)	(10)	23
Interest received	13 693	-	-	13 693	-	-	13 693
Finance costs	(1)	(476)	-	(476)	(630)	-	(1 106)
Profit/(loss) before taxation	15 334	3 801	-	19 135	(6 515)	(10)	12 610
Taxation	(25)	-	-	(25)	-	-	(25)
Profit/(loss) for the year	15 309	3 801	-	19 110	(6 515)	(10)	12 585
Segment assets	46 226	21 115	341	61 682	4 588	(3 366)	62 904
Segment liabilities	(35 354)	(16 668)	(318)	(52 341)	(20 174)	34 441	(38 073)

COMMENTARY

BASIS OF PREPARATION

Statement of compliance

The abridged audited consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements and the requirements of the Companies Act of South Africa. The Listings Requirements require abridged reports to be prepared in accordance with the framework, concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the condensed consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements, other than for the adoption of IFRS 9 and IFRS 15.

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

These consolidated financial results incorporate the financial results of the company and its subsidiaries. All significant transactions and balances between group enterprises are eliminated on consolidation.

The Group adopted the new IFRS 9 and IFRS 15 accounting standards from 1 September 2018. The adoption of the new standards had no material impact on the consolidated financial results, financial position or cash flows of the Group.

The preparation of the abridged audited consolidated financial results for the year ended 31 August 2019 was supervised by the Financial Director, Mr Gordon Walters.

The directors take full responsibility for the preparation of the abridged audited consolidated financial results for the year ended 31 August 2019 and are satisfied that the financial results have been correctly extracted from the underlying financial information.

Auditor's Opinion

This abridged report is extracted from audited information but is not itself audited. The consolidated financial results were audited by Nexia SAB&T, who expressed an unmodified opinion thereon. The audited consolidated financial statements and the auditor's report thereon are available for inspection at the registered office of the Company.

The auditor's report contained the following Emphasis of Matter Paragraph:

"Material uncertainty related to going concern

We draw attention to note 42 to the consolidated and separate financial statements, which indicates that the Group's total liabilities exceeded its total assets by R 34 million (2018: total assets exceeded total liabilities by R 25 million), the Group had accumulated losses of R 109 million (2018: R 35 million), the Group's current liabilities exceeded its current assets by R 46 million (2018: current assets exceeded current liabilities by R 7 million) and the Group incurred a loss after taxation of R 73 million (2018: profit after taxation of R 13 million).

As stated in note 42 to the consolidated and separate financial statements, these events or conditions, along with the other matters as set forth in note 42 to the consolidated and separate financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

Our opinion is not modified in respect of this matter."

The Auditor's Report does not necessarily report on all of the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the Auditor's engagement they should obtain a copy of the Auditor's Report together with the accompanying financial information from the company's registered office.

RESULTS

The directors of Labat ("Board") are pleased to present the results for the year ended 31 August 2019.

The results include the consolidation of the results of Force Fuel Proprietary Limited for the first year since acquisition of the business, which was incorrectly capitalised and constrained at the time of acquisition. During the period under review, a number of restructuring and once off costs were incurred in bedding down the Force Fuel acquisition. Furthermore, the wholesale fuel industry had a number of challenges, including illegal fuel imports, which negatively affected Force Fuel during the period under review. Accordingly, a decision to adopt a conservative approach in preparing these results has been made. The results have also taken into account all the adjustments in line with the adoption of the various IFRS statements and the adjustments have been made accordingly.

Revenue increased by 741% to R 616.4 million for the year ended 31 August 2019 from R 73.3 million in the year ended 31st August 2018. This substantial increase is primarily due to revenue generated in the fuel and logistics business, pursuant to the acquisition of Force Fuel Proprietary Limited with effect from 1 September 2018.

Cost of Sales increased proportionately with the increase in revenue. Gross profit increased by 218.8% from R 14.4 million to R 45.9 million. Whilst the gross margin percentage from the fuel and logistics segment is lower than that of the SAMES electronic chip business, the growth in the logistics and fuel business has been under major pressure due to challenges in the fuel industry in South Africa for the year under review.

Other income has increased to R 7.4 million for the year under review from R 6.4 million in the prior year. This income primarily relates to income accrued for the recovery of legal fees after two successful court judgements in favour of Labat.

With effect from 1 September 2018, the Company acquired Force Fuel and Force Fuel Properties Proprietary Limited (the "FF Acquisition"). Force Fuel carried its own goodwill on its balance sheet at the date of acquisition. In addition, goodwill arose on the Force Fuel acquisition. Due to the current fuel industry problems, which have impacted negatively on the performance of Force Fuel, a decision has been taken to impair a portion of the goodwill within Force Fuel as well as the goodwill that arose in Labat on the Force Fuel Acquisition.

The Impairments of R 49.9 million relates to the total goodwill impairment of the Force Fuel business. This was necessitated due to the adverse trading conditions within the fuel industry due to continuing fuel price increases, due to increased fuel prices as a result of the Rand/Dollar exchange rate and increased international oil crude prices. Furthermore, the fuel business has been under severe pressure due to illegal product being sold in South Africa and continuing lower margins being experienced to be traded within South Africa and the region. This resulted in fuel volumes being constantly under threat with illegal fuel traders targeting customers and industry. Similarly, customers have been facing worsening operating conditions with a demand for constant increases in fuel rebates and increase in credit facilities.

Operating expenses were increased to R 64.8 million from R 20.8 million from the prior year. This included the operating expenses for Force Fuel, which was acquired with effect from 1 September 2018. In addition, the group included substantial start-up costs and costs relating to transaction advisory relating to the three businesses during the year.

The continued funding of long term debt in Force Fuel by working capital has further hampered the growth of the business with more that R25 million been taken out of operating capital to fund the long-term debt repayments of Force Fuel. This has prompted management to look at an alternative to the long-term debt of Force Fuel. As a result, plans are afoot to restructure the debt within Force Fuel.

The directors have taken a very cautious view of the trouble within the fuel sector to further impair the goodwill of Force fuel on a group level. Taking the goodwill impairment above into consideration the group suffered an operating loss of R 65.3 million for the year compared to R 23 thousand profit in the previous year.

Finance costs of R 11.9 million were higher during the year under review due to the facilities that were acquired as part of the Force Fuel acquisition.

A loss before taxation of R 77.1 million was incurred partly due to the current problems in the fuel industry, which are receiving the attention of the authorities, including SARS, and the oil majors.

Trade and other receivables showed a substantial increase to R 56.0 million from R 10.4 million, due to the Force Fuel acquisition, but on a like for like basis improved due to better cash flow management and the reduction of 60-day accounts. Trade and other payables showed a similar quantum increase to R 91.8 million from R 7.9million. The financial performance of the group has also led to the net asset value of the group decreasing by 21.48 cents per share to (11.89) cents from 9,59 cents per share in the previous year.

Property, plant and equipment

Property, plant and equipment of the Group increased by R 13.5 million primarily due to the assets acquired of R 27.2 million through the acquisition of Force Fuel and Force Fuel Properties, purchase of vehicles of R 3.5 million, disposal of vehicles with a carrying value of R 11.5 million and depreciation of R 5.8 million.

The property value of R 13.3 million is as a result of the fuel depot sites acquired as part of Force Fuel Properties. The directors are positive that the value will increase in future given the current market conditions in South Africa's property market.

Financial instruments

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

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

The following non-financial assets were recognised at fair value:

	2019	2018
	R '000	R '000
Plant and equipment		
Opening balance	725	759
Transferred	-	114
Depreciation	(145)	(148)
Fair value closing balance	580	725
Fair value hierarchy	Level 3	Level 3
Valuation technique	Discounted cash flow	Discounted cash flow

SAMES

Sames has to continually improve the performance, add additional features and reduce price in order to remain competitive with international competition. Sames embarked on the design of a new generation of energy metering device. The existing 1.5u technology platform has become expensive and will become obsolete. A new 0.5u CMOS technology platform has been chosen. The new generation of devices will be cheaper to produce than the current generation of devices while also offering better performance and more advanced features to customers. Product development in the 2017/2018/2019 financial years concentrated mainly on finalizing the development of the building blocks required to design a new family of energy measurement devices. Significant progress with the designs was made and a prototype manufacturing run was done. Unfortunately, a long delay was experienced during this production run due to the overfull state of the offshore fabrication facility.

Logistics

Labat Logistics has recovered from the separation of Kufika and has been able to hold its own together with support funding to the operations of Labat. We have kept the activity of the logistics operations on a reasonable level and has recently appointed additional staff in the Labat Bulk Logistics operations. Our main customers remain Sasol, Glencore and Samancor. We continue to expand our operations in the brokerage field and are currently looking at a model to supply fuel to our operators in Labat Logistics. We are currently expanding the logistics operations for the Healthcare distributions of raw materials and final product.

Force Fuel

We have taken radical action with regards to cost cutting together with revisiting the current business model and almost immediately get the business on a profitable footing. Force fuel has been trading at an EBITDA loss. This makes it impossible to honour its commitments in respect of interest and capital repayments to Standard Bank. We will target high margin business even if the volumes are lower. We created a revised business plan on all the possible revenue streams identified, i.e. Wholesale; Brokerage; Haulage; Paraffin; Express and Lubricants. The group has taken a decision with respect to the Force Fuel liability to Standard Bank and has made a proposal to Standard bank to restructure the debt in Force Fuel. We are currently exploring options with a view to separate the businesses.

ACQUISITIONS, DISPOSALS, SHARE ISSUES AND REPURCHASE

Apart from the Force Fuel and Force Fuel Properties acquisitions, there were no further acquisitions concluded by the company during the year under review. The Force Fuel acquisition was fully described in the SENS announcement dated 1 June 2018. With effect from 1 September 2018, the Group concluded the acquisition of 100% of Force Fuel and Force Fuel Properties. The investments were accounted for at fair value of consideration payable. The aggregate business combinations are disclosed below:

	Force Fuel R '000	Force Fuel Properties R '000	Total R '000
Property, plant and equipment	14 533	12 673	27 206
Intangible assets	35 934	-	35 934
Goodwill	46 195	-	46 195
Inventory	3 754	-	3 754
Other financial assets	11 703	-	11 703
Deferred tax asset /(liability)	(6 134)	(74)	(6 208)
Trade and other receivables	40 322	211	40 533
Cash and cash equivalents	292	116	408
Other financial liabilities	(112 773)	(11 411)	(124 184)
Bank overdraft	(7 716)	-	(7 716)
Trade and other payables	(46 465)	(799)	(47 264)
Total identifiable net assets/(liabilities)	(20 355)	715	(19 640)
Non-controlling interest	-	-	-
Goodwill	34 155	(715)	33 440
Purchase consideration	13 800	-	13 800

The contribution to the trading results of businesses acquired has been accounted for from the effective date of the acquisitions. In determining the purchase consideration paid, the profit history of the relevant business and its growth prospects within the Group, are considered. The fair value of shares issued as part of the purchase price was determined based on the 30-day average share price at the effective date. The accounting of these subsidiaries and businesses is based on best estimates and provisional fair values. Goodwill relates primarily to future profits of these businesses and the anticipated synergies that the businesses bring to the Group.

There were no disposals during the period under review.

POST BALANCE SHEET EVENTS

A number of the acquisitions as announced in the SENS announcements of 10 September 2019 and 22 November 2019 has been concluded post this reporting period. The acquisitions of Pac-Con Pharmaceuticals, Autogas and Remote Mobile Technologies have since been concluded and there have been no further post Balance Sheet events which need to be reported on. Subsequent to year end, the Company launched its new brand and strategy to operate in the following key segments:

- Labat Healthcare;
- Labat Energy;
- Labat Logistics; and
- Labat ICT.

Other than the matters noted above, there have been no further post Balance Sheet events which need to be reported on. The Board has taken a decision to separate the Healthcare business from the rest of the Labat Operations.

PROSPECTS AND RE POSITIONING STRATEGY

Over the past 30 years, Labat has evolved from a small consulting firm to a global company. The past three decades have shown our commitment to our platform, our people and our technology so that we can continue to deliver long-term value for our clients and our shareholders. The re positioning of Labat creates the opportunity to be at the forefront of creating a new sustainable industry not only in South Africa but on the rest of the continent.

As we enter 2020, commitment to a long-term approach is more important than ever. The South African and global landscape is increasingly fragile and, as a result, susceptible to short-term behaviour by companies and governments alike. We remain optimistic about our future and the prospects for investors and institutions taking a long-term approach

We have embarked on a thorough exercise to reposition Labat as well as its brand identity in the local and global market. Through extensive consultation with experts in this field we have come up with a new brand strategy and various business units that operate under it. We have appointed a leading marketing group to assist with the roll out of its public relations campaign to communicate the re positioning strategy. With the newly established Healthcare 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 corporate strategy, incorporating local economic development.

In addition, the acquisition of Force Fuel (Pty) Ltd, a large fuel distribution business, has given Labat the scale it requires for its growth strategy and the strategic stakes in both Autogas and RMT, gives us access to a diversified range of customers including many in the logistics and energy industries.

As part of the Labat Africa re positioning strategy a number of acquisitions and as announced on SENS on 22 November 2019 have been concluded after year-end, including the following for the Labat healthcare segment:

- Labat has concluded an agreement with The Highly Creative (Pty) Limited (THC), its partners, management and promoters to obtain a cannabis licence to cultivate, harvest, process and export cannabis from the Kingdom of Lesotho to other countries for medicinal and pharmaceutical purposes as well as a detailed infrastructure plan, Intellectual Property and offtake agreements. The purchase consideration will be settled through the issue of 75 million Labat ordinary shares. All conditions precedent pertaining to this agreement have been met other than the issue of shares for the acquisition, which is in process.
- Labat further concluded an agreement with ZCMA Holdings Limited (Medigrow Africa) to acquire an 80% interest in one of their Lesotho based operations to cultivate, harvest, process and export cannabis from the Kingdom of Lesotho for medicinal and pharmaceutical purposes for a consideration of 20 million Labat ordinary shares.
- Labat has finalised an agreement to acquire a 100% interest in Pac-Con in Kwazulu Natal, for a combination of 5 million shares and R5 million in cash as previously announced. This pharmaceutical facility is fully licenced and approved by the South African Health Products Regulatory Authority (SAHPRA).
- The conclusion of an Off-Take agreement with UK based cannabis group New Frontier Holdings Limited, the holding company for New Frontier Botanicals. The terms of the various agreements have been met and are currently in the process of being implemented.

Labat remains in discussions with other Cannabis and Health related businesses to further expand its footprint in this area.

In addition, the following acquisitions below 5% of market capitalisation have been concluded in other segments of the Labat business subsequent to year end:

- Labat acquired a 51% interest in Remote Mobile Technologies (Pty) Ltd (RealCam). RealCam is a niche provider of mobile surveillance and tracking solutions, which is aimed at the transport, logistics, and fleet as well as at the relevant vehicle and passenger markets. RealCam currently operates from Harrismith with presence in Johannesburg, Durban and Cape Town on a small scale. The business currently has a customer base of 280 companies with 2 800 tracking units installed in vehicles in South Africa.
- Labat acquired a 55% interest in Switch 2 Autogas System (Pty) Ltd. The business was established in 2011. The company provides auto gas (an alternative to petrol and diesel) for both heavy duty and light vehicles. Vehicles are fitted with both petrol and LPG/CNG cylinders and the company has various filling stations within Johannesburg and Durban, where motors can make use of their filling stations.

OTHER MATTERS

Financial risk management and fair value

There has been no material change in the Group's financial risk management objectives and policies compared to those disclosed in the condensed consolidated financial results for the year ended 31 August 2018. The Group does not currently carry any assets or liabilities at fair value which required any disclosure on its fair value measurement, other than those disclosed above. The carrying value of the Group's financial instruments however approximates their fair values.

New IFRS Standards and Interpretations

Standards effective for financial year commencing 1 September 2018:

- IFRS 15 Revenue from Contracts with Customers
- IFRS 9 Financial Instruments

Standards effective for reporting periods starting on or after 1 September 2019:

- IFRS 16 Leases

The Group has adopted IFRS 15 and IFRS 9 standards and interpretations. The financial impact associated with the adoption of the above standards and interpretations is set out below.

Adoption of IFRS 9

The Group has adopted IFRS 9 and applied the new rules using a modified retrospective approach from 1 September 2018. Comparatives for the year ended 31 August 2018 have not been restated. In terms of IFRS 9, the Group has applied the expected credit losses ("ECL") model which replaces the incurred losses model in determining the impairment provisions for financial assets. The calculation of ECLs incorporates forward looking variables which include potential risks in the current economic environment, historic trends and management judgement. The Group has recognised a transition adjustment to the opening accumulated losses and ECLs for the current year are recognised in the statement of comprehensive income under "other operating costs".

The impact of the adoption of IFRS 9 on the Group's impairment provisions is summarised below:

The adoption of IFRS 9 changed the categorisation of the Group's financial assets from Loans and Receivables to Financial Assets at Amortised Cost.

The impact of the adoption of IFRS 9 financial assets is outlined below.

The provision for expected credit losses of trade receivables, determined using the ECL model, include the provision of R 0.76 million owing to an increase in the Group's receivables. Of this amount R 0.53 million relates to the adjustment of the opening retained earnings.

Adoption of IFRS 15

Adoption of IFRS 15 - Revenue from Contracts with Customers ("IFRS 15") replaces IAS 18 Revenue and related interpretations. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring a good or service. IFRS 15 requires entities to exercise judgement, taking into consideration all the relevant facts and circumstances when applying each step of the revenue recognition model to contracts with customers. The standard also specifies the accounting treatment for revenue recognition costs directly related to obtaining a customer contract.

The Group has adopted IFRS 15 using the cumulative retrospective approach with the date of initial application being 1 September 2018 and has applied the new accounting policy to all contracts that were in existence at 1 September 2018. While IFRS 15 represents significant new guidance for revenue recognition and measurement, the implementation of IFRS 15 did not have a significant impact on the timing or amount of revenue recognised by the Group in any year.

IFRS 16

The Group intends to adopt IFRS 16 during the 2020 financial year. The financial impact of IFRS 16 is still being assessed by the Group.

Headline (loss)/earnings and share information

	31 August 2019	31 August 2018
	R'000	R'000
	Audited	Audited
Reconciliation of headline earnings per share		
Basic / Diluted earnings	(72 943)	12 585
Loss on disposal of property, plant and equipment	907	-
Gain on bargain purchase	(715)	-
Goodwill impairment	49 921	-
Tax impact on above	-	-
Headline (loss)/earnings	(22 830)	12 585
Earnings attributable to owners of Labat Africa Limited		
Basic and dilutive earnings per share	(25.22)	4.86
Basic and dilutive headline earnings per share	(7.89)	4.86
Reconciliation of weighted average number of shares		
Issued shares at the beginning of the year	258 879	258 879
Acquisition of business combinations	29 918	-
Share issue for cash	461	-
	289 258	258 879

SHARE CAPITAL

The Company issued 30 000 000 shares during the year for the Force Fuel acquisition. During the year under review, the Company issued an additional 820 000 shares for cash under its general authority to issue shares which authority was approved by shareholders at the Company last annual general meeting held during May 2019. There were no share repurchases effected.

GOING CONCERN

The Board has performed an assessment of the Group's operations relative to available cash resources and is confident that the Group is able to continue operating for the next 12 months. The Board remains reasonably confident that it will manage the uncertainties that exist as detailed below. The audited consolidated financial statements presented have therefore been prepared on a going concern basis.

The Group's total liabilities exceeded its total assets by R34.4 million (2018: total assets exceeded total liabilities by R 24.8 million), the Group had accumulated losses of R 108.7 million (2018: R 35.3 million), the Group's current liabilities exceeded its current assets by R 46.4 million (2018: current assets exceeded current liabilities by R 6.8 million) and the Group incurred a loss after taxation of R 72.9 million (2018: profit after taxation of R12.6 million). Although the liabilities of the group exceed its assets by R33m the board would like to bring to the attention of the shareholders that a third-party guarantee remains in place for the outstanding liability of R80m owed to Standard Bank.

These conditions give rise to a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern and, therefore that it may be unable to realize its assets and discharge its liabilities in the normal course of business.

Following the restructuring of the business and recent acquisitions, with the exception of the Force Fuel business the group performed reasonably well, the company is actively turning the business around with a targeted focus on Force Fuel, the company also identified new synergistic business opportunities in order to improve margins and group profitability.

The directors are currently on a targeted road show to raise additional capital, mainly to fund its expansion program and working capital. Furthermore, shareholders are aware that the company is currently in discussions with two potential investors to place 40 million shares for cash, whilst the directors are willing to subordinate loans to the company in favour of the other creditors until the assets of the company, fairly valued, exceed its liabilities and to provide additional working capital on an on-going basis. The group has taken a decision with respect to the Force Fuel liability to Standard Bank and has made a proposal to Standard bank to restructure the debt in Force Fuel.

The financial statements are prepared on the basis of accounting policies applicable to a going concern. This basis presumes that that the company will continue to receive the support of its shareholders and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business. The Group is projecting positive cash flows for the year ahead from its existing and new business.

RELATED PARTY TRANSACTIONS AND BALANCES

The Group entered into transactions with related parties which were in the ordinary course of business, and which were consistent with the previous year and are not considered to be material to an understanding of these results.

Relationships

Shareholders with significant influence	Link Private Equity Investments (Pty) Ltd
Directors and members of key management	Brian van Rooyen David O'Neill

	31 August 2019	31 August 2018
	R'000	R'000
	Audited	Audited
Related party balances		
Loans		
South African Micro-Electronic Systems Proprietary Limited	-	-
SAMES Properties Proprietary Limited	-	-
Force Fuel Properties (Pty) Ltd	-	
Force Fuel (Pty) Ltd		
Chronos Logistics Services (Pty) Ltd	(2 288)	
New Generation Capital (Pty) Ltd	(1 414)	
Dawood Asmal	(284)	(284)
David O'Neil	(1 713)	-
Provisions		
Remuneration provision for directors	(14 796)	(11 878)
Link Private Equity Investments Proprietary Limited	(757)	(644)
Related party transactions		
Link Equity Investments Proprietary Limited		
Rent paid to (received from) related parties	600	360
South African Micro-Electronic Systems Proprietary Limited		
Administration fees paid to (received from) related parties		
Compensation to directors and other key management		
Short-term employee benefits	10 990	3 532

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. These matters are being dealt with by the Company's attorneys. No MATERIAL changes to litigation have occurred since the previous year.

CHANGES TO THE BOARD

Messrs GRI Walters and NS Mogapi were appointed as executive directors with effect from 1 September 2018. There have been no other changes to the board of directors of Labat Africa for the period under review.

DIVIDENDS

No dividend has been declared for the period under review (August 2018: R nil).

For and on behalf of the board.

B G VAN ROOYEN
CHIEF EXECUTIVE OFFICER

G R I WALTERS
FINANCIAL DIRECTOR

Johannesburg
4 February 2020

Directors:

BG van Rooyen*, DJ O'Neill*, NS Mogapi*, GRI Walters*, RM Majiedt^, R Mohamed^, BA Penny^
Executive*, Independent non-executive^

Company Secretary: Light Consulting Proprietary Limited trading as Arbor Capital Company Secretarial

Registered Address: 23 Kroton Avenue, Weltevreden Park, 1709

Sponsor: Arbor Capital Sponsors

Transfer Secretary: Computershare Investor Services Proprietary Limited