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

REVIEWED PROVISIONAL CONDENSED CONSOLIDATED FINANCIAL RESULTS FOR THE YEAR ENDED 31 AUGUST 2020; CHANGES TO THE BOARD AND RENEWAL OF CAUTIONARY ANNOUNCEMENT

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	31 August 2020 R'000 Reviewed	31 August 2019 R'000 Audited
Revenue	40 252	52 764
Cost of sales	(27 166)	(39 889)
Gross profit	13 086	12 875
Other income	766	8 064
Operating expenses	(50 593)	(39 520)
Operating loss for the year	(36 741)	(18 581)
Investment revenue	271	107
Finance costs	(2 154)	(1 184)
Loss before taxation	(38 624)	(19 658)
Taxation	15 085	5 911
Loss for the year from continuing operations	(23 539)	(13 747)
Loss from discontinued operations	(73 693)	(59 196)
Profit on loss of control	107 318	-
Profit for the year	10 086	(72 944)
Attributable to:		
Owners of parent	10 343	(72 944)
Non-controlling interest	(257)	
	10 086	(72 944)
Basic earnings/(loss) per share	**3.0**	**(25.2)**
-continuing	**(15.7)**	**(4.8)**
-discontinued	**18.7**	**(20.5)**
Headline loss per share	**(10.8)**	**(7.9)**
-continuing	**(15.1)**	**(4.8)**
-discontinued	**4.3**	**(3.1)**
Weighted average shares in issue (net of treasury shares) ('000)	**339 612**	**289 258**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 August 2020 Reviewed R'000	31 August 2019 Audited R'000
ASSETS		
Non-current assets		
Property, plant and equipment	4 449	27 090
Right of use assets	2 947	-
Goodwill	-	30 430
Intangible assets	123 290	34 030
Deferred tax	23 332	14 275
Total Non-current assets	**154 018**	**105 825**
Current assets		
Inventories	2 378	5 350
Trade and other receivables	9 933	56 080
South African Revenue Services	20 345	17 616
Cash and cash equivalents	9 013	11 660
Total Current Assets	**41 669**	**90 706**
TOTAL ASSETS	**195 687**	**196 531**
EQUITY AND LIABILITIES		
Equity		
Share capital and premium	167 943	74 095
Non-Distributable Reserves	170	213
Accumulated Loss	(98 310)	(108 742)
Non-controlling interest	6 172	-
Total Shareholders' Equity	**75 975**	**(34 434)**
Non-current liabilities		
Lease liabilities	6 862	2 985
Other financial liabilities	14 702	80 833
Provisions	30 000	-
Loans from directors and shareholders	864	2 035
Deferred tax	31 572	7 957
Total non-current liabilities	**84 000**	**93 810**
Current liabilities		
Loans from directors and shareholders	5 408	2 755
Lease liabilities	658	493
South African Revenue Services	14 864	9 232
Trade and other payables	14 558	91 787
Provisions	262	13 072
Other financial liabilities	-	13 371
Bank overdraft	7	6 445
Total current Liabilities	**35 757**	**137 155**
Total liabilities	**119 757**	**230 964**
TOTAL EQUITY AND LIABILITIES	**195 687**	**196 531**
Number of ordinary shares in issue (net of treasury shares) ('000)	**386 989**	**289 699**
Net Asset Value per share(cents)	**19.6**	**(11.9)**
Net Tangible Asset Value per share (cents)	**(12.2)**	**(34.1)**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	31 August 2020 Reviewed R'000	31 August 2019 Audited R'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	16 406	35 833
Interest received	626	159
Interest paid	(7 089)	(11 182)
Tax paid	-	(440)
Net cash generated from operating activities	9 943	24 370
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	-	(633)
De-consolidation of bank overdraft on loss of control	6 809	-
Proceeds on disposal of property, plant and equipment	1 233	-
Increase in development costs capitalised	(1 935)	(1 543)
Acquisition of subsidiary net of cash acquired	-	(7 308)
Loan repayments	(2 022)	-
Net cash generated from/(utilised in) investing activities	4 085	(9 485)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share issue	3 068	410
Proceeds of loans from directors and shareholders	5 547	532
Repayment of loans from directors and shareholders	2 075)	(3 620)
Lease liability payments	(998)	(808)
Long term loans raised	1 920	-
Long term loans repaid	(17 699)	(12 619)
Net cash utilised in financing activities	(10 237)	(16 105)
Total net cash movement for the year	3 791	(1 220)
Cash and cash equivalents at the beginning of the year	5 215	6 435
Cash and cash equivalents at the end of the year	9 006	5 215

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	Equity attributable to the owners of the Parent R'000	Non-distributable reserves/ revaluations R'000	Accumulated Loss R'000	Total share capital & Premium R'000	Non-controlling interest	Total shareholders equity
Balance at 31 August 2018 – Audited	**59 884**	**257**	**(35 310)**	**24 831**		**24 831**
Loss for the year			(72 943)	(72 943)	-	(72 943)
Issue of shares	14 211	-	-	14 211	-	14 211
Transfer of revaluation reserve through use	-	(44)	44	-	-	-
IFRS 9 Adjustment	-	-	(532)	(532)	-	(532)
Balance at 31 August 2019 – Audited	**74 095**	**213**	**(108 742)**	**(34 434)**		**(34 434)**
Issue of shares	93 848		-	93 848		93 848
Transfer of revaluation reserve through use and adjustment		(43)	45	-		2
Non-controlling interest at acquisition					6 429	6 429
Total comprehensive income for the year			10 387	10 387	(257)	10 130
Balance at 31 August 2020 – Reviewed	**167 943**	**170**	**(98 310)**	**69 802**	**6 172**	**75 975**

SEGMENT INFORMATION

	31 August 2020 Reviewed R'000	31August 2019 Audited R'000
Revenue		
Technology – external	14 126	14 795
Bulk logistics – external	25 234	37 969
Healthcare – external	892	-
Revenue as per statement of comprehensive income	**40 252**	**52 764**
Profit/(Loss) for the year before disclosable items		
Technology	4973	3 335
Bulk logistics	1 316	(10 627)
Healthcare	(13 765)	-
Head office	(41 745)	(7 138)
Investment income		
Technology	78	107
Head office	193	-
Finance costs		
Technology	(100)	-
Bulk logistics	(1 664)	(557)
Head office	(390)	(627)
Depreciation and amortisation		
Technology	(1 147)	(233)
Health Care	-	(706)
Head office	(953)	(706)
Other		
Healthcare-Non-controlling interest	257	-
Head office – Inter segmental:		
Management fees - SAMES	(2 400)	2 400
- THC	(7 000)	-
Taxation		
Technology	6 958	5 911
Healthcare	8 126	-
Profit/(Loss) for the year and other comprehensive income		
Technology	10 762	9 120
Bulk logistics	(348)	(11 184)
Healthcare	(5 896)	-
Gain/(loss) on discontinued operation and loss of control	33 625	(42 892)
Head office	(42 895)	(7 765)
Consolidation eliminations and adjustments	14 839	(20 222)
Total comprehensive income for the year	**10 387**	**(72 943)**
Segment assets		
Technology	67 203	73 065
Bulk logistics	-	15 405
Healthcare	1 968	-
Fuel	-	135 293
Head office	119 457	315 819
Consolidation eliminations and adjustments	7 059	(43 051)
Total assets as per statement of financial position	**195 687**	**196 531**

Segment liabilities		
Technology	(42 405)	(59 073)
Bulk logistics	(12 570)	(11 655)
Head office	(70 538)	(33 414)
Fuel	-	(198 272)
Healthcare	(7 864)	-
Consolidation eliminations and adjustments	13 620	71 445
TOTAL LIABILITIES AS PER THE STATEMENT OF FINANCIAL POSITION	**(119 757)**	**(230 964)**

Discontinued operation

Fuel business		
Revenue	227 238	561 271
(Loss) for the year before disclosable items	(62 660)	(25 005)
Investment income	547	1 019
Finance costs	(6 508)	(11 751)
Depreciation	(3 388)	(5 343)
Taxation	-	(1 749)
Loss for the year	(72 009)	(42 829)
Assets	52 449	135 293
Liabilities	(187 460)	(198 272)

COMMENTARY:

BASIS OF PREPARATION

Statement of compliance

The reviewed condensed consolidated financial statements are prepared in accordance with the requirements of the JSE Limited ("JSE") Listings Requirements for provisional reports and the requirements of the Companies Act of South Africa. The Listings Requirements require provisional reports to be prepared in accordance with the framework, concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) 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 16.

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

These condensed 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 16 accounting standard with effect from 1 September 2019.The adoption of the new standard has been fully accounted for in the current year's results. Full details on changes in accounting policies will be disclosed in the Group's consolidated annual financial statements for the year ended 31 August 2020.

The preparation of the condensed consolidated financial results for the year ended 31 August 2020 was supervised by the Financial Director, Mr Gorden Walters.

The directors take full responsibility for the preparation of the condensed consolidated financial results for the year ended 31 August 2020.

Review Conclusion
The condensed provisional consolidated financial results of the company and Group have been reviewed by Nexia SAB&T. The auditors' review report is available for inspection at the company's registered office.

The review conclusion is modified.

The auditor's report contained the following Qualification paragraph:

"Force Fuel Proprietary Limited and Force Fuel Properties Proprietary Limited, subsidiaries of Labat Africa Limited, are significant components of the Group financial statements, and were subject to review by the component auditors. However, at the date of this report, the review was not concluded. These subsidiaries were placed under business rescue during the financial year, and as a consequence thereof, Labat Africa Limited lost control over these subsidiaries, and the subsidiaries were de-consolidated. Included in the consolidated statement of comprehensive income for the year is an amount of R 73 693 064 for loss on discontinued operations and an amount of R 107 317 896 for profit on loss of control, which relates to the deconsolidation of these subsidiaries. Due to the review of these subsidiaries not being concluded, Nexia SAB&T were unable to obtain sufficient appropriate audit evidence that the amounts relating to loss on discontinued operations and profit on loss on control were free of material misstatement. Nexia SAB&T were unable to satisfy themselves by alternative means concerning these amounts. Nexia SAB&T were also unable determine whether adjustments might have been necessary to the statement of changes in equity, statement of cash flows and segment reporting relating to these subsidiaries."

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 2020. The results show a massive turnaround of the group. The Group earned a Total Comprehensive Income of R10.3 million against a (R72.9) million comprehensive loss for the year ended August 2019. The fuel business, comprising Force Fuel Proprietary Limited ("Force Fuel") and Force Fuel Properties Proprietary Limited ("FFP"), was de-consolidated from the Group in the current year. The Force Fuel Group was placed into Business Rescue as a direct result of the worldwide drop in demand for fuel during the lockdown and the impact of COVID-19. Accordingly, the Goodwill on Force Fuel on R30.4 million and Intangible Assets of R29.5 million was fully impaired as at business rescue date. Revenue and profit margins in the fuel business also saw a sharp decline given the current state of the fuel industry and effects of COVD-19. The Logistics business also showed a drop in revenue due to the effects of COVID-19 and the Technology business recorded a marginal decrease in revenue.

The results for the year ended 31 August 2020 show the following key indicators:

- Total Comprehensive Income for the year ended 31 August 2020 is R10.1 million versus a comprehensive loss in the previous year of (R72.9) million.
- Earnings per share for the year ended 31 August 2020 is 3.0 cents as against a loss in the previous year of (25.2) cents.
- Net asset value per share for the year ended 31 August 2020 of 19.6 cents per share against a negative value of (11.9) cents per share in the previous financial year.

During the year under review, Labat has been concentrating on growing its Healthcare business and has been able to complete various exciting acquisitions which are expected to build the value of the business over time. SAMES has again had a profitable year and has made a major breakthrough in the development of its new energy metering technology designs. This will translate into SAMES regaining its place as a supplier of world class energy metering technology and solutions to the international and local semi-conductor markets.

The Labat Logistics business had a difficult year due to challenges experienced with the Covid-19 pandemic, but expects a recovery next year, as are all other businesses. The logistics business will expand its offering into delivering products for the Labat Healthcare businesses and expects substantial growth in this division in the year to come.

The de-consolidation of the Force Fuel Group and the Healthcare acquisitions have had a beneficial impact on the balance sheet, with Labat's equity increasing for the year ended 31 August 2020 to R75.9million from a negative (R34.4) million in the previous year.

The continuing Labat owned businesses' growth have been adversely affected by the Covid-19 pandemic and is expected to grow exponentially in the years ahead as local and international market conditions improve.

Included in these results is the acquisition of The Highly Creative (Pty) Ltd ("THC") and 70% in Cannafrica Proprietary Limited ("Cannafrica") which has the effect of boosting the roll out of the Labat Healthcare businesses. The Cannafrica store roll out is progressing well with 4 Stores physically opening subsequent to year end and 40 more to be rolled out in the new calendar year.

The Intangible assets related to the two acquisitions above have been accounted for and the first year of impairment of R22 million have been provided for.

The company's results for the year ended 31 August 2019 were selected for review by the JSE's pro-active monitoring committee and their recommendations have been incorporated into these results. No prior year adjustments were required.

IFRS Standards and Interpretations
The Group has adopted the following relevant IFRS standards and interpretations.

- IFRS 16 Leases

The standard sets out requirements for identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. This standard replaces IAS 17: Leases and its associated interpretative guidance. In applying IFRS 16, the Group assessed whether its existing contracts contain a lease; recognises right-of-use assets and lease liabilities in the statement of financial position, initially at the present value of the future lease payments; recognises depreciation of right-of-use assets based on the lease contract term; recognises interest on the lease liabilities based on the incremental interest rate; and splits cash paid in respect of lease contracts into principal and interest portions, presented in the consolidated statement of cash flows as financing activities. As part of the modified retrospective transition approach, the Group has elected to apply the practical expedient which allows a single discount rate to be applied to a portfolio of leases with reasonably similar characteristics.

At transition date, the adoption of IFRS 16 resulted in the recognition of right-of-use assets to the value of R 2 758 000 and lease liabilities of R 2 758 000. This had no impact on retained earnings on 1 September 2019.

Property, plant and equipment at fair value

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:

	2020	**2019**
	R'000	**R'000**
Plant and equipment		
Opening balance	580	725
Transferred	-	-
Depreciation	(130)	(145)
Fair value closing balance	**450**	**580**
Fair value hierarchy	Level 3	Level 3
Valuation technique	Discounted cash flow	Discounted cash flow

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 2019. 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.

Business Combinations

THC and Cannafrica

In November 2019 the Company announced the acquisition of 70% of the shares in Cannafrica and 100% of the shares in THC. As a result, THC and Cannafrica became subsidiaries with the effective date of consolidation of 1 November 2019 and 1 February 2020 respectively.

THC is not operational as yet, with sales in terms of the off-take agreement only expected to commence in the year ending 31 August 2021.

Through these business combinations, Labat Healthcare aims to realise its strategy of an end-to-end integrated Healthcare offering. Labat will leverage each company's individual and collective divisional strengths to their maximum potentials. We aim to enhance the corporate value of Labat and expand the Group's Healthcare business rapidly.

The investments in THC and Cannafrica were accounted for at fair value of the consideration payable. The aggregated business combinations are disclosed below:

Figures in R'000	**THC**	**Cannafrica**	**TOTAL**
Intangible assets	104 167	30 118	134 285
Deferred taxation	(29 167)	(8 433)	(37 600)
Other	-	(256)	(256)
Total identifiable net assets	**75 000**	**21 429**	**96 429**
Non-controlling interest	-	(6 429)	(6 429)
Fair value of net assets acquired	**75 000**	**15 000**	**90 000**
Goodwill	-	-	-
Purchase consideration	**75 000**	**15 000**	**90 000**

Paccon

The acquisition of Paccon has been cancelled and all impacts on the current year financial results have been reversed. The impact is: -

Figures in R'000	**TOTAL**
Share Capital (reversal)	(5 000)
Impairment of loan to Paccon	(2 293)

Steps to recover the loan to Paccon have been implemented.

Loss of control of subsidiaries

The disposal of Force Fuel (FF) and Force Fuel Properties (FFP) were placed under business rescue on 5 May 2020 and 10 June 2020 respectively. At these dates, Labat no longer had control over the operations.

The net assets of these subsidiaries were accordingly de-consolidated.

	FF	FFP	TOTAL
Assets	R 000's	R 000's	R 000's
Fixed Assets	9 459	14 719	24 178
Non-current receivable	3 047	-	3 047
Cash at bank	-	62	62
Inventory	2 449	-	2 449
Debtors	13 820	1 447	15 267
SARS	-	1 458	1 458
Other	-	1 840	1 840
Intercompany loans	5 021	80	5 101
Long Term Liabilities	(76 506)	-	(76 506)
Deferred Taxation	(7 402)	(555)	(7 957)
Other Bank Overdrafts	(6 322)	(268)	(6 590)
Creditors	(56 559)	(6 970)	(63 529)
Provisions	1 548	(73)	1 475
Intercompany	-	(5 082)	(5 082)
SARS	(1 630)	(900)	(2 530)
Profit on loss of control	(113 077)	5 759	(107 318)

Provision
The Group has made a provision of R30 million primarily relating to possible financial guarantees relating to Force Fuel (Pty) Ltd and Force Fuel Properties (Pty) Ltd.

Property, plant and equipment:
Property, plant and equipment of the Group decreased by approximately R19.1 million primarily due to the deconsolidation of the Force Fuel Group.

Other additions were primarily for fleet additions of R1.6 million (2019: R 11.0 million).

Right of use assets:
The right of use assets of R2.9 million are for the IFRS 16 recognition of office leases.

Earnings reconciliation and share information

	31 August 2020 R'000 Reviewed	31 August 2020 R'000 Reviewed	31 August 2019 R'000 Audited
	Continuing	**Discontinued**	
Basic (loss)/earnings attributable to shareholders of the Group	**(53 282)**	**63 625**	**(72 943)**
Adjusted for:			
Gain on bargain purchase	-	-	(715)
Gain on the de-consolidation of the Force Fuel Group	-	(107 318)	-
Impairment of Goodwill	-	30 430	49 921
Impairment of Intangible assets	-	29 458	-
(Profit)/Loss on disposal of PPE	(135)	(1 685)	907
Impairment of loan	2 293	-	-
Headline profit/(loss) attributable to shareholders of the Group	(51 123)	(14 510)	(22 830)
	Continuing	**Discontinued**	**2019**
Basic (Loss)/earnings per share (cents)	(15.7)	18.7	(25.2)
Headline loss per share (cents)	(15.1)	4.3	(7.9)
Share Information (000)			
Weighted average shares in issue (net of treasury shares)	339 612	339 612	289 258
Number of ordinary shares in issue (net of treasury shares)	386 989	386 989	289 699
Shares in issue at year end (Including treasury shares)	395 199	395 199	292 909

Diluted earnings per share
Diluted earnings per share is equal to earnings per share because there are no dilutive potential ordinary shares in issue.

Share Capital
The company issued a total of 90 000 000 (Ninety million) shares during the year for the THC and Cannafrica acquisitions. During the year under review, the company also issued an additional 7 289 754 (Seven million two hundred and eighty nine thousand and seven hundred and fifty four) shares for cash under its general authority to issue shares which authority was approved by shareholders at the company's last annual general meeting held in May 2019. There were no share re-purchases effected during the year under review.

COVID-19 Impact

The COVID-19 pandemic and subsequent lockdown had a severe impact on the businesses of Labat, especially the fuel business that went into business rescue during the National lockdown period. The Board has carefully considered the current cash position and facilities available to the Group.

Various options taking into consideration the impact of COVID-19, were discussed and assessed in terms of the Group's financial obligations. The Group has pro-actively engaged with its financiers and suppliers and constructive proposals to mitigate the impact of the national lockdown were considered. With the implementation of those proposals, Labat will be able to service its obligations in the foreseeable future under the current regulations of the national lockdown.

The Group is taking appropriate steps to assist with limiting the spread of the virus. Labat has implemented stringent measures to combat the spread of the COVID-19 virus at all operations in line with the government guidelines so as to ensure the well-being of our employees. Most of Labat's operations were closed during the lockdown period and only essential services were provided.

The Group continuously evaluated the various changes in government regulations to consider which of its Operations could be re-opened. The identified essential services were the transport of product, extremely limited fuel distribution and essential ICT services operated at a very reduced capacity. Furthermore, the Group has continued on its strategy of rolling out of its Labat Healthcare businesses in order to ensure a successful launch of the Labat Healthcare retail business at the start of the new financial year.

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 reviewed provisional condensed consolidated financial statements presented have therefore been prepared on a going concern basis.

The Group's total assets exceed its total liabilities by R75.9 million (2019: total liabilities exceeded total assets by R (34.4) million), has accumulated losses of R (98.4) million (2019: R (108.7) million, current assets exceed its current liabilities by R6.0 million (2019: current liabilities exceeded current assets by R(46.5) million) and the Group earned a profit after taxation of R10.1million (2019: loss after taxation of R(72.9) million).

Following the restructuring of the business and recent acquisitions, the Group, notably the SAMES and Logistics businesses, performed reasonably well given the impact of COVID-19. The company is actively turning the businesses around with a targeted focus on the Healthcare business. The company has 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 funds, mainly to fund its expansion program. This has met with some success, albeit slow. Shareholders are aware that the company is currently in discussions with potential investors to place shares for cash. Furthermore, the company is progressing with its funding application to the Public Investment Corporation ("PIC") with the PIC awarding the company a R5m grant from its Development Fund which was formed in conjunction with the Department of Science and Technology. The grant was awarded subsequent to year end and the relevant documentation is being finalised. These funds will be applied to the Healthcare businesses.

The financial statements are prepared on the basis of accounting policies applicable to a going concern. This basis presumes that that the Group will continue to receive the support of its holding company and directors 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 businesses, noting in particular the opening of the first 4 Cannafrica retail stores subsequent to year end.

Related party transactions and balances

The Group entered into transactions with related parties which were in the ordinary course of business at market related rates, 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 Chronos Logistics Services Proprietary Limited The Highly Creative Proprietary Limited
Directors and members of key management	Brian van Rooyen David O'Neill Gorden Walters Ntebele Mogapi Mike Stringer Stanton van Rooyen Alred van Rooyen

	31 August 2020	**31 August 2019**
Related party loan balances	**Reviewed R'000**	**Audited R'000**
Related party loan balance		
David O'Neill – unsecured, market related interest	(1 918)	(1 713)
Chronos Logistics Services (Pty) Ltd	-	(2 288)
New Generation Capital (Pty) Ltd	-	(1 414)
Owing (to) by shareholders and directors with significant influence		
Brian Van Rooyen	(2 053)	-
Gorden Walters (Force Fuel loan account)	(1 000)	(1 000)
N.S Mogapi (Force Fuel loan account)	(1 000)	(1 000)
Dawood Asmal	(284)	(284)
Owing (to) by shareholders and directors with significant influence		
Link Private Equity Investments (Pty) Ltd - unsecured, market related interest	(877)	(757)
Owing (to) by shareholders and directors with significant influence		
Director services raised as provision	(14 701)	(14 796)
Brian van Rooyen - Finance costs to loan advanced	(193)	-
David O'Neill - Finance costs to loan advanced	(206)	(206)
Gorden Walters - Finance costs to loan advanced	(78)	(116)
Ntebele Mogapi - Finance costs to loan advanced	(78)	(116)
Related party transactions		
Link Private Equity Investments (Pty) Ltd - Rent paid	600	600
Related party balances		
Force Fuel loan receivable	200	-
Force Fuel Properties loan payable	(80)	-
Force Fuel accounts payable	(2 109)	-
Compensation to directors and other key management		
Short-term employee benefits	11 057	10 990

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 financial year.

Changes to the Board

Mr N S Mogapi changed his role from an executive director to a non- executive director on the Board during the year under review. Subsequent to the year end, Mr NS Mogapi resigned as a director with effect from 31 December 2020. Mr M Stringer was appointed to the Board of Labat with effect from 14 April 2020 as an executive director and heads up the Healthcare business of the Group.

There have been no other changes to the board of directors of Labat Africa for the year under review and to the date of issue of this announcement.

Contingent Liabilities

Labat Africa Limited has issued financial guarantees with various fuel suppliers for Force Fuel as follows

	31 August 2020 R'000	**31 August 2019 R'000**
Parent Company Guarantee Standard Bank Guarantees	40 000	90 000
Medium term loan 1	-	23 200
Medium term loan 2	-	49 558

- The company has provided a cross deed of suretyship in favour of various other beneficiaries which cover the unutilised facilities granted to various subsidiaries.
- The company has provided limited suretyship in favour of various financial institutions which covers the unutilised facilities granted to a subsidiary Institution.

Dividends

No dividend has been declared for the year under review (August 2019: R nil).

Post Balance Sheet events

Force Fuel and FFP were placed under business rescue on 5 May 2020 and 10 June 2020 respectively and subsequent to the year end, firm offers have been received by the BRP.

As announced on SENS on 21 October 2020 and 9 December 2020, the company has concluded the acquisition of 70% in Biodata Proprietary Limited, a research and development operation in Cannabis, and the acquisition of 100% in African Cannabis Enterprises Proprietary Limited ("Ace Genetics"), a seed bank business which has developed more than 50 strains of cannabis. Both these businesses will complement the Healthcare business and the development funding secured from the PIC will be applied to the Biodata clinical trials.

Of significance is the retail operations of Cannafrica, which has opened 4stores post year-end in the Cape, Hartbeespoort, Melrose Arch and Umhlanga with another 40 new stores planned for 2021. Furthermore, subsequent to year end, Labat has secured product in order to start meeting its off-take agreement with a large European company, with its first order expected to be supplied in January 2021.

The agreement concluded with ZCMA Holdings Limited and Medigrow to acquire an 80% interest in its Lesotho based operations as previously announced, has been delayed as a result of the COVID-19 pandemic and will only be implemented in 2021.

Labat has entered into discussions with a number of strategic funding partners, including the PIC, with a view of funding operations and or subscribing for shares.

Labat remains in discussions with other cannabis and health related businesses to further expand its Healthcare operations, including negotiations with an Eastern Cape based Pharmaceutical business to acquire 100% of its operations.

Renewal of Cautionary Announcement

Shareholders are referred to the various cautionary announcements published on SENS in relation the disposal of Force Fuel and FFP and the negotiations with an Eastern Cape Pharmaceutical business, the last of which was on the 25 November 2020. Shareholders are advised to continue exercising caution when trading in the company's shares until such time as further announcements in respect of the above corporate actions are made.

For and on behalf of the board.

B G VAN ROOYEN
CHIEF EXECUTIVE OFFICER

G R I WALTERS
FINANCIAL DIRECTOR

Johannesburg
31December 2020

Directors:
BG van Rooyen*, DJ O'Neill*, M Stringer*, NS Mogapi^, GRI Walters*, R M Majiedt^, R Rustum^, BA Penny^
Executive*, Independent non-executive^

Company Secretary: Light Consulting Proprietary Limited

Registered Address: 23 Kroton Avenue, Weltevreden Park, 1709

Sponsor: AcaciaCap Advisors Proprietary Limited

Transfer Secretary: Computershare Investor Services Proprietary Limited