LABAT AFRICA LIMITED

THE LABAT AFRICA

INTEGRATED ANNUAL REPORT

For Year Ended 31 May 2023

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Financial Highlights

Group summary	12 Months 2023 May R’000	9 Months 2022 May R’000
Key elements		
Continuing operations		
Revenue	49,534	23,043
Gross Profit	21,221	8,474
Earnings/(loss) before interest, taxation, depreciation and amortisation (EBITDA)	(68,162)	(22,384)
Headline (loss) / earnings	(43,531)	(34,785)
Total comprehensive (loss) / income	(86,732)	(36,083)
Share performance		
Continuing operations		
Headline earnings per share (cents)	(7,36)	(6,7)
Net asset value per share (cents)	1,58	15,4
Total number of shares in issue (000)	639,102	581,575
Market price (cents per share)		
- opening (1 June)	23	23
- high	26	24
- low	7	22
- closing – end of period	7	22
Closing market capitalisation (R’000)	44,737	127 947
Volume of shares traded (000)	187,609	82 577
Total value of transactions (R’000)	26,302	42 579
Employee information		
Total number of employees	48	27
Previously disadvantaged employees	36	19

CHIEF EXECUTIVE OFFICER’S REPORT AND REVIEW OF OPERATIONS

FOR THE YEAR ENDED 31 MAY 2023

Introduction

The financial year ended 31 May 2023 marked a transformative period for Labat Africa. It was a year of focused strategy, restructuring and laying the groundwork for sustainable growth, particularly in the healthcare and cannabis sectors. Our integrated approach, coupled with strategic acquisitions and operational excellence, has positioned Labat as a leader in the rapidly evolving cannabis industry.

1. Strategic Restructuring

The Board's strategic decision to transition Labat Africa from an investment holding entity into a fully integrated cannabis business has been executed with precision. The restructuring focused on creating synergy across the medicinal cannabis value chain, from genetics and cultivation to research, extraction, intellectual property, and retail. This holistic and data driven approach ensures better control, improved efficiency, and predictability of higher-quality outcomes, benefiting all stakeholders.

2. Cannabis Industry Leadership

Labat Healthcare, a cornerstone of our operations, continues to drive innovation as a cannabis-based healthcare company. With acquisitions like Sweet Waters Aquaponics and Biodata, we have reinforced our commitment to deliver the "Seed to Sale" model.

3. Operational Overview

• **Healthcare Division**

o **Sweet Waters Aquaponics**: A recognised leader in cultivation and extraction, this facility delivered two successful exports to Queensland, Australia and secured a European off-take agreement. Expansion plans will enhance its capacity to meet the growing demand.

o **Biodata**: Research and development efforts are accelerating, with ongoing clinical trials supporting innovative product development edging us closer to precision medicines manufacturing from plant extracts and organic compounds.

o **Cannafrica**: With a focus on customer-centric, consumer facing retail, Cannafrica continues to enhance market access for Labat’s premium products. Moreover, Cannafrica expanded its retail footprint with 13 new operational wellness stores and agreements for territory-development, from 3 operational stores in the prior year. It is anticipated that 33 new retail store openings in the 2024 financial year will lead to an aggressive and robust development of a national footprint for the brand.

• **Technology Division (SAMES):** Whilst global semi-conductor shortages have affected revenue negatively and operations are loss making for the year, possibilities are being explored to reposition SAMES’s intellectual property and technologies for GMP compliance, tracking-and-tracing and database management which are integral to the healthcare division.

• **Logistics Division:** With the conclusion of key contracts and the liquidation of Force Fuel, we are re-evaluating this division’s future, including initiating retrenchment processes to optimise resources.

4. Financial Performance – Statement of Profit or Loss and Other Comprehensive Income – commentary related to financial performance of the Group is covered in the Report of the Directors set out on page 46.

5. Financial Performance – Statement of Financial Position – commentary related to financial performance of the Group is covered in the Report of the Directors set out on page 46.

CHIEF EXECUTIVE OFFICER'S REPORT AND REVIEW OF OPERATIONS

FOR THE YEAR ENDED 31 MAY 2023

6. Challenges and Risks

The cannabis industry faces unique challenges, from regulatory reforms and legislative amendments to public perception. As parts of cannabis are still classified as a Schedule 1 substance in many regions and jurisdictions, these obstacles impact market dynamics and investor confidence. Labat's proactive risk management strategy addresses these uncertainties while positioning the company to capitalize on regulatory advancements and market liberalisation.

7. Governance and Sustainability

Labat Africa maintains a commitment to robust governance, ensuring compliance with IFRS and other regulatory frameworks. Our focus on sustainability extends beyond healthcare to include industrial hemp projects aimed at diversifying revenue streams and addressing environmental imperatives aligned to the sustainable development goals 2030.

8. Looking Ahead

Labat Africa enters the next financial year with optimism, a strong operational foundation, and a clear vision for growth. The rapid evolution of cannabis legislation worldwide presents unprecedented opportunities and Labat is strategically positioned to lead this transformation.

9. Acknowledgments

I extend my deepest gratitude to our Board, management, employees and shareholders. Their unwavering dedication, resilience and support have been instrumental in driving Labat Africa's success. Together, we will continue to innovate, grow and create lasting value for our shareholders.

BRIAN VAN ROOYEN
CHIEF EXECUTIVE OFFICER
27 November 2024

ANALYSIS OF SHAREHOLDERS

FOR THE YEAR ENDED 31 MAY 2023

ANALYSIS OF SHAREHOLDERS

Labat Africa's shareholder spread for the year ended 31 May 2023 is set out below:

Category	No. of Shareholders	No. of Shares	% Holding
Companies and Other Institutions	128	245 338 202	38,39%
Close Corporations	11	388 486	0,06%
Trusts	36	15 606 249	2,44%
Individuals	16 992	377 768 581	59,11%
Total	**17 167**	**639 101 518**	**100,00%**

Size of Shareholding	No. of Shareholders	No. of Shares	% Holding
1 - 10 000	15 270	17 374 829	2,72%
10 001 - 25 000	812	12 870 028	2,01%
25 001 - 100 000	677	34 810 086	5,45%
100 001 - 500 000	283	66 968 818	10,48%
500 001 and over	125	507 077 757	79,34%
Total	**17 167**	**639 101 518**	**100,00%**

Shareholders holding more than 5% of the issued share capital

Shareholder	No. of Shares	% Holding
All Trading Private Equity (Pty) Ltd *(*)*	86 866 303	13,59%
Stanton van Rooyen (as nominee)	72 500 000	11,34%
Alpvest Equities (Pty) Ltd	54 010 785	8,45%
Mr Nassar Gutta	42 388 500	6,63%
Total	**255 765 588**	**40,02%**

(*) – includes the amount of 16 788 973 shares which are the loan shares that have since been replaced with new issues of shares applied for through the JSE and issued in August 2023.

Public vs. Non-Public	No. of Shares	% Holding
Shareholders holdings more than 10% of total issued capital		
All Trading Private Equity (Pty) Ltd	86 866 303	13,59%
Stanton van Rooyen (as nominee)	72 500 000	11,34%
Directors and Associates	875 000	0,14%
Public	478 860 215	74,93%
Total	**639 101 518**	**100,00%**

INTEGRATED CORPORATE GOVERNANCE AND SUSTAINABILITY REPORT

FOR THE YEAR ENDED 31 MAY 2023

CORPORATE GOVERNANCE AND SUSTAINABILITY REPORT

INTRODUCTION

The Directors are pleased to present the Group's sustainability report to stakeholders. Labat Africa'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 Africa 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 group's 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 Africa 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 and are used as a platform by the Board for the purpose of reviewing the Company's sustainable development.

The 2023 annual strategy session will be held during the last quarter of 2023, wherein the Company's growth strategy will be discussed at length, with a core focus on the Cannabis sector in line with the Company's business plan.

The Board will evaluate Labat Africa's sustainable development strategy over the next year 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.

The Directors are committed to adhering to King IV principles, which will be continuously reviewed and implemented 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, following the various acquisitions of companies within the Labat Africa Cannabis business model. It is expected that an internal audit function will be introduced during 2024.

During the period under review, the Board has taken responsibility to ensure that 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 Africa. 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.

INTEGRATED CORPORATE GOVERNANCE AND SUSTAINABILITY REPORT

FOR THE YEAR ENDED 31 MAY 2023

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 and has recently acquired CaseWare to enhance its reporting at both year end and internally, which was implemented for the year ending 31 May 2023. Monthly management reports are reviewed by management against budgets and past performance.

During the year under review there were three independent non-executive members of the Board. Meetings of Executive Directors are held almost every Monday with regard to the running of day-to-day operations in addition to quarterly meetings of the full Board.

The composition of the Board for the period under review and at the date of approval of the Annual Report is set out below:

Executive	Independent Non-Executive
BG van Rooyen (Chief Executive Officer)	RM Majiedt (Independent Non-Executive Chairperson)
DJ O'Neill (Executive Director)	R Mohamed (Independent Non-Executive Director)
GRI Walters (Financial Director)	BA Penny (Independent Non-Executive Director)
SE van Rooyen (Executive Director)	

DIRECTORS' PROFILES

Brian George van Rooyen, (63)
NHD (Accounting) CFA
Brian is a member of the Institute of Certified Public Accountants in South Africa. He has more than 30 years of business experience and during this time he held various positions in industry including directorships of SBDC, Italtile, Square One Solutions, SAFDICO, Leeuw Mining as well as a number of positions within the Labat Africa Group of Companies. Brian is the Chief Executive Officer of Labat Africa.

David John O'Neill, (76)
FCA (IRL) Chartered Accountant
David is a Chartered Accountant with nearly 50 years of commercial experience gained internationally in a variety of industries both in the financial field and in general management. Prior to joining Labat Africa, 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 Chartered 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. David is the former Financial Director of Labat Africa and remains as an Executive Director at present.

Gorden Ronald Ivan Walters (54)
B Com (Accountancy), Hon B Compt.
Gorden is an accountant and obtained a B Com (Accountancy) at the University of Western Cape and an Honours B Compt. at the University of South Africa. Gorden has over 25 years of extensive experience with 15 years in the energy/power sector where he spent over nine years with a leading power utility company in Namibia as Group Chief Financial Officer for five years. He joined Trustco as Executive Director in 2007 and was instrumental in the listing of Trustco on the JSE in 2009. In 2011 Gorden joined a newly established South African IPP where he headed up the M&A/project finance team, of which two large wind farms are fully operational. Gorden is the Financial Director of Labat Africa. Mr Walters resigned as director on 31 May 2024.

INTEGRATED CORPORATE GOVERNANCE AND SUSTAINABILITY REPORT

FOR THE YEAR ENDED 31 MAY 2023

Rowena Mandy Majiedt (60)
Rowena, a mathematics teacher, obtained her Higher Diploma in Education from the then Bellville College of Education. She has completed her studies towards a degree in Business Administration through the University of South Africa.

Rowena is a former Director of Ekapa Mining in Kimberley and a former Deputy Chairperson of the Northern Cape Economic Development Agency (NCEDA). She is a shareholder in Goldfields' South Deep Mine through a women's empowerment group.

Rowena has been the Independent Non-Executive Chairperson of Labat Africa since 2012 and also chairs the Social and Ethics Committee.

Rustum Mohamed (60)
Advanced Dip Social Science
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.

Rustum is an Independent Non-Executive Director and chairs the Audit and Risk Committee and the Remuneration Committee.

Beverley Anne Penny (65)
BA, B. Proc, LLB
Beverley 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 a wealth of legal and tax experience to the Board and Audit and Risk Committee.

Beverley is an Independent Non-Executive Director.

Stanton Earl Van Rooyen (33)
B. Com
Stanton graduated from the University of Johannesburg with a BCom degree in marketing and business management. Stanton has been with Labat for over 15 years working his way up in the group, which led to him establishing the Labat Africa Logistics division from 2016 onwards. He later formulated the initial business plan for the Labat Healthcare division, launched in 2019, and was appointed as the Managing Director of Labat Healthcare in 2021. He has accumulated a wealth of business knowledge within the listed business environment and the group, including experience in the building of new businesses and engaging with key stakeholders and brings a fresh perspective to the business arena and to the Board. Stanton recently joined the Labat Africa Board as an Executive Director, reporting back on the Healthcare group of businesses.

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 Chief Executive Officer 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.

INTEGRATED CORPORATE GOVERNANCE AND SUSTAINABILITY REPORT

FOR THE YEAR ENDED 31 MAY 2023

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 Africa'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 financial year ended 31 May 2023 as set out below:

Director	30/8/2022	16/10/2022	20/10/2022	22/11/2022	23/5/2023
RM Majiedt (Chairperson)	Present	A	Present	Present	Present
DJ O'Neill	Present	Present	Present	Present	Present
BG van Rooyen	Present	Present	Present	Present	Present
R Mohamed	Present	Present	Present	Present	Present
BA Penny	Present	Present	Present	Present	Present
GRI Walters	Present	Present	Present	Present	Present
SE Van Rooyen (#)	Present	Present	Present	A	Present

(A) Apologies

Five Board meetings have been held subsequent to year end to the date of this report. 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.

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);
Ms Rowena Majiedt; and
Ms Beverley Penny.

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;

INTEGRATED CORPORATE GOVERNANCE AND SUSTAINABILITY REPORT

FOR THE YEAR ENDED 31 MAY 2023

- 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 and the finance team.

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 previous Company Secretary, Light Consulting Proprietary Limited, 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.

Five Audit and Risk Committee meetings were held during the financial year under review as set out below:

Member	30/8/2022	13/10/2022	16/10/2022	20/11/2022	23/5/2023
R Mohamed	Present	Present	Present	Present	Present
RM Majiedt	Present	Present	A	A	Present
BA Penny	Present	Present	Present	Present	Present
By invitation					
BG van Rooyen	Present	Present	Present	Present	Present
DJ O'Neill	Present	Present	Present	Present	Present
GRI Walters	Present	Present	Present	Present	Present
SE van Rooyen (#)	A	Present	Present	Present	Present

(A) Apologies

One Audit and Risk Committee meeting was held subsequent to year end and to the date of this report.

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 Remuneration Committee is responsible for the assessment and approval of a Board remuneration strategy for the Group. The Remuneration Committee's policy is to meet twice a year to review the strategy.

The Remuneration Committee comprises the following members:

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

The Remuneration Committee held two formal meetings during the year under review, which is in accordance with the Remuneration Committee's terms of reference which require the Committee to meet at least twice a year, and given the size of the Company, the Remuneration Committee was able to address its main objectives at these meetings.

INTEGRATED CORPORATE GOVERNANCE AND SUSTAINABILITY REPORT

FOR THE YEAR ENDED 31 MAY 2023

Three Remuneration Committee meetings were held during the year as set out below:

Member	19/5/2022	13/6/2022	23/5/2023
R Mohamed (Chairman)	Present	Present	Present
RM Majiedt	Present	Present	Present
BA Penny	Present	Present	Present
By invitation			
BG van Rooyen	Present	Present	Present
DJ O'Neill	Present	Present	Present
GRI Walters	Present	Present	Present
SE van Rooyen (#)	A	A	A

(#) Apologies

In terms of King IV a remuneration report has been adopted and details of this report is set out on page 24 of this Integrated Annual Report.

SOCIAL AND ETHICS COMMITTEE

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

Ms RM Majiedt (Chairperson);
Mr DJ O'Neill
Ms BA Penny; and
Mr R Mohamed.

Two Social and Ethics Committee meetings were held during the year as set out below:

Member	19/5/2022	23/5/2023
RMM Majiedt (Chairperson)	Present	Present
BA Penny	Present	Present
R Mohamed	Present	Present
DJ O'Neill	Present	Present
By invitation		
BG van Rooyen	A	Present
GRI Walters	Present	Present
SE van Rooyen (#)	A	Present

(#) Apologies

In terms of King IV a social and ethics report has been adopted and details of this report is set out on page 28 of this Integrated Annual Report.

NOMINATION COMMITTEE

The Group currently does not have a Nomination Committee. In terms of Labat Africa's 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 Africa's Memorandum of Incorporation (MOI), automatically retire at the next annual general meeting and their re-appointment is subject to the approval of shareholders at such annual general meeting.

INTEGRATED CORPORATE GOVERNANCE AND SUSTAINABILITY REPORT

FOR THE YEAR ENDED 31 MAY 2023

On appointment, new Directors receive an induction pack, consisting of, *inter alia*, the MOI of the Company, Section 3 of the JSE Listings Requirements relating to continuing obligations of listed companies, minutes of Board and other Committee meetings for the prior 12 months, resolutions passed during the prior 12 months, all announcements published on SENS in the prior 12 months, an explanation of and copies of Directors' Declarations of interest and copies of the Sponsors' Seeds of Information which detail, *inter alia*, any subsequent changes to the JSE Listings Requirements as well as important CIPC notices.

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 MOI. 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 his depth of knowledge of the Group, DJ O'Neil continues as an Executive Director on a part time basis. DJ O'Neill is currently 76 years old and will be retiring before the next financial year.

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, but this will be reconsidered in line with the growth of the Cannabis side of the business and subsequent acquisitions as detailed on SENS.

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 17 basic principles are explained in detail below set out on page 15 of this Integrated Annual Report which is also available on the Company's website, www.labat.co.za

PROMOTION OF 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 Diversity at Board level.

The Board recognises the need for gender and race diversification and has embraced race diversification from date of listing. The Board has also introduced extended guidance for diversity, including disability, age, culture and other aspects.

Currently five of Labat's Africa's seven Directors are black or coloured and two are female. A Diversity Policy has been adopted that embraces gender, race, disabled, age, culture, experience and other diversification. A simple policy has been agreed that for future Board appointments, female or black or disabled candidates will be preferred where qualifications and/or experience are equal. Labat Africa will similarly embrace further diversity when considering new appointments, with a particular focus on age and diversification of experience and knowledge.

During the financial year under review RM Majiedt and BA Penny continued as female Directors on the Board. Mr SE van Rooyen was recently appointed to the Board with both youth and experience in mind.

INTEGRATED CORPORATE GOVERNANCE AND SUSTAINABILITY REPORT

FOR THE YEAR ENDED 31 MAY 2023

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 behaviour. The Code of Ethics was approved during 2018 and adopted by the committee and approved by the Board. The Code of Ethics is presently being reviewed to incorporate the new Cannabis businesses, which embodies a high level of regulatory approvals and conduct.

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 Africa, as applied to the Directors, Prescribed Officers and the Company Secretary, the Chairperson or the Chief Executive Officer is required to authorise such dealings in securities, prior to deals being executed. An Independent Non-Executive Director or the Chief Executive Officer 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, Prescribed Officers and the Company Secretary is retained by the Company Secretary.

In accordance with the JSE Listings Requirements, the Directors, Prescribed Officers and Company Secretary are prohibited from dealing in securities during closed and prohibited periods.

There were no dealings by Directors or the Company Secretary during the period under review. The Company does not have any Prescribed Officers that are not Directors.

The Company is in the process of reviewing and adopting an updated share dealing policy, which incorporates the recent changes to the JSE Listings Requirements.

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.

EMPLOYMENT EQUITY REPORT

FOR THE YEAR ENDED 31 MAY 2023

Introduction

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

Total number of employees (including employees with disabilities) in each of the following occupational levels at 31 May 2023.:

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management		4		1							5
Senior management				2							2
Professionally qualified and experienced specialists and mid-management		1		1							2
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	1	4		2	2	1		2			12
Semi-skilled and discretionary decision making		2		2	1	2		2			9
Unskilled and defined decision making	6	2			5	4			1		18
TOTAL PERMANENT	7	13	-	8	8	7	-	4	1	-	48
Temporary employees	-	-	-	-	-	-	-	-	-	-	0
GRAND TOTAL	7	13	-	8	8	7	-	4	1	-	48

Total number of employees for people with disabilities ONLY in each of the following occupational levels.

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Permanent employees		1		1	1						3
GRAND TOTAL		1		1	1						3

Note:
A = Africans C = Coloureds I = Indians W = Whites

APPLICATION OF KING IV PRINCIPLES

FOR THE YEAR ENDED 31 MAY 2023

Introduction

Labat Africa 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 Labat Africa which constitutes the governing body of the Company, satisfied itself that Labat Africa 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 JSE Listings Requirements, for the year ended 31 May 2023.

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 section should be read in conjunction with the Integrated Annual Report for the year ended 31 May 2023 (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 has adopted an updated Code of Ethics in order to incorporate the Cannabis business, which will be designed to ensure the effective management of ethics and will be 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 new directorships are tabled in each Board meeting under a standard agenda item. Practices implemented with regards to the appointment of new Directors are included under Principle 7 below. During 2022, the performance and effectiveness assessment of the Board, the Audit and Risk Committee, and the Social and Ethics Committee was undertaken and will be performed at least every two years for the Board and the Committees. The results of these assessments are communicated to the Board and its Committees. Any areas for improvement are noted.

APPLICATION OF KING IV PRINCIPLES

FOR THE YEAR ENDED 31 MAY 2023

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, 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, adopted by the Board, commits 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 Africa 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 will maintain a record of sponsorship, donations and charitable giving, where applicable. Shareholders are referred to the Social and Ethics Committee Report, which is included in the Company's 2023 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 has been 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.

APPLICATION OF KING IV PRINCIPLES

FOR THE YEAR ENDED 31 MAY 2023

	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. Certain risk disclosures are reported in the Annual Financial Statements. Other key risks, together with the steps to mitigate the same, are published on the Company's website and are updated annually. The Board discusses the top risks faced by the Company and confirms its satisfaction with the management of the risk management processes but this requires more work. The Audit and Risk Committee actively monitors the Group's key risks as part of its standard agenda. However, this has become a key focus area with the growth in the business and recent acquisitions in the Cannabis business. A "live" risk management system is in the process of being developed in order to avoid static reports, involving various levels of management in the identification and management of risks. Shareholders are referred to the Corporate Governance and Sustainability Report, which is included in the Company's 2023 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. However, there are other forms of independent assurance in certain aspects of the business, including logistics business, around Safety, Health and Quality Assurance. The Company will ensure that these reports are published on its website, where relevant. 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. However, due to issues that developed following the change in auditors due to rotation requirements, trade in the Company's securities was suspended, the relationship deteriorated and the Company made the difficult decision to terminate the new audit appointment. The appointment of a replacement firm took a long time. However, the Company is pleased that this issue has since been resolved and the Company can return to regular and timely reporting. The Company adheres to the requirements in terms of the JSE Listings Requirements and Financial Markets Act and has recently updated 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 Stock Exchange News Service (SENS), requires the prior approval of the Company's Chief Executive Officer, or as may be otherwise instructed.

APPLICATION OF KING IV PRINCIPLES

FOR THE YEAR ENDED 31 MAY 2023

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 aims to meet once every quarter; however, should an important matter arise between scheduled meetings, additional meetings are 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.
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	At the date of issue of this Annual Report, the Board comprises of three Executive Directors and three Independent Non-Executive Directors. One of the Executive Directors will be retiring during 2025 and will become a Non-Executive Director in due course, albeit not independent. All members of the Board have the requisite skills and knowledge from diverse industry backgrounds. The profiles of the Independent Non-executive Directors are included in the Integrated Report. The Board is chaired by an Independent Non-Executive Director 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 JSE Listings Requirements and King IV. The arrangements for the periodic, staggered rotation of Board members are included in the Company's MOI 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.

APPLICATION OF KING IV PRINCIPLES

FOR THE YEAR ENDED 31 MAY 2023

	Directors are appointed in terms of the Company's MOI. 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, disability, culture, age and other 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 in particular. Only one new Board appointment was made during the prior year, namely an Executive Director Mr SE van Rooyen. This appointment was made bearing in mind the need for succession planning, the move over the past four years into the Cannabis industry and to have such experience represented on the Board, as well as bringing youth to the Board. A formal self-evaluation on the composition of the Board and the appropriate mix of knowledge, skills, experience, diversity and independence has recently been undertaken and any areas for improvement will be followed up over the forthcoming year.
Principle 8	**Committees of the Board**
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	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: 1. Audit and Risk Committee 2. Social and Ethics Committee 3. Remuneration Committee. The Company does not have a Nominations Committee and nominations are 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 2023 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.

APPLICATION OF KING IV PRINCIPLES

FOR THE YEAR ENDED 31 MAY 2023

Principle 9	Evaluations of the performance of the Board
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	The performance and effectiveness of the Board as a whole was evaluated in late 2022 and will be evaluated every two years going forward, and 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, leads 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 every two years, in conjunction with the Board evaluation process. The experience and expertise of the Company Secretary as a juristic person has also been evaluated subsequent to year end.

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 reviews the delegation of authority framework when appropriate, due to the changes in the nature of the Group's business. The authority framework is in the process of being reviewed during 2022 due to the recent changes in the group. 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. Succession planning has started to be put in place for the Chief Executive Officer, and succession planning is discussed at the quarterly board meetings. The Group is looking at internal candidates to grow into senior roles. The Board also appointed a new financial manager during 2024, who had previously been on the audit team for the nine months ended 31 May 2022. He has been a valued addition to the finance team. Subsequent to year end, the Financial Director resigned and the former Financial Director stepped back into the role. A decision on the next financial director appointment will be made once the audit for the year ended 31 May 2024 had been finalised. Following the resignation of the Financial Director, additional resources were outsourced on a temporary basis. With the recent settling down of the group structure, succession planning and reorganisation of roles and reporting is now being addressed and will be considered further during the forthcoming year.

APPLICATION OF KING IV PRINCIPLES

FOR THE YEAR ENDED 31 MAY 2023

	The Company had appointed Light Consulting Proprietary Limited as Company Secretary until 21 November 2024 when they were replaced with Mr A van Rooyen. The Company Secretary 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 arm's-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. During the year under review, executive management worked on finalising and implementing a new risk matrix which categorised the estimated impact and likelihood of the risks identified in each different segment and serves to advise the Board of the controls established/remedial action taking place at subsidiary level to mitigate the risks identified. The key risks to the Group as identified by the executive management, can be viewed on the Company's website, www.labat.co.za.
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. With the recent growth in the Company, this was re-evaluated to ensure that this remains appropriate and fit for purpose. Further evaluation will be undertaken during the year ending 31 May 2025 due to some of the challenges faced during the periods ended 31 May 2023 and 31 May 2024. 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.
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.

APPLICATION OF KING IV PRINCIPLES

FOR THE YEAR ENDED 31 MAY 2023

	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 Annual Report. During the year there were no material findings of non-compliance with applicable legislation or regulations, other than the late finalisation of the audit and calling of an Annual General Meeting, which has since been rectified with the issue of this Integrated Annual Report. The Company applied to the Companies Tribunal for an extension of time for both years ended 31 May 2023 and 31 May 2024. The audit for the year ended 31 May 2024 was also finalised and the Integrated Annual Report will be issued imminently. The Board is satisfied that the Company is again complying with the provisions of the Companies Act, 2008 and that it is operating in conformity with its MOI.
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 did not set KPI's for the Executive Directors due to the difficult period. However, this will be revisited once the Company is back on track, with a focus on the sustainability and performance of the Group. The process has recently received the attention of the Chairman of the Remuneration Committee and the Chief Executive Officer and is expected to be completed during 2025. 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 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 JSE Listings Requirements.

APPLICATION OF KING IV PRINCIPLES

FOR THE YEAR ENDED 31 MAY 2023

	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 but will be reconsidered during the financial years 2025 or 2026 as the group grows. 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 are 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 practiced 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

FOR THE YEAR ENDED 31 MAY 2023

BACKGROUND STATEMENT

The Board has considered the implications and the impact of the King IV on the Remuneration Policy as well as the JSE Listings Requirements and present this report in two parts. The Chairman's and Chief Executive Officer'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 King IV 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 establishing of the key performance indicators (KPIs) which process commenced during 2018, was interrupted by both corporate actions and then COVID-19 and the subsequent lockdowns. The process has recommenced, with the Group structure having recently been settled, but was interrupted by the situation surrounding the audit as well as the resignation of the Financial Director. This will be picked up again in 2025, once the Company has been regularised and unsuspended, possibly with new appointments being made. The KPI's will be 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 I – 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.
2. Internal equity – transparent, equitable and consistent application.
3. External parity - competitive remuneration based on remuneration trends.
4. Performance based – direct link between remuneration and performance.
5. Motivation – integral component of employee motivation.

Consideration
1. Company viability – budgetary considerations 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.

Both short- and long-term incentives will be used to this end.

REMUNERATION REPORT

FOR THE YEAR ENDED 31 MAY 2023

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; and
- compliance with all applicable laws and regulatory codes.

The Company is currently listed on the Venture Capital section of the JSE and is thus currently required to have an Audit and Risk Committee, Social and Ethics Committee as well as a Remuneration Committee, with compliance required in terms 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; and
- non-executive Board and Committee fees.

The Remuneration Report, Part I and Part II, 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. The current size and nature of the business does not make this practical at present. This will be monitored and considered during 2025 to 2026.

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.

No Director is appointed for life or for an indefinite period as indicated in the MOI of the Company. Legislation however, dictates that the ordinary retirement ages are usually 60 or 65 years of age. An employee cannot be forced to retire, unless his/her employment contract has a condition where he/she must retire at a certain age or a rule sets the date of retirement.

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. It is planned that senior management and Executive Directors will participate in short-term incentives in the form of a performance bonus plan, in due course.

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:

REMUNERATION REPORT

FOR THE YEAR ENDED 31 MAY 2023

- Promote growth in quality sustainable earnings;
- Align shareholder and management objectives; and
- 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 in due course and will 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 MOI, 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. During the financial year ended 31 May 2023, Ms RM Majiedt served her eleventh year and thus the Board has carefully considered and confirmed her independence and experience.

Fees
The Company does not currently pay competitive fees for the role due to the difficult trading conditions in prior years. The fees comprise an attendance fee for scheduled meetings, as tabled in Part II of this report. In addition, where Non-Executive Directors are travelling from other Provinces, they are compensated for travel and subsistence where necessary 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.

The Executive Directors propose Non-Executive Directors' fees to shareholders annually for shareholder vote.

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 AGM of the Company 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 I of this

REMUNERATION REPORT

FOR THE YEAR ENDED 31 MAY 2023

report.

PART II – 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. The current situation of the Company and the economy was also considered. 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 financial year ended 31 May 2023, is set out in note 44 of the Annual Financial Statements:

Short-term and long-term incentives 2023
Short-term and long-term criteria for performance measures and targets are to be set during the 2025 year.

Non-Executive remuneration
The remuneration paid to Non-Executive Directors while in office of the Company during the financial year ended 31 May 2023 is set out in note 44 of the Annual Financial Statements.

Proposed Non-Executive Directors' fees effective from 1 June 2023 will be approved at the next AGM of the Company. 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.

Approval
This Remuneration Report was approved by the Board of Directors at its meeting held on 27 November 2024.

REPORT OF THE SOCIAL AND ETHICS COMMITTEE

FOR THE YEAR ENDED 31 MAY 2023

Background

Labat Africa's Social and Ethics Committee is a Statutory Committee which assists the Board in monitoring the Group's corporate citizenship, sustainability and ethics.

Labat Africa 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 Africa was a major government contractor providing consulting and related services since 1995 for a number of years, implementing many high-profile government assignments. After listing, the Company became a holding company and has supported a number of diverse new and existing businesses over the years, sometimes selling the businesses or distributing shares *in-specie* to its shareholders.

Labat Africa values its reputation and is committed to maintaining the highest level of ethical standards in the conduct of its business affairs, avoiding bribes and corruption continually, which has made business more difficult in certain circumstances. The actions and conduct of the Company's Board members, staff as well as others acting on the Company's behalf remain key to maintaining these standards.

It is in this regard and in accordance with the Companies Act, Section 43(5) of the Companies Regulations (Companies Act) and King IV that a Social and Ethics Committee was established by the Board to consider and monitor the moral and ethical conscience of Labat Africa. This report is presented in accordance with the requirements of the Companies Act and forms part of the Integrated Report.

Composition and functioning

The Social and Ethics Committee consists of the following members as at 31 May 2023:

Member	Date of appointment	Attendance for the period under review
RM Majiedt (Chairperson)	28 February 2012	100%
R Mohamed	30 May 2017	100%
BA Penny	30 November 2017	100%
DJ O'Neill (Executive)	27 January 2011	100%

The Social and Ethics 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 Social and Ethics Committee are nominated and appointed by the Board.

Role of the committee

The Social and Ethics 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 Social and Ethics Committee recently approved a 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 Social and Ethics Committee

The responsibilities of the Social and Ethics 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;

REPORT OF THE SOCIAL AND ETHICS COMMITTEE

FOR THE YEAR ENDED 31 MAY 2023

- 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.

The remaining Board members are encouraged to attend Committee meetings as invitees. The Social and Ethics Committee met twice during the year under review. Attendance at Committee meetings is detailed on page xx of the Integrated Report.

The Social and Ethics Committee has not been assessed during the period ended 31 May 2023. An assessment will be done during the 2025 financial year as part of the biennial Board and Committee self-evaluation process.

Activities of the Social and Ethics Committee
The responsibilities and functions of the Social and Ethics Committee which are aligned with the Social and Ethics Committee's statutory functions as set out in the Companies Act formed the basis of the work plan for 2023/4. 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 Global 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 Organisation 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 AGM on the matters within its mandate.

During the year under review the Social and Ethics Committee attended to the matters relating to the work plan above and reported to the Board.

The monitoring and conforming to the above remains an ongoing process within the Company structure. Labat Africa has also adhered to the following matters as mentioned above, with formal policies being implemented to address these:

a. **Social and economic development**. Labat Africa adheres to the principles set out in the UNGCP and the OECD recommendations on corruption. Labat Africa 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. No incidents have been reported.
b. **Good corporate citizenship**. Labat Africa subscribes to the provisions of the Promotion of Equality and Prevention of Unfair Discrimination Act. No incidents have been reported.

REPORT OF THE SOCIAL AND ETHICS COMMITTEE

FOR THE YEAR ENDED 31 MAY 2023

c. **The environment, health and public safety**. Labat Africa subscribes to and is compliant with the Occupational Health and Safety Act. No incidents have been reported during the period.
d. **Consumer relations**. Labat Africa subscribes to and is compliant with the Consumer Protection Act (No. 68 of 2008). No incidents have been reported.
e. **PAIA**. The Company is compliant with the requirements of the Promotion of Access to Information Act, No. 2 of 2000 and has recently updated its PAIA manual. No requests for information were received during the year.
f. **Protection of Personal Information**. Labat Africa subscribes to and is compliant with the Protection of Personal Information Act (No. 4 of 2013). No incidents have been reported.
g. **Labour and employment**. Labat Africa 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.

At a national level, the South African Constitution, the Companies Act, the Labour Relations Act, the Employment Equity Act and the BBBEE Act form the fundamental framework around which the Committee operates.

At an environmental level, the Company will be formulating an Environmental, Social and Governance (“ESG”) policy and standards and will be one of the items that the Company will focus going forward.

Public reporting and assurance

The Social and Ethics 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 Social and Ethics 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 Social and Ethics 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 AGM. The Social and Ethics Committee has elected to provide this written report to be included in the Integrated Annual Report as opposed to reporting verbally at the AGM.

ROWENA MAJIEDT
CHAIRPERSON
27 November 2024

REPORT OF THE AUDIT AND RISK COMMITTEE

FOR THE YEAR ENDED 31 MAY 2023

Introduction

The Board has a combined Audit and Risk Committee due to the nature and current size of the Company.

The report of the Audit and Risk Committee is presented as required by Section 61(8)(a)(iii) of the Companies Act, 2008 (No. 71 of 2008) (the Act) and has been prepared in accordance with Section 94.7(f).

The Audit and Risk Committee is constituted as a Statutory Committee of Labat Africa in respect of its statutory duties in terms of section 94.7 of the Act and a Committee of the Board in regard to all other duties assigned to it by the Board of Directors of the Company.

Composition

The Audit and Risk Committee consists of the following Non–Executive Directors for the financial year ended 31 May 2023 and to the date of this report:

Member	Date of appointment	Attendance for the period under review
R Mohamed (Chairman)#	30 May 2017	100%
RM Majiedt#	28 February 2012	100%
BA Penny #	30 November 2017	100%

- independent

The Chairman of the Board is a member of the Audit and Risk Committee but is not the Chairman of the Audit and Risk Committee.

The Board has approved the Audit and Risk Committee Terms of Reference and is satisfied that Audit and Risk Committee members have recent and relevant financial experience to carry out their duties and responsibilities.

The Audit and Risk Committee also oversees the relationship between management and the external auditors and serves as a link between the Board and these functions. The Audit and Risk Committee is satisfied that it has complied with its legal, regulatory and other responsibilities.

STATEMENT OF AUDIT AND RISK COMMITTEE RESPONSIBILITIES FOR THE FINANCIAL YEAR ENDED 31 MAY 2023

Role and work of the Audit and Risk Committee

The role of the Audit and Risk 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 interaction and communication with management and the external auditors.

The Chief Executive Officer, Financial Director and other members of management attend Audit and Risk Committee meetings as necessary, at the invitation of the Chairman of the Audit Committee. In addition, other non-Executive Directors, if additional Directors are appointed, will be extended an invitation to attend the Audit and Risk Committee meetings.

Audit and Risk Committee Terms of Reference

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 and Risk Committee, is independent of the Company;
- review of matters relating to financial accounting, accounting policies, reporting and disclosure;
- 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 and Group;
- review/consideration of expertise and experience of the Financial Director and the finance team;

REPORT OF THE AUDIT AND RISK COMMITTEE

FOR THE YEAR ENDED 31 MAY 2023

- compliance with the Charter; and
- compliance with the Company's code of ethics.

Role regarding the external auditor and external audit
The role of the Audit and Risk Committee relating to the external auditor and external audit is prescribed by section 94 of the Act and further guidance is provided by the King IV and the JSE Listings Requirements. In summary the Audit and Risk Committee is required to:

- make recommendations to the Board for it to put to the shareholders for their approval in a general meeting, in relation to the appointment, re-appointment and removal of the external auditor;
- approve the remuneration and terms of engagement of the external auditor;
- review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process; and
- develop and implement policy on the engagement of the external auditor to supply non-audit services.

Following the conclusion of a tender process, the Audit and Risk Committee recommended, and the Board of Directors of the Company endorsed, the appointment of Nolands Incorporated ("Nolands Inc") as the external auditor of Labat Africa, with Mr Ferdinand Cloete as the Designated Audit Partner, for the financial year ended 31 May 2023, subject to the approval of Labat Africa's shareholders at the AGM.

Unfortunately, the appointment of the new audit firm led to substantial delays, resulting in the suspension of the Company. The audit team also focussed on matters relating to prior years, going back some 23 years in relation to the ongoing tax claim of the company, first arriving at a factual dispute on the SARS amounts requiring substantial prior year adjustments at an audit clearance meeting held in October 2023 with the Audit and Risk Committee. At this meeting, where all directors were present, the Board agreed to the adjustments but noted that the basis of the disagreement with SARS was the subject of its ongoing legal action and that a contingent asset and a full explanation around such adjustments would need to be included in the Annual Financial Statements. Thereafter, the auditor reverted that they had changed their view to a judgemental error, which would require additional work. This delay was one of the reasons that led to the suspension of the Company.

Following the suspension on the JSE, there were a number of other delays and disputes, including the auditor disagreeing with other independent third party experts of the Company.

The relationship with management deteriorated, resulting in a meeting in Cape Town in October 2023 with senior partners and the executive directors, to establish where the areas of concern remained, at which six remaining items were listed. Management provided additional supporting documents and letters from attorneys and its Advocate, where appropriate.

In December 2023, the Audit and Risk Committee received a notice from Nolands Inc. again advising of a number of material quantitative and qualitative matters outstanding, concerns around the opening balances and controls and advice that the office was closing and would be submitting a new audit proposal in January 2024, subject to various terms and conditions. Details of the outstanding matters and concerns were requested from Nolands Inc by the Audit Committee Chairman so that the Company could address the requirements whilst the auditors were on leave. The list of items was not provided to the Company during December or early January 2024.

As a result of the deterioration of the relationship and the non-provision of the list of outstanding items, this led to the Audit and Risk Committee, together with input from the executive directors, to reconsider the appointment of the auditors as it appeared that the audit would still take a number of months to complete, with the auditors appearing to want to reaudit previous year's results, advising the Audit and Risk Committee of concerns around their ability to audit the opening balances of the Company after a period of 5 months. There was also the concern that perspective and objectivity had been lost. The audit team also stopped communicating with management at periods of time, not providing updates to the executive management or the Audit Committee as to the status of the audit.

REPORT OF THE AUDIT AND RISK COMMITTEE

FOR THE YEAR ENDED 31 MAY 2023

The communications of concerns and updates to the Audit and Risk Committee from the audit firm have been sorely lacking including the presentation of the audit plan. Due to ongoing delays and concerns around capacity, objectivity and independence and despite the high financial cost, the Audit and Risk Committee decided to terminate the appointment in January 2024.

The Audit and Risk Committee draw attention to the fact that Nolands Inc. raised a reportable irregularity on the under declaration of PAYE on remuneration including directors, consultants and sub-contractors. This was since rectified and declared to SARS – for further details regarding this matter is set out in note 48 to the Annual Financial Statements.

The Company began a process to seek the appointment of a new audit firm, also inviting the former audit firm to propose for the audit, which proposal was also received and considered alongside the proposal by Khumalo Xaba Xulu (KXX) following a recommendation from ABASA. This process was extensive and finally led to the appointment of KXX as the new auditors.

One of these responsibilities is the assessment of the independence of the auditor. The Audit and Risk Committee satisfied itself that the auditor was independent of the Company. The Audit and Risk 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 the audit partner, Mr Kagiso Magano, was the Designated Audit Partner.

The Committee is satisfied that KXX is independent of the Company and the effectiveness and performance of the external auditor from the Audit and Risk Committee's perspective was confirmed. No serious matters of concern regarding the performance of the external auditors were brought to the attention of the Audit and Risk Committee.

Non-audit services provided by the external auditors must be in compliance with an approved policy. There were no non-audit services provided during the year under review.

The Audit and Risk Committee considered the audit report and findings in respect of the Annual Financial Statements and audit for the financial year ended 31 May 2023 as presented by KXX on 27 November 2024.

Internal financial controls

The Audit and Risk Committee is of the opinion that Labat Africa'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. Some control weaknesses identified around payroll, tax submissions and reconciliations were addressed and an additional appointment was made to the finance team subsequent to year end to ensure that the finance team was strengthened.

New accounting systems were introduced during the year under review following the various acquisitions, which led to some of the initial teething problems. The Audit and Risk Committee has identified the need to strengthen the human resources component of the Company.

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 former external auditors on the results of their audit as well as discussions with the newly appointed auditors. The consideration of internal audit continues being a standing agenda item for the Audit and Risk Committee meetings scheduled for the year. With the new acquisitions being bedded down during the prior year and period under review, as well as the outsourcing the Company will be reconsidering the appointment of an internal auditor in due course.

REPORT OF THE AUDIT AND RISK COMMITTEE

FOR THE YEAR ENDED 31 MAY 2023

Compliance and legal matters

The Audit and Risk Committee reviewed with management, legal matters that could have a material financial impact on the Group. It also assessed compliance with all other statutory duties under section 94(7) of the Companies Act, King IV and JSE Listings Requirements. The unintended under-declaration of PAYE has been rectified after year end and will be a specific focus area going forward.

Expertise and experience of the financial function

The Audit and Risk Committee is satisfied as to the expertise and experience of the Financial Director and the finance team in terms of section 3.84(h) of the JSE Listing Requirements.

Review of financial statements

The financial statements were prepared under the guidance of the Financial Director and Financial Manager, in accordance with applicable legislation and accounting framework and submitted to the Audit and Risk Committee for review, prior to submission to the Board for approval.

As stipulated in the Companies Act, section 94(7)(f), the Audit and Risk Committee has reviewed the accounting policies and practices applied by the Group and is satisfied that the financial statements were prepared on the basis of appropriate, relevant accounting policies, IFRS and applicable statutory and regulatory guidelines.

The Audit and Risk Committee considered all aspects where significant judgments and estimates were involved in the preparation of the annual financial statements that could have a material impact on those financial statements. Management has reviewed the financial statements with the Audit and Risk Committee and the Audit and Risk 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 and Risk Committee has considered the Integrated Report and assessed its consistency with operational, financial and other information known to Audit and Risk Committee members, and for consistency with the Annual Financial Statements.

The Audit and Risk Committee is satisfied that the integrated report is materially accurate, complete and reliable, and consistent with the Annual Financial Statements. On 27 November 2024, the Audit and Risk Committee recommended the integrated report for the financial year ended 31 May 2023 for approval by the Board.

Approval of report

The Audit and Risk Committee confirms from 1 June 2022 to 31 May 2023 that they have functioned in accordance with their terms of reference and as required by the Act and that the report has been approved by the Directors of the Board at its meeting held on 27 November 2024.

Approval of financial statements

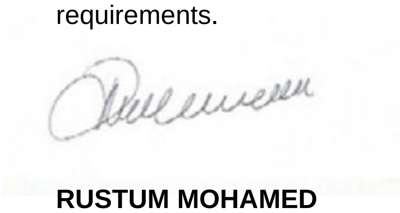
The Audit and Risk Committee reviewed and recommended the financial statements for approval by the Board of Directors and considers the financial statements of Labat Africa and its subsidiaries to be a fair presentation of its financial position on 31 May 2023 and of the results of the operations, changes in equity and cash flows for the period then ended, in accordance with International Financial Reporting Standards, the Act and the JSE Listings Requirements.

REPORT OF THE AUDIT AND RISK COMMITTEE

FOR THE YEAR ENDED 31 MAY 2023

Conclusion

The Audit and Risk Committee is satisfied that it has executed its duties and responsibilities during the year in line with its terms of reference, the companies Act section 94.7, King IV and section 3.84(g) of the JSE Listings requirements.



RUSTUM MOHAMED
CHAIRMAN
27 November 2024

COMPANY SECRETARY'S REPORT

FOR THE YEAR ENDED 31 MAY 2023

In my capacity as Company Secretary, I hereby confirm in terms of Section 88(2)(e) of the Companies Act, 2008 that for the financial year ended 31 May 2023, 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.

A VAN ROOYEN
COMPANY SECRETARY
27 November 2024

GENERAL INFORMATION

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Technology; Logistics and Healthcare with focus on cannabis
Company registration number	1986/001616/06
Directors	BG van Rooyen DJ O'Neill SE van Rooyen RM Majiedt R Mohamed BA Penny GRI Walters
Registered office	23 Kroton Avenue Weltevreden Park Roodepoort 1709
Postal address	Private Bag X09-248 Weltevreden Park Roodepoort 1715
Bankers	ABSA Bank Limited First National Bank, a division of First Rand Limited
Auditors	Khumalo Xaba Xulu (KXX)Registered Auditors Date of appointment: 23 October 2024
Company secretary	A van Rooyen Date of appointment: 21 November 2024
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
Date of approval	27 November 2024
Preparer	The consolidated and separate annual financial statements were compiled by: DJ O Neill

ANNUAL FINANCIAL STATEMENTS

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

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DIRECTORS' RESPONSIBILITIES AND APPROVAL

FOR THE YEAR ENDED 31 MAY 2023

Directors Responsibility 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 40 to 45.

The consolidated and separate annual financial statements set out on pages 58 to 129, which have been prepared on the going concern basis, were approved by the Board of Directors on 27 November 2024 and were signed on its behalf by:

BRIAN VAN ROOYEN
CHIEF EXECUTIVE OFFICER
27 November 2024

DAVID O NEILL
DIRECTOR
27 November 2024

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 MAY 2023

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Labat Africa Limited

Report on the Audit of the Consolidated and Separate Financial Statements for the Year Ended 31 May 2023

Opinion

We have audited the consolidated and separate annual financial statements of Labat Africa Limited (the group and company) set out on page 58 to 129, which comprise the consolidated and separate statements of financial position as at 31 May 2023, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Labat Africa Limited as at 31 May 2023, and its consolidated and separate financial performance and consolidated and separate cash flows for the period 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 Financial Statements* section of our report. We are independent of the group and company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 MAY 2023

Key Audit Matter	How our audit addressed the key audit matter
Recognition of Intangible Assets as part of a Business Combination. Refer to note 7 to the consolidated and separate financial statements related to acquisition of subsidiaries Over the years the group has acquired subsidiaries and material assets and liabilities were acquired under these acquisitions. Management assessed that the acquisition of Intangible Assets were assessed part of the business combination and significant management judgement were exercised on the valuation of Intangible Assets acquired. The fair value associated with the investment in subsidiaries was determined based on a number of assumptions and therefore exposed to significant estimation uncertainty. These transactions are material to the consolidated financial statements and were subjected to significant judgement that management exercised on the valuation of intangible assets acquired.	The audit procedures included the following: • Used the knowledge of senior personnel and industry specific resources to assist us in evaluating the method, assumptions and data used by the group in the appropriate application of IFRS for business combinations. We reviewed the purchase transactions and related agreements to obtain an understanding of the transactions and reviewed management's assessment to evaluate that the acquisition has correctly been accounted for as a business combination, and to identify the date of control in respect of this business combination transaction. • We assessed management's methods, assumptions and data in determining the fair value of the assets acquired and liabilities assumed by comparing management's assumptions to data from other independent sources to assess appropriateness of key financial assumptions applied in the business combination • Reviewed the valuation assessment approach applied by management and confirmed the methodology applied is consistent with international valuation standards; • Analysed the future projected cash flows used in the models to determine whether they are reasonable and supportable given the current economic climate and expected future performance; and • Recalculated a discount rate using our independently sourced data and incorporated a further risk premium for the impact of forward-looking information as required, which we compared against managements

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 MAY 2023

	inputs to determine whether their assessment was fair and reasonable. We found that the recognition and measurement of the business combinations to be appropriate. We considered the business combination assessment disclosures to be appropriate.
Impairment of intangible assets Refer to the carrying value of intangible assets of R37.5 million (2022: R111.2 million) as disclosed in note 7 of the consolidated and separate financial statements. Management's impairment assessment methodology of intangible assets requires significant judgment which is based on assumptions, specifically relating to the future projected cash flows, growth rates and discount rates relating to the cash generating units. Accordingly, the impairment of intangible assets is considered to be a matter of significance in our audit of the consolidated and separate financial statements due to the significant judgments and assumptions made by management in performing the impairment assessment.	The audit procedures included the following: • Used the knowledge of senior personnel and industry specific resources to assist us in evaluating the method, assumptions and data used by the group. • Analysing the future projected cash flows used in the models to determine whether they are reasonable and supportable given the current economic environment and expected future performance of the cash generating units to which intangible assets relate. • Calculating a discount rate for the cash generating unit using our independently sourced data. • We found the method, assumptions and data used by management to be appropriate. • We considered the impairment assessment disclosures to be appropriate.
Fair value measurement of Biological assets Refer to the carrying value of biological assets of R9.3 million (2022: R1.9 million) as disclosed in note 23 of the consolidated and separate financial statements. During the prior period ended 31 May 2022, the Group acquired 80% of the share capital in Lima Romeo Air (Pty) Ltd t/a Sweet Waters Aquaponics for a total purchase consideration of R10 million. The Group acquired biological assets under this acquisition. Biological assets are measured at fair value less estimated harvesting, transport, packing and point-of-sale costs at the end of each reporting period.	The audit procedures included the following: • Used the knowledge of senior personnel and industry specific resources to assist us in evaluating the method, assumptions and data used by the group in the appropriate application of IFRS for Biological assets. • We assessed management's methods, assumptions and data in determining the fair value of the Biological assets assumed by comparing management's assumptions to data from other independent sources to assess appropriateness of key financial assumptions applied in the valuation.

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 MAY 2023

The fair value associated with the biological assets are determined based on a number of assumptions and therefore exposed to significant estimation uncertainty. This transaction is material to the consolidated financial statements and was subjected to significant judgement that management exercised on the valuation of the biological assets.	• Reviewed the valuation assessment approach applied by management and confirmed the methodology applied is consistent with international valuation standards; We found that the recognition and measurement of the biological assets to be appropriate. We considered the fair value disclosures of biological assets to be appropriate.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Labat Africa Limited Integrated Annual Report May 2023", which includes the Report of the Directors, Report of The Audit and Risk Committee and the Company Secretary's Report as required by the Companies Act of South Africa and the CEO and FD Responsibility Statement on Internal Financial Controls as required by the JSE Limited Listing Requirements. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

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

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

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 MAY 2023

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and / or the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 MAY 2023

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that this is the first year Khumalo Xaba Xulu Auditors has been the auditor of Labat Africa Limited.

In accordance with our responsibilities in terms of sections 44(2) and 44(3) of the Auditing Profession Act, we report that we have identified certain unlawful acts or omissions committed by persons responsible for the management of Labat Africa Limited which constitute reportable irregularity in terms of the Auditing Profession Act, No 26 of 2005, and have reported such matters to the Independent Regulatory Board for Auditors. The matters pertaining to the reportable irregularity has been described in note 48, to the annual financial statements.

Khumalo Xaba Xulu Auditors

Kagiso Magano

Director

Registered Auditor

27 November 2024

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 MAY 2023

INTRODUCTION

The Directors have pleasure in submitting their report on the consolidated and separate annual financial statements of Labat Africa and its subsidiaries for the financial year ended 31 May 2023.

It should be noted that the Company changed its year end in 2022 as well as the year ends of its various subsidiaries to 31 May each year in order to align the various year ends pursuant to various acquisitions in the prior and current reporting period, with the aim to smooth the auditing and reporting procedures. The comparative information is for a 9-month period ended 31 May 2022.

Further, attention is drawn to the going concern and events after reporting date sections of this report which is set out below. The periods for these elements have been amended to take into account the fact that the 31 May 2023 and 31 May 2024 annual financial statements will be issued simultaneously.

1. REVIEW OF ACTIVITIES

The Company is a diversified investment holding company. Its subsidiaries and divisions are engaged in the following segments during the year under review:

Labat Healthcare:	focussing on the Cannabis industry including growing, production, research and retail sales;
SAMES:	engaged in the design and marketing of integrated circuits; and
Labat Logistics	active in the logistics sector.

The operating results and state of affairs of the company are fully set out in the attached consolidated and separate annual financial statements.

Labat Africa has been successful in laying the foundation of its Healthcare business with a focus on Cannabis and this is now showing positive results and growth. The investment in the Cannabis industry with its large associated intangible assets attracts a correspondingly large amortisation charge on certain of the intangible assets. This impacts directly on the profitability of the Group. However, the accounting treatment is in line with the IFRS requirements and therefore is unavoidable.

Over the past three years Labat Africa has entered into a number of agreements and has managed to secure excellent quality acquisitions throughout the value chain of the healthcare division, which value chain ranges from “Seed to Sales”. At the date of this report the Group comprises of three main segments namely, Healthcare, Logistics and Technology.

With a focus on pharmaceutical grade Medicinal Cannabis, Labat Africa is considered to be the leading Cannabis business listed on the Johannesburg Stock Exchange offering South African and international investors, through its secondary listing on the Frankfurt Stock Exchange, exposure to high growth investments in Cannabis Healthcare. The shares were admitted to trading on the Frankfurt Stock Exchange when the market opened on Monday, 6 December 2021, without restriction.

2. FINANCIAL PERFOMANCE FOR THE YEAR

Financial Performance – Statement of Comprehensive Income

Group revenue for the year increased by 115% to R49,5 million (2022: R23,0 million) compared to the prior year. This increase was driven mainly by the 13 new retail wellness stores that were opened during the year from Cannafrica.

Gross profit for the year also increased to R21,2 million reflecting an increase of 150% over the prior year which is in line with the increase in revenue. Gross profit percentage also reflected an improvement to 43% from 37% in the prior year.

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 MAY 2023

Operating expenses increased to R45,1 million (2022: R29,7 million) an increase of 52% when compared to the prior year. This increase, when adjusted for the difference in reporting period, level of activity (new store openings) and inflation, appears reasonable.

IFRS-driven amortizations and impairments of R19.9 million (2022: R14,2 million) and R55,4 million (2022: nil) respectively, mainly related to the healthcare businesses reflect ongoing increases for the year. An impairment charge of R41 million of the year related to THC due to the suspension of exports as the contractual terms proved onerous subsequent to the first two export transaction during the year. A further impairment charge of R10 million related to the research and development costs for SAMES. Strategies in place to optimize the valuation of intangible assets is being explored within the parameters of IRFS.

These amortizations and impairments negatively impacted overall profitability of the Group which recorded a total comprehensive loss of R86,7 million for the year which represents a significant increase of 134% when compared to the prior year loss of R37,0 million.

The total comprehensive loss for the year resulted in a basic loss per share of 14.47 cents compared to a loss per share of 7.0 cents in the prior year. The headline loss per share for the year was 7.36cents and the headline loss in the prior year was 5,7 cents per share.

Financial Performance – Statement of Financial Position

A biological asset to the value of R7,2 million (2022: nil) was recognised during the year related to the Sweet Water Aquaphonics business which was offset by impairment of intangible assets of R73.8 million from other healthcare businesses and SAMES. The impact of the above-mentioned transactions had a net impact of R5,5 million on deferred taxation balances.

The Company benefits from a fresh issue of shares for cash which amounted to R10,1 million during the year. The net asset value per share decreased to 1.58 cents per share from 15.7 cents per share in the prior year.

3. Overview of Operations

Healthcare Business

Since inception in 2019, Labat Healthcare's unwavering strategy has been to construct a self-sufficient, vertically integrated cannabis value chain. The advent of the legal cannabis industry in South Africa was met with the COVID 19 lockdown. A data driven approach made it necessary for the Labat team to dive deep and follow the largest markets in the world, alongside a new consciousness, a post Covid world, wherein health and wellness are new currencies.

In line with best practices in the knowledge economy, Labat has an intellectually astute and expert Advisory Board which assists and navigates the full value chain. Labat’s plans to establish the first South African owned pharmaceutical distribution company in the largest European market completed the final phase with sales expected in the next financial year. Additionally, South Africa offers the most advanced and innovative intellectual property in a world that is fast migrating to a new mindset and a new value proposition in healthcare.

There is a clear need for greater fluidity of the cannabis economy in order to drive demand-side solutions. Many transactions across the medicinal cannabis value chain in South Africa and abroad are waiting to be consummated, following a more robust local regulatory landscape to unfold. This will fuel growth in the cannabis economy and inject much needed capital into the system.

Over the recent 3 to 4 years, and after the lessons of Covid, the local cannabis industry had an accelerated catch up with the older and more established markets, globally. In the Labat Healthcare architecture the group understands how to best unlock value for shareholders and how to communicate the message of rising and sustainable measurable returns. The Business Design was guided by the understanding that a comprehensive ecosystem would allow Labat to maintain control over every stage of production, ensuring product quality, consistency, and value to Labat’s stakeholders.

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 MAY 2023

As of 2023, the Group has successfully implemented this strategy through acquisition of key components of the cannabis value chain. An overall and integrated cannabis value chain is a first for South Africa especially in the listed environment. Annually, additional countries onboard and the market is expanding exponentially.

The Company is in the process of unleashing what it terms “Cannabis 2.0” to expand and to capitalise on the various facets of the Labat Healthcare integrated ecosystem which is expected to create and compound tangible value for all stakeholders vested in the full value chain at the right time.

CannAfrica Retail Outlets
CannAfrica serves as Labat Healthcare’s retail arm bringing premium cannabis products to consumers. With a focus on providing exceptional customer experiences and offering a curated range of products, CannAfrica is the gateway to the market.

As announced on SENS on 26 July 2023, Labat acquired the remaining 30% interest in CannAfrica for a consideration of R6 428 571, which was settled through the issue of 29 924 000 Shares at an issue price of R0.12 per Share and the balance in cash of R2 837 660, which amount was offset against a loan account of Mr H Maasdorp. The effective date of this acquisition was 1 June 2023.

The rollout of Labat Healthcare retail stores is progressing well through both company-owned stores and franchises with a current foot print of 13 operating retail stores at year end.

The success of the CannAfrica stores is clearly visible in the sale of three corporate owned stores to various franchisees after year end. It is a business model that the Company will continue to deploy to deliver robust growth in store number in the coming financial years.

Sweetwaters Aquaponics (Cultivation and Extraction)
Sweetwaters Aquaponics is the cultivation and extraction business located in Kenton-on-Sea in the Eastern Cape. The acquisition of Sweetwaters was made on 01 March 2022. The Sweetwaters Cultivation Facility is 3.3 hectares and is entrusted with cultivating cannabis plants using aquaponic systems for sustainable and organic grow operations. Two export orders of high-quality product to off takers in Australia have been completed with additional exports to Australia planned for the current harvest expected at end of 2023.
Furthermore an offtake agreement has been received from a European company. Given the demand for high quality Medicinal cannabis from Sweetwaters, the plan is to expand grow infrastructure from 2600sqm to 4000sqm in the short to medium term.

This facility also houses the extraction operations, enabling Sweetwaters to harness the full spectrum of cannabis-derived compounds for various applications. Extensive research and development has been conducted using various extraction techniques to produce high quality distillates and the company is now in the final stages of negotiations with European and Australian off takers for distillate to be produced at Sweetwaters extraction facility with the full design of a 200sqm extraction laboratory at the Sweetwaters site completed. This facility is designed and will be built according to European Union Good Manufacturing Practices (EUGMP) standards.

Biodata (Research & Development):
Biodata is the medical research, formulation and product development division, pioneering innovative cannabis research initiatives. The work encompasses phase 1 & 2 clinical trials as well as observational studies ensuring that products are rooted in scientific rigor and safety. All products used in phase 1 clinical trials will be formulated by the extraction division of Sweetwaters. Precision medicines manufacturing is the driver for this GMP Facility.

During the year under review Biodata received conditional Pharma Ethics approval from the Pharma Ethics Committee of South Africa and subsequent to year-end our Clinical Research Organisation (CRO), REIMED, and the Biodata team engaged with biostatisticians and others to conclude on a validated scale for “quality of life improvements” and a Likert Scale for “treatment satisfaction”.

Biodata entered into various memoranda of understanding (MOUs) with international pharmaceutical research entities in USA, as well as precision medicines manufacturers. Biodata embarks endeavours to ensure that our

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 MAY 2023

repository of intellectual property is enriched with information and technical expertise and medicines manufacturing technologies.

South Africa is a PICS member country. The **Pharmaceutical Inspection Co-operation Scheme (PICS)** leads the international development, implementation and maintenance of harmonised GMP standards and quality systems of Inspectorates in the field of medicinal products. This platform provides for a dynamic path of new value propositions in the field of new therapies and treatment regimes especially due to the advantages of a lower cost of production and cultivation of raw materials.

Our collaboration with South African universities, research institutions and our medical research agreement with REIMED renders Biodata as a leading innovator forging ahead in the healthcare sector.

African Cannabis Enterprises (ACE Genetics)
African Cannabis Enterprises is the genetics arm responsible for the development and propagation of cannabis strains with exceptional attributes. This foundation is integral to our commitment to produce cannabis products of the highest quality and genetic profiles. ACE Genetics is currently engaged in extensive research and development of African Cannabis Enterprises strains including landrace strains. Our commitment to validated “sources of origin” of all of our genetics and cannabis strains is integrated in our approach to build a commercial seed-bank that will drive our database of genetics as the building blocks of our finished measured products. Of significant importance to ACE Genetics is the Plant Breeders' Rights Act of 1976 (Act No. 15 of 1976) and the Plant Improvement Act 53 of 1976.
ACE Genetics has entered into various discussions with stakeholders and growers in neighbouring jurisdictions such as Eswatini, Lesotho, Malawi, Zimbabwe and Zambia with the objective to implement a southern African Landrace Genome Project.

The Highly Creative Consulting (THC)
Labat Healthcare continues to engage various companies on the continent for the development and implementation of holistic Cannabis and hemp strategies. THC consulting is currently engaged in cannabis cultivation and hemp development projects with stakeholders in Kenya and the pipeline of consulting projects is testament to the fact that THC is a recognised authority on Cannabis and hemp strategies in Africa.

Labat Technology Business
South African Micro Electronic-Systems Proprietary Limited (“SAMES”)
SAMES will remain a technology hub and will also hold the Healthcare divisions intellectual property; formulations; know-how; seed banks; extraction technology; strain development and other technologies needed in complying with Good Manufacturing Practice (“GMP”) standards, including European Union GMP, where applicable.

SAMES revenue started recovering again following the prior year difficulties due to the worldwide shortage of semi-conductor chips. The single-phase nano microchip was launched during the year with development of the three-phase nano microchip continuing. The development costs are capitalised until the project is brought into use, whereafter the cost is depreciated over the estimated useful life. However, subsequent to 31 May 2024. This business again experienced challenges due to international events. A decision was taken to broaden the business of SAMES in order to reduce the reliance on the microchip business alone. (see further commentary in events after reporting date below.)

Labat Logistics Business
Labat Logistics
The Labat Logistics business was operating on an extended logistics contract with a major business entity. This contract was extended after year end for a period of time.

In the interim it is envisaged that the logistics division will also take over the healthcare logistics operation from external service providers. Similarly, the logistics business will form an integral part of the healthcare operations with both transportation and warehousing of raw materials as well as final products.

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 MAY 2023

4. ACQUISITIONS AND INTEGRATION

There have been no acquisitions during the year with the integration of the various healthcare businesses now being successfully integrated.

The focus going forward will be to grow the medical cannabis business and then to expand into the hemp industry.

5. SHARE CAPITAL

The Company cancelled 11 250 000 shares as a result of the cancellation of the transaction with Leaf Botanicals.

The company issued 4 666 667 shares to adjust for the selling price of Echo Life.

During the year the Company also issued an additional 64 109 772 shares under its general authority to issue shares, which authority was approved by shareholders at the Company's last annual general meeting held on 26 May 2023. There were no share repurchases effected during the year under review.

The total number of shares in issue as at 31 May 2023 was 639 101 518 ordinary shares (31May 2022: 581 575 079 shares) of which 2 810 203 are treasury shares. The Company will continue to place shares for cash under the authority to raise capital for its operations as required.

No shares were repurchased during the year.

6. 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 amounts are provided in the accounting records of the company where appropriate and matters are being dealt with by the company's attorneys.

No material changes to litigation have occurred since the previous financial year, other than an update on the SARS VAT claim as detailed below:

Outstanding SAMES VAT Claims, PAYE obligations and Contingent Asset

In 1999 SAMES ("the taxpayer") had an assessed tax loss. The South African Revenue Services (SARS) disallowed the assessed loss in the year 2000 and "created" a non-existing Income Tax liability. SARS then withheld VAT credits owed to the taxpayer and allocated these VAT credits to a non-existent Income Tax (IT) "liability". No further significant credits were paid out to the taxpayer to date hereof. This dispute has been going on for more than 20 years.

The Company decided that, given the extent of the claim as well as the advice from Counsel, that it had provided sufficiently against the claim to SARS and that the reversal of a portion of the provision was required and justified in the circumstances. Shareholders are advised that there is a chance that the full claim will be received and shareholders will be kept informed of developments in this regard.

The board has instructed management to aggressively pursue this matter and as a result management had briefed FJ Labuschagne SC and Adv Daan Cloete to take the necessary action against SARS. Adv Labuschagne's opinion in brief is:

"It is always difficult to unscramble the proverbial omelette. That said, in terms of options, an interlocutory transfer application can be launched in the Tax Court, relying on the Superior Courts Act, but it will in all likelihood be objected to, based on the aforesaid. A new application can be issued in the High Court (without withdrawing the application before the Tax Court): a section 11 notice must be issued prior to this step; the relief must be framed in the form of a declaratory order followed by a mandatory interdict;"

We have subsequently consulted with both Advocate Daan Cloete and Adv FJ Labuschagne and they are in the process of preparing documentation for the claim against SARS.

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 MAY 2023

The group has provided adequately against the claim to SARS and reported it in the Annual Financial statements since 2010. Nothing further happened in relation to the claim firstly as a result of the ongoing investigations within SARS, followed by COVID-19. During 2018 the Tax Court had ordered SARS to settle this matter and meetings were held with SARS but were not finalised due to changes within SARS, including at the level of Commissioner.

An application for a Declaratory Order has been prepared for review and will be launched in the High Court a and SARS will be notified accordingly. The total VAT claim including interest at 31 May 2023 exceeds R159 million. The total PAYE obligation including interest, approximates R16 million. The provision for PAYE has been raised in SAMES' accounts has been provided in full. The VAT claim is currently reflected at R80 million to align with SARS records. However, the disagreement with SARS is the main subject of the dispute and the Tax Court had recommended that SARS settle the claim with Labat based on the merits in 2018. Thus, the balance of the claim represents a Contingent Asset.

7. CONTINGENT LIABILITIES

The fuel business went into business rescue in 2020 and was treated as a discontinued operation in the results for the year ended 31 August 2020. All financial impacts were accounted for in the results of prior periods. The disposal of the fuel business by the Business Rescue Practitioner was not finalised and the business was placed into liquidation during 2023.

Labat Africa has potential financial exposure with various fuel suppliers for Force Fuel and potential claims against Force Fuel in liquidation as follows:

	31 May 2023 Audited R'000	**31 May 2022 Audited R'000**
Maximum potential financial exposure	54 000	54 000
Exposure at the end of the period	54 000	54 000
Provision made in previous years relation to the above potential exposure	(9 900)	(9 900)

Claims have been made in excess of fuel supplied or are being disputed due to no formal agreements or resolutions being in place. The Board has determined that the potential exposure is R9.8 million, with expected costs of R1.1m which provision has been raised in previous years. Furthermore, Labat has a claim against Force Fuel (in liquidation) which has been submitted to the liquidator.

As previously advised over three years ago the Company settled an obligation of around R13.8 million to Royale Energy Proprietary Limited through the issue of 10 000 000 shares in Labat at R1.50 per share. The parties were supposed to have signed an option agreement for the potential repurchase of these shares at a future date in time. However, no agreement was ever signed. Such a repurchase would be subject to shareholder approval. Labat will re-engage with Royale Energy in due course. The settlement of the previous liability to Royale Energy will now be a claim against Force Fuel Proprietary Limited (in liquidation).

8. SPECIAL RESOLUTIONS

At the Company's AGM held on18 January 2023 the following special resolutions were passed:

- The Directors were authorised to repurchase ordinary shares in the issued share capital of the Company under a general authority.
- 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 June 2023.

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 MAY 2023

- Authority to issue shares that may exceed 30% of the voting power of the current issued share capital.
- General Authority to allot and issue shares for cash.

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.

9. DIVIDENDS

The Company's dividend policy is to consider a 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 31 May 2023 were as follows:

Name	Nationality	Designation
BG van Rooyen	South African	Executive Director
DJ O'Neill	Irish	Executive Director
SE van Rooyen	South African	Executive Director
GRI Walters	South African	Executive Director
RM Majiedt	South African	Independent Non-Executive Chairman
R Mohamed	South African	Lead Independent Non-Executive Director
BA Penny	South African	Independent Non-Executive Director

11. SECRETARY

The Company Secretary for the period was Light Consulting Proprietary Limited. - Business address: 20 Stirrup Lane, Woodmead Office Park, Woodmead.

The company appointed Alred van Rooyen as its Company Secretary on 21 November 2024.

12. AUDITORS

Khumalo Xaba Xulu (KXX) were was appointed as external auditors for the Company and its subsidiaries on 23 October 2024.

At the AGM, the shareholders will be requested to appoint KXX as the independent external auditors of the company and to confirm Mr Kagiso Magano as the designated lead audit partner for the audit for the year ended 31 May 2024. The Audit and Risk Committee have considered the proposed reappointment in accordance with the JSE Listings Requirements.

13. BORROWING POWERS

In terms of the MOI, the borrowing powers of the Group are unlimited. However, all borrowings by the Group are subject to Board of Directors approval as required by the Board delegation of authority.

14. SHARE ISSUES AND REPURCHASES

During the period under review, the Company cancelled 11 250 000 shares in respect of the acquisition of 75% of Leaf Botanicals Proprietary Limited, a Northern Cape-based Cannabis cultivation company, by mutual agreement following problems with some of the product and the issue of shares was cancelled ab initio.

A further 4 666 667 shares were issued to the original shareholders of Echo Life Proprietary Limited in terms of the Addendum, if the Labat share price had not traded on a Volume Weighted Average Price ("VWAP") of R1.00 (one rand) for a period of 30 days immediately prior to the first anniversary of the effective date of the agreement, Labat would issue additional share for the equivalent shortfall to reach the agreed purchase price of R2 000 000 (two million rand) in share value. A base price of 30 cents per share would be used if additional shares were to be issued.

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 MAY 2023

Subsequent to year end Labat acquired the remaining 30% of CannAfrica Proprietary Limited for a purchase consideration of R3 590 910 which was settled in shares.

15. MAJOR SHAREHOLDING

Details of the major shareholders are provided in the Shareholder Analysis as set out in note 50 of the Annual Financial Statements.

16. GOING CONCERN

For the purposes of this report and for the purposes of assessing the going concern principle the foreseeable future is define as a period that starts from 27 November 2024. 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.

This section of the report has to be read in conjunction with the “Events After Reporting Date” (refer below) as this will provide further detail on aspects covered below.

Key Challenges Impacting the Going Concern Assessment

Suspension of Shares on the JSE

Labat Africa shares were suspended from trading on the JSE as of 23 October 2023 due to the non-compliance with JSE listing requirements. This suspension has impacted liquidity, as the Group cannot raise capital through share trading during the suspension period.

Outstanding SARS Liabilities

The Group’s current liabilities include R47,4 million (2022: R37,8 million) in outstanding PAYE liabilities owed to SARS. These are offset by an old VAT claim of R56,0 million (2022: R54,8 million) due from SARS which is currently under dispute as outlined above.

Liquidity Constraints

Operational cash flow challenges have arisen due to delays in the resolution of tax disputes; restricted access to capital markets; settlement of legacy issues regarding the Company and expansion of the retail foot print of the healthcare businesses.

Mitigating Factors Supporting the Going Concern Assessment

Resolution of JSE Suspension

Labat has appointed external auditors and is finalizing the audits for 2023 and 2024 financial years. Upon submission of audited financial statements, compliance with JSE requirements will be restored, and the suspension of trading is expected to be lifted.

Healthcare Division Performance

The Cannafrica retail store network grew to 46 stores as at 31 May 2023, reflecting significant expansion and increased liquidity contributions. Future projections of the retail store network at each year end is indicated below:

- 2025: 121 stores
- 2026: 157 stores
- 2027: 193 stores

Share Issuances and Capital Raising

Under the general authority granted at the AGM, shares have been issued to settle trade liabilities. Additionally, the Company plans a rights issue post-suspension targeting up to R80.3 million to strengthen its capital structure and support healthcare expansion.

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 MAY 2023

Tax Risk Mitigation
Tax law experts have been engaged to resolve SARS-related disputes, aiming to minimize balance sheet impacts and preserve liquidity.

Directors' Loans and Support Agreements
Directors have agreed to subordinate their loans in favour of other creditors.

Acquisition of Classic International Trading Pty Ltd
The acquisition of a 75.55% interest in Classic International Trading Pty Ltd includes an agreement for Classic to underwrite Labat's liabilities at effective date of acquisition.
Additionally, Classic's International Trading Pty Ltd financial performance supports the Group going forward by its projected profit before interest and taxation (2025-2027) of approximately R70 million per year enhancing Group's cash flows; EPS and balance sheet.

The Board is of the opinion that the going concern principle is appropriate for the following reasons:

- 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 confident the Company will be a going concern having considered the above-mentioned factors;
- having regard to the current status and the future strategy and prospects 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 businesses as they become established and start generating revenue.

17. EVENTS AFTER THE REPORTING PERIOD

For the purposes of this report the subsequent events reporting period is defined as from 31 May 2023 to 27 November 2024.

CannAfrica Retail Wellness Stores

Exiting operating stores at 31 May 2023	= 13
Additional stores opened to 31 May 2024	= 33
Additional stores opened to 30 October 2024	= 52
Total operating stores at 31 October 2024	= 85

Suspension of Listing

The JSE took drastic measures against the Company on 23 October 2023 by suspending the Labat Africa shares from trading on the JSE, a first for Labat's long and illustrious listing on the JSE.The suspension was a result of the Company failure to comply with the JSE Listings Requirements by not publishing its condensed financial statements or annual/ summary financial statements for the year-ending 31 May 2023 within the prescribed period as stipulated in the JSE Listings Requirements.

Accordingly, the listing of the company's securities was suspended with immediate effect and remains suspended at the date of this report pending the submission of the required information described above.

Appointment of External Auditors

Nolans Incorporated was appointed as the external auditors of the Company on 1 June 2023 and their services was terminated on 8 January 2024 by the Audit and Risk Committee – for further details in this regard refer to the Report of the Audit and Risk Committee set out on page 31

KXX was appointed as the external auditors of the Company on 23 October 2024.
Resignation of Director

Mr GRI Walters resigned as a director of the Company on 31 May 2024.
Litigation

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 MAY 2023

The Company successfully settled the following litigation matters during the subsequent events period:

- SABT&T Nexia Inc
- Ledirang Logistics
- TGR Attorneys
- Double Ring Trading

Share subscription

During the subsequent events period the Company successfully engaged in negotiations with various stakeholders including service providers, suppliers, creditors, and holders of manager and director loan accounts, to issue shares in lieu of fulfilling the company's commitments and obligations. This strategic approach leverages the company's right to issue shares either for cash or as a means to settle outstanding debts, aligning with its goal of preserving liquidity while honouring its financial responsibilities. The issuance of these shares, which will result in an increase from 669m to 889m shares which is subject to securing the approval of the Labat Board of Directors, ensuring adherence to governance protocols and shareholder interests.

Acquisition of Classic International Trading Pty Ltd

In terms of Asset for Shares Agreement dated 19 November 2024, Labat Africa will acquire 75.55% interest in Classic from the current Shareholder of Classic for a consideration of R16.275 million to be settled through the issue of 232.5 million ordinary Labat Africa shares at an issue price of R0.07 per share which is on par with the pre suspension share price of 0.07 cents per share. As part of the acquisition Classic undertakes to underwrite the actual and contingent liabilities of Labat on effective date. This agreement is subject to certain suspensive conditions.

Change of Sponsor of Labat Africa Limited

The Company appointed Vunani Sponsors as its corporate sponsors on 15 November 2024.

Appointment of Company Secretary

The company appointed Alred van Rooyen as its company secretary on 21 November 2024.

Operational Status of SAMES

SAMES has undergone a strategic shift in focus during the year aligning its operations with the company's vertically integrated cannabis healthcare value chain. This repositioning strengthens Labat's ability to innovate and streamline its core activities thereby ensuring a sustainable competitive advantage.

Previously focused on broader electronic systems, SAMES is now dedicated to developing and managing technologies that directly enhance Labat's value chain activities. By leveraging its existing expertise and infrastructure, SAMES has become a hub for intellectual property; research capabilities and compliance technologies that support Labat's integrated operations. To further strengthen SAMES, Labat has prioritised identifying and injecting high-value technology assets into the division. This strategic initiative aims to enhance SAMES' capacity to deliver cutting-edge solutions that align with Labat's core operations. SAMES has discontinued with the old technology processes and has moved all its intellectual assets to the headquarters in Weltevreden Park.

Acquistion of CannAfrica

Subsequent to year end, Labat acquired the remaining 30% of CannAfrica Proprietary Limited for a purchase consideration of R3 590 910, which was settled in shares.

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 MAY 2023

18. PROSPECTS

Access to funding from banks or other institutions continued to elude Labat, partly due to the lack of knowledge and understanding of the Cannabis industry. However, Labat has fortunately been able to access equity funding due to its listing and support from Labat shareholders, which now exceed 18 000 shareholders. More recently, the strong interest in the CannAfrica stores and the ability of Sweetwaters to produce top quality buds, flowers and oil and deal through the entire value chain with its licences, has also led to improving profitability and cash flow. International interest is also increasing. The Board is grateful for this ongoing shareholder support, customer support and access to finance.

Labat Africa has continued to engage constructively with SAHPRA around the technical legislative requirements to ensure compliance with the laws and regulations surrounding the Cannabis industry. Labat Africa's strategic partnership with the CSIR in the Eastern Cape is also expected to be a new area of growth for the Company as well as creating much needed employment.

With the foundation and building blocks now firmly in place, with its strategic partnerships, SAHPRA licences and the excitement around the retail outlets through which the entire Labat Healthcare subsidiaries benefit, the Board considers Labat Africa to be well positioned for growth.

BRIAN VAN ROOYEN
CHIEF EXECUTIVE OFFICER
27 November 2024

DAVID O NEILL
DIRECTOR
27 November 2024

CEO AND FD RESPONSIBILITY STATEMENT ON INTERNAL FINANCIAL CONTROLS

FOR THE YEAR ENDED 31 MAY 2023

In terms of section 3.84(k) of the JSE Listings Requirements, the directors, whose names are stated below, hereby confirm that:

(a) the Consolidated and Separate Annual Financial Statements set out on pages 58 to 129, fairly present in all material respects the financial position, financial performance and cash flows of the group in terms of IFRS;

(b) to the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the Consolidated and Separate Annual Financial Statements false or misleading;

(c) Internal Financial Controls have been put in place to ensure that material information relating to the group and its subsidiaries have been provided to effectively prepare the consolidated financial statements of the group;

(d) the Internal Financial Controls are adequate and effective and can be relied upon in compiling the Consolidated and Separate Annual Financial Statements, having fulfilled our role and function as executive directors with primary responsibility for implementation and execution of controls;

(e) where we are not satisfied, we have disclosed to the Audit and Risk Committee and the external auditors any deficiencies in design and operational effectiveness of the Internal Financial Controls and have remedied the deficiencies; and

(f) we are not aware of any fraud that involving directors.

BRIAN VAN ROOYEN
CHIEF EXECUTIVE OFFICER
27 November 2024

DAVID O NEILL
DIRECTOR
27 November 2024

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 MAY 2023

		Group		Company	
	Note(s)	31 May 2023 R'000	31 May 2022 R'000	31 May 2023 R'000	31 May 2022 R'000
Assets					
Non-Current Assets					
Property, plant and equipment	4	3 834	3 855	188	191
Right-of-use assets	5	5 297	7 320	3 606	5 014
Goodwill	6	1 248	1 248	-	-
Intangible assets	7	37 473	111 257	-	-
Biological assets	23	7 200	-	-	-
Investment in subsidiaries	9	-	-	104 411	104 411
Deferred tax	10	2 641	14 875	-	-
Total Non-Current Assets		**57 693**	**138 555**	**108 205**	**109 616**
Current Assets					
Inventories	11	6 742	3 568	-	-
Biological assets	23	2 058	1 894	-	-
Loans to group companies	12	-	-	26 225	43 135
Loans to directors and shareholders	13	2 998	2 741	160	-
Trade and other receivables	15	5 849	5 242	3 655	3 636
South African Revenue Services	14	54 785	52 869	-	-
Cash and cash equivalents	16	2 810	2 752	246	258
Total Current Assets		**75 242**	**69 066**	**30 286**	**47 029**
TOTAL ASSETS		**132 935**	**207 621**	**138 491**	**156 645**

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 MAY 2023

		Group		Company	
	Note(s)	31 May 2023 R'000	31 May 2022 R'000	31 May 2023 R'000	31 May 2022 R'000
EQUITY AND LIABILITIES					
Equity					
Stated capital	17	244 322	234 255	244 804	234 736
Capital contribution	20	-	-	34 108	36 103
Non-distributable reserves	19	54	96	-	-
Accumulated loss		(243 960)	(157 101)	(228 648)	(185 583)
		416	77 250	50 264	85 256
Non-controlling interest	18	9 372	9 202	-	-
Total Equity		**9 788**	**86 452**	**50 263**	**85 256**
Non-Current Liabilities					
Lease liabilities	21	7 447	8 122	6 062	6 109
Financial guarantees	26	9 800	9 800	9 800	9 800
Deferred revenue	28.2	826	1 104	-	-
Deferred tax	10	9 510	27 255	-	-
Other financial liabilities	22	19 966	14 880	19 964	14 878
Total Non-Current Liabilities		**47 549**	**61 161**	**35 826**	**30 787**
Current Liabilities					
Loans from group companies	24	-	-	318	318
Loans from directors and shareholders	13	4 315	4 683	4 315	4 683
Lease liabilities	21	1 517	1 481	888	956
South African Revenue Services	14	47 354	37 846	28 936	22 331
Trade and other payables	25	15 169	13 699	11 240	10 260
Deferred revenue	28.2	278	238	-	-
Provisions	27	6 960	2 052	6 700	2 050
Bank overdraft	16	5	9	4	4
Total Current Liabilities		**75 598**	**60 008**	**52 401**	**40 602**
Total Liabilities		**123 147**	**121 169**	**88 227**	**71 389**
Total Equity and Liabilities		**132 935**	**207 621**	**138 491**	**156 645**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MAY 2023

		Group		Company	
	Note(s)	31 May 2023 R'000	31 May 2022 R'000	31 May 2023 R'000	31 May 2022 R'000
Revenue	28	49 534	23 043	35 760	21 641
Cost of Sales	29	(28 313)	(14 569)	(24 068)	(11 770)
Gross Profit		**21 221**	**8 474**	**11 692**	**9 871**
Other income	30	1 944	115	163	964
Fair value of biological assets		9 171	382	-	-
Depreciation	4&5	(2 477)	(1 864)	(1 493)	(1 228)
Impairment loss recognised in profit and loss	6,7&12	(55 434)	(1 730)	(22 196)	(470)
Amortisation	7	(19 866)	(14 204)	-	-
Operating expenses		(45 064)	(29 625)	(29 699)	(20 860)
Operating loss	31	**(90 505)**	**(38 452)**	**(41 533)**	**(11 724)**
Investment income	32	29	20	-	-
Finance costs	33	(1 768)	(1 163)	(1 532)	(958)
Loss before taxation		**(92 244)**	**(39 595)**	**(43 065)**	**(12 682)**
Taxation Credit	35	5 512	2 625	-	-
Total comprehensive loss for the period		**(86 732)**	**(36 970)**	**(43 065)**	**(12 682)**
Attributable to:					
Owners of parent		(86 901)	(36 083)	**(43 065)**	**(12 682)**
Non-controlling interest		169	(887)	-	-
Total comprehensive loss for the period		**(86 732)**	**(36 970)**	**(43 065)**	**(12 682)**
Per share information					
Basic loss per share (cents)	34	(14.25)	(7.0)	(7.06)	
Diluted loss per share (cents)	34	(14.25)	(7.0)	(7.06)	
Headline loss per share from continued operations	34	(7.14)	(7.0)	(7.06)	

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MAY 2023

Group	Note(s)	Share capital and Premium R'000	Revaluation reserves R'000	Accumulated Loss R'000	Equity attributable to owners of the Parent R'000	Non-controlling Interest R'000	Total shareholders' equity R'000
Balance at 1 September 2021		**212 514**	**129**	**(121 050)**	**91 592**	**9 713**	**101 305**
Issue of shares		21 741	-	-	21 741	-	21 741
Transfer of revaluation reserve through use		-	(32)	32	-	-	-
Non-controlling interest at acquisition		-	-	-	-	-	-
Total comprehensive income for the year		-	-	(36 083)	(36 083)	(887)	(36 970)
Non-controlling interest at acquisition		-	-	-	-	377	-
Balance at 31 May 2022		**234 255**	**96**	**(157 101)**	**77 251**	**9 202**	**86 453**
Balance at 1 June 2022		**234 255**	**96**	**(157 101)**	**77 251**	**9 202**	**86 453**
Issue of shares		-	-	-	-	-	-
Non-controlling interest at acquisition		-	-	-	-	-	-
Total Comprehensive loss for the period		-	-	**(86 901)**	**(86 901)**	**169**	**(86 732)**
Issue of equity		10 067	-	-	**10 067**	-	**10 067**
Transfer of revaluation reserve through use		-	**(43)**	**43**	-	-	-
Balance at 31 May 2023		**244 322**	**53**	**(243 959)**	**417**	**9 371**	**9 788**
	Note	**17**	**19**				

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MAY 2023

Company	Note	Share capital and Premium R'000	Revaluation reserves R'000	Accumulated Loss R'000	Equity attributable to owners of the Parent R'000	Non-controlling Interest R'000	Total shareholders' equity R'000
Balance at 1 September 2021		**212 995**	**37 831**	**(172 902)**	**-**	**-**	**77 925**
Issue of shares		21 741	-	-	-	-	**21 741**
Transfer of revaluation reserve through use		-	-	-	-	-	-
Total comprehensive loss for the year		-	-	**(12 681)**	-	-	**(12 681)**
Capital contribution		-	**(1 728)**	-	-	-	**(1 728)**
Balance at 31 May 2022		**234 737**	**36 103**	**(185 583)**	**-**	**-**	**85 257**
Loss for the year		-	-	**(43 065)**	-	-	**(43 065)**
Issue of shares		10 067	-	-	-	-	**10 067**
Capital contribution		-	**(1 995)**	-	-	-	**(1 995)**
Total comprehensive loss for the period		-	-	-	-	-	-
Balance at 31 May 2023		**244 804**	**34 108**	**(228 648)**	**-**	**-**	**50 264**
	Note	**17**	**19**				

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MAY 2023

		Group		Company	
	Note(s)	31 May 2023 R'000	31 May 2022 R'000	31 May 2023 R'000	31 May 2022 R'000
Cash flows from operating activities					
Cash used in operations	36	(4 317)	(11 360)	(6 697)	(7 448)
Interest received		29	20	-	-
Income taxes refund		1	-	-	-
Interest paid		(951)	(790)	(734)	(586)
Net cash from operating activities		**(5 238)**	**(12 130)**	**(7 431)**	**(8 034)**
Cash flows from investing activities					
Purchase of property, plant and equipment	4	(522)	(79)	(83)	(76)
Purchase of intangible assets	7	(1 517)	(1 170)	-	-
Acquisition of subsidiary, net of cash required		-	(10 418)	-	(10 500)
Advances to directors and shareholders	38	(1 011)	(43)	(814)	-
Advances to group companies	44 & 46	-	-	(2 538)	(4 540)
Net cash from investing activities		**(3 049)**	**(11 710)**	**(3 535)**	**(15 116)**
Cash flows from financing activities					
Net proceeds on share issue		10 067	19 741	10 067	19 741
Repayments of loans from directors	42	(667)	(6 759)	(667)	(6 761)
Proceeds of loans from group companies	46	-	-	2 078	-
Lease liability payments	41	(1 051)	(839)	(524)	(505)
Net cash from financing activities		**8 349**	**12 143**	**10 954**	**12 475**
Cash movement for the period		**62**	**(11 697)**	**(12)**	**(10 675)**
Cash at the beginning of the period		2 743	14 441	254	10 929
Total cash at end of the period	16	**2 805**	**2 743**	**242**	**254**

ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2023

1. Basis of preparation and material accounting policy information

1.1 Presentation of Consolidated Annual Financial Statements

The consolidated and separate annual financial statements have been prepared in accordance and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these financial statements, the Companies Act of South Africa, and the Listing Requirements of the JSE Limited.

These consolidated and separate annual financial statements comply with the requirements of the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

The consolidated annual financial statements have been prepared on the historical cost basis, except for the measurement of financial guarantees, biological assets and plant and equipment which are measured at fair value and incorporate the following principal accounting policies set out below. They are presented in South African Rands, which is the Group and Company's functional currency. These accounting policies are consistent with the previous period.

1.2 Business combinations

Subsidiaries

All business combinations are accounted for by applying the acquisition method. The cost of the business combination is the fair value at the date of exchange of the assets acquired, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control in the acquiree. Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt which are amortised at the effective interest rate and the costs to issue equity which are included in the cost of equity. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the acquisition date irrespective of the extent of the noncontrolling interest.

At acquisition date, the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill in accordance with the Group's accounting policy for goodwill. In the case of a bargain purchase, it is measured as the excess of the sum of the net acquisition date amounts of the identifiable assets acquired and the liabilities assumed, over the consideration transferred which is recognised directly in profit or loss at the acquisition date. The acquisition date is the date on which the Group effectively exercises control over the acquiree.

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

Management assesses the various processes surrounding the acquired entity at acquisition date to determine whether existing significant processes, inputs and outputs should be recognised as a business combination.

These considerations include:

- Adequately qualified management
- A sound strategy guiding the business
- Sound financial systems
- Proper budgeting and forecasting processes
- Clearly identifiable customer base
- Clearly identifiable product line
- Active trading and management of the Company; and
- Collection and payment of various transactions.

ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2023

Non-controlling interest

The Group initially recognised any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets, at the company level. At the Group level, the policy is to recognise the assets and liabilities at fair value.

Goodwill

Initial recognition and measurement

Goodwill arising on the acquisition of subsidiaries represents the excess of the purchase consideration over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities recognised. Goodwill is recognised as an asset and initially measured at its cost.

Subsequent measurement

1.3 Goodwill is subsequently measured at cost less any accumulated impairment.

Basis of consolidation of subsidiary

The consolidated annual financial statements incorporate the Company's annual financial statements and the entities controlled by the Company (its subsidiaries). An investor controls an investee when it is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee

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

Subsidiaries are all 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 consolidated from the date on which control is transferred to the Group.

Intercompany transactions, balances and unrealised gains on transactions between the Group companies are eliminated. Unrealised losses are also eliminated.

The consolidated and separate financial statements have been presented in South African Rand. The functional currency of the company is South Africa Rand. The presentation currency has been selected because we operate primarily in South Africa.

1.4 Significant judgements and sources of estimation uncertainty

The preparation of annual financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

1.5 Critical judgements in applying accounting policies

The critical judgements made by management in applying accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognized in the financial statements, are outlined as follows:

ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2023

Intangible assets

Judgment is required when determining the useful life, the initial and residual values of intangible assets. Given that the South African Cannabis legislation is evolving extremely slowly and in keeping with international trends, the Group has taken a long-term view (over 10 years on average) of the useful life of the intangible assets. Intangible assets are reviewed annually on an individual basis to determine their useful life and residual value. Useful life is determined after taking into account the period of time over which the Group will earn revenue from the intangible asset. Residual values are assumed to be zero due to the unique nature of the intangible assets of a defined term.

Estimates were used, including future projected cash flows, income growth rates, expense growth rates and discount rates, when determining the purchase price allocation of the businesses acquired, specifically with respect to intangible assets. A 2-phase approach is used to determine the future projected cash flows results on the actual valuation of such assets as part of the overall purchase price allocation.

Goodwill impairment

The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of the cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates in relation to the projections of future cash flows, the projected growth rate, the terminal value of the business and the discount rate derived from the weighted average cost of capital specific to the Group.

The input factors most sensitive to change are management estimates of future cash flows based on budgets and forecasts, growth rates and discount rates.

Biological Assets

Judgements and estimates were used in determining the fair value of the biological assets.

Taxation

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

The Group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Group to make significant estimates related to expectations of future taxable income.

Future taxable profits are estimated based on the application of existing tax laws and on business plans and forecasts that include estimates and assumptions regarding economic growth, interest inflation and taxation rates and competitive forces. The deferred tax asset relates mainly to the accumulated assessed loss of the Information, Communication and Technology (ICT) business. The 5-year forecast of this business was assessed in the context of it having a successful 10-year profit history. The business has developed new products which have been well received by its local and international customer base. The forward order book is stable and supports the profit that has been forecast for the next 5 years. Assessing the recoverability of the deferred income tax assets requires the Company to make estimates related to expectations in future taxable income.

To the extent that future cash flows and taxable income differ significantly from estimates, the Company's ability to realise the net deferred tax assets recorded in the statement of financial position could be impacted. Additionally, future changes in tax laws could limit the Company's ability to obtain tax deductions in future periods.

ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2023

Key sources of estimation uncertainty • Impairment of financial assets

A significant amount of estimation based on management's knowledge of the current business environment is utilised in the assumptions used for calculating the Expected Credit Loss ("ECL"). The Group has financial assets classified and measured at amortised cost that are subject to the expected credit loss model requirements of IFRS 9.

- **Measurement of lease liabilities**

The fair value of lease liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar instruments.

- **Impairment of non-financial assets**

An annual assessment is made as to whether the current carrying value of goodwill and intangible assets is impaired. Detailed calculations are performed based on discounting expected pre-tax cash flows of the relevant cash generating units and discounting these at an appropriate discount rate, the determination of which requires the exercise of judgment.

- **Useful lives and residual values of plant and equipment**

Management determines the estimated residual values and useful lives of plant and equipment. The useful lives are determined on the Company's expected of use of the plant and equipment and the residual values are determined on the Company's expected amount to receive at the end of the reporting period if the asset was already in the condition and of the age expected at the end of its expected useful live.

1.6 Going concern

In order to assess whether it is appropriate for the Group to be reported as a going concern, the directors apply judgement, having undertaken appropriate enquiries and having considered the business activities and the Group's key risks and uncertainties as set in in arriving at this judgement there are a number of assumptions and estimates involved in calculating these future cash flow projections. This includes management's expectations of revenue, growth rates, EBITDA, timing and amount of future capital expenditure and estimates and cost of future funding.

1.7 Biological agricultural assets

The Company defines biological assets as cannabis plants up to the point of harvest. Biological assets are measured at fair value less estimated harvesting, transport, packing and point-of-sale costs at the end of each reporting period. Gains and losses arising from the remeasurement of biological assets are accounted for in the statement of comprehensive income during the period in which they arise. The Company's biological assets consists of seeds and medical cannabis plants.

Medicinal cannabis plants

Medicinal cannabis plants consist of consumable biological assets, i.e. medical cannabis plants.

Cannabis seeds

Cannabis seeds are restricted to strains that are expected to have good commercial value in both the medicinal environment as well as the international recreational market. Once commercially viability can be demonstrated, these seeds are then cultivated on a commercial scale. Research and development are conducted on a continuous basis to develop the most commercially viable strains.

ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2023

1.8 Property, plant and equipment

Recognition

Property, plant and equipment is recognised as an asset when:

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

Initial measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the assets 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 costs of the item can be measured reliably.

Subsequent measurement - Cost model

After initial recognition, property, plant and equipment is measured at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation

Depreciation of an asset commences when it is available for use, and ceases at the earlier of the date that the asset is classified as held for sale, or the date that the asset is derecognised.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset. The depreciable amount of an asset shall be allocated on a systematic basis over its useful life. The depreciable amount of an asset is determined after deducting its residual value.

Residual values, useful lives and depreciation methods are reviewed at each financial year end. Where there are significant changes in the expected pattern of economic consumption of the benefits embodied in the asset, the relevant changes will be made to the residual values and depreciation rates, and the change will be accounted for as a change in accounting estimate.

The measurement base, useful life or depreciation rate as well as the depreciation method for all major classes of assets are as follows:

Asset class Measurement base

Useful life / depreciation rate Depreciation method

Item	Depreciation Method	Average useful life
Land	Not depreciated	Not depreciated
Buildings	Straight line	10 – 20 Years
Plant and equipment	Straight line	3 – 8 Years
Furniture, fittings and office equipment	Straight line	3 – 10 Years
Motor vehicles	Straight line	4 – 5 Years
Trucks and trailers	Straight line	3 – 5 Years
Computer equipment	Straight line	3 – 5 Years

ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2023

Impairments

The entity tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount. The resulting impairment loss is recognised immediately in profit or loss, except where the decrease reverses a previously recognised revaluation increase for the same asset the decrease is recognised in other comprehensive income to that extent and reduces the amount accumulated in equity under revaluation surplus, and future depreciation charges are adjusted in future periods to allocate the revised carrying amount, less its residual value, on a systematic basis over its remaining useful life.

Where the estimated impairment loss exceeds the carrying amount of the asset to which it relates, the resulting liability is only recognised if it is required by another standard.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up are included in profit or loss when the compensation becomes receivable.

1.9 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.

1.10 Intangible assets

Recognition

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. Intangible assets are subsequently carried at cost less any accumulated amortisation and any impairment losses. The Company does not have intangible assets with an indefinite useful life, all other intangible assets amortisation is provided on a straight-line basis over their useful life.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Internally generated intangible assets are recognised initially at cost, being the sum of expenditure from the date the recognition criteria for an intangible asset are met, bearing in mind the following additional criteria:

- 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.

ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2023

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

Item	Useful life
Marketing-related intangible assets	10 years
Contractual and non-contractual client relationship	7 years
Contract-based intangible assets	7 years
Integrated Circuits	N/A
Site master plan	12 years
Brand – CannAfrica	5-12 years
E-commerce system	7 years
Product and Strain development	12 years
Licences	3.6 years

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Intangible assets are derecognised when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

1.11 Impairment of non-financial assets

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

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

- tests intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

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

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

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss. Impairment losses recognised on goodwill may not be subsequently reversed.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease Goodwill

ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2023

acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or Groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or Groups of units.

Each unit or Group of units to which the goodwill is so allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes and is not larger than an operating segment as defined by paragraph 5 of IFRS 8 Operating Segments before aggregation.

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

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

1.12 Measurement of 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.

1.13 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the Group are presented below:

Financial assets at amortised cost

Classification

Trade and other receivables, Loans to Group companies and Cash and cash equivalents are classified as financial assets subsequently measured at amortised cost. They have been classified in this manner because the contractual terms of these financial assets give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding and the Group’s business model is to collect the contractual cash flows on these financial assets.

Recognition and measurement

Trade and other receivables, Loans to Group companies, and Cash and cash equivalents are recognised when the Group becomes a party to the contractual provisions of the financial assets. The financial assets are measured, at initial recognition, at fair value plus transaction costs, if any. A trade receivable without a significant financing component is initially measured at the transaction price.

They are subsequently measured at amortised cost. The amortised cost is the amount recognised on the financial assets initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method.

ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2023

Impairment

The Group recognises a loss allowance for expected credit losses on all financial assets measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective amount.

The Group measures the loss allowance for trade receivables by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime expected credit losses on trade receivables.

The Group measures the loss allowance on a loan at an amount equal to lifetime expected credit losses (lifetime ECL) when there has been a significant increase in credit risk since initial recognition. If the credit risk on a loan has not increased significantly since initial recognition, the loss allowance for that loan is measured at 12 month expected credit losses (12-month ECL).

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial asset. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial asset that are possible within 12 months after the reporting date.

In order to assess whether to apply lifetime ECL or 12-month ECL, in other words, whether or not there has been a significant increase in credit risk since initial recognition, the Group considers whether there has been a significant increase in the risk of a default occurring since initial recognition rather than at evidence of a loan being credit-impaired at the reporting date or of an actual default occurring.

Significant increase in credit risk

The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the counterparties operate in, as well as consideration of various external sources of actual and forecast economic information, such as inflation, GDP, unemployment etc.

Irrespective of the outcome of the above assessment, the credit risk on a financial asset is always presumed to have increased significantly since initial recognition if the contractual payments are more than 90 days past due unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increases in credit risk before the amount becomes past due.

By contrast, if a financial asset is assessed to have a low credit risk at the reporting date, it is assumed that the credit risk on the financial asset has not increased significantly since initial recognition.

Definition of default

For purposes of internal credit risk management purposes, the Group considers that a default event has occurred if there is either a breach of financial covenants by the counterparty, or if internal or external information indicates that the counterparty is unlikely to pay its creditors in full (without taking collateral into account).

Irrespective of the above analysis, the Group considers that default has occurred when a payment for a financial asset is more than 60 days past due unless there is reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Write off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2023

Measurement and recognition of expected credit losses

The Time Value of Money (TVM) is the amount of money that is lost due to delayed payments. The receivables are discounted using the prime lending rate for South Africa. The TVM loss is calculated by determining the difference between the undiscounted receivable (net debtors) and the discounted receivables cash flow.

The monthly ultimate loss rate is calculated as the Time Value loss and provisions as a proportion of the initial Trade debtors.

Credit risk

Details of credit risk related to financial assets are included in the specific notes and the financial instruments and risk management.

Cash and cash equivalents

Cash and cash equivalents are initially measured at fair value, and subsequently stated at carrying amount, which is based on their amortised cost.

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the consolidated reporting position.

Financial liabilities at amortised cost

Classification
Trade and other payables, lease liabilities, loans to Group companies, other financial liabilities, contingent consideration and bank overdraft are classified as financial liabilities and subsequently measured at amortised cost, except for VAT and amounts received in advance included in trade and other payables which are not financial liabilities and are measured at cost.

Recognition and measurement
Financial liabilities are recognised when the Group becomes a party to the contractual provisions. The financial liabilities are measured at initial recognition at fair value plus transaction costs, if any. They are subsequently measured at amortised cost using the effective interest method.

Bank overdrafts
Bank overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Financial guarantee contracts
A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the group are initially measured at their fair values and are subsequently measured at the higher of:
- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the revenue recognition policies.

ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2023

Derecognition

Financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the assets expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The Group derecognises financial liabilities when, and only when, the Group obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

1.14 Stated Capital

Ordinary shares

Ordinary shares are classified as equity. Any amounts received from the issue of shares in excess of par value is classified as 'share premium' under stated capital.

Treasury shares

The Group operated a share incentive scheme under which employees had the option to purchase shares in the Company. Shares in the share incentive scheme have been classified as treasury shares.

1.15 Capital contribution

Loans acquired at a discount as a result of business combinations have been accounted for as capital contribution in the holding Company.

1.16 Tax

Tax expense (tax income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for a period.

Deferred tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences.

Deferred tax assets are the amounts of income taxes recoverable in future periods in respect of:

- deductible temporary differences;
- the carry forward of unused tax losses; and
- the carry forward of unused tax credits.

Current tax assets and liabilities

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

ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2023

The benefit relating to a tax loss that can be carried back to recover current tax of a previous period 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 taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Current tax assets and liabilities are offset only where:

- there is a legally enforceable right to set off the recognised amounts; and
- there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities

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

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

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

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

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

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

The measurement of deferred tax liabilities and deferred tax assets are made to reflect the tax consequences that would follow from the manner in which it is expected, at the end of the reporting period, recovery or settlement if temporary differences will occur.

Deferred tax assets and liabilities are offset only where:

- there is a legally enforceable right to set off current tax assets against current tax liabilities; and
- the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same entity within the group or different taxable entities within the group which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Tax expense (income)

Current and deferred tax is 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, outside profit or loss, either in other comprehensive income or directly in equity.
- a business combination other than the acquisition by an investment of a subsidiary that is required to be measured at fair value through profit or loss.

ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2023

Current tax and deferred tax is recognised outside profit or loss if the tax relates to items that are recognised, in the same or a different period, outside profit or loss. Therefore, current tax and deferred tax that relates to items that are recognised, in the same or a different period:

- in other comprehensive income, will be recognised in other comprehensive income;
- directly in equity, will be recognised directly in equity.

1.17 Leases-Group as lessee

The Group assesses whether a contract is a lease or contains a lease at the inception of the contract. A contract is a lease or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In order to assess whether a contract is, or contains a lease, management determine whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the Group has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset

The group recognises a lease liability and corresponding right-of-use asset for all lease agreements for which the Group is a lessee, except for certain leases for low value items (of less than R100 000) and short term (less than 12 months). Where appropriate the group applies the recognition exemptions available for short-term leases of administrative and IT equipment as well as leases meeting the threshold for “low value” items. For these leases, the Group recognises the lease payments as an operating expense (Note 24) on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Where a contract contains a lease, each lease component with the contract is accounted for separately from the non-lease components. The consideration is then allocated to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components are determined on the basis of the price the lessor, or a similar supplier, would charge an entity for that component, or a similar component, separately. If an observable stand-alone price is not readily available, an estimate of the stand-alone price is made, maximising the use of observable information in each case. All non-lease components are accounted for in accordance with whatever other policy is applicable to them.

Measurement

Right-of-use assets are initially measured at cost, comprising the following:

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

• an estimate of costs to be incurred in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The obligation for those costs are incurred either at the commencement date or as a consequence of having used the underlying asset during a particular period.

Subsequently, right-of-use assets are measured using the cost model.

Where a lease transfers ownership of the underlying asset by the end of the lease term or if the cost of the right-of-use asset reflects a purchase option will be exercised, the right-of-use asset is depreciated from the commencement date to the end of the useful life of the underlying asset. Otherwise, the right-of-use asset is depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2023

For right-of-use assets which are depreciated over their useful lives, the useful lives are presented in the following table:

Item (straight line method)	Years
Buildings	10-20 years
Motor vehicles	5 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for in the year in which the difference occurs or prospectively as a change in accounting estimate whichever is the more appropriate given the circumstance that give rise to the change in expectations. The depreciation charge for each year is recognised in profit or loss.

The group tests for impairment where there is an indication that a right-of-use asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of a right- of-use asset is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount. The resulting impairment loss is recognised immediately in profit or loss, except where the decrease reverses a previously recognised revaluation increase for the same asset the decrease is recognised in other comprehensive income to that extent and reduces the amount accumulated in equity under revaluation surplus, and future depreciation charges are adjusted in future periods to allocate the revised carrying amount, less its residual value, on a systematic basis over its remaining useful life.

The lease liability is initially measured at the present value of the lease payments that are not yet paid at the commencement date. Lease payments are discounted using the interest rate implicit in the lease, if the rate can be readily determined, else it is based on the relevant group entity's incremental borrowing rate. The following lease payments are included where they are not paid at the commencement date:

- fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under residual value guarantees;
- the exercise price of a purchase option if there is reasonably certainty that the option will be exercised; and
- payments of penalties for terminating the lease, if the lease term reflects the exercising an option to terminate the lease.

Subsequently, the lease liability is measured by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. The periodic rate of interest is the discount rate described above, or if applicable the revised discount rate described below.

Profit or loss for the year will include the interest expense on the lease liability, and the variable costs not included in the measurement of the lease liability are included in the year in which the event of condition that triggers the payment of the variable costs occurs.

1.18 Inventories

Inventories consists of merchandise for resale and raw materials and 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.

ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2023

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.

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

1.19 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 aid), 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. A defined contribution plan is a pension plan under which the Group pays fixed contribution into a separate account and will have no legal or construction obligation to pay further contributions if the funds do not hold sufficient assets to pay all employee's benefits relating to employee service in the current and prior period.

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

1.20 Provisions and contingencies

A provision is recognised when:

- there is a present obligation (legal or constructive) 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 amount of the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when it is virtually certain that reimbursement will be received when the obligation is settled. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement will not exceed the amount of the provision.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

Contingent assets and liabilities are not recognised, but details are disclosed in the notes to the consolidated and separate financial statements.

ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2023

1.21 Revenue from contracts with customers

The performance obligation with respect to the sale of goods is recognised when the Group entity has delivered its products to the customer, or the products have been collected by the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the product. Delivery does not occur until the products have been delivered to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the Group has objective evidence that all criteria for acceptance have been satisfied. The Group does not have any obligations for returns or refunds at year end.

The Group recognises revenue from the following major sources:

Sale of goods

- Information technology sales
- Medical Cannabis

Rendering of services

- Bulk Logistics Services
- Management and guarantee fees

To determine whether to recognise revenue, the Group follows a 5-step process

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

Revenue Recognition

Revenue from contracts with customers in sale of medical cannabis and information technology

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties.

Revenue is recognised when the performance obligation relating to each specific contract has been satisfied.

Performance obligations are satisfied at a point in time, when the customer takes delivery of the goods.

Contracts with customers may include transaction prices that have variable considerations. The variable amount is estimated at the inception of the contract and revenue is recognised at the estimated amount throughout the duration of the contract. When the uncertainty is resolved, the group allocates the difference to revenue accordingly. A variable consideration is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The transaction price is allocated to each performance obligation in a contract on a relative stand-alone selling price basis where contracts have more than one performance obligation. Where discounts are issued on contracts that consist of more than one performance obligation, the Group allocates the discount to each performance obligation separately. In some instances, the Group provides multiple services to customers in a single contract. Where it is the intention of the Group to provide an end-to-end solution, these are considered an integrated set of activities and treated as a single performance obligation.

ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2023

Bulk logistics services

The Group renders logistics services related to storage, management, receiving, transportation, distribution and discharge of goods. There is a single performance obligation which is an integrated set of activities which is satisfied over time.

The performance obligations relating to transport services that are satisfied over time are measured based on the transport distance covered as compared to the total transport distance of the specific contract. Given the nature of the contracts completed over time, this method provides a faithful depiction of the transfer of services for performance obligations satisfied over time.

Management fees and guarantee fees

The holding Company provides administrative services and provide certain financial guarantee obligations to its subsidiaries. The performance obligations are met, and revenue is recognised where the services are provided over a period of time during the year. The transaction price is agreed annually between the companies in accordance with the services provided.

Disaggregation of revenue

The disaggregation of revenue from each category is presented in Note 25 of the Consolidated Annual Financial Statements.

Deferred Revenue

If a customer transfers any consideration before the Group transfers any corresponding goods or services, the amount received is disclosed separately as a contract liability. Contract liabilities are disclosed as Deferred Revenue note 20.2..

The following sections should be customised according to the types of revenue of the group

1.22 Cost of sales

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

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

1.23 Leases (Group as lessor)

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. Lease classification is made at inception and is only reassessed if there is a lease modification.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated by applying IFRS 15.

Operating leases

Lease payments from operating leases are recognised on a straight-line basis over the term of the relevant lease, or on another systematic basis if that basis is more representative of the pattern in which the benefits form the use of the underlying asset are diminished. Operating lease income is included in revenue.

ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2023

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and are expensed over the lease term on the same basis as the lease income.

Modifications made to operating leases are accounted for as a new lease from the effective date of the modification. Any prepaid or accrued lease payments relating to the original lease are treated as part of the lease payments of the new lease.

1.24 Finance income

Income is recognised as interest accrues using the effective interest rate method (the rate that exactly discounts estimated future cash receipts through the expected life of the financial instruments to the net carrying amount of the financial asset). Interest is recognised, in profit or loss, using the effective interest rate method.

1.25 Borrowing costs

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

1.26 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rand, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. At the end of the reporting period the foreign currency monetary items are translated using the closing rate.

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

1.27 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 incur 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 secondary geographical segment analysis has been included as geographical location does not play a significant role in the Group's operations.

All revenues from external customers originate in South Africa. Our geographical locations of operations are therefore restricted to a single area, namely South Africa.

Only Sasol as a single customer makes up more than 10% of the Group's revenue. This is part of Logistics revenue.

1.28 Earnings per share and headline earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic

The Group presents basic and diluted 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 attributed to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares held.

ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2023

Headline earnings is earnings as determined by IAS 33, adjusted for 'separately identifiable re-measurements' (as defined in SAICA Circular 1/2022), net of related tax (both current and deferred) and related non-controlling interest.

2. New Standards and Interpretations

2.1 Standards and interpretations not yet effective

The Group has chosen not to early adopt the following standards and interpretations, which have been published and may be relevant to the Group. The standards and interpretations are mandatory for the Group's accounting periods beginning on or after 01 June 2023 or later periods. These standards will be implemented in the applicable year for which they are mandatory.

There is unlikely to be a material impact on the future implementation of any of these standards.

Standard/ Interpretation	**Effective date: Years beginning on or after**
IFRS 7 Financial Instruments: Disclosures Supplier Finance Arrangements: The amendment supplements existing disclosure requirements by requiring a company to disclose specific information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the company's liabilities and cash flows and on the company's exposure to liquidity risk.	01 January 2024
IAS 1 Presentation of Financial Statements Classification of Liabilities as Current or Non- current: Narrow-scope amendments to IAS 1 to clarify how to classify debt and other liabilities as current or non-current. Non-current liabilities with Covenants: The amendment clarifies that only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current, with additional guidance to explain how an entity should disclose information in the notes to understand the risk that non-current liabilities with covenants could become repayable within twelve months	01 January 2024
IAS 7 Statement of Cash Flows Supplier Finance Arrangements: The amendment supplements existing disclosure requirements by requiring a company to disclose specific information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the company's liabilities and cash flows and on the company's exposure to liquidity risk.	01 January 2024
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors Definition of Accounting Estimates: The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, by replacing the definition of a change in accounting estimates with a new definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The requirements for recognising the effect of change in accounting prospectively remain unchanged.	01 January 2023

ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2023

IAS 12 Income Taxes Deferred Tax related to Assets and Liabilities arising from a Single Transaction: The amendment clarifies how a company accounts for income tax, including deferred tax, which represents tax payable or recoverable in the future. In specified circumstances, companies are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations, by clarifying when the exemption from recognising deferred tax would apply to the initial recognition of such items.	01 January 2023

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2023

3. Change of year end

The financial year end of the Company was changed in the 2022 financial year from 31 August to 31 May. The reason for the change in year-end was to align the financial reporting periods of Labat and all the various subsidiaries within the group pursuant to the acquisitions over the past two years.

Accordingly, the comparative financial statements are prepared for nine months from 1 September 2021 to 31 May 2022 and as a result, the comparative figures stated in the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity, cash flow statement and the related notes thereto are not entirely comparable.

4. Property, plant and equipment

		2023	1 June 2023		2022	1 June 2022
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Group	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Land and Buildings	3 103	(44)	3 059	3 103	0	3 103
Leasehold	427	(427)	-	428	(359)	69
Plant and equipment	6 098	(5 768)	330	5 250	(4 782)	468
Motor vehicles	162	(162)	-	191	(38)	153
Furniture & fixtures	540	(251)	289	53	(9)	44
Office & Computer equipment	559	(403)	156	452	(434)	18
Total	**10 889**	**(7 055)**	**3 834**	**9 477**	**(5 622)**	**3 855**

Company	**Cost / Valuation R'000**	**Accumulated Depreciation R'000**	**Carrying Value R'000**	**Cost / Valuation R'000**	**Accumulated Depreciation R'000**	**Carrying Value R'000**
Computer equipment	341	(187)	154	258	(111)	147
Furniture & fixtures	222	(188)	34	222	(179)	43
Total	**563**	**(374)**	**188**	**480**	**(290)**	**190**

Reconciliation of property, plant and equipment – Group – 2023

	Opening Balance R'000	Business Combinations R'000	Additions R'000	Disposals R'000	Depreciation R'000	Closing balance R'000
Land and buildings	3 103	-	-	-	(36)	**3 067**
Leasehold improvements	69	-	-		(63)	**6**
Plant and equipment	468	-	122		(176)	**414**
Furniture & fixtures	44	-	317		(72)	**289**
Motor vehicles	153	-	-	(89)	(24)	**40**
Office and Computer equipment	18	-	83		(83)	**18**
Total	**3 855**	**-**	**522**	**(89)**	(454)	3 834

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2023

Reconciliation of property, plant and equipment – Group – 2022

	Opening Balance R'000	Business Combinations R'000	Additions R'000	Depreciation R'000	Closing balance R'000
Properties	-	3 103	-	-	**3 103**
Leasehold Improvements	78			(9)	**69**
Plant and equipment	320	165	-	(17)	**468**
Furniture & fixtures	6	-	44	(6)	**44**
Motor Vehicles	129	32		(8)	**153**
Office and Computer equipment	167	-	33	(182)	**18**
Total	**700**	**3 300**	**77**	**(222)**	**3 855**

Reconciliation of property, plant and equipment – Company – 2023

	Opening Balance R'000	Additions R'000	Disposals R'000	Depreciation R'000	Total R'000
Furniture & Fittings	44	-	**-**	(7)	**37**
Office and computer equipment	147	83	-	(79)	**151**
Total	191	**83**	**-**	**(83)**	**188**

Reconciliation of property, plant and equipment – Company – 2022

	Opening Balance R'000	Additions R'000	Disposals R'000	Depreciation R'000	Total R'000
Furniture & Fittings	-	44	**-**	-	**44**
Office and Computer equipment	162	33	-	(47)	**147**
Total	162	**77**	**-**	**(47)**	**191**

Details of properties
Bathurst, farm south Gorah, consist of the following properties being plot no's 50, 51, 52, 53, 54 and 55, in the municipality of Bathurst, held under Title Deed No's T20719/2018, T20720/2018 and T2532/2022.

There were no contractual commitments for the acquisition of property, plant and equipment at 31 May 2023.

A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011 is available for inspection at the registered office of the Company.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2023

	2023 R'000	2022 R'000
Land and Buildings		
Land	2 400	2 400
Buildings	659	703
Total	**3 059**	**3 103**

Property, plant and equipment at fair value

The following items of property, plant and equipment were recognised at fair value:

	2023 R'000
Plant and equipment	
Opening balance	148
Depreciation	(43)
Fair value closing balance	**105**
Valuation technique	Discounted cash flow

	2022 R'000
Plant and equipment	
Opening balance	233
Depreciation	(85)
Fair value closing balance	**148**
Valuation technique	Discounted cash flow

Valuation technique	Significant unobservable inputs 2023	Significant unobservable inputs 2022
Discounted production unit cost: The valuation model considers the present value of the net cash flows, calculated over a five year period, 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.		
	Growth rate of 3% pa	Growth rate of 3% pa
	Discount rate of 20% pa	Discount rate of 20% pa
	Production unit increase rate of 4% pa	Production unit increase rate of 4% pa

The carrying value of the plant and machinery under the cost model would have been Nil (2022: nil) as at period end.

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

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2023

5. Right of Use of Assets

Details of the lease agreements are outlined in note 24 (Lease liabilities).

Reconciliation of right-of-use assets – Group – 2023

	Opening Balance R'000	Additions R'000	Depreciation R'000	Closing balance R'000
Buildings	4 238	-	(891)	3 347
Motor vehicles	3 082	-	(1 132)	1 950
Total	**7 320**	**-**	**(2 022)**	**5 297**

Reconciliation of right-of-use assets – Group – 2022

	Opening Balance R'000	Additions R'000	Depreciation R'000	Closing balance R'000
Buildings	4 974	-	(736)	4 238
Motor vehicles	2 960	1 028	(906)	3 082
Total	**7 934**	1 028	**(1 642)**	**7 320**

Reconciliation of right-of-use assets – Company 2023

	Opening Balance R'000	Additions R'000	Depreciation R'000	Closing balance R'000
Buildings	1 931	-	(276)	1 655
Motor vehicles	3 083	-	(1 132)	1 951
Total	**5 014**	-	**(1 408)**	**3 606**

Reconciliation of right-of-use assets – Company 2022

	Opening Balance R'000	Additions R'000	Depreciation R'000	Closing balance R'000
Buildings	2 205	-	(276)	1 929
Motor vehicles	2 962	1 028	(905)	3 085
Total	**5 167**	1 028	**(1 181)**	**5 014**

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2023

6. Goodwill

Group	2023 Cost R'000	2023 Accumulated impairment R'000	2023 Carrying value R'000	2022 Cost R'000	2022 Accumulated impairment R'000	2022 Carrying value R'000
Goodwill	1 379	(131)	1 248	1 379	(131)	1 248
Total	**1 379**	**(131)**	**1 248**	**1 379**	(131)	1 248

The carrying amount of goodwill is allocated to the cash generating units (CGUs) as follows:

Reconciliation of goodwill – 2023

	Opening Balance R'000	Additions through business combinations R'000	Impairment loss R'000	Total R'000
Echo Life (Pty) Ltd	-	-	-	-
Sweet Waters Aquaponics	1 248	-	-	1 248
Total goodwill	1 248	-	-	1 248

Reconciliation of goodwill – 2022

	Opening Balance R'000	Additions through business combinations R'000	Impairment loss R'000	Total R'000
Echo Life (Pty) Ltd	-	131	(131)	-
Sweet Waters Aquaponics	-	1 248	-	1 248
Total goodwill	-	1 379	(131)	1 248

Goodwill Impairment – Sweet Waters Aquaponics (2023)
The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the determination of a discount rate in order to calculate the present value of the cash flows. There was no impairment on Sweet Waters Aquaponics for the period under review.

Impairment testing
For the purpose of annual impairment testing, goodwill is allocated to the cash generating unit expected to benefit from the synergies of the business combinations in which the goodwill arises as set out below, and is compared to its recoverable value:

Intangible assets continued...
The recoverable amount of each cash generating unit was determined based on value-in-use calculations, covering a detailed five-year forecast, followed by an extrapolation of expected cash flows for the remaining useful lives using a declining growth rate determined by management. The present value of the expected cash flows of each segment is determined by applying a suitable discount rate reflecting current market assessments of the time value of money and risks specific to the segment. The export licence is assumed to be renewed after its expiry date, which is the original period of five years.

Growth rates
The growth rates reflect the average growth rates for the export product lines and industries of the segments. The growth rate applied in 2023 was 5%.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2023

Discount Rates

The discount rates reflect appropriate adjustments relating to market risk and specific risk factors of each segment. The discount rate applied in 2023 was 25.5%.
The value in use of the business was determined by discounting the future cash flows generated from the continuing use of the business, based on the following key assumptions:

Cash flow assumptions
Sweet Waters Aquaponics CGU (2023)
The goodwill impairment loss for the 2023 financial year was Rnil. The estimate of recoverable amount for this segment is particularly sensitive to the discount rate. If the assumptions used above were increased or decreased by 1% it will not result in the impairment loss for the 2023 financial year.

7. Intangible assets

Group	2023 Cost	2023 Accumulated amortisation and impairment	2023 Carrying value	2022 Cost	2022 Accumulated amortisation and impairment	2022 Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
Contractual and non-contractual client relationship	103 499	(103 499))	-	103 499	(49 849)	53 652
Licences	7 258	(2 380)	4 878	7 258	(504)	6 754
Intellectual property: integrated circuits	10 753	(10 753)	-	9 237	-	9 237
Site Master Plan	409	(409)	-	409	(103)	306
Brands	22 362	(5 539)	16 823	22 363	(3 723)	18 639
E-Commerce system	21 397	(11 816)	9 581	21 397	(8 522)	12 875
Product and Strain development	11 564	(5 373)	6 191	11 564	(1 771)	9 793
Total	**177 242**	**(139 769)**	**37 473**	**175 728**	**(64 472)**	**111 256**

Reconciliation of intangible assets – 2023

Group	2023 Opening Balance	Additions	Business Combinations	Impairment	Amortisation	Carrying Value
	R'000	R'000	R'000	R'000	R'000	R'000
Contractual and non-contractual client relationship	**53 652**	-	-	(41 397)	(12 437)	**(182)**
Licences	**6 754**	-	-	-	(1 876)	**4 878**
Intellectual property: integrated circuits	**9 238**	1 516	-	(10 754)	-	**-**
Site Master Plan	**306**	-	-	(273)	(33)	**-**
Brands	**18 639**	-	-	-	(1 869)	**16 823**
E-Commerce system	**12 875**	-	-	(364)	(2 704)	**9 582**
Product and Strain development	**9 793**	-	-	(2 646)	(947)	**6 200**
Total	**111 257**	**1 516**	**-**	**55 434**	**(19 866)**	**37 473**

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

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Reconciliation of intangible assets – 2022

		2022				
	Opening Balance	Additions	Business Combinations	Reclassification Impairment loss recognised in profit	Amortisation	Total
Group	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Contractual and non-contractual client relationship	63 249	-	-	-	(9 411)	**53 836**
Intellectual property: integrated circuits	8 068	1 170	-	-	-	**9 238**
Licenses	-	-	7 258	-	(504)	**6 754**
Site Master Plan	331	-	-	-	(24)	**307**
Brands	20 056	-			(864)	**19 192**
E-Commerce system	14 154	-	2 283	(1 599)	(2 188)	**12 650**
Product and Strain development	10 492	-	-	-	(1 212)	**9 780**
Total	**116 348**	**1 170**	**9 541**	**(1 599)**	**(14 204**	**111 257**

8. Contingencies

There are various claims and counter claims made by and against the Group which have risen in the normal course of business which may have a material effect on the Group's financial position. Estimates of the financial effect, when reliable estimates are available, are provided.

Other Contingent Liabilities

Company Guarantees (PCGs) covering the obligation of a subsidiary company

Labat Africa has provided financial guarantees during the 2019/2020 financial year, whereupon the fuel business (Force Fuel) was placed in voluntary business rescue. The total current exposure in relation to the PCGs is approximately R54 million (2022: R54m as at the business rescue date). Labat has made a provision of R9.8 million (2022: R9.8m) against these PCGs.

	GROUP		COMPANY	
	2023	2022	2023	2022
	R'000	**R'000**	**R'000**	**R'000**
Total PCGs exposure	54 000	-	54 000	54 000
Less: Provision made	(R9.8m)	-	(R9.8m)	(R9.8m)

The guarantees above may have an exposure to Labat Africa Limited. Management have been in discussion with legal counsel on the above matter of which the process is still ongoing. The provision is based on certain assumptions made in terms of the likely outcome, which is highly uncertain given the current process.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

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Litigation

The matter is still in dispute and the Group continues to pursue litigation and attendant matters in respect of various other matters.

Other than above there are currently no material or legal or related proceedings against the Group, of which the Board is aware, which may have or have had in the 12 months preceding the date of this report, a material effect on the consolidated position of the Group.

Given the current process running on the matter with Ngubane Zeelie Incorporated R600k was provided for possible financial exposure due to the level of uncertainty.

9. Investment in subsidiaries

Name of Company	2023 Issued share capital R'000	2023 Profit / (Loss) after tax R'000	2023 Carrying Value R'000	2023 % Holding R'000	2023 % Holding R'000	2022 Carrying Value R'000
South African Micro Electronic Systems (Pty) Limited & ICDC (*)	8 368	(1 214)	202	100%	100%	202
The Highly Creative (Pty) Ltd "THC"	-	3 263	75 000	100%	100%	75 000
CannAfrica (Pty) Ltd	-	(544)	15 000	70%	70%	15 000
BioData (Pty) Ltd	-	(138)	7 500	70%	70%	7 500
African Cannabis Enterprises (Pty) Ltd	1	(1 871)	1 804	100%	100%	1 804
Echo Life (Pty) Ltd	-	(243)	2 150	100%	-	2 150
Lima Romeo Air (Pty) Ltd t/a Sweet Waters Aquaponics	-	8 818	2 755	80%	-	2 755
Labat Investments Namibia (Pty) Ltd (**)	-	-	-	100%	100%	-
Force Fuel (Pty) Ltd (***)	5 000	-	-	100%	100%	-
Force Fuel Properties (Pty) Ltd (***)	-	-	-	100%	100%	-
Labat Chem Proprietary Limited (**)	-	-	-	100%	100%	-
Labat Bulk Logistics Proprietary Limited(**)	-	-	-	100%	100%	-
Labat Fuel and Supply Services Proprietary Limited(**)	-	-	-	100%	100%	-
Labat Pharmaceuticals Proprietary Limited(**)	-	-	-	100%	100%	-
Labat Training Academy Proprietary Limited(**)	-	-	-	100%	100%	-
Total	13 368	8 072	104 411			104 411

There are no significant restrictions to the Group in respect of the ability to access assets and liabilities of the subsidiaries.
* - Decline in profitability was as a result of the shortage of semi-conductors and microchips world-wide, resulting in less revenue. /

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** - Entity is dormant
*** - Both Force Fuel and Force Fuel Properties are still in business rescue. The results of the businesses have been deconsolidated since the 2020 financial year.

All subsidiaries are domiciled in South Africa, with the exception of Labat Investments Namibia (Pty) Ltd.

10. Deferred tax

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Property plant and equipment	(26)	92	-	-
Leases	87	63	-	-
Leave pay provision	156	78	-	-
Tax losses	2 158	14 605	-	-
Intangible assets	(9 510)	(27 548)	-	-
Deferred revenue	298	362	-	-
Prepayments	(31)	(32)	-	-
Total Net deferred tax	**(6 868)**	**(12 380)**	**-**	**-**

	GROUP 2023 R'000	GROUP 2022 R'000	COMPANY 2023 R'000	COMPANY 2022 R'000
Deferred tax liability	(9 510)	(27 255)		-
Deferred tax asset	2 641	14 875		-
Total net deferred tax	**(6 868)**	**(12 380)**		**-**

The deferred tax assets and the deferred tax liabilities have been disclosed on a net basis per entity.

Reconciliation of deferred tax asset / (liability)	GROUP 2023 R'000	GROUP 2022 R'000	COMPANY 2023 R'000	COMPANY 2022 R'000
At the beginning of the year	(12 380)	(12 900)	-	-
Property, plant and equipment	(118)	162	-	-
Leases	24	34	-	-
Tax losses carried forward	(12 447)	(3 158)	-	-
Leave pay provision	8	(12)	-	-
Salary provisions	70	-	-	-
Deferred revenue	(64)	362	-	-
Intangible assets	18 038	3 138	-	-
Prepayments	1	(6)	-	-
Total net deferred tax	**(6 868)**	**(12 380)**	**-**	**-**
Unrecognised deferred tax asset				
Unused tax losses not recognised as deferred tax assets	225 763	181 082		

Recognition of deferred tax asset
Deferred tax assets have been recognised only to the extent that the amount of unused tax losses relating to the Group's operations can be carried forward and there is evidence that it is probable that sufficient taxable profits will be available in the future to utilise tax losses carried forward, based on the directors' assessment of the Group's operational plans and profit forecasts.

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11. Inventories

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Work in progress	2 781	1 069	-	-
Finished goods	4 354	3 205	-	-
Raw materials, components	-	-	-	-
	7 135	**4 274**	**-**	**-**
Allowance for obsolescence	(393)	(706)	-	-
	6 742	**3 568**	**-**	**-**

Amounts recognised in profit or loss

Inventory recognised as an expense during the year ended 31 May 2023 amounted to R27.3 million (2022: R14.6 million). These are included in cost of sales and cost of providing services.

The reversal of the write-downs of inventory and old obsolete inventory to net realisable value amounted to R313k income (2022 – R706k expense). These were recognised as an income during the year ended 31 May 2023 and included in cost of sales in the statement of profit or loss and comprehensive income.

No inventory has been pledged as security against financial liabilities

12. Loans to Group Companies

	2023 R'000	2022 R'000	2023 R'000	2022 R'000
African Cannabis Enterprises (Pty) Ltd	-	-	4 307	2 982
BioData (Pty) Ltd	-	-	1 867	1 339
The Highly Creative (Pty) Ltd	-	-	17 789	17 921
CannAfrica (Pty) Ltd	-	-	13 168	12 697
Echo Life (Pty) Ltd	-	-	570	470
Lima Romeo Air (Pty) Ltd t/a Sweet Waters Aquaponics	-	-	11 190	8 196
Subtotal	**-**	**-**	**48 891**	**43 605**
Impairment provision – Echo Life (Pty) Ltd	-	-	(22 666)	(470)
Total	**-**	**-**	**26 225**	**43 135**

Group company loan terms

The loans are unsecured, interest free and have no fixed terms of repayment.

Credit Risk

The Highly Creative (Pty) Ltd

The loan relates to management fees charged to date by Labat. The recovery will be done once the off-take agreement will start. The loans will be repaid once the business generates sufficient cash flows. The credit risk assessed on this loan is high due to insufficient forecast cash flows.

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CannAfrica (Pty) Ltd
Management assessed that the loan represents working capital advanced to facilitate the support of the CannAfrica retail operations and new operating model adopted in the year. The loans will be repaid once the business generates sufficient cash flows. The credit risk assessed on this loan is low based on the forecast cash flows.

African Cannabis Enterprises (Pty) Ltd
Management assessed that the loan represents working capital advanced to facilitate the continued research in cannabis strains and the roll-out of the Ace & Axle brand in South Africa. The loans will be repaid once the business generates sufficient cash flows. The credit risk assessed on this loan is high due to insufficient forecast cash flows.

Biodata (Pty) Ltd
Management assessed that the loan represents working capital advanced to facilitate the continued research into the clinical trials of medical cannabis. The loans will be repaid once the business generates sufficient cash flows. The credit risk assessed on this loan is low based on the forecast cash flows.

Echo Life (Pty) Ltd
Management assessed that the loan represents working capital advanced to facilitate the support the retail operations of the Echo Life CBD products in the market. The loans will be repaid once the business generates sufficient cash flows. The credit risk assessed on this loan is high due to insufficient forecast cash flows.

Lima Romeo Air (Pty) Ltd t/a Sweet Waters Aquaponics
Management assessed that the loan represents working capital advanced to facilitate the start-up of the retail operations. The loans will be repaid once the business generates sufficient cash flows. The credit risk assessed on this loan is low based on the forecast cash flows.

Fair value information
The carrying value of the loans approximates its fair value due to its short-term nature.

13. Loan to and (from) directors and shareholders

	GROUP		COMPANY	
	2023 R '000	2022 R '000	2023 R '000	2022 R '000
Current assets				
Shareholder's loans				
H Maasdorp (*)	2 838	2 741	-	-
Total	**2 838**	**2 741**	**-**	**-**
Directors' loans				
B Van Rooyen (*)	160	-	160	-
Total	**2 998**	**2 741**	**160**	**-**
Current liabilities				
Directors' loans				
D O'Neil (**)	2 623	2 342	2 623	2 342
B Van Rooyen (**)	-	50	-	50
S Van Rooyen (*)	100	-	100	-
Shareholders' loans				
Link Private Equity Investments (Pty) Ltd (*)	1 108	2 006	1 108	2 006
D Asmal (*)	484	285	484	285

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Total	**4 315**	**4 683**	**4 315**	**4 683**

(*) This shareholder's loan is secured, interest free and is repayable on demand. The loan if fully secured by pledge of Labat shares and surety provided by Mr David O'Neill.

(**) This shareholder's loan is secured, interest free and is repayable on demand.

14. Amounts owing to and by the South African Revenue Services

	GROUP		COMPANY	
	2023	2022	2023	2022
	R'000	**R'000**	**R'000**	**R'000**
Current tax assets	54 785	52 869	-	-
Current liabilities	(47 354)	(37 846)	(28 936)	(22 331)
Net tax asset/(liability)	**7 431**	**15 023**	**(28 936)**	**(22 331)**

Taxation consists of significant individual tax related assets and liabilities receivable and payable by the Group in terms of the Income Tax and VAT Act. Due to the significance of these balances, they have been disclosed separately within the consolidated financial statements. The nature of these accounts relates mostly to disputes with SARS surrounding outstanding VAT receivables set off against income taxation payable in historic financial periods, calculated incorrectly by SARS based on disallowed tax losses.

The Group is still in a net tax receivable position and discussions are ongoing with SARS to conclude on these matters.

Details of the VAT claim receivable are discussed below.

Outstanding SAMES VAT Claims

In 1999 SAMES ("the taxpayer") had an assessed tax loss. For some or other reason, unbeknown to the taxpayer, the South African Revenue Services (SARS), disallowed the assessed loss in the year 2000 and "created" a non-existing Income Tax liability. SARS then withheld all VAT credits owed to the taxpayer and allocated it to an unknown Income Tax (IT) "liability". No further credits, except some payments to the taxpayer of a million rand, was paid out to the taxpayer to date hereof. This had now been going on for more than 15 years.

The taxpayer appealed SARS' decision to disallow the assessed loss and on 13 September 2007 the Tax Appeal Committee decided to reinstate the assessed loss and a settlement agreement was entered into between the taxpayer and SARS on 12 November 2007. A new assessment was issued by SARS on 13 September 2008 to reflect the reinstated assessed loss. The only problem was that the VAT credits allocated to an unknown Income Tax liability was not refunded as mentioned above.

The Group has made every effort to bring this matter to finality. SARS on the other hand has done everything in its power to stall rectification of unlawful allocations to a debt which does not exist notwithstanding High Court case law including a recent High Court judgement where SARS was denied the right to appeal. SARS persists in non-compliance in not applying its mind to the pursuits and pleas of the taxpayer.

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15. Trade and other receivables

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Trade receivables	10 424	2 639	1 432	1 401
Trade receivables impairment	(7 413)	(577)	(74)	(61)
Trade receivables - net	3 011	2 062	1 358	1 340
Prepayments	122	126	-	-
Deposits	26	26	-	-
Other receivables	2 690	3 028	2 297	2 295
	5 849	**5 242**	**3 655**	**3 636**

Other Receivables

The major other receivables include the recoveries of R1.8million related to legal fees. This relates to the court judgement against Global Equity Market (GEMS). Labat is in the process in recovering the balance.

Exposure to credit risk

Trade receivables expose the Group to inherent credit risk, being the risk that the Company will incur financial loss if customers fail to make payments as they fall due.

Trade and other receivables impaired

As of 31 May 2023, trade and other receivables of R6 880 783 (2022: R576 694) were provided for as an allowance for credit losses. The risk profile inherent in the group's accounts receivable is low due to the invoice discounting facility being used.

15.1 Movements in impairment of trade and other receivables are as follows:

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	20222 R'000
At the beginning of the year	532	**34**	61	**32**
Impairment raised	6 881	543	13	29
At the end of the year	**7 413**	**577**	**74**	**61**

Calculation of expected credit losses				
Expected credit loss rate:				
Debtors Balance	10 424	**5 534**	1 432	**1 883**
Loss Rate before FLI	71.12%	10.42%	5.14%	3.22%
Loss Rate after FLI	71.12%	10.42%	5.14%	3.22%
Expected credit loss raised	**7 413**	**577**	**74**	**61**

FLI – Forward-looking information

The expected credit loss rates are the effective rate for the Group. The reason for the increase is that there were an increase in debtors on certain subsidiary companies in the Group with lower levels of recoverability which are expected to show insignificant improvements.

Fair value of trade and other receivables

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

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16. Cash and cash equivalents

Cash and cash equivalents consist of:	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Current assets				
Cash on hand	74	10	-	-
Bank balances	1 039	1 060	246	258
	1 113	**1 070**	**246**	**258**
Cash equivalents				
Short term deposits	1 697	1 681	**-**	**-**
	2 810	**2 752**	**246**	**258**

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Current liabilities				
Bank overdraft	(5)	(9)	(4)	(4)
Net cash and equivalents				
Current Assets	2 810	2 752	246	258
Current Liabilities	(5)	(9)	(4)	(4)
	2 805	**2 743**	242	**254**

Credit quality of cash at bank and short-term deposits, excluding cash on hand
Credit risk exposure arising on cash and cash equivalents is managed by the Group through dealing with well-established financial institutions with high credit ratings. 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:

Fair value of cash and cash equivalents
The fair value of current cash and cash equivalents approximates their carrying amounts due to their short term nature.

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17. Share capital

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Authorised				
5 000 000 000 Ordinary shares of R0.01 each	50 000 000	50 000 000	50 000 000	50 000 000
Reconciliation of number of shares issued:				
Ordinary shares as at 1 September 2021	581 575	488 998	581 575	498 998
Issue of shares - ordinary shares	68 776	82 577	68 776	82 577
Cancelled	(11 250)	-	(11 250)	-
Total number of shares in issue	639 102	581 575	639 102	581 575
Treasury shares	(19 460)	(19 460)	(19 460)	(19 460)
Number of shares in issue net of treasury	**619 642**	**562 115**	**619 642**	**562 115**

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Ordinary shares	173 559	164 391	173 559	164 391
Share premium	71 245	71 245	71 245	71 245
Share put option (*)	-	(900)	-	(900)
Share incentive	(481)	(481)	-	-
Total share capital	**244 322**	**234 255**	**244 804**	**234 736**

(*) Refer to Business Combination note 8 on contingent consideration.

17.1 Treasury shares

The Group entered a share incentive scheme for the benefit of employees during 2001. Share options totalling 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 have been exercised. Included in the share capital are 2 810 023 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.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

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18. Non-controlling interest

	GROUP	
	2023	2022
CannAfrica	**R'000**	**R'000**
- Business combination at acquisition	6 429	6 429
- Accumulated loss-prior year	(1 006)	(239)
- (Loss)/Profit-current year	(998)	(767)
	4 425	5 423
BioData		
- Business combination at acquisition	**3 526**	3 526
- Accumulated loss-prior year	(224)	(3)
- Loss)/Profit-current year	(322)	(221)
	2 980	3 302
Lima Romeo Air (Pty) Ltd t/a Sweet Waters Aquaponics		
- Business combination at acquisition	**376**	376
- Accumulated loss-prior year	101	-
- Loss)/Profit-current year	1 490	101
	1 967	477
Total Non-Controlling Interest		
- Business combination at acquisition	**10 331**	10 331
- Accumulated loss	(959)	(1 129)
Total	**9 372**	**9 202**

19. Non-distributable reserves – revaluation reserves

Non-distributable reserves - revaluation reserves
The revaluation reserve arose as result of the revaluation of plant and equipment in accordance with the Group's accounting policies.

	GROUP		COMPANY	
	2023	2022	2023	2022
	R'000	**R'000**	**R'000**	**R'000**
Opening balance	96	128	-	-
Realisation of revaluation reserve through use	(42)	(32)	-	-
	54	**96**	**-**	**-**

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20. Capital contributions

A loan owing to the wholly owned subsidiary company SAMES was acquired at a discount on acquisition of the subsidiary by Labat Africa. This loan was treated as a capital contribution at acquisition of the subsidiary, as the loan is not repayable by Labat Africa to the subsidiary. Movements in the loan during the year, arising from transactions in the current year are considered as part of capital contributions. The decrease is as a result of working capital contributions by the holding company to support business operations.

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Opening balance	-	-	36 103	37 831
Capital contribution/(Reduction)	-	-	(1 995)	(1 728)
	-	**-**	**34 108**	**36 103**

21. Lease liabilities

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Maturity analysis				
- within one year	2 486	2 427	1 684	1 671
- in second to sixth year inclusive	10 471	11 332	8 954	9 014
Total	**12 957**	**13 759**	**10 638**	**10 865**
Less: future finance charges	(3 994)	(4 156)	(3 688)	(3 620)
	8 963	**9 603**	**6 950**	**7 065**
Presented as follows:				
Non-current liabilities	7 447	8 122	6 062	6 109
Current liabilities	1 517	1 481	888	956
	8 964	**9 603**	**6 951**	**7 065**
Net carrying value of related right-of-use asset:				
- Vehicles	3 592	3 083	3 592	3 083
- Buildings	5 372	4 237	3 359	1 931
	8 963	**7 320**	**6 950**	**5 014**

Other disclosures:	**Group**		**Company**	
	2023	**2022**	**2023**	**2022**
	R'000	**R'000**	**R'000**	**R'000**
Leases of low value assets	-	-	-	-
Interest expense on lease liabilities	1 233	790	1 002	585
Capital repayment on leases	839	839	505	505
Total cash outflow from leases	1 629	1 629	1 090	1 090

The Group has entered into lease agreements for motor vehicles and buildings.

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The average lease term on motor vehicles is 6 years and the remaining term of the leases are between 2 years (2022: 3 years) and 2.5 years (2022: 3.5 years). The average effective borrowing rate was 11% (2022:11%).
The lease term on buildings is renewable on a yearly basis and escalates at 10% per annum. The average effective borrowing rate was 11% (2022: 11%). The Group has renewed the lease at the previous renewal dates and is expected to continue to do so.

All lease liabilities have fixed repayments and no arrangements have been entered into for contingent rent. The Group's obligations under lease liabilities are secured by the lessor's charge over the financed assets, as disclosed in note 5.

The lease on the building has an option to be renewed annually. There are no residual guarantee values and no restrictions or covenants imposed by the leases. No arrangements have been entered into for contingent rent.

There are no leases to which the Group is committed to, which have not yet commenced.

Low value assets are classified as assets which are of low value when new (such as tables or personal computer items) regardless of the age of the asset at inception of the lease.

Exposure to liquidity risk

Refer to Note 50 Financial instruments and risk management for the details of liquidity risk exposure and management.

22. Other financial liabilities

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Directors remuneration liability				
B van Rooyen (*)	8 372	6 061	8 372	6 061
D O'Neill(*)	9 828	8 108	9 828	8 108
G Walters(*)	1 764	710	1 764	710
Other financial liabilities (**)	2	1	-	-
	19 966	14 880	19 964	14 878
Total				
Non-current liabilities	19 966	14 880	19 964	14 878
Current liabilities	-	-	-	-
	19 966	14 880	19 964	14 878
Fair value of other financial liabilities				
The carrying amount of the current financial liabilities approximates its fair value, due to the short-term nature thereof.	-	-	-	-
The fair value of the non-current liabilities is discounted at the rate of 11.75% (2022: 8.25%) per annum to arrive at its present value.	17 867	13 746	17 865	13 649
	17 867	13 746	17 865	13 649

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These liabilities are unsecured, interest free, and have no repayment date.
(**) The director's loans are unsecured, bear interest at 12% per annum and have no fixed terms of repayment
(***) The shareholders' loans are unsecured, interest free with no fixed terms of repayment.

Fair value of loans to and from directors and shareholders
The carrying value of the loans from directors approximates its fair value due to its short-term nature.

23. Biological Assets

Group	2023			2022		
	Cost / Valuation R'000	Accumulated depreciation R'000	Carrying value R'000	Cost / Valuation R'000	Accumulated depreciation R'000	Carrying value R'000
Medical cannabis plants	7 746	-	**7 746**	382	-	**382**
Seeds	1 512	-	**1 512**	1 512	-	**1 512**
Total	**9 258**	**-**	**9 258**	**1 894**	**-**	**1 894**

Reconciliation of Biological Assets – Group – 2023

	Opening Balance R'000	Decrease due to harvest	Gains (losses) arising from changes in fair value	Additions R'000	Depreciation R'000	Closing balance R'000
Medical cannabis plants	382	(1 807)	9 171	-	-	**7 746**
Seeds	**1 512**		-	-	-	**1 512**
Total	**1 894**	(1 807)	**9 171**	**-**	**-**	**9 258**

Reconciliation of Biological Assets – Group – 2022

	Opening Balance R'000	Transfers	Gains (losses) arising from changes in fair value	Additions R'000	Depreciation R'000	Closing balance R'000
Medical cannabis plants	-	-	382	-	-	**382**
Seeds	**-**	1 512	-	-	-	**1 512**
Total	**-**	1 512	**382**	**-**	**-**	**1 894**

There were no contractual commitments for the acquisition of biological assets at 31 May 2023.

The significant assumptions used in determining the fair value of medical cannabis plants are as follows:

- wastage of plants based on their various stages;
- yield by plant;
- percentage of costs incurred to date compared to the total costs to be incurred are used to estimate the fair value of an in-process plant;
- percentage of costs incurred for each stage of plant growth was estimated.

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The fair value is categorised as a level 3 in terms of IFRS 13 in that there are no observable inputs.

The following valuation techniques and significant inputs were used to measure the biological assets:

Description	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable input to Fair value	Fair value as at 31 May 2023 R 000s
Medical cannabis plants	Recoverable value	Market related selling price per gram of cannabis seeds less harvesting, transport, and other costs to sell	R20 – R30 per gram	The higher the recoverable value of medical cannabis plants less harvesting, transport and other costs to sell per ton, the higher the value of medical cannabis plants.	7 746
Seeds	Recoverable value	Market related selling price per gram of cannabis seeds less harvesting, transport, and other costs to sell	R20 – 30 per gram	The higher the recoverable value of medical cannabis seeds less harvesting, transport and other costs to sell per ton, the higher the value of medical cannabis seeds.	1 512

24. **Loan from Group companies**

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
SAMES Properties (Pty) Ltd	-	-	318	318
Total	**-**	**-**	**318**	**318**

The loan is unsecured, bear no interest and has no fixed repayment terms.
Fair value of loans from group companies
The carrying value of loans approximates its fair value, due to the short-term nature thereof.

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25. Trade and other payables

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Trade payables	12 225	10 457	9 625	7 749
Accruals	457	689	374	689
Leave pay	1 126	839	809	550
Sundry payables	1 361	1 714	432	1 272
Total Trade and other payables	**15 169**	**13 699**	**11 240**	**10 260**
Financial instruments	14 043	12 860	10 432	10 366
Non-financial instruments	1 126	839	809	550
	15 169	**13 699**	**11 240**	**10 261**

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.

26. Financial guarantees

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Financial guarantees (*)	9 800	9 800	9 800	9 800

Group and Company – 2023

Reconciliation	Opening balance R'000	Fair value adjustments R'000	Payments R'000	Total R'000
Financial guarantees	9 800	-	-	9 800

Group and Company – 2022

Reconciliation	Opening balance R'000	Fair value adjustments R'000	Payments R'000	Total R'000
Financial guarantees (*)	9 800	-	-	9 800

(*) Financial guarantee liabilities

Labat Africa has provided financial guarantees in the amount of R105 million for fuel trading facilities to Force Fuel. During the 2020 financial year the fuel business was placed in voluntary business rescue as noted in notes 47 and 52. The total exposure in relation to the PCGs as at the business rescue date was approximately R54 million (2022: R54 million). Labat has recognised a liability at fair value of R9.8 million (2022: R9.8 million). The fair value was based on the best estimate of the financial guarantee payable. The fair value hierarchy level was a 3 in that there were no observable inputs.

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27. Provisions

Group – 2023

Reconciliation	Opening balance R'000	Provision raised R'000	Utilised during the period R'000	Reclassification R'000	Total R'000
Provision for future expenses	2 052	4 908	-	-	6 960
	2 050	**4 908**	**-**	**-**	**6 960**

Company – 2023

Reconciliation	Opening balance R'000	Provision raised R'000	Utilised during the period R'000	Reclassification R'000	Total R'000
Provision for expenses (*)	2 050	4 650	-	-	6 700
	2 050	**4 650**	**-**	**-**	**6 700**

The provision represents management's best estimate for legal and other matters.

28. Revenue

28.1 Disaggregation of Revenue

The Group has disaggregated revenue into various categories in the following table which is intended to:

- depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic date; and
- enable users to understand the relationship with revenue segment information provided in note 53.

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Revenue from contracts with customers				
Sale of goods	40 849	7 228	-	-
Rendering of services	8 685	15 185	35 760	21 641
Total revenue from contracts with customers	**49 534**	**23 043**	**35 760**	**21 641**
Disaggregation of revenue from contracts with customers				
The Group disaggregates revenue from customers as follows:				
Sale of goods				
Information technology sales	5 799	4 410	-	-
Medical cannabis sales	15 339	2 818	-	-
Total sale of goods	**21 138**	**7 228**	**-**	**-**
Rendering of services				
Management Fees	-	-	7 364	5 956
Bulk logistics and other	28 396	15 815	28 396	15 685
Total revenue from contracts with customers	**49 534**	**23 043**	**35 760**	**21 641**

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Primary Geographic Markets				
South Africa	49 534	23 043	35 760	21 641
	49 534	**23 043**	**35 760**	**21 641**
Timing of revenue recognition				
At a point in time	**49 534**	22 913	28 396	15 685
Over time	**-**	130	**7 364**	5 956
	49 534	**23 043**	**35 760**	**21 641**

28.2 Deferred Revenue

The vast majority of the Group's contracts are for the delivery of goods and services within the next 12 months for which the practical expedient in paragraph 121(a) of IFRS 15 applies. However, certain franchise agreement contracts have been entered into for which both:

- the original contractual period was greater than 12 months; and
- the Group's right to consideration does not correspond directly with the performance.

The amount and timing of revenue that will be recognised in future periods on these contracts when those remaining performance obligations will be satisfied is analysed as follows:

	2024 R'000	2025 R'000	2026 R'000	2027 - 2030 R'000
Revenue from contracts with customers				
Franchise Agreements	278	278	278	270
	238	**278**	**278**	**270**

Disclosed as follows:

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Deferred Revenue				
Current Liabilities	278	238	-	-
Non–Current Liabilities	826	1 104	-	-
	1 104	**1 342**	**-**	**-**
Reconciliation				
Opening balance	1 342	3 147	-	-
Initial recognition	-	-	-	-
Revenue recognised for performance obligations	(238)	(1 805)	-	-
Closing balance	**1 104**	**1 342**	**-**	**-**

The franchise agreements deferred revenue arises as a result of the income received from franchise fees received during the 2021 financial year. The income will be recognised in profit or loss on a straight line basis over the useful life of the related franchise agreement. There are no unfulfilled conditions or other contingencies attaching to these franchise fees.

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29. Cost of sales

Disaggregation of cost of sales from contracts with customers

The Company disaggregates cost of sales from customers as follows:

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Sale of goods	4 246	2 799	-	-
Cost of services	24 068	11 770	24 068	11 770
	28 313	**14 569**	**24 068**	**11 770**
Cost of sales of goods				
Information technology	2 246	1 820	**-**	**-**
Medical cannabis	1 999	979	**-**	**-**
Total cost of sales of goods	**4 245**	**2 799**	**-**	**-**
Cost of services				
Bulk logistics	24 068	11 770	-	-
Total cost of sales of goods and services	**28 313**	**14 569**	**-**	**-**

30. Other income

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Sundry other income	1 105	115	163	964
Foreign exchange gain	839	-	-	-
	1 944	**115**	**163**	**964**

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31. Operating loss

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Operating loss includes the following:				
Auditor's remuneration - external Audit fees	1 115	1 160	906	676
Consulting and professional services	1 977	1 131	1 463	550
Employee costs	21 324	13 802	14 499	9 285
Depreciation	2 477	1 864	1 493	1 228
Amortisation	19 866	14 204	-	-
Impairment loss	55 434	-	22 196	-
Retirement benefits plans: defined contribution expense	246	261	196	219
Lease charges				
Equipment – low value lease	-	-	-	-
Movement in expected credit loss (ECL)	6 881	577	13	29

32. Investment income

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Interest income per category:				
Bank and other cash	29	20	-	-
Total finance income	**29**	**20**	**-**	**-**

33. Finance costs

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Finance costs per category:				
Lease liabilities	1 233	789	1 002	585
South African Revenue Services	149	180	144	179
Directors' loans	386	194	386	193
Total finance costs	**1 768**	**1 163**	**1 532**	**957**

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34. Basic and Headline loss per share

	2023 R'000	2022 R'000
Basic Earnings		
The Profit and (Loss) used in the calculation of basic earnings per share is as follows:		
Loss for the year	(86 732)	(36 970)
Adjusted for:		
Non-controlling interest in profit / (loss) for the year	169	(887)
Loss attributable to owners of the parent	**(86 901)**	**(36 083)**
HEADLINE EARNINGS/ (LOSS)		
Headline loss from continuing operations		
Loss for the period/year	(86 901)	(36 083)
Adjusted for:		
Impairment of Intangible asset	55 434	1 599
Impairment of goodwill	-	131
Tax	(12 064)	(432)
Headline loss for the period/year	**(43 531)**	**(34 785)**
Per share information (cents)		
Basic loss per share (cents)	(14.25}	(7.0)
Headline loss per share (cents)	(7.14)	(7)
Diluted basic loss per share (cents)	(14.25)	(7.0)
Diluted headline loss per share (cents)	(7.14)	(7)
Number of Shares ('000):		
Weighted number of shares in issue (net of treasury shares)	610 000	515 633
Number of ordinary shares in issue (net of treasury shares)	619 652	562 115
Shares in issue at the end of the year (including treasury shares)	639 102	581 575
Diluted weighted average shares in issue (net of treasury shares)	610 000	515 633

35. Taxation

	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Major components of the tax income				
Current				
Originating and reversing temporary differences	(30)	(2 625)	-	-
Reconciliation of the tax expense				
Reconciliation between accounting profit and tax				
Accounting loss	(92 244)	(39 595)	(43 065)	(12 682)
Tax at the applicable tax rate of 27% / (2022: 28%)				
Tax effect of adjustments on taxable income	(24 906)	(11 087)	(11 628)	(3 424)
Expenses not deductible				
- Interest and penalties	54	51	46	48
- Impairments	12 064	484	5 993	-
Tax rate adjustment	-	461	-	-
Tax losses not recognised	7 276	7 466	5 588	3 376
	(5 512)	**(2 625)**	**-**	**-**

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36. Cash used in operations

		Group		Company	
	Notes	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Loss before taxation		**(92 244)**	**(39 595)**	**(43 065)**	**(12 682)**
Adjustments for:					
Depreciation	4&5	2 477	1 864	1 493	1 228
Intangible amortisation	7	19 866	14 204	-	-
Goodwill/Intangible impairments	7&8	55 434	1 730	22 196	470
Management fees		-	-	(7 363)	(5 956)
Movement in provisions	27	4 908	2 052	4 650	2 050
Investment income	32	(29)	(20)	-	
Fair value adjustment biological assets	23	(9 171)	(382)	-	-
Finance costs	33	1 768	1 162	1 532	958
Other non-cash flow items		(337)	(155)	542	(439)
Movement in provision for directors' remuneration	22	5 753	3 816	5 753	3 816
Changes in working capital					
Inventories	11	(876)	(313)	-	-
Deferred revenue	28.2	(238)	(1 805)	-	-
Trade and other receivables	15	(1 307)	785	(20)	1 268
Trade and other payables	25	9 678	5 267	7 584	1 838
Cash utilised in operations		**(4 317)**	**(11 360)**	**(6 698)**	**(7 449)**

.

37. Reconciliation of lease liabilities

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Balance at the beginning of the year	**9 603**	**9 413**	**7 063**	**6 540**
New leases entered into (non-cash flow)	-	1 028	-	1 030
Repayment of lease liabilities (cash flow)	(1 051)	(839)	(523)	(505)
Leases cancelled (non-cash flow)	411	-	411	-
Balance at the end of the year	**8 963**	**9 602**	**6 951**	**7 065**

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FOR THE YEAR ENDED 31 MAY 2023

38. Reconciliation of directors' and shareholders loans

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Balance at the beginning of the year	4 683	4 490	4 683	4 490
Loans received during the year (cash flow)	100	-	100	-
Loans repaid during the year (cash flow)	(898)	-	(813)	-
Other transactions with directors (non-cash flow) (*)	430	193	430	193
Balance at the end of the year	**4 315**	**4 683**	**4 315**	**4 683**

(*) – Relates mainly to interest charges

39. Reconciliation of loans from Group companies

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Balance at the beginning of the year	-	-	318	318
Account set-off with accounts receivable (non–cash flow)	-	-	-	-
Balance at the end of the year	**-**	**-**	**318**	**318**

40. Reconciliation of loans to Group companies

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Balance at the beginning of the year	**-**	**-**	**43 135**	**26 350**
Loans advanced during the year (cash flow)	-	-	(2 160)	3 472
Proceeds from group loans	-		-	-
Loans acquired through business combinations	-	-	-	7 595
Impairment loss	-	-	(22 196)	(470)
Inter-company transactions (non-cash flow)	-	-	7 446	6 188
Balance at the end of the year	-	**-**	**26 225**	**43 135**

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41. Reconciliation of other financial liabilities

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Balance at the beginning of the year	**14 880**	**18 262**	**14 878**	**18 262**
Subsidiary director loan (non-cash flow)	-	2	-	-
Loan repayments during the year (cash flow)	(667)	(6 759)	(667)	(6 759)
Other non-cash items	-	(441)	-	(441)
Provisions (non-cash flow) (note 30)	5 753	3 816	5 753	3 816
Balance at the end of the year	**19 966**	**14 880**	**19 964**	**14 878**

42. Reconciliation of capital contribution

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Balance at the beginning of the year	**-**	**-**	**36 103**	**37 832**
Contribution (made) / received during the year (cash flow)	-	-	(1 453)	(1078)
Inter-Company transactions (non-cash flow)	-	-	(542)	(650)
Balance at the end of the year	**-**	**-**	**34 108**	**36 103**

* Inter-company transaction (non-cash flow) relates to fees charged by the holding company to its subsidiary.

43. Related parties

The following are the related party relationships of the Group:

Subsidiaries
South African Micro-Electronic Systems Proprietary Limited
SAMES Properties Proprietary Limited
The Highly Creative Proprietary Limited
CannAfrica Proprietary Limited
BioData Proprietary Limited
African Cannabis Enterprises Proprietary Limited (ACE Genetics)
Echo Life Proprietary Limited
Lima Romeo Air Proprietary Limited t/a Sweet Waters Aquaponics

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Dormant companies
Labat Chem Proprietary Limited
Labat Investments (Namibia) Proprietary Limited
Labat Bulk Logistics Proprietary Limited
Labat Fuel and Supply Services Proprietary Limited
Labat Pharmaceuticals Proprietary Limited
Labat Training Academy Proprietary Limited

Shareholders and directors with significant influence
Link Private Equity Investments Proprietary Limited
Chronos Logistics Services Proprietary Limited
New Generation Capital Proprietary Limited
Herschel Maasdorp
Stanton van Rooyen

Directors
Brian van Rooyen (Executive)
David O'Neill (Executive)
Rowena Majiedt (Non-executive)
Beverley Penny (Non-executive)
Rustum Mohamed (Non-executive)
Gorden Walters (Executive)
Stanton van Rooyen (Executive)

44. Related parties' transactions, directors' emoluments and interests in shares

Related parties	**GROUP**		**COMPANY**	
Figures in Rand	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Related party balances				
Loans				
SAMES Properties Proprietary Limited	-	-	(318)	(318)
The Highly Creative Proprietary Limited	-	-	17 789	17 921
CannAfrica (Pty) Ltd	-	-	13 168	12 697
African Cannabis Enterprises (Pty) Ltd	-	-	4 307	2 982
Biodata Proprietary Limited	-	-	1 867	1 339
Lima Romeo Air Proprietary Limited t/a Sweet Waters Aquaponics	-	-	11 190	8 196
Echo Life (Pty) Ltd.	-	-	570	470
Brian Van Rooyen	160	(50)	160	(50)
David O'Neill	(2 623)	(2 342)	(2 623)	(2 342)
Dawood Asmal	(484)	(284)	(484)	(284)
Herschel Maasdorp	2 838	2 741	-	-
Dr Shiksha Gallow	(2)	(2)	-	-
Directors' loans				
• Stanton Van Rooyen	(100)	-	(100)	-
• Brian Van Rooyen	(8 372)	(6 060)	(8 372)	(6 060)
• David O'Neill	(9 828)	(8 108)	(9 828)	(8 108)
• Gorden Walters	(1 764)	(710)	(1 764)	(710)
Link Private Equity Investments Proprietary Limited	(1 108)	(2 006)	(1 108)	(2 006)

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Capital contribution				
South African Micro-Electronic Systems Limited (SAMES)	-	-	(34 108)	(36 103)
Related party transactions				
South African Micro-Electronic Systems Proprietary Limited				
- Management Fees / recovery of costs	-	-	474	574
The Highly Creative Proprietary Limited				
- Management Fees / recovery of costs	-	-	1 421	1 721
Biodata Proprietary Limited				
- Management Fees / recovery of costs			325	393
African Cannabis Enterprises Proprietary Limited				
- Management Fees / recovery of costs	-	-	1 349	1 475
CannAfrica Proprietary Limited				
- Management Fees / recovery of costs	-	-	2 652	1 202
Lima Romeo Air Proprietary Limited				
- Management Fees / recovery of costs	-	-	1 031	487
Echo Life Proprietary Limited				
- Management Fees / recovery of costs	-	-	87	105
Link Equity Investments Proprietary Limited				
- Rent paid to (received from) related parties	-	266	600	266
Compensation to directors and other key management				
Short-term employee benefits	10 346	7 298	10 346	7 298
Directors' loan interest				
• Brian Van Rooyen	-	6	-	6
• David O'Neill	386	193	386	193

The transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions.

Executive

2023	Emoluments R'000	Provident fund R'000	Medical aid R'000	Travel R'000	Total R '000
B.G. van Rooyen	3 074	145	126	300	3 645
D.J. O'Neill	2 588	51	126	180	2 945
GRI Walters	2 800	-	-	-	2 800
S van Rooyen	956	-	-	-	956
	9 418	**196**	**252**	**480**	**10 346**

2022	Emoluments	Provident fund	Medical aid	Travel	Total
B.G. van Rooyen	2 332	109	95	225	2 761
D.J. O'Neill	1 963	38	95	135	2 231
GRI Walters	2 123	-	-	-	2 123
S Van Rooyen	161	16	6	-	183
	6 580	**163**	**195**	**360**	**7 298**

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Non-executive

2023	Directors' fees	Total
R. Majiedt	50	50
R. Mohamed	40	40
B. Penny	40	40
	130	**130**

2022	Directors' fees	Total
R. Majiedt	125	125
R. Mohamed	100	100
B. Penny	100	100
	325	**325**

Directors' interests in shares

	May 2023			May 2022		
		Beneficial			Beneficial	
	Direct*	Indirect	% *	Direct*	Indirect	% *
BG Van Rooyen	-	56 408 450	8.68	-	56 408 450	9.70
DJ O'Neill	-	48 621 365	7.49	-	48 621 365	8.36
GRI Walters	-	1 218 750	0.19	-	1 218 750	0.21
N S Mogapi	-	-	-	-	-	-
S van Rooyen	72 500 000	-	11.16	72 500 000	-	12.47
	72 500 000	**106 248 565**	**27.52**	**72 500 000**	**106 248 565**	**30.64**

There were no changes in the interests of directors in the Company's securities between the end of the financial year and the date of approval of these annual financial statements.

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45. Risk management

Financial Instruments and risk management

Categories of financial instruments
Group
Categories of financial assets

2023	Note(s)	Amortised cost R'000	Total R'000
Trade and other receivables	15	5 727	5 849
Cash and cash equivalents	16	2 810	2 810
Loans to directors and shareholders	13	2 998	2 998
		11 535	**11 657**

2022	Note(s)	Amortised cost R'000	Total R'000
Trade and other receivables	15	5 116	5 116
Cash and cash equivalents	16	2 752	2 752
Loans to directors and shareholders	13	2 741	2 741
		10 609	**10 609**

Categories of financial liabilities

2023

	Note(s)	Fair value through profit or loss R'000	Amortised cost R'000	Leases R'000	Total R'000
Trade and other payables	25	-	14 043	-	14 043
Financial guarantees	26	-	9 800	-	9 800
Lease liabilities	21	-	-	8 964	8 964
Loans from directors and shareholders	13	-	4 315	-	4 315
Other financial liabilities	22	-	19 966	-	19 966
Bank overdraft	16	-	5	-	5
		-	**48 129**	**8 964**	**57 093**

2022

	Note(s)	Fair value through profit or loss R'000	Amortised cost R'000	Leases R'000	Total R'000
Trade and other payables	25	-	12 860	-	12 860
Financial guarantees	26	-	9 800	-	9 800
Lease liabilities	21	-	-	9 603	9 603
Loans from directors and shareholders	13		4 683	-	4 683
Other financial liabilities	22		14 880	-	14 880
Bank overdraft	16		9	-	9
		-	**42 232**	**9 603**	**51 835**

Categories of financial instruments

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Company
Categories of financial assets

2023	**Note(s)**	**Amortised cost R'000**	**Total R'000**
Loans to group companies	12	26 225	26 225
Trade and other receivables	15	3 655	3 655
Cash and cash equivalents	16	246	246
Loans to directors and shareholders	13	160	160
		30 286	**30 286**

2022	**Note(s)**	**Amortised cost R'000**	**Total R'000**
Loans to group companies	12	43 135	43 135
Trade and other receivables	15	3 636	3 636
Cash and cash equivalents	16	258	258
		47 029	**47 029**

Categories of financial liabilities

2023	**Note(s)**	**Fair value through profit or loss R'000**	**Amortised cost R'000**	**Leases R'000**	**Total R'000**
Trade and other payables	25	-	10 433	-	10 433
Loans from group companies	24	-	318	-	318
Lease liabilities	21	-	-	6 950	6 950
Financial guarantees	26	-	9 800	-	9 800
Loans from directors and shareholders	13	-	4 315	-	4 315
Other financial liabilities	22	-	19 964	-	19 964
Bank overdraft	16	-	4	-	4
		-	**44 834**	**6 950**	**51 784**

2022	**Note(s)**	**Fair value through profit or loss R'000**	**Amortised cost R'000**	**Leases R'000**	**Total R'000**
Trade and other payables	25	-	9 710	-	9 710
Loans from group companies	24	-	318	-	318
Lease liabilities	21	-	-	7 065	7 065
Financial guarantees	26	-	9 800	-	9 800
Loans from directors and shareholders	13	-	4 683	-	4 683
Other financial liabilities	22	-	14 878	-	14 878
Bank overdraft	16	-	4	-	4
		-	**39 393**	**7 065**	**46 458**

Capital risk management

The Group and Company’s capital structure consists of consists of cash and cash equivalents, 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

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structure, analyses interest rate exposure and re-evaluates treasury management strategies in the context of economic conditions and forecasts regularly. This could lead to an adjustment to the dividend yield and / or an issue or repurchase of shares.

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. This policy is consistent with that of the comparative period. The Group is not subject to any external capital requirements.

Financial risk management
The Group and Company is exposed to risks from 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 Group is currently exposed to credit risk, liquidity risk and market risk (which comprises cash flow interest rate risk, currency risk and price risk).

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 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.

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.

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Group

	Note(s)	R'000 Financial liabilities at amortised cost	R'000 Financial liabilities at amortised cost	R'000 Financial liabilities at fair value	R'000 Financial liabilities at fair value
At 31 May 2023		**Less than 1 year**	**Between 1 and 2 years**	**Over 5 years**	**Total**
Trade and other payables	25	14 043	-	-	14 043
Other financial liabilities	22	-	19 966	-	19 966
Loans from directors and shareholders	13	4 315	-	-	4 315
Lease liability	21	1 517	7 447	-	8 964
Financial guarantees	26	-	9 800	-	9 800
Bank overdraft	16	5	-	-	5
		19 880	37 213	-	57 093
At 31 May 2022		**Less than 1 year**	**Between 1 and 2 years**	**Over 5 years**	**Total**
Trade and other payables	25	12 860	-	-	12 860
Other financial liabilities	22	-	14 880	-	14 880
Loans from directors and shareholders	13	4 683	-	-	4 683
Lease liability	21	1 481	8 122	-	9 603
Financial guarantees	26	-	9 800	-	9 800
Bank overdraft	16	9	-	-	9
		19 033	32 802	-	51 835

Company

		R'000	R'000	R'000	R'000
At 31 May 2023		**Less than 1 year**	**Between 1 and 2 years**	**Over 5 years**	**Total**
Trade and other payables	25	10 433	-	-	10 433
Other financial liabilities	22	-	19 964	-	19 964
Loans from directors and shareholders	13	4 315	-	-	4 315
Financial guarantees	26	-	9 800	-	9 800
Bank overdraft	16	5	-	-	5
Loans from group companies	24	318	-	-	318
Lease liabilities	21	888	6 062	-	6 950
		15 959	35 826	-	51 785
At 31 May 2022		**Less than 1 year**	**Between 1 and 2 years**	**Over 5 years**	**Total**
Loan from group companies		-	-	-	-
Trade and other payables	25	9 710	-	-	9 710
Other financial liabilities	22	-	14 878	-	14 878
Loans from directors	13	4 681	-	-	4 681
Financial guarantees	26		9 800		9 800
Bank overdraft	16	4	-	-	4
Loan from group companies	24	318	-	-	318
Lease liabilities	21	956	6 109	-	7 065
		15 669	30 787	900	46 458

Credit risk

Credit risk arises from trade receivables, other financial assets, loans to group companies and cash and cash equivalents. The credit quality of customers and counterparties are 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

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into. In addition, the trade receivables 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 Group only deposits cash with major banks with high quality credit standing

The company has considered qualitative factors when considering whether or not there has been any significant increase in credit risk from loans to subsidiary companies:

- Adverse forecasts for subsidiary operating results
- Evidence of working capital deficiencies or liquidity problems in the subsidiary which could be as a result of cash management or financing decisions taken by the company (head office)
- Changes in the enterprise value of the underlying operations and indicators of a decline in values
- The Sasol contract in the Logistics business was the single major concentration of Risk as the revenue generated amounted to R28.4 million (2022: R15.7 million)

The maximum exposure of financial assets to credit risk equates to the carrying amounts as presented on the Statement of Financial Position.

GROUP	Note(s)	2023 R'000	2023 R'000	2023 R'000	2022 R'000	2022 R'000	2022 R'000
		Gross carrying amount	Credit loss allowance	Amortised Cost	Gross carrying amount	Credit loss allowance	Amortised Cost
Trade and other receivables	15	12 262	(7 413)	5 849	5 693	(577)	5 116
Loans to shareholders	13	2 998	-	2 998	2 741	-	2 741
Cash & cash equivalents	16	2 809	-	2 809	2 752	-	2 752
Total		18 069	(7 413)	10 656	10 609	(577)	10 032

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COMPANY	Note(s)	2023 R'000	2023 R'000	2023 R'000	2022 R'000	2022 R'000	2022 R'000
		Gross carrying amount	Credit loss allowance	Amortised Cost	Gross carrying amount	Credit loss allowance	Amortised Cost
Trade and other receivables	15	3 730	(74)	3 656	3 697	(61)	3 636
Loans to Group companies	13	48 891	(22 666)	26 225	43 605	(470)	43 135
Cash & cash equivalents	16	246	-	246	258	-	258
Total		52 867	(22 740)	30 127	47 560	(531)	47 029

Market risk
The Group's activities expose it primarily to the market risk that arises from the Group's use of interest bearing, and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

Foreign 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 below where the sensitivity analysis on the effect of currency fluctuations is 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.

Interest rate risk
Interest rates on lease liabilities and cash and cash equivalents are linked to prime rate. The prime rate as at year end was 11.75% (2022:8.25%).

The Group is exposed to cash flow interest rate risk. Excess funds are deposited with reputable financial institutions on a rate quotation basis. This ensures that the Group earns the most advantageous rates of interest available.

The Group has used a sensitivity analysis technique that measures the estimated change to the Statement of Comprehensive Income of an instantaneous increase or decrease in market interest rates on financial instruments from the applicable rate as at 31 May 2023, for each class of financial instrument with all other variables remaining constant. The calculations were done with reference to the outstanding financial liability and financial asset balances for the year. This represents no change from the prior period in the method and assumptions used. This analysis is for illustrative purposes only and represents management's best estimate.

At 31 May 2023, if interest rates on Rand-denominated borrowings had been 1% higher/lower with all other variables held constant, pre-tax profit for the year would have been R92 226 (2022: R27 430) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

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Interest rate profile

The interest rate profile of interest bearing financial instruments at the end of the reporting period was as follows

				Group		Company	
	Note(s)	2023 R'000	2022 R'000	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Assets		Average effective interest rate			Carrying amount		
Cash and cash equivalents	16	0.39%	0.39%	2 809	2 752	258	258
Liabilities							
Bank overdraft	16	9.00 %	9.00 %	(5)	(9)	(4)	(4)
Net variable rate financial instruments				2 804	2 743	254	254
		Average effective interest rate 2023	2022	2023	Carrying amount 2022	2023	2022
Liabilities							
Loans from directors and shareholders	13	12.00 %	12.00 %	(4 315)	(4 683)	(4 315)	(4 681)
Lease liabilities	21	11.00 %	11.00 %	(8 963)	(9 603)	(6 950)	(7 065)
Fixed rate financial instruments				(13 278)	(14 286)	(11 265)	(11 746)

Currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar. Foreign exchange risk arises from future commercial transactions, and financial instruments. The Group does not hedge foreign exchange fluctuations.

At 31 May 2023, if the currency had weakened/strengthened by 10% against the US dollar with all other variables held constant, pre-tax profit for the year would have been R83 900 (2022: R7 300) higher, mainly as a result of foreign exchange gains or losses on translation of USD/AUD/GBP denominated trade receivables, and trade payables

Foreign currency exposure at the end of the reporting period

	GROUP		COMPANY	
Figures in Rand	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Current assets				
Trade debtors	396	144	-	-
Liabilities				
Trade payables	443	(130)	-	-
Exchange rates used for conversion of foreign items were:				
USD	**19.72**	**15.47**		
AUD	**12.87**			
AUD	**24.44**			

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46. Going concern

The directors have considered the direct and indirect exposures resulting in financial accounting and reporting implications on Labat Africa Limited as part of their going concern assessment. 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 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.

This section has to be read in conjunction with the “Events After Reporting Date” (refer below) as this will provide further detail on aspects covered below.

Key Challenges Impacting the Going Concern Assessment

Suspension of Shares on the JSE
Labat Africa shares were suspended from trading on the JSE as of 23 October 2023 due to the non-compliance with JSE listing requirements. This suspension has impacted liquidity, as the Group cannot raise capital through share trading during the suspension period.

Outstanding SARS Liabilities
The Group’s current liabilities include R47,4 million (2022: R37,8 million) in outstanding PAYE liabilities owed to SARS. These are offset by an old VAT claim of R56,0 million (2022: R54,8 million) due from SARS which is currently under dispute as outlined above.

Liquidity Constraints
Operational cash flow challenges have arisen due to delays in the resolution of tax disputes; restricted access to capital markets; settlement of legacy issues regarding the Company and expansion of the retail foot print of the healthcare businesses.

Mitigating Factors Supporting the Going Concern Assessment

Resolution of JSE Suspension
Labat has appointed external auditors and is finalizing the audits for 2023 and 2024 financial years. Upon submission of audited financial statements, compliance with JSE requirements will be restored, and the suspension of trading is expected to be lifted.
Healthcare Division Performance
The Cannafrica retail store network grew to 46 stores as at 31 May 2023, reflecting significant expansion and increased liquidity contributions. Future projections of the retail store network at each year end is indicated below:

- 2025: 121 stores
- 2026: 157 stores
- 2027: 193 stores

Share Issuances and Capital Raising
Under the general authority granted at the AGM, shares have been issued to settle trade liabilities. Additionally, the Company plans a rights issue post-suspension targeting up to R80.3 million to strengthen its capital structure and support healthcare expansion.

Tax Risk Mitigation
Tax law experts have been engaged to resolve SARS-related disputes, aiming to minimize balance sheet impacts and preserve liquidity.
Directors’ Loans and Support Agreements
Directors have agreed to subordinate their loans in favour of other creditors.

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FOR THE YEAR ENDED 31 MAY 2023

Acquisition of Classic International Trading Pty Ltd

The acquisition of a 75.55% interest in Classic International Trading Pty Ltd includes an agreement for Classic to underwrite Labat's liabilities at effective date of acquisition.
Additionally, Classic's International Trading Pty Ltd financial performance supports the Group going forward by its projected profit before interest and taxation (2025-2027) of approximately R70 million per year enhancing Group's cash flows; EPS and balance sheet.

The Board is of the opinion that the going concern principle is appropriate for the following reasons:

- 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 confident the Company will be a going concern having considered the above-mentioned factors;
- having regard to the current status and the future strategy and prospects 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 businesses as they become established and start generating revenue.

47. Events after the reporting period

For the purposes of this report the subsequent events reporting period is defined as from 31 May 2023 till date of authorisation of the consolidated and separate financial statements by the board of directors. The below non-adjusting events took place between year end and dated of authorisation of the consolidated and separate financial statements by the board of directors.

47.1 Cann Africa Retail Wellness Stores

Exiting operating stores at 31 May 2023	= 13
Additional stores opened to 31 May 2024	= 33
Additional stores opened to 30 October 2024	= 52
Total operating stores at 31 October 2024	= 85

47.2 Suspension of Listing

The JSE took drastic measures against the Company on 23 October 2023 by suspending the Labat Africa shares from trading on the JSE, a first for Labat's long and illustrious listing on the JSE.

The suspension was a result of the Company failure to comply with the JSE Listings Requirements by not publishing its condensed financial statements or annual/ summary financial statements for the year-ending 31 May 2023 within the prescribed period as stipulated in the JSE Listings Requirements.

Accordingly, the listing of the company's securities was suspended with immediate effect and remains suspended at the date of this report pending the submission of the required information described above.

47.3 Appointment of External Auditors

Nolands Incorporated was appointed as the external auditors of the Company on 1 June 2023 and their services was terminated on 8 January 2024 by the Audit and Risk Committee.

KXX was appointed as the external auditors of the Company on 23 October 2024.

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FOR THE YEAR ENDED 31 MAY 2023

47.4 Resignation of Director

Mr GRI Walters resigned as a director of the Company on 31 May 2024.

47.5 Litigation

The Company successfully settled the following litigation matters during the subsequent events period:

- SABT&T Nexia Inc
- Ledirang Logistics
- TGR Attorneys
- Double Ring Trading

47.6 Share subscription

During the subsequent events period the Company successfully engaged in negotiations with various stakeholders including service providers, suppliers, creditors, and holders of manager and director loan accounts, to issue shares in lieu of fulfilling the company's commitments and obligations. This strategic approach leverages the company's right to issue shares either for cash or as a means to settle outstanding debts, aligning with its goal of preserving liquidity while honouring its financial responsibilities. The issuance of these shares, which will result in an increase from 669m to 889m shares which is subject to securing the approval of the Labat Board of Directors, ensuring adherence to governance protocols and shareholder interests.

47.7 Acquisition of Classic International Trading Pty Ltd

In terms of Asset for Shares Agreement dated 19 November 2024, Labat Africa will acquire 75.55% interest in Classic from the current Shareholder of Classic for a consideration of R16.275 million to be settled through the issue of 232.5 million ordinary Labat Africa shares at an issue price of R0.07 per share which is on par with the pre suspension share price of 0.07 cents per share. As part of the acquisition Classic undertakes to underwrite the actual and contingent liabilities of Labat on effective date. This agreement is subject to certain suspensive conditions.

47.8 Change of Sponsor of Labat Africa Limited

The Company appointed Vunani Sponsors as its corporate sponsors on 15 November 2024.

47.9 Appointment of Company Secretary

The company appointed Alred van Rooyen as its company secretary on 21 November 2024.

47.10 Operational Status of SAMES

SAMES has undergone a strategic shift in focus during the year aligning its operations with the company's vertically integrated cannabis healthcare value chain. This repositioning strengthens Labat's ability to innovate and streamline its core activities thereby ensuring a sustainable competitive advantage.

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Previously focused on broader electronic systems, SAMES is now dedicated to developing and managing technologies that directly enhance Labat's value chain activities. By leveraging its existing expertise and infrastructure, SAMES has become a hub for intellectual property; research capabilities and compliance technologies that support Labat's integrated operations. To further strengthen SAMES, Labat has prioritised identifying and injecting high-value technology assets into the division. This strategic initiative aims to enhance SAMES' capacity to deliver cutting-edge solutions that align with Labat's core operations. SAMES has discontinued with the old technology processes and has moved all its intellectual assets to the headquarters in Weltevreden Park.

47.11 Acquisition of CannAfrica

Subsequent to year end, Labat acquired the remaining 30% of CannAfrica Proprietary Limited from Mr Herschel Maasdorp for a consideration of R6 428 571 to be settled through the issue of 29 924 251 ordinary Labat Africa shares at an issue price of R0.12 per share and the balance in cash of R2 837 660, which will be offset against a loan account owed by Mr Maasdorp to CannAfrica. The effective date of the acquisition is 1 June 2023.

48. Reportable irregularity

Non-compliance with the Income Tax Act

During the audit of the financial statements for the year ended 31 May 2023, the External Auditors identified non-compliances with Paragraph 2 and 2(1) of the Fourth Schedule of the Income Tax Act due to non-declaration and non-payment of PAYE to SARS.

These instances of non-compliance constitute Reportable Irregularities as defined in the Auditing Profession Act, 2005 (Act No. 26 of 2005). Accordingly, the company's External Auditors reported the matter to the Independent Regulatory Board for Auditors (IRBA) in terms of Sections 44(2) and 44(3) of the Auditing Profession Act.

The Board of Directors has committed to addressing these issues and implementing corrective measures to ensure future compliance with the Income Tax Act.

49. Segment reporting

IFRS 8 requires an entity to report financial and descriptive information about its reportable segments, which are operating segments or aggregations of operating segments that meet specific criteria. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the Chief Operating Decision Maker. The Chief Executive Officer is the Chief Operating Decision Maker of the Group.

Our geographical locations of operations are restricted to a single area, South Africa.

One customer makes up more than 10% of the Group's Revenue. This is in the logistics business of the group.

The Company has four segments as follows:
- Technology which manufactures and distributes integrated circuits South African Micro - Electronic Systems;
- Logistics which transports coals and minerals for some of the major mines of South Africa;
- Head office operations which provide management services, logistics and seeks further investment opportunities for the Group; and
- Healthcare which focusses on medical cannabis industry in South Africa.

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

Reconciliation of Segment Reporting Group 2023

FOR THE YEAR ENDED 31 MAY 2023

31 May 2023 Statement of Profit or loss	Technology	Bulk Logistics	Healthcare	Operational Total	Head Office	Inter-Segment Eliminations	Total
External revenue	5 799	28 396	15 339	49 534	-	-	49 534
Management Fees	-	-	-	-	7 363	(7 363)	-
Total Revenue	**5 799**	**28 396**	**15 339**	**49 534**	**7 363**	**(7 363)**	**49 534**
Cost of revenues	(2 246)	(24 068)	(1 999)	(28 313)	-	-	(28 313)
Gross Profit	**3 553**	**4 328**	**13 339**	**21 221**	**7 363**	**(7 363)**	**21 221**
Other income & fair value adjustments	443	-	10 509	10 952	163	-	11 115
Impairment	-	-	-	-	(22 196)	(33 238)	(55 434)
Operating expenses	(4 196)	-	(18 512)	(22 708)	(29 699)	7 345	(45 063)
Before disclosable items	**(200)**	**4 328**	**5 336**	**9 464**	**(44 369)**	**(33 256)**	**(68 161)**
Amortisation & depreciation	(813)	(1 408)	(171)	(2 392)	(85)	(19 866)	(22 343)
Recurring operating profit/(loss)	**(1 013)**	**2 920**	**5 165**	**7 072**	**(44 454)**	**(53 122)**	**(90 504)**
Finance income	28	-	-	29	-	-	29
Finance cost	(231)	-	(7)	(238)	(1 532)	-	(1 770)
Profit/(loss) before taxation	**(1 216)**	**2 920**	**5 158**	**6 862**	**(45 986)**	**(53 122)**	**(92 245)**
Taxation	(11 014)	-	(1 513)	(12 527)	-	18 038	5 511
Profit/(loss) for the period	**(12 230)**	**2 920**	**3 645**	**(5 665)**	**(45 986)**	**(35 084)**	**(86 735)**
Segment Assets	58 942	3 743	34 507	97 192	135 042	(99 299)	132 935
Segment Liabilities	57 295	26 127	50 858	129 418	62 394	73 528	123 146

Reconciliation of Segment Reporting Group 2023

FOR THE YEAR ENDED 31 MAY 2023

31 May 2022 Statement of Profit or loss	Technology	Bulk Logistics	Healthcare	Operational Total	Head Office	Inter-Segment Eliminations	Total
External revenue	4 410	15 685	3 054	23 149	-	(105)	23 043
Management Fees	-	-	-	-	5 956	(5 956)	-
Total Revenue	4 410	15 685	3 054	23 149	5 956	(6 061)	23 043
Cost of revenues	1 821	11 770	1084	14 674	-	(105)	14 569
Gross Profit	2 590	3 914	1 970	8 474	5 956	(5 956)	8 474
Other income	98	-	399	497	964	(964)	497
Impairment	-	-	-	-	-	(1 730)	(1 730)
Operating expenses	(3 960)	-	(12 261)	(16 221)	(21 330)	7 925	(29 625)
Before disclosable items	(1 273)	3 914	(9 891)	(7 250)	(14 410)	(725)	(22 384)
Amortisation & depreciation	(561)	(1 181)	(75)	(1 817)	(47)	(14 204)	(16 068)
Recurring operating profit/(loss)	(1 834)	2 733	(9 966)	(9 067)	(14 457)	(14 928)	(38 453)
Finance income	20	-	-	20	-	-	20
Finance cost	(206)	(276)	-	(482)	(682)	-	(1 163)
Profit/(loss) before taxation	(2 020)	2 458	(9 966)	(9 528)	(15 139)	(14 928)	(39 597)
Taxation	(4 363)	-	2 722	(1 642)	-	4 267	2 625
Profit/(loss) for the period	(6 383)	2 458	(7 244)	(11 170)	(15 139)	6 294	(36 971)
Segment Assets	87 137	2 783	22 617	112 537	153 862	(58 778)	207 622
Segment Liabilities	57 295	33 278	43 492	134 065	38 111	(51 007)	121 169

50. ANALYSIS OF SHAREHOLDERS

Labat Africa's shareholder spread for the year ended 31 May 2023 is set out below:

Category	No. of Shareholders	No. of Shares	% Holding
Companies and Other Institutions	128	245 338 202	38,39%
Close Corporations	11	388 486	0,06%
Trusts	36	15 606 249	2,44%
Individuals	16 992	377 768 581	59,11%
Total	**17 167**	**639 101 518**	**100,00%**

Size of Shareholding	No. of Shareholders	No. of Shares	% Holding
1 - 10 000	15 270	17 374 829	2,72%
10 001 - 25 000	812	12 870 028	2,01%
25 001 - 100 000	677	34 810 086	5,45%
100 001 - 500 000	283	66 968 818	10,48%
500 001 and over	125	507 077 757	79,34%
Total	**17 167**	**639 101 518**	**100,00%**

Shareholders holding more than 5% of the issued share capital

Shareholder	No. of Shares	% Holding
All Trading Private Equity (Pty) Ltd *(*)*	86 866 303	13,59%
Stanton van Rooyen (as nominee)	72 500 000	11,34%
Alpvest Equities (Pty) Ltd	54 010 785	8,45%
Mr Nassar Gutta	42 388 500	6,63%
Total	**255 765 588**	**40,02%**

(*) – includes the amount of 16 788 973 shares which are the loan shares that have since been replaced with new issues of shares applied for through the JSE and issued in August 2023.

Public vs. Non-Public	No. of Shares	% Holding
Shareholders holdings more than 10% of total issued capital		
All Trading Private Equity (Pty) Ltd	86 866 303	13,59%
Stanton van Rooyen (as nominee)	72 500 000	11,34%
Directors and Associates	875 000	0,14%
Public	478 860 215	74,93%
Total	**639 101 518**	**100,00%**

ADMINISTRATION

DIRECTORS
RM Majiedt (Independent Non-Executive Chairperson)
BG van Rooyen (Chief Executive Officer),
DJ O'Neill (Executive Director
SE van Rooyen (Executive Director)
BA Penny (Independent Non-Executive Director)
R Mohamed (Independent Non-Executive Director)

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