



# INTEGRATED ANNUAL REPORT

**MAY 2025**

# Table of Contents

	Page
<b>Group Structure</b>	<b>2</b>
<b>Financial Highlights</b>	<b>3</b>
<b>Chief Executive's Report and Review of Operations</b>	<b>4</b>
<b>Analysis of Shareholders</b>	<b>10</b>
 <b>Integrated Corporate Governance and Sustainability Report</b>	 <b>11</b>
Corporate Governance and Sustainability Report	11
Employment Equity Report	20
Application of King IV Principles	21
Remuneration Report	30
Report of The Social and Ethics Committee	34
Report of The Audit and Risk Committee	37
Company Secretary's Report	41
General Information	42
 <b>Annual Financial Statements</b>	 <b>43</b>
Directors' Responsibilities and Approval	44
Independent Auditors' Report	45
Report of the Directors	49
CEO and FD Responsibility Statement on Internal Financial Controls	60
Statement of Financial Position	61
Statement of Profit or Loss and Other Comprehensive Income	63
Statement of Changes in Equity	64
Statement of Cash Flows	66
Accounting Policies	67
Notes to the Consolidated and Separate Annual Financial Statements	88

# Group Structure



# Financial Highlights

Group summary	2025 May R'000	2024 May R'000
<b>Key elements</b>		
<b>Continuing operations</b>		
Revenue	199,400	48,536
Gross profit	117,538	29,839
Earnings/(loss) before interest, taxation, depreciation and amortisation (EBITDA)	134,953	(17,795)
Headline (loss) / earnings	60,070	(25,642)
Total comprehensive (loss) / income	131,492	(26,404)
<b>Share performance</b>		
<b>Continuing operations</b>		
Headline earnings per share (cents)	5.40	(3.95)
Net asset value per share (cents)	22.23	(2.99)
Total number of shares in issue (000)	1 129 565	669,025
<b>Market price (cents per share)</b>		
- opening (1 June)	7,0	8,0
- high	7,0	9,0
- low	7,0	6,0
- closing – end of period	7,0	6,0
Closing market capitalisation (R'000)	79,266	38,346
Volume of shares traded (000)	14,560	25,961
Total value of transactions (R'000)	1,786	1,988
<b>Employee information</b>		
Total number of employees	43	43
Previously disadvantaged employees	28	28

# CHIEF EXECUTIVE OFFICER'S REPORT AND REVIEW OF OPERATIONS

FOR THE YEAR ENDED 31 MAY 2025

## Introduction: A Year of Strategic Realignment and Repositioning

The 2025 financial year represents a decisive turning point in the evolution of Labat Africa Limited. It was a year defined by strategic clarity, disciplined execution, and deliberate repositioning as the Group transitioned from its historic cannabis healthcare focus into a streamlined, technology-led investment platform. This shift was guided by our commitment to deliver sustainable long-term value, enhance earnings quality, and position the Group within high-growth, capital-efficient sectors aligned to global and African market trends.

Through decisive action, the Board prioritised core capabilities, strengthened financial governance, addressed historical regulatory matters, and initiated the disposal of non-core healthcare assets that no longer aligned with our capital allocation framework or investor risk-return expectations. We enter FY2026 as a more focused, de-risked Group with a clear technology-driven value proposition, strong operational platforms, and increasing investor relevance in both domestic and international capital markets.

## 1.Strategic Review

### Strategic Pivot: Reinventing Labat as a Technology-Led Group

During FY2025, the Board approved a strategic realignment that repositions Labat Africa as a technology-driven investment holding company. This move reflects broader market dynamics, including accelerated digital adoption across Africa, increasing demand for data-enabled logistics, embedded systems, AI applications, and IP-based value chains.

Following the integration of key technology assets—South African Micro-Electronic Systems (SAMES), Classic (technology-driven logistics and distribution), and Ahmamu (digital intelligence and platform-based solutions)—the Group now derives the majority of its continuing revenue pathways from these operations. These businesses are well-positioned to leverage recurring revenue models, export opportunities, and high-margin IP-based expansion strategies. Labat Africa's vision is to be the leading fully integrated

#### • Market Context

The African and global market environments are undergoing accelerated digital transformation, with increasing demand for high-performance embedded electronics, smart logistics systems, artificial intelligence (AI)-enabled platforms, and data-driven business solutions. Technology is increasingly recognised as one of the most resilient, scalable, and margin-enhancing sectors across emerging markets due to its ability to generate recurring revenue, leverage intellectual property (IP) assets, and expand across borders without heavy regulatory constraints. In contrast, the cannabis sector, while initially presenting perceived growth potential, has been hindered by slow regulatory progress in South Africa, inconsistent global legislation, heightened compliance burdens, limited export certainty, and shifting investor sentiment away from high-risk, capital-intensive healthcare models with prolonged break-even timelines.

Technology-focused sectors, such as micro-electronics, digital logistics, and AI-driven enterprise solutions, offer more predictable market adoption cycles, greater scalability, and lower regulatory volatility. These sectors benefit from continent-wide trends including rapid urbanisation, e-commerce expansion, smart infrastructure rollout, and increasing public and private sector investment in digitisation. Demand for electronic systems and smart logistics efficiencies continues to expand, supported by industry 4.0 transitions and automation priorities across key African industries.

Investors in global and African capital markets have increasingly favoured businesses with clear IP ownership, platform-based business models, asset-light scalability, and exposure to digital infrastructure demand. By repositioning Labat Africa as a technology-led group, the Board is aligning the company with stronger, future-proof growth cycles that offer greater earnings predictability, higher operating margins, improved capital returns, and



# CHIEF EXECUTIVE OFFICER'S REPORT AND REVIEW OF OPERATIONS

FOR THE YEAR ENDED 31 MAY 2025

enhanced institutional investor appeal. This strategic alignment directly supports the Group's long-term vision of becoming a competitive, scalable technology platform with both domestic relevance and export potential.

## • Strategic Initiatives

To align with our vision and capitalise on market opportunities, Labat Africa has implemented several strategic initiatives: Technology Platform Development: Building Scale and Margin Expansion

Labat Africa's transformed portfolio is now anchored by high-growth, technology-driven assets: SAMES (Micro-electronics & IP) Proprietary technology and embedded systems design Expanding into export markets and IoT-based applications

Classic (Tech-enabled logistics) Stable, recurring income through technology-driven distribution Optimisation of route analytics and fleet data systems

Ahmamu (Digital & AI business solutions) Platform-based digital enablement and smart data technologies Scaling B2B and consumer-driven digital tools

Pipeline Acquisitions Focused on scalable, IP-rich technology assets Ongoing evaluation of synergistic targets. By FY2026, the Group expects >80% of continuing revenue contribution from these technology platforms, with improved cost-to-income ratios and expanding operating leverage.

## 2. Performance Overview

Labat Africa's operational performance for FY25, highlights the success of our integrated approach to the cannabis healthcare value chain. By focusing on key business areas, we have achieved significant milestones in this regard which contribute to a resilient and scalable business model.

The 2025 financial year marked a period of strong operational execution within Labat Africa's technology portfolio, demonstrating the success of the Group's strategic pivot away from healthcare and toward scalable, margin-accretive technology platforms. The performance of the technology division was underpinned by new contract wins, improved production efficiencies, growing recurring revenue streams, and strengthened market positioning across South African and emerging African markets.

### 1. Strong Entry into High-Value Technology Contracts

The Group successfully secured several key contracts across its technology subsidiaries, particularly within logistics optimisation, data-enablement, and embedded electronics. These agreements were strategically selected for their sustainable annuity income potential and favourable pricing structures, with a focus on high-margin services, embedded systems supply, and platform-based digital solutions. Contract structures were negotiated to ensure improved gross margin retention and scalability, aligning with the Group's focus on intellectual property-driven earnings.

### 2. SAMES: Micro-Electronics Advancements and IP Expansion

SAMES continued to progress its role as the Group's core Technology hub, delivering housing the acquired technology assets.

### 3. Classic: Logistics Technology Drives Recurring Revenue

Classic delivered steady operational performance driven by technology-enabled logistics contracts and improved route optimisation algorithms. The business continues to benefit from its ability to integrate digital tracking, fleet analytics, and last-mile delivery optimisation, supporting stronger EBITDA contributions. Revenue stability from contracted logistics volumes provided operational resilience and supported Group cash flows.



# CHIEF EXECUTIVE OFFICER'S REPORT AND REVIEW OF OPERATIONS

FOR THE YEAR ENDED 31 MAY 2025

## 4. Ahmamu: Digital and Intelligent Systems Expansion

Ahmamu's focus on digital enablement, platform-driven business tools, and AI-assisted process enhancement resulted in new customer acquisitions and positive pipeline momentum. The division began scaling its service-offering model, moving from once-off project-based work to recurring SaaS-style contracts with higher lifetime value potential. Cross-vertical integration across Classic and SAMES has improved platform uptake and customer retention.

## 5. Operating Efficiency Gains and Margin Improvements

Through disciplined cost management, better integration between business units, and emphasis on high-return digital offerings, the technology division achieved higher operational margins compared to the prior reporting period. The Group's ongoing shift toward IP-led solutions reduced variable cost exposure, improved pricing leverage, and increased earnings predictability.

## 6. Platform for Scalable Future Growth

The strong operational delivery in FY2025 confirms the Group's ability to compete in high-growth technology segments. With confirmed contract flows, export potential in embedded electronics, digital platform scaling opportunities, and logistics tech expansion, Labat Africa's technology business is well-positioned to serve broader regional digital transformation needs.

## 3. Financial Performance

The financial year ended May 31, 2025, marked a significant milestone in Labat Africa's journey toward financial sustainability and profitability. Despite industry challenges and the suspension of our shares on the Johannesburg Stock Exchange (JSE), the company demonstrated resilience and focus, delivering strong results driven by disciplined execution and strategic investments.

The Group delivered a steady financial performance during FY2025, underpinned by the increasing contribution of its technology assets and supported by disciplined cost controls during the strategic transition period. The disposal of the healthcare division is expected to unlock further value and improve earnings quality in subsequent financial periods.

### Key performance themes include:

Group revenue closed at approximately R198 million, reflecting resilience during restructuring and demonstrating the growth momentum of continuing operations within the technology cluster.

Reported Earnings Per Share (EPS) was impacted by once-off restructuring costs and accounting adjustments associated with discontinued healthcare operations. However, continuing operations showed improved earnings traction. When adjusted for exceptional and non-recurring items relating to disposals and impairments, HEPS reflects a significant improvement in underlying operating performance, particularly from the technology division.

The Group recorded enhanced gross margins due to improved operational efficiency in logistics technology and embedded systems, with EBITDA performance from the technology portfolio exceeding the prior period. Cash flow management improved through tighter working capital controls, while liquidity was further strengthened through secured guarantees and reduced capital exposure related to healthcare operations. Group liabilities remain fully underwritten by Classic, while additional banking guarantees have provided stronger financial headroom to support future growth initiatives. Looking ahead, profitability is expected to strengthen further following the completion of the healthcare disposal and the scaling of high-margin, IP-rich technology platforms.

Revenue ±R198 million Stable year; tech portfolio showed growth momentum

EPS (Improved trend expected post-disposal) Impacted by one-off restructuring and discontinued ops HEPS; Improved vs prior period Adjusted for healthcare impairments and once-off items; EBITDA Stronger contribution from



# CHIEF EXECUTIVE OFFICER'S REPORT AND REVIEW OF OPERATIONS

FOR THE YEAR ENDED 31 MAY 2025

tech operations Margin uplift driven by operational discipline. Healthcare revenue share was 8.6% (R17m of R198m) Non-core; disposal to improve earnings quality. Technology contribution Majority of continuing revenue Expected to exceed 80% by FY2026. Liabilities status Fully underwritten by Classic Strengthens going concern and investor confidence. Funding certainty International bank guarantee secured Supports working capital and expansion. Outlook Positive profitability trajectory Driven by scalable, IP-based growth in technology sector

## 4. Corporate Governance and Compliance

The Group remains committed to the highest standards of corporate governance, ethical leadership, accountability, and transparency in accordance with the King IV Report on Corporate Governance, the Companies Act No. 71 of 2008, and the JSE Listings Requirements. During FY2025, significant progress was made in strengthening the Group's governance framework, improving assurance mechanisms, enhancing board oversight, and restoring regulatory compliance confidence following the Group's strategic transformation.

### Oversight and Ethical Leadership

The Board exercised active and responsible stewardship throughout the year, guiding the Group through its transition to a technology-led operating model. Strengthening Compliance and Regulatory Alignment. Labat Africa improved its compliance posture through enhanced reporting structures, improved audit committee monitoring, and regular regulatory engagement. The appointment of a consortium of three independently IRBA-registered audit firms provided enhanced technical audit depth, supported adherence to IFRS standards, and ensured compliance with the JSE Listings Requirements. Engagement with the JSE continued in a transparent and cooperative manner.

### Risk Governance and Assurance

The Audit and Risk Committee provided robust oversight of material risks, including regulatory exposure, litigation, operational concentration, and transition-scale execution risk. A strengthened risk register and updated governance framework enabled improved early warning capabilities and internal control responsiveness. Key audit and legal assurance processes were reviewed to reinforce the Group's going concern confidence. The Group prioritised open communication with shareholders and stakeholders, ensuring transparency during its strategic pivot.

### Governance for the Future

As part of future compliance evolution, the Board is currently reviewing ESG-linked governance performance indicators, succession planning frameworks, remuneration alignment with long-term value creation, and digital risk governance protocols. The Group is committed to maturing towards best-in-class governance practices that support sustainable growth, market confidence, and global investor appeal. We remain committed to maintaining the highest standards of corporate governance and compliance, recognising the importance of transparency, ethical practices, and robust risk management in achieving long-term success. Over the past financial year, we have taken significant steps to strengthen governance across the organisation, ensuring alignment with regulatory requirements and industry best practices.

### Appointment of New Auditors

The appointment of a consortium of women-led, IRBA-accredited audit firms reflects Labat Africa's deep commitment to transformation, gender equity, and inclusive leadership within the professional services environment. This strategic decision not only strengthened our audit governance capacity and compliance with the JSE Listings Requirements but also aligned with our broader responsibility to support black female leadership in highly specialised and historically underrepresented sectors such as auditing and financial assurance. By partnering with female-led firms of recognised professional standing, Labat Africa reinforces its belief that sustainable corporate growth must be anchored in diversity, empowerment, ethical leadership, and meaningful participation of women in positions of authority across our value chain.



# CHIEF EXECUTIVE OFFICER'S REPORT AND REVIEW OF OPERATIONS

FOR THE YEAR ENDED 31 MAY 2025

## Legal and Regulatory Matters

### Litigation Summary

During the financial year, the Group continued to manage a number of historical litigation matters, most of which relate to legacy transactions and guarantees provided in prior operating periods. The most material dispute currently under consideration involves a contested suretyship provided in connection with a former subsidiary, which is subject to legal proceedings and remains under judicial review. Additionally, there are ongoing proceedings relating to historic commercial claims and supplier disputes, which are being actively defended with legal counsel. The Board, supported by independent legal advisors, is confident that these matters are being appropriately managed and, where necessary, provisions have been considered in line with IFRS requirements. A comprehensive analysis of all ongoing legal proceedings, including case status, potential financial exposure, and mitigation strategies, is set out in the Directors' Report and the notes to the Annual Financial Statements on pg 49.

## 5. Challenges and Risks

While 2025 marked a successful strategic transition, the Group continues to operate within an environment characterised by several material risks and challenges. The disposal of healthcare assets requires careful execution to avoid value leakage, and the completion timeline is subject to regulatory approvals and transaction counterparties. Although the shift to a technology-led model enhances long-term earnings potential, it also exposes the Group to competitive pressures in fast-evolving digital and electronics markets, requiring continued investment in innovation and talent. Additionally, customer adoption cycles in newer tech platforms may affect short-term revenue scaling. The Group has implemented a robust risk mitigation framework focused on financial oversight, governance strengthening, acquisition discipline, and operational resilience to ensure sustainable execution of its strategic intent.

Operational risks are inherent in a rapidly expanding business, particularly as Labat scales its vertically integrated value chain. By implementing a robust risk management framework and taking proactive measures to address these challenges, Labat Africa is not only mitigating risks but positioning itself for sustainable growth and leadership in the cannabis healthcare sector. These efforts reflect our unwavering commitment to delivering long-term value for all stakeholders.

## 6. Sustainability and ESG Performance

Labat Africa remains committed to embedding sustainability and Environmental, Social, and Governance (ESG) principles into its operating model as the Group transitions into a technology-led enterprise. During FY2025, we enhanced our governance structures through the appointment of a diversified, IRBA-registered audit consortium, improved board oversight, and continued alignment with King IV principles. As our portfolio shifts toward digital technology, logistics efficiency, and micro-electronics, we are actively prioritising energy-efficient operations, resource optimisation, and responsible supply chain practices to reduce environmental impact. Socially, the Group remains committed to job creation, youth skills development in high-demand technology fields, and inclusive digital participation, particularly within underserved communities. Employee wellness, fair labour practices, and transformation remain core focus areas aligned with national development objectives. We continue to strengthen ESG monitoring frameworks to improve transparency, enhance stakeholder trust, and position Labat Africa as a responsible, future-fit African technology company. In FY2026, we intend to advance our ESG reporting maturity, introduce measurable sustainability metrics, and further integrate ESG considerations into strategic decision-making and investment evaluation processes.

## Conclusion

The financial year ended May 31, 2025, has been one of resilience, growth, and transformation for Labat Africa. While we faced significant challenges,



# CHIEF EXECUTIVE OFFICER'S REPORT AND REVIEW OF OPERATIONS

FOR THE YEAR ENDED 31 MAY 2025

I extend my gratitude to our Board for their guidance, our executive and operational teams for their resilience, and our shareholders, partners, and customers for their continued confidence during this period of transformation.

This has been a year of transition, but more importantly, one of renewal. Labat Africa is now positioned not just to compete — but to lead in the technology. Despite these obstacles, Labat Africa demonstrated remarkable resilience and adaptability. During this challenging period, we expanded our operations, achieving significant milestones across our fully integrated. Looking ahead, the future of Labat Africa is bright. We are committed to leveraging our integrated value chain, expanding our retail footprint, advancing innovative research, and driving sustainability and ESG excellence. By continuing to address challenges proactively and staying true to our mission, we are confident in our ability to create lasting value for our shareholders and deliver meaningful impact to all our stakeholders.

Thank you for your trust and support as we navigate this exciting chapter in Labat Africa's journey. Together, we will continue to build a business that transforms lives, uplifts communities, and leads the cannabis healthcare industry into a promising future.



**IO NOORMOHAMED**  
**CHIEF EXECUTIVE OFFICER**  
**3 NOVEMBER 2025**



# ANALYSIS OF SHAREHOLDERS

FOR THE YEAR ENDED 31 MAY 2025

## ANALYSIS OF SHAREHOLDERS

Labat Africa's shareholder spread for the year ended 31 May 2025 is set out below:

**ISSUED CAPITAL** **1 132 375 595**

SHAREHOLDERS ANALYSIS AND INFORMATION	No. of Holders	No. of Shares	% Holding
COMPANIES	132	330 067 801	29,15%
CLOSE CORPORATIONS	11	424 486	0,04%
TRUSTS	34	21 911 737	1,94%
INDIVIDUALS	16 982	779 971 571	68,88%
<b>TOTAL</b>	<b>17 159</b>	<b>1 132 375 595</b>	<b>100,00%</b>

SIZE OF SHAREHOLDING	No. of Holders	No. of Shares	% Holding
1 - 10 000	15 301	16 373 616	1,45%
10 001 - 25 000	758	11 898 735	1,05%
25 001 - 100 000	658	34 445 780	3,04%
100 001 - 500 000	296	72 298 045	6,38%
500 001 AND OVER	146	997 359 419	88,08%
<b>TOTAL</b>	<b>17 159</b>	<b>1 132 375 595</b>	<b>100,00%</b>

## CATEGORIES OF SHAREHOLDERS

SHAREHOLDER TYPE	No. of Holders	No. of Shares	% Holding
PUBLIC	17 154	705 587 312	62,31%
<i>NON-PUBLIC</i>			
- SHAREHOLDERS HOLDING MORE THAN 10%			
MR CHRISTOPHER MARK GOVENDER	1	200 000 000	17,66%
MR ABDUL KADER MOOSA MAHOMED	1	116 069 654	10,25%
- DIRECTORS	2	80 694 378	7,13%
- ASSOCIATES	1	30 024 251	2,65%
<b>TOTAL</b>	<b>17 159</b>	<b>1 132 375 595</b>	<b>100,00%</b>

## SHAREHOLDERS OF MORE THAN 5% OF TOTAL ISSUED SHARE CAPITAL

SHAREHOLDER	No. of Shares	% Holding
MR CHRISTOPHER MARK GOVENDER	200 000 000	17,66%
MR ABDUL KADER MOOSA MAHOMED	116 069 654	10,25%
ALL TRADING (PTY) LTD	91 264 214	8,06%
MR STANTON VAN ROOYEN	72 500 000	6,40%
RANIA JEWELLERS	65 000 000	5,74%
<b>TOTAL</b>	<b>544 833 868</b>	<b>48,11%</b>



# INTEGRATED CORPORATE GOVERNANCE AND SUSTAINABILITY REPORT

FOR THE YEAR ENDED 31 MAY 2025

## 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 phased 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 had previously been held on an annual basis 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. However, the Company experienced an unusual year with executive directors distracted by events around the audit, suspension and regulatory challenges in the cannabis segment (which are being successfully defended), which are now being resolved. However, a strategy session was not held.

A strategy session will be held during the first half of the 2025 financial year, where the Company's strategic direction and growth strategy will be discussed at length, as well as looking at diversification.

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 constantly 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. An internal audit function will be reconsidered during the 2025 financial year once the two audits and interim reporting requirements have been addressed.

During the year 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 2025

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 moved to Draftworx to enhance its reporting at both year end and internally, which was implemented for the year ended 31 May 2025. 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 and management 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 at the date of approval of the Integrated Annual Report is set out below:

## Executive

IN Mohamed (Chief Executive Officer)  
DJ O'Neill (Financial Director)  
BG van Rooyen (Executive Director)  
SE van Rooyen (Executive Director)  
H Maasdorp (Executive Director)

## Independent Non-Executive

N Bordirwa (Independent Non-Executive Chairperson)  
R Mohamed (Independent Non-Executive Director)  
J Kabila (Independent Non-Executive Director)  
F Paruk (Independent Non-Executive Director)

## Board Changes Summary – 2025

- **Resignations:**
  - BG van Rooyen resigned as Chief Executive Officer on 23 January 2025.
  - BA Penny resigned as a director of Labat on 8 January 2025.
  - R Madjiet retired as Independent Non-Executive Chairperson on 27 March 2025.
- **Appointments:**
  - IN Mohamed was appointed as the new Chief Executive Officer on 23 January 2025.
  - H Maasdorp was appointed as an Executive Director on 23 January 2025.
  - F Paruk was appointed as an Independent Non-Executive Director on 23 January 2025.
  - N Bordirwa was appointed as an Independent Non-Executive Director on 14 February 2025.
  - J Kaliba was appointed as an Independent Non-Executive Director on 27 March 2025.
- **Chairperson Change:**
  - Following the retirement of R Madjiet on 27 March 2025, N Bordirwa was appointed as Interim Acting Chairperson.

The Board extends its sincere gratitude to the outgoing members for their dedicated service and welcomes the newly appointed directors.

## DIRECTORS' PROFILES

### Irfan Noor Mohamed, (60)

Mr. Mohammed has over 20 years of extensive experience in the ICT industry, with a primary focus on Africa and the Asian subcontinent. He holds a Higher Certificate in Information Systems, a Diploma in IT Infrastructure Management, and a Diploma in Data Science and Analysis. Mr. Mohammed is widely recognized for his expertise in the fintech networking arena, earning a reputation as a leader in innovation and technological advancement.

### Brian George van Rooyen, (65)

#### 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.



# INTEGRATED CORPORATE GOVERNANCE AND SUSTAINABILITY REPORT

FOR THE YEAR ENDED 31 MAY 2025

## **David John O'Neill, (78)**

### **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 was the former Financial Director of Labat Africa, changing his role to an Executive Director up to 31 March 2024, after which he stepped back into the role as Financial Director.

## **Stanton Earl Van Rooyen (35)**

### **B. Comm**

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, engaging with key stakeholders and brings a fresh perspective to the business arena and to the Board. Stanton joined the Labat Africa Board as an Executive Director, reporting back on the Healthcare group of businesses.

## **Herschel Maasdorp (34)**

Mr. Herschel Maasdorp serves as Group Executive: Business Development for Labat Africa Limited and Director of Biodata (Pty) Ltd. He holds a degree in Community and Health Sciences from the University of the Western Cape and postgraduate qualifications in development economics, logistics, and applied mathematics from universities in Ecuador and Belgium.

An accomplished business leader, Mr. Maasdorp was recognised as the 2021 Africa and Middle East Cannabis Entrepreneur of the Year. His diverse experience spans both public and private sectors, including leadership roles in economic development, policy advisory, and international trade. He has served as Deputy Director of Economic Affairs for the Western Cape Government, Chairman of the Nelson Mandela Presidential Jobs Summit, and Chairman of the Dutch Chamber of Commerce.

Mr. Maasdorp brings deep expertise in strategy, innovation, and sustainable enterprise development to the Labat Africa Board.

## **Nassy Mosibudi (55)**

Ms Bodirwa is a qualified computer engineer with 24 years' experience in computer software development. Her professional qualifications include the following:

- Qualified in geoinformatics
- Diploma in management of technology innovation
- Diploma in information sciences

Her experience and competency in the IT sector will strengthen the skill set of the current Board of Directors, given the strategic shift in focus of the company into the IT sector following the acquisition of Classic International. Furthermore, her appointment is geared at contributing to a balanced gender mix of the Board of Directors of Labat Africa Ltd.



# INTEGRATED CORPORATE GOVERNANCE AND SUSTAINABILITY REPORT

FOR THE YEAR ENDED 31 MAY 2025

## **Rustum Mohamed (62)**

### **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.

## **Mohamed Farook Paruk (61)**

Mr Paruk brings 35 years of experience in the retail, logistics and commodity. He will bring invaluable experience in international relations and networking in the transposition of Labat into the ICT sector.

Mohamed is an Independent Non-Executive Director.

## **Johannes Kabila (61)**

Mr. Kabila brings 18 years of experience as a data engineer, specializing in the development of systems that collect, manage, and transform raw data into actionable insights for data scientists and other professionals.

Johannes is an Independent Non-Executive Director.

## **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.

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 business of the Group, at the company'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.

Three Board meetings were held during the financial year ended 31 May 2025 as set out below:



# INTEGRATED CORPORATE GOVERNANCE AND SUSTAINABILITY REPORT

FOR THE YEAR ENDED 31 MAY 2025

Director	24/02/2025	22/05/2025	29/05/2025
N Bodirwa (Acting Interim Chairperson)		A	A
IN Mohamed	Present	Present	Present
DJ O'Neill	Present	Present	Present
BG van Rooyen	Present	Present	Present
R Mohamed	Present	Present	Present
H Maasdorp	Present	Present	Present
SE Van Rooyen	Present	Present	Present
F Paruk	Present	Present	Present
J Kabila	Present	Present	Present
RM Majiedt	Present	R	R
BA Penny	Present	R	R

(A) Apologies

(R) Retired or Resigned

RM Majiedt retired as Independent Non-Executive Chairperson and Non-Executive Director on the 27 March 2025.  
BA Penny resigned as Non-Executive Director on the 8 January 2025.

Three Board meetings have been held leading up to the 31 May 2025, the date of approval of this Integrated Annual 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. Due to the events over the year, the focus was around the audits, with five Audit and Risk Committee meetings being held during the year under review.

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;  
Ms Beverley Penny;  
Mr F Paruk  
Mr J Kabila

Ms Rowena Majiedt; and Ms Beverley Penny have retired and resigned respectively and have been replaced by Mr F Paruk and J Kabila

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

These include:

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



# INTEGRATED CORPORATE GOVERNANCE AND SUSTAINABILITY REPORT

FOR THE YEAR ENDED 31 MAY 2025

The Audit and Risk Committee further sets the principles for recommending the external auditors for non-audit services use.

The Audit and Risk Committee has satisfied itself of the suitability of the Financial Director, and that the Financial Director holds the necessary expertise and has the relevant experience.

The Audit and Risk Committee together with the Board further satisfied itself of the suitability of the Company Secretary, Mr A van Rooyen, and that the Company Secretary 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.

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

Member	24/02/2025	22/05/2025	29/05/2025
R Mohamed	Present	Present	Present
RM Majiedt	Present	R	R
BA Penny	Present	R	R
F Paruk	Present	Present	Present
J Kabila	Present	Present	Present
<b><u>By invitation</u></b>			
IN Mohamed	Present	Present	Present
BG van Rooyen	Present	Present	Present
DJ O'Neill	Present	Present	Present
H Maasdorp	Present	Present	Present
SE van Rooyen (#)	Present	Present	Present

(A) *Apologies*

(R) *Retired/ Resigned*

The focus of the above meetings was primarily to monitor and resolve the difficult situation with auditors as detailed further in the Audit and Risk Committee 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);

Mr F Paruk and

Mr J Kabila

Ms Rowena Majiedt; and Ms Beverley Penny have retired and resigned respectively and have been replaced by Mr F Paruk and J Kabila

The Remuneration Committee's terms of reference require the Committee to meet at least twice a year. Two Remuneration Committee meetings were held during the financial year under review as set out below:



# INTEGRATED CORPORATE GOVERNANCE AND SUSTAINABILITY REPORT

FOR THE YEAR ENDED 31 MAY 2025

Member	22/05/2025	29/05/2025
R Mohamed	Present	Present
RM Majiedt	R	R
BA Penny	R	R
F Paruk	Present	Present
J Kabila	Present	Present
<b><u>By invitation</u></b>		
IN Mohamed	Present	Present
BG van Rooyen	Present	Present
DJ O'Neill	Present	Present
H Maasdorp	Present	Present
SE van Rooyen (#)	Present	Present

(A) *Apologies*

(R) *Retired/ Resigned*

In terms of King IV a remuneration report has been adopted and details of this report is set out on page 32 of this Integrated Annual Report.

## SOCIAL AND ETHICS COMMITTEE

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

Mr R Mohamed (Chairman);

Mr DJ O'Neill

Mr J Kabila; and

Mr F Paruk.

Two Social and Ethics Committee meeting were held during the year:

Member	22/05/2025	29/05/2025
R Mohamed	Present	Present
Mr DJ O'Neill	Present	Present
F Paruk	Present	Present
J Kabila	Present	Present
<b><u>By invitation</u></b>		
IN Mohamed	Present	Present
BG van Rooyen	Present	Present
H Maasdorp	Present	Present
SE van Rooyen (#)	Present	Present

In terms of King IV a social and ethics report has been adopted and details of this report is set out on page 37 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 who are appointed to the Board during a year are appointed in accordance with the casual vacancy provisions of Labat Africa's Memorandum of Incorporation (MOI), and automatically retire at the next annual general meeting. Their re-appointment is subject to the approval of Shareholders at such annual general meeting.

On appointment, new Directors receive an induction pack consisting of *inter alia*, the 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



# INTEGRATED CORPORATE GOVERNANCE AND SUSTAINABILITY REPORT

FOR THE YEAR ENDED 31 MAY 2025

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 and recently resumed the role of Financial Director until a new appointment is made.

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 and is set out on page 21 of this Integrated Annual Report which is also available on the Company's website, [www.labat.co.za](http://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 eight of Labat's Africa's nine Directors are black or coloured and one is a 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.

## 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 has been updated 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.



# INTEGRATED CORPORATE GOVERNANCE AND SUSTAINABILITY REPORT

FOR THE YEAR ENDED 31 MAY 2025

## 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, normally the Chairman of the Board or Audit and Risk Committee 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 was in the process of reviewing and adopting an updated share dealing policy which incorporates the changes to the JSE Listings Requirements which policy will be tabled for approval during 2025.

## 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 2025

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 2025:

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	1	3	1	1	-	-	-	-	-	-	6
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	3	-	2	2	1	-	1	-	-	10
Semi-skilled and discretionary decision making	-	1	-	2	1	1	-	5	-	-	10
Unskilled and defined decision making	2	2	-	1	3	4	-	-	1	-	13
<b>TOTAL PERMANENT</b>	<b>4</b>	<b>10</b>	<b>1</b>	<b>9</b>	<b>6</b>	<b>6</b>	<b>-</b>	<b>6</b>	<b>1</b>	<b>-</b>	<b>43</b>
Temporary employees											0
<b>GRAND TOTAL</b>	<b>4</b>	<b>10</b>	<b>1</b>	<b>9</b>	<b>6</b>	<b>6</b>	<b>-</b>	<b>6</b>	<b>1</b>	<b>-</b>	<b>43</b>

**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
<b>GRAND TOTAL</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>

**Note:** A=African / C=Coloured / I=Indian/ W=White



# APPLICATION OF KING IV PRINCIPLES

FOR THE YEAR ENDED 31 MAY 2025

## 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 2025.

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

This document should be read in conjunction with the 2025 Integrated Report (as cross-referenced below), which is available on the Company's website at [www.labat.co.za](http://www.labat.co.za).

Governance outcome: Ethical culture	
PART 1: Leadership, ethics and corporate citizenship	
Principle 1	Leadership
<b>The Board should lead ethically and effectively</b>	<p>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.</p> <p>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.</p> <p>During 2025, 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, and the results of these assessments are communicated to the Board and its Committees. The evaluations have been sent for completion in the last quarter of 2025 and the assessment will be completed at the first set of meetings in 2026. Any areas for improvement are noted.</p>



# APPLICATION OF KING IV PRINCIPLES

FOR THE YEAR ENDED 31 MAY 2025

Principle 2	Organisational ethics
<b>The Board should govern the ethics of the organisation in a way that supports the establishment of an ethical culture</b>	<p>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.</p> <p>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.</p> <p>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.</p>
Principle 3	Responsible corporate citizenship
<b>The Board should ensure that the organisation is and is seen to be a responsible corporate citizen</b>	<p>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. The Terms of Reference were updated in 2025.</p> <p>Shareholders are referred to the Social and Ethics Committee Report which is set out on page 34 of this Integrated Annual Report, for further disclosures in this regard. During the year there were no material fines or penalties incurred which needed to be brought to the attention of stakeholders.</p>
<b>Governance outcome: Good performance</b>	
<b>PART 2: Strategy, performance and reporting</b>	
Principle 4	Strategy and performance
<b>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</b>	<p>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.</p>



# APPLICATION OF KING IV PRINCIPLES

FOR THE YEAR ENDED 31 MAY 2025

	<p>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.</p> <p>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.</p> <p>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.</p> <p>Shareholders are referred to the Corporate Governance and Sustainability Report which is set out on page 11 of this Integrated Annual Report for further disclosures in this regard.</p>
<b>Principle 5</b>	<b>Reporting</b>
<b>Governance outcome: Effective control</b>	
<b>PART 3: Governing structures and delegation</b>	
<b>Principle 6</b>	<b>Primary role and responsibilities of the Board</b>
<b>The Board should serve as the focal point and custodian of corporate governance in the organisation</b>	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>



# APPLICATION OF KING IV PRINCIPLES

FOR THE YEAR ENDED 31 MAY 2025

Principle 7	Composition of the Board
<p><b>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</b></p>	<p>At the date of issue of this Integrated 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.</p> <p>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.</p> <p>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.</p> <p>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.</p>
	<p>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.</p> <p>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.</p> <p>The Board is mindful and supportive of the need for and importance of gender, race and disability diversity in particular. The last appointment to the Board 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.</p> <p>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.</p>
Principle 8	Committees of the Board
<p><b>The Board should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of</b></p>	<p>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 (<b>Committees</b>), all of which has been established pursuant to written Terms of Reference:</p>



# APPLICATION OF KING IV PRINCIPLES

FOR THE YEAR ENDED 31 MAY 2025

<p><b>power and the effective discharge of its duties</b></p>	<ol style="list-style-type: none"> <li>1. Audit and Risk Committee</li> <li>2. Social and Ethics Committee</li> <li>3. Remuneration Committee.</li> </ol> <p>The Company does not have a Nominations Committee and nominations are handled by the Board as a whole.</p> <p>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.</p> <p>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 2025 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.</p>
<p><b>Principle 9</b></p> <p><b>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</b></p>	<p><b>Evaluations of the performance of the Board</b></p> <p>The performance and effectiveness of the Board as a whole was evaluated in late 2025 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. This evaluation process has commenced in the last quarter of 2025 and will be finalised after the issue of this Integrated Report.</p> <p>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.</p> <p>An assessment of the suitability and effectiveness of the Financial Director is conducted annually by the Audit and Risk Committee and is confirmed in the Audit and Risk Committee's report as set out on page 37 of this Integrated Annual Report.</p> <p>The appointment of the Chairman is reviewed by the Board every two years, in conjunction with the Board evaluation process.</p> <p>The experience and expertise of the Company Secretary as a juristic person has also been evaluated subsequent to year end.</p>
<p><b>Principle 10</b></p> <p><b>The Board should ensure that the appointment of and delegation to management contributes to role clarity and the effective exercise of authority</b></p>	<p><b>Appointment and delegation to management</b></p> <p>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.</p> <p>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 undergoing a review due to the changes in the group.</p> <p>The Chief Executive Officer is accountable to the Board for the successful</p>



# APPLICATION OF KING IV PRINCIPLES

FOR THE YEAR ENDED 31 MAY 2025

	<p>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.</p> <p>Succession planning has initiated for the Financial Director and succession planning is discussed at the quarterly board meetings.</p> <p>A decision on the next financial director appointment will be made once the audit for the year ended 31 May 2025 had been finalised.</p> <p>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.</p> <p>The Company has appointed Mr A van Rooyen as Company Secretary on 21 November 2024 who 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.</p>
<b>PART 4: Governance functional areas</b>	
<b>Principle 11</b>	<b>Risk governance</b>
<p><b>The Board should govern risk in a way that supports the organisation in setting and achieving its strategic objectives</b></p>	<p>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.</p> <p>During the year 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.</p> <p>The key risks to the Group as identified by the executive management can be viewed on the Company's website, <a href="http://www.labat.co.za">www.labat.co.za</a>.</p>
<b>Principle 12</b>	<b>Technology and information governance</b>



# APPLICATION OF KING IV PRINCIPLES

FOR THE YEAR ENDED 31 MAY 2025

<p><b>The Board should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives</b></p>	<p>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.</p> <p>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.</p>
<p><b>Principle 13</b></p>	<p><b>Compliance governance</b></p>
<p><b>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</b></p>	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>
<p><b>Principle 14</b></p>	<p><b>Remuneration governance</b></p>
<p><b>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</b></p>	<p>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 as well as the change in Financial Director. 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.</p> <p>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.</p>



# APPLICATION OF KING IV PRINCIPLES

FOR THE YEAR ENDED 31 MAY 2025

	<p>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 Annual Report.</p>
<b>Principle 15</b>	<b>Assurance</b>
<p><b>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</b></p>	<p>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.</p> <p>A combined assurance model has been developed and formally implemented across the Group to effectively cover the Group's significant risks and material matters.</p> <p>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 who advises on the JSE Listings Requirements.</p> <p>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 2026 financial year, as the group grows.</p> <p>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.</p>
<p><b>Governance outcome: Legitimacy</b></p>	



# APPLICATION OF KING IV PRINCIPLES

FOR THE YEAR ENDED 31 MAY 2025

PART 5: Stakeholder relationships	
Principle 16	Stakeholders
<p><b>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</b></p>	<p>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.</p> <p>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.</p> <p>The Company acts in accordance with the requirements of the Companies Act and the JSE Listings Requirements regarding the equitable treatment of shareholders.</p> <p>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.</p> <p>Management is responsible for maintaining stakeholder relationships.</p>
Principle 17	Responsibilities of institutional investors
<p><b>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</b></p>	<p>Not applicable as the Company is not an institutional investor organisation.</p>



# REMUNERATION REPORT

FOR THE YEAR ENDED 31 MAY 2025

## 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 recommenced in 2023, with the Group structure having recently been settled, but was interrupted by the acquisition of Classic (Pty) Ltd and a repositioning into the ICT sector. This will continue in 2026, once the Company has been regularised, 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 discrimination.
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 constraints as determined by the Board.
2. Company performance – target achievement and wealth generation.
3. Retention of key skills.
4. Sustainability.
5. Career development.

#### Application

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

#### Directors' remuneration

1. Executive Directors – determined by Remuneration Committee, ratified by the Board.
2. Non-Executive Directors – determined by Executive Directors, approved by shareholders.

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

#### Policy principles

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



# REMUNERATION REPORT

FOR THE YEAR ENDED 31 MAY 2025

- 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:

- 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, to be aligned with company strategy and current shareholder and management objectives.



# REMUNERATION REPORT

FOR THE YEAR ENDED 31 MAY 2025

## 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 themselves available for re-election, provided that if a Director is appointed as an Executive Director or as an employee of the Company in any other capacity, he or she shall not, while he or she continues to hold that position or office, be subject to retirement by rotation and he or she shall not, in such case, be taken into account in determining the rotation or retirement of Directors.

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

### Fees

The Company does not currently pay competitive fees for the role due to the difficult trading 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 on official business where necessary and to attend meetings. No contractual arrangements are entered into to compensate Non-Executive Directors for the loss of office.

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

The Executive Directors propose Non-Executive Directors' fees to shareholders annually for Shareholder vote at the AGM.

### 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 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 report at the AGM.

## PART II – IMPLEMENTATION OF REMUNERATION POLICY

### Executive Director remuneration

#### Guaranteed pay – base pay and benefits



# REMUNERATION REPORT

FOR THE YEAR ENDED 31 MAY 2025

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 2025, is set out in note 43 of the Annual Financial Statements:

## **Short-term and long-term incentives 2025**

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 2025 is set out in note 43 of the Annual Financial Statements.

Proposed Non-Executive Directors' fees effective from 1 June 2024 will be approved at the AGM. 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 2025

## 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 2025:

Member	Date of appointment	Attendance for the period under review
R Mohamed (Chairman)	30 May 2017	100%
F Paruk	27 January 2025	100%
BA Penny	23 march 2025	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;



# REPORT OF THE SOCIAL AND ETHICS COMMITTEE

FOR THE YEAR ENDED 31 MAY 2025

- monitor progress on strategic empowerment and performance against targets;
- monitor changes in the application and interpretation of empowerment charters and codes; and
- monitor functions required in terms of the Companies Act and its regulations.

The Social and Ethics Committee has not been assessed during the year ended 31 May 2025. An assessment will be done during 2026 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 requires the following activities:

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 did not attend to the matters relating to the work plan above due to the situation within the Company and the various matters were overseen by the Board as a whole. However, a Social and Ethics Committee Meeting was held subsequent to year end and a work plan was set for the coming year.

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:

- 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.
- 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.
- 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.



# REPORT OF THE SOCIAL AND ETHICS COMMITTEE

FOR THE YEAR ENDED 31 MAY 2025

- 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 (and the recent amendments thereto), 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 which was approved by the Board of Directors on 3 NOVEMBER 2025.

The Social and Ethics Committee is also required to report, through one of its members to the 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. This is in line with the incoming Corporate Amendment Act.



**R Mohamed**  
**CHAIRPERSON**  
**3 NOVEMBER 2025**



# REPORT OF THE AUDIT AND RISK COMMITTEE

FOR THE YEAR ENDED 31 MAY 2025

## 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 2024 and to the date of this report:

Member	Date of appointment	Attendance for the period under review
R Mohamed (Chairman)#	30 May 2017	100%
F Parukt#	27 January 2025	100%
J Kabila#	23 March 2025	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 2025

### 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 2025

- 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.

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 Mangano, is the Designated Audit Partner.

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 2025 as presented by P. Mapfumo Accountants and Auditors on 3 November 2025.

The Committee is satisfied that P. Mapfumo Accountants and Auditors 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 was no non-audit services provided during the year under review.

## 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.

During the year the Company appointed a new financial manager, enabling outsourced reporting functions to be brought back inhouse, which systems are performing well.

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. The Company will reconsider the appointment of an internal auditor in due course as the Group grows.



# REPORT OF THE AUDIT AND RISK COMMITTEE

FOR THE YEAR ENDED 31 MAY 2025

## 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.

## Expertise and experience of the financial function

The Audit and Risk Committee considered the competence, qualifications and experience of the former Financial Director in terms of section 3.84(h) of the JSE Listing Requirements. Whilst his experience and expertise had been confirmed, the Audit and Risk Committee noted that the finance team was under-resourced due to the growth in the group, both from a subsidiary and revenue perspective.

The Audit and Risk Committee is satisfied as to the expertise and experience of the Financial Director and the finance team. 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.

## Review of financial statements

The financial statements were prepared by 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.

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 the 3 NOVEMBER 2025 the Audit and Risk Committee recommended the integrated report for the financial year ended 31 May 2025 for approval by the Board.

## Approval of report

The Audit and Risk Committee confirms from 1 June 2024 to 31 May 2025 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.

## 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 2025 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.

## 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.



# REPORT OF THE AUDIT AND RISK COMMITTEE

FOR THE YEAR ENDED 31 MAY 2025



**RUSTUM MOHAMED**  
**CHAIRMAN**  
**3 NOVEMBER 2025**



# COMPANY SECRETARY'S REPORT

FOR THE YEAR ENDED 31 MAY 2025

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 2025, 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**  
**3 NOVEMBER 2025**



## GENERAL INFORMATION

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<b>Country of incorporation and domicile</b>	South Africa
<b>Nature of business and principal activities</b>	Technology
<b>Company registration number</b>	1986/001616/06
<b>Directors</b>	BG van Rooyen DJ O'Neill SE van Rooyen IN Mohamed R Mohamed N Bodirwa F Paruk J Kabila
<b>Registered office</b>	The Leonardo 14 <sup>th</sup> Floor, 75 Maude Street, Sandown, Sandton
<b>Postal address</b>	Private Bag X09-248 Weltevreden Park Roodepoort 1715
<b>Bankers</b>	ABSA Bank Limited First National Bank, a division of First Rand Limited
<b>Auditors</b>	P.Mapfumo Accountants and Auditors
<b>Company secretary</b>	A van Rooyen
<b>Level of assurance</b>	These consolidated and separate annual financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa
<b>Date of approval</b>	3 NOVEMBER 2025
<b>Preparer</b>	The consolidated and separate annual financial statements were compiled by: DJ o'Neill

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# GENERAL INFORMATION

## ANNUAL FINANCIAL STATEMENTS

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

	<b>Page</b>
Directors' Responsibilities and Approval	<b>44</b>
Independent Auditors Report	<b>45</b>
Report of the Directors	<b>49</b>
CEO and FD Responsibility Statement on Internal Financial Controls	<b>60</b>
Statement of Financial Position	<b>61</b>
Statement of Profit or Loss and Other Comprehensive Income	<b>63</b>
Statement of Changes in Equity	<b>64</b>
Statement of Cash Flows	<b>66</b>
Accounting Policies	<b>67</b>
Notes to the Consolidated and Separate Annual Financial Statements	<b>88</b>



# DIRECTORS' RESPONSIBILITIES AND APPROVAL

FOR THE YEAR ENDED 31 MAY 2025

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.

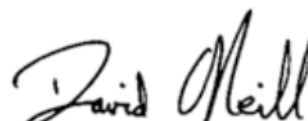
The Directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated and separate annual financial statements. However, any 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 45 to 48.

The consolidated and separate annual financial statements set out on pages 61 to 128, which have been prepared on the going concern basis, were approved by the Board of Directors on 3 NOVEMBER 2025 and were signed on its behalf by:



**IO NOORMOHAMED**  
**CHIEF EXECUTIVE OFFICER**  
**3 NOVEMBER 2025**



**DAVID O NEILL**  
**FINANCIAL DIRECTOR**  
**3 NOVEMBER 2025**



# INDEPENDENT AUDITOR’S REPORT

FOR THE YEAR ENDED 31 MAY 2025



Suite 11, 1<sup>st</sup> Floor Waterkloofrand Centre

Cnr Buffelsdrift & Rigel Avenue

Erasmusrand 0181

PHONE +27 87 701 7310, +27 78 303 7207

E-MAIL phossina@pmaa.co.za

## Independent Auditor’s Report

### To the Shareholders of Labat Africa Limited

#### Opinion

We have audited the consolidated and separate financial statements of Labat Africa Limited (the group and company) set out on pages **61 to 128**, which comprise the consolidated and separate statements of financial position as at 31 May 2025, and the consolidated and separate statements of comprehensive income, consolidated and separate statement of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate consolidated and separate financial statements, including material accounting policy information.

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 2025, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act of South Africa.

#### Emphasis of Matter – Review of Subsidiaries

We draw attention to the fact that the certain subsidiaries of the group were independently reviewed at year end and internal controls were found to be weak. We further emphasize that the above subsidiaries affected consist of the Health Sector of the Labat Africa Ltd group which has since been disposed of on the 23rd of October 2025 as mentioned in the Key Audit Matters of our report. In light of this, the effects of the above matters are confined to these subsidiaries alone and do not affect the consolidated financial statements as a whole. Our opinion is not modified in respect of this matter.

#### 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

<b>a. Business combinations</b> b. Refer to Note 33 of the financial statements related to acquisition of subsidiaries. During the year ended 31 May 2025, the Group acquired 75.55% of shares in Classic International (Pty) Ltd for a total purchase of ZAR16.275 million. The Group also acquired 51% of shares in Ahnamu Investments (Pty) Ltd for a total purchase of ZAR25m. The Group has acquired material assets and minority equity	<b>g. The audit procedures included the following:</b> <ul style="list-style-type: none"><li>• We reviewed the purchase transactions and related agreements to obtain an understanding of the transactions to evaluate that the acquisition has correctly been accounted for as a business combination and to identify the date of control of the business combination transactions.</li></ul>
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# INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 MAY 2025

<p>under these acquisitions. Management assessed the acquisition as a business combination.</p> <p>c.</p> <p>d. The acquisitions resulted in a significant event and will have a significant impact on the consolidated financial statements of the Group.</p> <p>e.</p> <p>f. The Group has subsequent to 31 May 2025, sold the health care companies consisting of Canna Africa (Pty) Ltd, Echo Life (Pty) Ltd, African Cannabis Enterprises (Pty) Ltd, Biodata (Pty) Ltd, Lima Romeo Air (Pty) Ltd t/a Sweet Waters Aquaponics. The companies were disposed of on 23 October 2025 as a combination for R23m subject to certain suspensive conditions and their disposal is considered a significant event.</p>	
<p><b>h. Expiry of the logistics contract</b></p> <p>i. The Company lost the contract with Sasol for transport and logistics, and it ended 31 September 2023. This has resulted in a significant reduction in revenue of the Company.</p> <p>j.</p>	<p><b>k. The audit procedures included the following:</b></p> <p>l. We made enquiries of management to obtain an understanding on the significant reduction in revenue at Company level.</p>
<p><b>m. Recognition of Intangible Assets as part of the Business Combination.</b></p> <p>n. Refer to note 6 to the consolidated and separate financial statements related to acquisition of subsidiaries</p> <p>o. 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 was assessed part of the business combination and significant management judgement were exercised on the valuation of Intangible Assets acquired.</p> <p>p. 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.</p>	<p><b>q. The audit procedures included the following:</b></p> <p>r. • 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.</p> <p>s. 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.</p> <p>t. • 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</p> <p>u. • Reviewed the valuation assessment approach applied by management and confirmed the methodology applied is consistent with international valuation standards;</p> <p>v. • 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</p> <p>w. • 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 inputs to determine whether their assessment was fair and reasonable.</p> <p>x. We found that the recognition and measurement of the business combinations to be appropriate.</p> <p>y. We considered the business combination assessment disclosures to be appropriate.</p>
<p><b>z. Impairment of intangible assets</b></p> <p>aa. Refer to the carrying value of intangible assets of R18.9 million (2024: R30.44 million) as disclosed in note xx of the consolidated and separate financial statements.</p> <p>bb. Management's impairment assessment</p>	<p><b>dd. The audit procedures included the following:</b></p> <p>ee. • Used the knowledge of senior personnel to assist us in evaluating the method, assumptions and data used by the group.</p> <p>ff. • Analysing the future projected cash flows used in</p>



# INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 MAY 2025

<p>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.</p> <p><b>cc.</b> 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.</p>	<p>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.</p> <p><b>gg.</b> • Calculating a discount rate for the cash generating unit using our independently sourced data.</p> <p><b>hh.</b> We found the method, assumptions and data used by management to be appropriate.</p> <p><b>ii.</b> We considered the impairment assessment disclosures to be appropriate.</p>
<p><b>jj. Fair value measurement of biological assets</b></p> <p><b>kk.</b> Refer to the carrying value of biological assets of R8.3 million (2024: R8.3 million) as disclosed in note 22 of the consolidated and separate financial statements.</p> <p><b>ll.</b> 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.</p> <p><b>mm.</b> 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.</p> <p><b>nn.</b></p>	<p><b>oo. The audit procedures included the following:</b></p> <p><b>pp.</b> • Used the knowledge of senior personnel to assist us in evaluating the method, assumptions and data used by the group in the appropriate application of IFRS for Biological assets.</p> <p><b>qq.</b> • 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.</p> <p><b>rr.</b> • Reviewed the valuation assessment approach applied by management and confirmed the methodology applied is consistent with international valuation standards;</p> <p><b>ss.</b> We found that the recognition and measurement of the biological assets to be appropriate.</p> <p><b>tt.</b> We considered the fair value disclosures of biological assets to be appropriate.</p>

## 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 2025" which includes the Report of the Directors, Report of The Audit and Risk Committee and the Company Secretary's Report as required by the Company 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 reports 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 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 the IFRS Accounting Standard as issued by the International Accounting Standards Board and the requirements of the Companies Act of South Africa, and for such internal control as the director determines 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 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 intends to liquidate the group or to cease operations, or has no realistic alternative but to do so.



# INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 MAY 2025

## 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 judgment and maintain professional skepticism 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by directors'.
- Conclude on the appropriateness of 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 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 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 and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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.

## Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dates 4 December 2015, we report that this is the first year that P Mapfumo Accountants and Auditors, MGT Accounting and BG Nubong & Associates have been the auditors of Labat Africa Limited.



*P Mapfumo Accountants & Auditors*  
 Registered Accountants and Auditors  
 Practice Number: 903770  
 Irba number: 507359  
 Per: P Kaserera  
**3 NOVEMBER 2025**



# REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 MAY 2025

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 2025.

## 1. REVIEW OF ACTIVITIES

The directors present their report for the financial year ended 31 May 2025. Labat Africa Limited ("Labat" or "the Company"), is a public company incorporated in South Africa and listed on the Main Board of the Johannesburg Stock Exchange ("JSE") and the Frankfurt Stock Exchange. The Company operates as an investment holding company, with strategic interests in technology, data solutions, logistics, and previously in cannabis and healthcare-related businesses.

### Strategic Realignment and Business Overview

During the reporting period, the Board undertook a strategic review of the Group's operations. Following a period of volatile performance in the cannabis sector, the Board resolved to exit from non-core cannabis-related operations and reposition the Company towards high-growth sectors within technology, logistics, electronic solutions, and data-driven services.

This repositioning has been supported by the successful performance of recently acquired technology-based investments such as Classic and Ahmamu, which have demonstrated strong scalability potential and alignment with global investment trends. The strategic shift also aligns with increased investor appetite for digital transformation businesses and supports Labat's long-term value creation strategy.

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

#### Labat Cannabis Healthcare

The Healthcare division continues to consolidate its position as a pioneer in the Cannabis Economy, leveraging South Africa's unique legislative advancements and global opportunities to create a data-driven, integrated, and scalable business. The Cannabis for Private Purposes Bill, signed into law on 28 May 2024, positions South Africa as a leading global cannabis producer. This report outlines key developments, strategic initiatives and operational achievements for the fiscal year 2024, focusing on value creation for stakeholders.

#### 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 semiconductor 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 problems 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.

## 2. OPERATIONAL PERFORMANCE

The Board of Directors made a strategic decision following the acquisition of Classic International Trading Pty Ltd. The acquisition represents a significant step for Labat's Technology Sector, which has been actively seeking opportunities to diversify and strengthen the IT and technology portfolio.

Technology Operations: Classic; Ahnamu and Sames

The recently reviewed financial results have clearly demonstrated the strong growth trajectory and strategic value of the Group's Technology Operations. With SAMES (South African Micro-Electronic Systems) serving as the



# REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 MAY 2025

anchor business, the integration and performance of the newly acquired entities, Classic Systems and Ahnamu Technologies, have delivered exceptional results for the reporting period.

Combined, these operations achieved turnover exceeding R156 million and a net profit of more than R134 million, marking a significant milestone in the Group's transformation into a technology-driven enterprise. The synergies realised between these acquisitions—particularly in semiconductor design, embedded systems, and advanced mobility technologies—have materially strengthened the Group's intellectual property base, operational efficiencies, and access to new markets.

The Technology and High-Tech sector in South Africa continues to expand rapidly, supported by increased digitalisation across public and private sectors, growth in fintech and AI-driven analytics, and renewed investment in hardware innovation and cybersecurity infrastructure. The Johannesburg Stock Exchange (JSE) has also seen a steady rise in technology-focused listings and market capitalisation, reflecting investors' appetite for companies with scalable digital and innovation assets.

These developments underscore management's strategic vision of consolidating Labat's position as a leading African technology investment company with a growing international footprint. The Company is in the final stages of a corporate name change and application for a Main Board listing in the Technology sector of the JSE, reflecting its new operational focus and market orientation.

SAMES will remain a technology hub and will also be integrated with the current technology businesses together with other future transactions.

Ahnamu is an award-winning ICT importer and distributor of cutting edge External and Internal Computer hardware solutions across the SADC region. Ahnamu provides turnkey business operation solutions for start-ups and entrepreneurs alike. Delivering tailored and comprehensive hardware solutions that align with the requirements of their clients across various sectors. The acquisition represents a significant step for Labat Technology, which has been actively seeking opportunities to diversify and strengthen its portfolio. This acquisition will be complementary to the recent acquisition of Classic International by Labat. A significant stronghold and long-standing client base in the IITC Market: Ahnamu's expertise provides Labat with a direct pathway into the lucrative IT hardware sector. Ahnamu's expertise provides Labat with a direct pathway into the lucrative IT hardware sector. Ahnamu's profitable track record enables rapid expansion, ensuring long term sustainable growth for Labat's technology business. Ahnamu's footprint in Africa allows Labat to expand into previously uncharted territories which provides Labat with valuable USD forex revenue. Labat and more so its recent software distributor Classic international will further have the opportunity to complete the value chain of both software and hardware complimentary offerings.

## Healthcare and Cannabis Business

During the year under review, the performance of the Group's Healthcare and Cannabis operations continued to deteriorate despite sustained management focus and investment. Although significant effort has been directed at building Labat's footprint in the Cannabis sector—through cultivation, processing, and product development—the business has not delivered the anticipated commercial or operational returns.

Following a detailed strategic review, the Board concluded that continued exposure to the Healthcare and Cannabis sector is no longer aligned with Labat's long-term growth objectives. The Board therefore resolved to dispose of the Healthcare and Cannabis operations in their entirety and to refocus the Group's resources on its high-growth local and international Technology portfolio.

The Group's technology businesses—particularly within the digital logistics, telematics, and mobility platforms—have already demonstrated strong revenue momentum and profitability. Preliminary indicators show that these technology assets are positioned to outperform the Cannabis division in both operational efficiency and return on investment. The redirection of capital and management capacity towards this sector is expected to strengthen the Group's financial position, simplify its operating structure, and enhance shareholder value.

The Board further mandated the executive management team to initiate the divestment process, appoint transaction advisors, and ensure transparent disclosure of all material developments through SENS announcements in line with paragraph 3.4(b) of the JSE Listings Requirements.



# REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 MAY 2025

A detailed review of operational performance is contained in the Report of the Chief Executive Officer set out on page 4.

## 3. FINANCIAL PERFORMANCE

### Financial Performance – Statement of Profit or Loss and Other Comprehensive Income

The Group's financial performance for the year ended 31 May 2025 reflects a transition period marked by the disposal of non-core operations and investments into higher-margin technology segments. While revenue from discontinued cannabis operations declined, earnings quality improved from continuing operations as restructuring efforts began to yield efficiencies.

The Group maintained tight cost control, optimized working capital, and reallocated capital towards revenue-generating assets in the technology segment. Full financial results are disclosed in the consolidated annual financial statements accompanying this report.

The directors of Labat (Board) present the results for the financial year ended 31 May 2025, which are compared to the previous period ended 31 May 2024. The Group showed a Total Comprehensive profit after taxation for the period of R131.5m (2024 a comprehensive loss of R26.4m As is evidenced in the segmental reporting, Labat is now improving the bottom line through achieving of sustainable operating profits as opposed to once of adjustments.

### Statement of Comprehensive Income

Total Revenue for the year ended 31 May 25 is R199.4m (May 24 R48.5m). Notable the increased revenue in the technology operations of R160m in the 2025 financial year period. Gross Margin has increased from R24.8m in the 2024 to R117m in the 2025 financial year period, with improvements in each business segment. Other income of R 66.6 m is included in operating activities. Depreciation and amortisation remain high due to the amortisation of intangible assets. Taxation gain was mainly due to the deferred tax effect. Basic earnings / (loss) per share for the period increased to 10.59 cents per share compared to the prior year basic(loss) per share of (3.97) cents. The headline earnings per share in the current period is 5.31 cents from a loss of (3.95) cents per share in the prior year.

### Statement of Financial Position

Property, plant and equipment decreased mainly as a result of depreciation. The right of use assets recorded a decrease as existing leases run their term, except for the right-of-use assets acquired with the acquisition of Classic. Intangible assets decreased by R11.9m mainly due to amortisation and an impairment loss. Deferred taxation assets increased because of increased assessed tax losses at SAMES and the Labat Healthcare Group of companies. Inventories increased mainly as a result of the acquisition of Classic and Ahnamu..Share Capital increased by as a result of shares issued for cash and shares issued for settlement of liabilities. Current provisions increased mainly as a result of revised legal related provisions. Deferred taxation liability decreased as a result of the amortisation of intangible assets. The increase in the SARS liability is mainly attributable to the technology division and the on-going legal matter with SARS.Net asset value per share increased to 22 cents, compared to (2.99) cents in the prior year.

During the period under review, Labat Africa has been concentrating on growing its technology operations by implementing its highly focused strategy and has successfully completed the 75.55% acquisitions of Classic International and the 51% acquisition of Ahnamu Investments.

As of 31 May 2025, the Company assessed whether there were events or changes in circumstances that would indicate that a Cash Generating Unit ("CGU") or group of CGUs were impaired. The Company considers external and internal factors, including overall financial performance and relevant entity-specific factors, as part of this assessment.

The total comprehensive Income for the year resulted in a basic Earnings per share of 10.59 cents compared to a loss per share of (3.97) cents in the prior year. The headline profit / (loss) per share for the year was 5.31 cents and the headline loss in the prior year was (3.95) cents per share.

The net asset value per share Increased to a 21.87 (2.99) cents earnings Per share from loss per share of (2.99) cents per share in the prior year.



# REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 MAY 2025

## 3. ACQUISITIONS AND INTEGRATION

### 3.1 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.

This is the back drop that provided the Board of Directors with an opportunity to make a strategic acquisition of Classic International Trading Pty Ltd. The acquisition represents a significant step for Labat Technology, which has been actively seeking opportunities to diversify and strengthen its portfolio. This division has faced considerable challenges, necessitating a pivot toward the IT and technology sector.

This transaction offers Labat several key advantages:

- **Entry into IT Market:** Classic International's expertise provides Labat with a direct pathway into the competitive IT space.
- **Expansion Potential:** Classic International's profitable track record enables rapid expansion, ensuring sustainable growth for Labat's technology business.
- **Ethical and Future-Focused Technology:** Labat benefits from the alignment with Classic International's ethical technology principles, positioning it favourably in the evolving tech landscape.
- **Financial:** Labat benefits for underwriting of its creditors and liabilities at effect date; asset injection; profitability and cash flow diversification – refer to events after reporting date below for further information.

### 3.2 Acquisition of Ahnamu

In terms of the Memorandum of Agreement, Labat Africa will acquire 51% interest in Ahnamu from the current Beneficial Shareholder of Ahnamu, Mr Christopher Mark, a nonrelated party to Labat, for a purchase consideration of R25 million. The purchase consideration will be settled as outlined below. Labat issued 200 million ordinary Labat Africa shares at an issue price of R0.10 (Ten Cents) per share which represents a premium of 25% compared to trading share price of 0.08 (Eight Cents) cents per share on 26 February 2025. Labat paid an additional R 5 million in cash for the acquisition of Ahnamu totaling R 25million ZAR customer base for absolute vertical integration.

## 4. SHARE CAPITAL

During the period under review, the Company also issued the following Shares: 116 000 000 shares for the 75% acquisition of Classic at .07cents per share. 47 349 826 shares at .12 and .08 cents respectively for Cash and settle outstanding Creditors 200 000 000 shares for 51% Acquisition in Ahnamu Investments at .10 per share.

The total number of shares in issue as at 31 May 25 was 1 132 375 595 ordinary shares (31 May 24: 669 025 769 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. There were no share repurchases effected during the year under review.

## 5. 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 Labat, where appropriate and matters are being dealt with by the company's attorneys.

### Cannabis Legislation Developments

Labat has remained proactive in addressing regulatory challenges, particularly concerning the evolving legal framework around cannabis. Following the Constitutional Court ruling and the introduction of the Cannabis for Private Purposes Bill, various interpretations have arisen among regulators such as SAHPRA and local enforcement agencies. Despite these complexities, Labat has enhanced its regulatory compliance processes to ensure alignment with existing laws. The recent out-of-court settlement by the Haze Club regarding cannabis distribution underscores the dynamic nature of the regulatory landscape. Labat continues to monitor developments closely, adapting its strategies to maintain compliance and safeguard its business interests.



# REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 MAY 2025

Through diligent legal and regulatory efforts, Labat has demonstrated its resilience and commitment to overcoming obstacles, ensuring a stable foundation for future growth of the Cannabis Assets. However the board has reevaluate its involvement in the Cannabis business.

## Global Emerging Markets (GEM)

We have obtained a judgement with costs against GEM for a long outstanding matter. We have appointed Douglas Bennett Attorneys to recover our Fees from GEM. The process to execute is now underway in the USA.

## Zeelie Auditors

There has been no change on the legal matters except for the 10-year matter between the company and Zeelie auditors. The matter is now before the court for hearing. The latest update is whilst the court hearing was on, our Counsel brought an application to have the matter dismissed. A full bench of the Gauteng division has ruled that the appeal of the company is upheld with Costs. Zeelie has filed a petition to the supreme court of appeal against the ruling.

## Royal Energy

This relates to a claim against Force Fuel to which Labat stood as guarantee. As far as we are concerned the matter has been dealt with. Our attorneys advised Royal Energy that we are not indebted to them. 10 million shares were issued at a price of R1.50 per share in settlement of the debt. They have accepted the shares. Which according to the share register is registered in their name. They claim that the shares were issued as a surety however Ms Michelle Krastonov met with them and explained no shares can be issued for surety. They can sell the shares back to Labat at R1.50 only by Shareholder approval. They have not done that.

## Shell Downstream

Same as above except that there is no Surety Agreement was ever signed between Labat and Shell downstream. There is one between Force Fuel and Shell. The matter is currently being handled by our attorneys.

## Hollard Insurance

It is also a claim for money owed by Force Fuel in which they are looking for a guarantee from Labat. However, we have only guaranteed R4.5 million of Fuel and R9 million is currently provided in the accounting records of the Company for this claim. In this financial year the court ruled against Labat for the full R20m. However the company has filed papers with The Supreme Court of Appeal and the company is awaiting the outcome.

## Liquidation Claim

Following the liquidation of Force Fuel and Force Properties Management has submitted a claim to the Liquidators for an amount of R64 m for both the money already paid to Royal Energy and the sureties provided on behalf of Force Fuel and Force Fuel Properties. 30 million shares are also held with the sponsors relating to guarantee signed.

## Medigrow

This matter pertains to a claim by Medigrow regarding the sale of a license to Labat. Initially scheduled for trial on 27 October 2024, the matter was postponed sine die, providing an opportunity for further discussion or resolution outside the courtroom. There has been no further movement.

## Topfruit

The Topfruit case, initially set down for 24 October 2024, was also postponed sine die by mutual agreement between the parties, highlighting the possibility of resolving the dispute amicably. A provision by the issue of shares for the full R900k has been made. The Shares are held in the Attorneys Trust Account.

## 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



# REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 MAY 2025

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 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.

The total VAT claim including interest at 31 May 2024 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 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.

## 6. 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:

The contingent liabilities of the Group primarily originate from fuel guarantees historically provided by the Company on behalf of its now-liquidated subsidiary, Force Fuel (Pty) Ltd ("Force Fuel"). Subsequent to year-end, the Board, together with external legal counsel and the auditors, undertook a reassessment of the exposure arising from these guarantees. Based on current legal opinions and ongoing court processes, the total maximum potential exposure was estimated at approximately R54 million. During the reporting period, an uncontested guarantee relating to Royal Energy was settled, and a provision of R9.8 million was recognised in the books accordingly. The remaining guarantees including Hollard remain contested. In respect of the Hollard matter, judgement was granted by Acting Judge Tsatswayo and leave to appeal was denied at that level. The Company has since lodged an appeal with the Supreme Court of Appeal, and judgement is currently awaited. Accordingly, these matters continue to be treated as contingent liabilities pending final legal resolution.

	<b>31 May 2025 Audited R'000</b>	<b>31 May 2024 Audited R'000</b>
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	(20 000)	(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 by Labat against Force Fuel Proprietary Limited (in liquidation) and Royale Energy. Following the initial Judgement which is now being challenged The board has decided to adjust the Provisions from R9.8m to R20m



# REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 MAY 2025

## 7. SPECIAL RESOLUTIONS

At the Company's AGM last held on 18 January 2024, 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 2024.
- 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.

It is expected that similar resolutions will be passed for the year ended 31 May 2025, which meeting had not been held at the date of the issue of this Integrated Report.

## 10 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.

## 11. DIRECTORATE

The Directors in office at 31 May 2025 are as follows:

Name	Nationality	Designation
IO Noormahomed	South African	Chief Executive Officer
DJ O'Neill	Irish	Financial Director
SE van Rooyen	South African	Executive Director
BG Van Rooyen	South African	Executive Director
R Mohamed	South African	Lead Independent Non-Executive Director
N Bodirwa	South African	Independent Acting Non-Executive Chairperson
F Paruk	South African	Independent Non-Executive Director
J Kabila	South African	Independent Non-Executive Director

During the reporting period:

Mr Brian Van Rooyen stepped down as Chief Executive Officer after an extended tenure. Mr I.N. Mohammed was appointed as Chief Executive Officer. Ms B. Penny resigned as Non-Executive Director. Mr H. Maasdorp was appointed as Executive Director. Mr F. Paruk and Mr J. Kabila were appointed as Non-Executive Directors. Mrs R. Majiedt retired as Non-Executive Chairperson after 12 years of service. Ms N. Bodirwa was appointed as Interim Chairperson of the Board..

## 12. SECRETARY

The Company Secretary during the year was Alred Van Rooyen, who has certified that the Company has complied with the provisions of the Companies Act.

## 13. APPOINTMENT OF AUDITORS

Following a review of the audit timelines, capacity requirements, and the need to meet the regulatory deadline for the publication of the Group's Provisional Financial Results, the Audit and Risk Committee ("ARC") resolved, due to time constraints and resource scheduling challenges, to terminate the services of KXX Chartered Accountants



# REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 MAY 2025

as the Group's external auditors with effect from 23 September 2025. To ensure continuity and compliance with statutory and regulatory reporting requirements, the ARC approved the appointment of an independently formed audit consortium comprising three IRBA-registered audit firms, namely: P. Mapfumo Accountants and Auditors; BG Nubong & Associates; MGT Accounting and Consulting Inc,

The consortium was appointed in accordance with Section 90 of the Companies Act No. 71 of 2008 and the JSE Listings Requirements. In terms of paragraph 3.78 of the JSE Listings Requirements, a designated lead engagement partner was required to be appointed to assume full responsibility for the audit process on behalf of the consortium. Accordingly, Ms Phossina Kaserera, a registered auditor in good standing with the Independent Regulatory Board for Auditors (IRBA), was appointed as the designated lead and engagement partner for the Group.

The consortium was provided with full cooperation and access to financial records and Group management and demonstrated its capability by successfully meeting the Group's reporting deadlines, culminating in the timely publication of the Provisional Financial Results.

The Board and ARC confirm that the appointment process was conducted with due regard to competence, capacity, independence, regulatory compliance, and the need to ensure continuity of audit oversight during a critical financial reporting period.

## 14. 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.

## 15. MAJOR SHAREHOLDING

Details of the major shareholders are provided in the Shareholder Analysis is set out in note 44 of the Annual Financial Statements.

## 16. GOING CONCERN

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

The Group's total assets exceed its total liabilities by R230m (2024: R(19.5m), current assets exceed its current liabilities by R240m(2024: R(26.5m) and the Group incurred a profit / (loss) after taxation of R122.1m (2024 : R(36.8)m).

The Directors have successfully raised additional funds during the year under review to support the turnaround and to fund its expansion programme. This has yielded just over R10m and has helped to finance the early stage growth operations of the Healthcare business as well as providing working capital for the group. The Company intends raising additional funds in late 2023 through to 2024 by way of a rights offer and asset finance as needed, to facilitate the growth of the Healthcare business.

Of the current liabilities of R385.6m, R60.4m relates to old PAYE liabilities due to SARS against which there is an old VAT claim of R56.6m due from SARS, which is the subject to the long outstanding litigation against SARS, which matter has now been referred to the High Court as detailed under litigation.

Furthermore, a large portion of the trade payables and the loan accounts has been capitalised certain small amounts raised as liabilities are the subject of a dispute. Accordingly, the current assets (excluding the amount due from SARS) are considered sufficient to be able to settle the liabilities after year end as the obligations fall due.

The financial statements are prepared on the basis of accounting policies applicable to a going concern. Thus, management recommends the approval of the solvency and liquidity, as well as the going concern, of the Company. The Board is of the opinion that, having regard to the current status and the future strategy and prospects of the



# REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 MAY 2025

Group, the Group has sufficient resources to continue as a going concern. The Group is projecting positive cash flows for the period ahead

The directors have assessed the Group's ability to continue as a going concern by considering the financial performance for the current reporting period, projected cash flows, liquidity resources, and available financial support mechanisms. While the Group has undergone a period of transition driven by the disposal of loss-making and capital-draining cannabis-related assets, the underlying core business segments within the technology and data solutions portfolio have demonstrated improved operational traction and revenue visibility. Furthermore, the Board has secured additional financial stability through a formal underwriting arrangement in which Classic, a key strategic subsidiary and anchor investor, has undertaken to underwrite all current and contingent liabilities of the Group, thereby significantly reducing solvency and liquidity risks. In addition, the Group has obtained a bank guarantee facility from an international financial institution, which provides increased working capital flexibility and supports ongoing operational funding requirements. The successful disposal of the non-core cannabis assets has eased pressure on Group resources, reduced cash burn, and improved forecasted earnings quality. Based on these developments, legal undertakings, and current financial projections, the directors are satisfied that the Group has adequate financial resources and support to continue operating for the foreseeable future, and accordingly, the annual financial statements have been prepared on a going concern basis in accordance with IFRS, the Companies Act, and the JSE Listings Requirements.

## 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.

## 17. SHARE ISSUES AND REPURCHASES

There were no other share issues during the year under review. No shares were repurchased during the year under review.

## 18. EVENTS AFTER THE REPORTING PERIOD

For the purposes of this report the subsequent events reporting period is defined as from 31 May 2025 to 27 October 2025

### 1. Labat Africa Limited vs Ngubane Zeelie

This matter relates to a long-standing litigation spanning over thirteen (13) years. Judgment was originally granted against Labat Africa Limited, and leave to appeal was denied by Judge Van Oosten. Labat subsequently petitioned the Supreme Court of Appeal, which granted leave to appeal. The appeal was heard by a full bench of the High Court in Johannesburg, which upheld Labat's appeal and granted judgment in favour of Labat Africa Limited. This favourable outcome effectively concludes the protracted 13 year dispute, with no further financial exposure to the company arising from this matter.

### 2. Labat Africa Limited vs Hollard Insurance Company Limited

This matter concerns a disputed suretyship guarantee provided by Labat on behalf of its subsidiary, Force Fuel (Pty) Ltd. The case was heard by Acting Judge Tsatswayo, who ruled in favour of Hollard. Labat's application for leave to appeal was subsequently denied. The Company has filed papers with the Supreme Court of Appeal and is currently awaiting judgment. The matter remains sub judice, and the Board have looked at the financial implications and have adjusted the provision based on the ruling in October last year and will reassess the financial implications, if any, upon finalisation of the appellate process.

### 3. SAMES (Pty) Ltd vs Doublering Trading

A creditor, Doublering Trading, lodged an application for the liquidation of SAMES (Pty) Ltd, a wholly owned subsidiary of Labat Africa Limited, in respect of outstanding rental obligations.

The High Court granted the liquidation order, whereafter Labat filed a Recission Application to set aside the judgment. The appointed liquidators have been formally informed of the recission proceedings, and the matter is pending further adjudication. The Group has continued to provide strategic and legal support to protect its interest in SAMES.



# REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 MAY 2025

## 4. Disposal of Cannabis Assets

Following the Board's resolution to focus the Group's strategic direction exclusively on the Technology sector, the Cannabis assets have been earmarked for disposal. An offer for the acquisition of these assets has been accepted, and the necessary regulatory approvals and compliance processes are currently underway.

## 5. Change of Name and Registered Address

The Board of Directors has approved the change of the Company's registered name to reflect its transformation into a technology-focused entity. In addition, the Company's registered office address will be changed in line with operational restructuring. A circular to shareholders detailing the proposed name change, rationale, and new registered details is being finalised for release in accordance with Section 16(4) of the Companies Act (No. 71 of 2008) and paragraph 11.21 of the JSE Listings Requirements.

## 6. Termination and Appointment of New Auditors

In accordance with Section 90(6) of the Companies Act and paragraph 3.84(g) of the JSE Listings Requirements, the Board has terminated the services of KXX Auditors as the Group's external auditors. The Board has approved the appointment of P. Mapfuma Auditors and Accountants as the new independent auditors of the Group, effective immediately. The change of auditors has been duly notified to the Independent Regulatory Board for Auditors (IRBA) and the JSE Issuer Regulation Division. The Board is satisfied that none of the post balance sheet events noted above materially affect the results for the year ended 31 May 2025.

## 7. Disposal of Non-Core Cannabis Assets

In line with the Group's divestment strategy, negotiations were concluded for the disposal of a portfolio of cannabis-related subsidiaries, including Cannafrika, Biodata, The Highly Creative (Pty) Ltd, African Cannabis Enterprises (Pty) Ltd, Ace Genetics, THC, and Labat Chem T/A Labat Healthcare. These disposals were classified as Category 2 transactions in terms of Section 9.16 of the JSE Listings Requirements. The disposal programme has strengthened the Group's balance sheet, enhanced liquidity, and allowed for redeployment of capital into core sectors aligned with the new strategy. A fairness and reasonableness opinion obtained by the Board supported the disposal decision.

## 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.

## 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 has appointed Vunani Sponsors as its corporate sponsors on 15 November 2024.

## Appointment of Company Secretary

The company has 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 financial 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, 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



# REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 MAY 2025

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

## 19. NOTICE OF ANNUAL GENERAL MEETING (AGM)

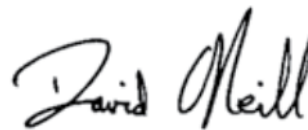
The notice for the AGM of the Company will be issued to Shareholders in due course in accordance with the requirements of the Companies Act and JSE Listing Requirements.

## 20. PROSPECTS

The financial year reflected significant progress for Labat Africa, characterized lifting of the suspension of trading of our shares on the Johannesburg Stock Exchange (JSE); disposal of the highly volatile and risky healthcare cannabis business of the and acquisition of technology assets which is the focus of the Group going forward.



**IO NOORMOHAMED**  
**CHIEF EXECUTIVE OFFICER**  
**3 NOVEMBER 2025**



**DAVID O NEILL**  
**FINANCIAL DIRECTOR**  
**3 NOVEMBER 2025**



# CEO AND FD RESPONSIBILITY STATEMENT ON INTERNAL FINANCIAL CONTROLS

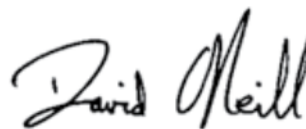
FOR THE YEAR ENDED 31 MAY 2025

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 67 to 139, 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.



**IO NOORMOHAMED**  
**CHIEF EXECUTIVE OFFICER**  
**3 NOVEMBER 2025**



**DAVID O NEILL**  
**FINANCIAL DIRECTOR**  
**3 NOVEMBER 2025**



# STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 MAY 2025

		Group		Company	
	Note(s)	31 May 2025 R'000	31 May 2024 R'000	31 May 2025 R'000	31 May 2024 R'000
<b>Assets</b>					
<b>Non-Current Assets</b>					
Property, plant and equipment	3	3 886	3 345	8	95
Right-of-use assets	4	5 470	3 789	316	2 713
Goodwill	5	-	1 248	-	-
Intangible assets	6	18 935	30 446	-	-
Biological assets	22	6 801	6 801	-	-
Investment in subsidiaries	8	-	-	152 096	110 840
Deferred tax	9	42 785	2 653	-	-
<b>Total Non-Current Assets</b>		<b>77 877</b>	<b>48 282</b>	<b>152 420</b>	<b>113 648</b>
<b>Current Assets</b>					
Inventories	10	333 418	5 408	-	-
Biological assets	22	1 512	1 512	-	-
Loans to group companies	11	-	-	19 599	18 817
Loans to directors and shareholders	12	2 926	1 778	2 875	1 777
Trade and other receivables	14	200 061	7 388	12 887	2 469
South African Revenue Services	13	56 306	56 049	-	-
Cash and cash equivalents	15	3 414	2 976	18	359
<b>Total Current Assets</b>		<b>597 637</b>	<b>75 111</b>	<b>35 379</b>	<b>23 422</b>
<b>TOTAL ASSETS</b>		<b>675 514</b>	<b>123 393</b>	<b>187 799</b>	<b>137 070</b>

# STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 MAY 2025

		Group		Company	
		31 May 2025 R'000	31 May 2024 R'000	31 May 2025 R'000	31 May 2024 R'000
	Note(s)				
EQUITY AND LIABILITIES					
Equity					
Stated capital	16	291 549	247 913	291 549	248 394
Capital contribution	19 & 41	-	-	29 797	33 456
Non-distributable reserves	18	8138	11	8 138	-
Accumulated loss		(153 847)	(271 725)	(282 122)	(248 842)
		145 840	(23 801)	47 362	33 008
Non-controlling interest	17	101 565	4 347	-	-
Total Equity		247 405	(19 454)	47 362	33 008
Non-Current Liabilities					
Lease liabilities	20	6 039	6 484	1 272	5 844
Financial guarantees	25	20 000	9 800	20 000	9 800
Deferred revenue	27.2	-	548	-	-
Deferred tax	9	2 544	7 612	-	-
Other financial liabilities	21	47 798	24 775	11 691	24 773
Total Non-Current Liabilities		76 381	49 219	32 963	40 417
Current Liabilities					
Loans from group companies	23	-	-	54 241	790
Loans from directors and shareholders	12	4 421	4 069	4 421	4 069
Lease liabilities	20	1 650	1 650	905	905
South African Revenue Services	13	71 083	55 797	35 040	33 649
Trade and other payables	24	266 766	24 024	6 164	17 529
Deferred revenue	27.2	-	278	-	-
Provisions	26	7 770	7 770	6 700	6 700
Bank overdraft	15	38	39	3	3
Total Current Liabilities		351 728	93 628	107 474	63 645
Total Liabilities		428 109	142 846	140 437	104 062
Total Equity and Liabilities		675 514	123 393	187 799	137 070



# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MAY 2025

	Note(s)	Group		Company	
		31 May 2025 R'000	31 May 2024 R'000	31 May 2025 R'000	31 May 2024 R'000
Revenue	27	199 400	48 536	9 484	18 651
Cost of Sales	28	(81 817)	(18 697)	-	(8 611)
<b>Gross Profit</b>		<b>117 538</b>	<b>29 839</b>	<b>9 484</b>	<b>10 040</b>
Other income	29	66 603	511	1 995	42
Fair value of biological assets	22		(399)		-
Depreciation	3&4	(1 401)	(1 867)	(1 060)	(996)
Impairment loss recognised in profit and loss	6&11	(6 248)	-	-	-
Amortisation	6	(7 027)	(7 027)	-	-
Operating expenses		(49 188)	(47 745)	(42 220)	(27 992)
<b>Operating profit / (loss)</b>	30	<b>120 277</b>	<b>(26 689)</b>	<b>(31 801)</b>	<b>(18 907)</b>
Investment income	31	60	2	-	-
Finance costs	32	(1 816)	(1 626)	(1 479)	(1 287)
<b>Profit / (Loss) before taxation</b>		<b>118 521</b>	<b>(28 313)</b>	<b>(33 280)</b>	<b>(20 194)</b>
Taxation Credit	34	12 971	1 909	-	-
<b>Total comprehensive profit / (loss) for the period</b>		<b>131 492</b>	<b>(26 404)</b>	<b>(33 280)</b>	<b>(20 194)</b>
Attributable to:					
Owners of parent		117 867	(25 804)		
Non-controlling interest		13 625	(600)	-	-
<b>Total comprehensive profit / (loss) for the period</b>		<b>131 492</b>	<b>(26 404)</b>	<b>(33 280)</b>	<b>(20 194)</b>
<b>Per share information</b>					
Basic profit/(loss) per share (cents)	33	10.59	(3.97)	(2.99)	(3.97)
Diluted profit/(loss) per share (cents)	33	10.41	(3.97)	-	-
Headline profit/(loss) per share	33	5.40	(3.95)	(2.94)	(3.97)



# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MAY 2025

Group	Note(s)	Share capital and Premium R'000	Revaluation reserves R'000	Share issue reserve 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
<b>Balance at 1 June 2023</b>		<b>244 322</b>	<b>53</b>	<b>0</b>	<b>(243 959)</b>	<b>417</b>	<b>9 371</b>	<b>9 788</b>
Issue of shares		3 591	-		-	3 591	-	3 591
Total comprehensive profit / (loss) for the period					(25 804)	(25 804)	(599)	(26 404)
Transfer of revaluation reserve through use		-	(43)		43	-	-	-
Change in ownership					(2 004)	(2 004)	(4 425)	(6 429)
<b>Balance at 31 May 2024</b>		<b>247 913</b>	<b>10</b>	<b>0</b>	<b>(271 725)</b>	<b>(23 800)</b>	<b>4 346</b>	<b>(19 454)</b>
<b>NOTE</b>		<b>16</b>	<b>18</b>					

<b>Balance at 1 June 2024</b>		<b>247 913</b>	<b>10</b>	<b>0</b>	<b>(271 725)</b>	<b>(23 800)</b>	<b>4 347</b>	<b>(19 454)</b>
Issue of shares / Share reserve for issue of shares		43 636	-	8 138	-	51 773	-	51 773
Total comprehensive profit / (loss) for the period					117 867	117 867	13 625	131 492
Non-controlling interest at acquisition		-	-		-	-	83 593	85 593
Transfer of revaluation reserve through use		-	(10)		10	-	-	-
<b>Balance at 31 May 2025</b>		<b>291 549</b>	<b>-</b>	<b>8 138</b>	<b>(153 847)</b>	<b>145 840</b>	<b>101 565</b>	<b>247 405</b>



# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MAY 2025

Company	Note	Share capital and Premium R'000	Revaluation reserves R'000	Share issue reserve R'000	Accumulated Loss R'000	Total shareholders' equity R'000
<b>Balance at 1 June 2023</b>		<b>244 804</b>	<b>34 108</b>	<b>-</b>	<b>(228 648)</b>	<b>50 264</b>
Total comprehensive loss for the period		-	-		(20 194)	(20 194)
Issue of shares		3 591	-		-	3 591
Capital contribution		-	(652)		-	(652)
<b>Balance at 31 May 2024</b>		<b>248 394</b>	<b>33 456</b>	<b>-</b>	<b>(248 842)</b>	<b>33 008</b>
<b>Balance at 1 June 2024</b>		<b>248 394</b>	<b>33 456</b>	<b>-</b>	<b>(248 842)</b>	<b>33 008</b>
Total comprehensive loss for the period		-	-		(33 280)	(33 280)
Issue of shares / Share reserve for issue of shares		43 155	-	8 138	-	51 293
Capital contribution		-	(3 659)		-	(3 659)
<b>Balance at 31 May 2025</b>		<b>291 549</b>	<b>29 797</b>	<b>8 138</b>	<b>(282 122)</b>	<b>47 362</b>



# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MAY 2025

	Note(s)	Group		Company	
		31 May 2025 R'000	31 May 2024 R'000	31 May 2025 R'000	31 May 2024 R'000
<b>Cash flows from operating activities</b>					
Cash used in operations	36	(13 915)	3 724	(37 151)	(6 908)
Interest received		60	2		-
Income taxes refund / (paid)		-	-	-	-
Interest paid		(1 276)	(734)	(1 276)	(395)
<b>Net cash from operating activities</b>		<b>(15 131)</b>	<b>2 992</b>	<b>(38 427)</b>	<b>(7 303)</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	3	(649)	(51)		(10)
Purchase of intangible assets	6	(516)	-		-
Acquisition of subsidiaries, net of cash required	33	(4 269)		(5 000)	
Advances to directors and shareholders			(398)		(1 617)
Proceeds to group companies	11&23		-	(782)	(8 875)
<b>Net cash from investing activities</b>		<b>(5 434)</b>	<b>(449)</b>	<b>(5 782)</b>	<b>(10 501)</b>
<b>Cash flows from financing activities</b>					
Net proceeds on share issue	16		-		-
Advances/(repayments) of loans from directors	21	23 023	(1 224)	(13 082)	(1 224)
Advances of loans from group companies	11&23		-	58 451	19 699
Lease liability payments	20	(2 019)	(1 186)	(1 501)	(556)
<b>Net cash from financing activities</b>		<b>21 004</b>	<b>(2 410)</b>	<b>43 868</b>	<b>17 919</b>
<b>Cash movement for the period</b>		<b>439</b>	<b>132</b>	<b>(341)</b>	<b>114</b>
Cash at the beginning of the period		2 937	2 805	356	242
<b>Total cash at end of the period</b>	15	<b>3 376</b>	<b>2 937</b>	<b>15</b>	<b>356</b>



# ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MAY 2025

## 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

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

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 non-controlling 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.

#### 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

Goodwill is subsequently measured at cost less any accumulated impairment.

# ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MAY 2025

## 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.

## 1.3 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.

## 1. Basis of preparation and material accounting policy information

### 1.4 Presentation of Consolidated Annual Financial Statements

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### 1.5 Business combinations

#### Subsidiaries

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



# ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MAY 2025

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 non-controlling interest.

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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.

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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.

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The consolidated and separate financial statements have been presented in South African Rand. The functional currency of the company is South Africa Rand.



# ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MAY 2025

## 1.6 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.

## 1.7 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 recognised in the financial statements, are outlined as follows:

### 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 higher of fair value less costs of disposal and 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



# ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MAY 2025

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.

## 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 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 life.

## 1.8 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 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.

## 1.9 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



# ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MAY 2025

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 commercial 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.

## 1.10 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



# ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MAY 2025

Motor vehicles	Straight line	4 – 5 Years
Trucks and trailers	Straight line	3 – 5 Years
Computer equipment	Straight line	3 – 5 Years

## 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.

## 1.11 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.

## 1.12 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.

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



# ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MAY 2025

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.

## 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 acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or



# ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MAY 2025

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.

## 1.13 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.

## 1.14 Biological assets

### Definitions

The accounting policy set out below is applied to the following when they relate to agricultural activity:

- biological assets, except for bearer plants;
- agricultural produce at the point of harvest; and
- government grants.

Agricultural activity is the management by an entity of the biological transformation and harvest of biological assets for sale or for conversion into agricultural produce or into additional biological assets.

A biological asset is a living animal or plant. A bearer plant is a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period, and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales. Agricultural produce is the harvested product of the entity's biological assets.

### Recognition

Biological assets are recognised when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits associated with the asset will flow to the entity; and
- the fair value or cost of the asset can be measured reliably.

### Measurement

Biological assets are initially and subsequently measured at fair value less costs to sell except where the fair value cannot be determined reliably. In such cases biological assets are measured at cost less accumulated depreciation and accumulated impairment losses.

Agricultural produce harvested from the biological assets is measured at its fair value less costs to sell at the point of harvest, and this value is transferred to inventory.



# ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MAY 2025

Gains or losses arising from the initial recognition of a biological asset at fair value less costs to sell, from a change in fair value less costs to sell of a biological asset, and from the initial recognition of agricultural produce at fair value less costs to sell are included in profit or loss for the period in which it arises.

## Derecognition

Agricultural produce is derecognised at the point of reclassification to inventory. As the fair value less point-of-sale costs becomes the cost of the inventory, no gain or loss is recognised at the point of reclassification.

Biological assets are derecognised when the entity disposes thereof or when it is no longer probable that future economic benefits will be generated from the biological asset. Any gain or loss that arises at the point of derecognition is recognised in profit or loss at the date of derecognition.

## 1.15 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.

#### 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.



# ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MAY 2025

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.

## 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.



# ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MAY 2025

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.

## 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.

### Impairment of financial assets

A forward looking allowance for expected credit losses is recognised for all debt instruments not held at fair value through profit or loss. Expected credit losses are based on the difference between contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.



# ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MAY 2025

The impairment methodology applied depends on whether there has been a significant increase in credit risk:

- For credit exposures with no significant increase in credit risk since initial recognition, expected credit losses are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month expected credit loss).
- For credit exposures with significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime expected credit loss).

For trade receivables and contract assets, a simplified approach is applied in calculating expected credit losses. Instead of tracking changes in credit risk, a loss allowance is recognised based on lifetime expected credit losses at each reporting date. A provision matrix was established that is based on the company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

## 1.16 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.

## 1.17 Capital contribution

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

## 1.18 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.

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:



# ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MAY 2025

- 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.

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.



# ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MAY 2025

## 1.19 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 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.

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



# ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MAY 2025

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.

## 1.20 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. 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.

## 1.21 Employee benefits



# ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MAY 2025

## 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.

## 1.22 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.

## 1.23 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:



# ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MAY 2025

## 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.

## 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.



# ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MAY 2025

## Disaggregation of revenue

The disaggregation of revenue from each category is presented in Note 27.1 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 27.2.

### 1.24 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.

## 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 from the use of the underlying asset are diminished. Operating lease income is included in revenue.

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.

### 1.25 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.

### 1.26 Borrowing costs

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

### 1.27 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.

### 1.28 Segment reporting



# ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MAY 2025

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.

## 1.29 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.

Headline earnings is earnings as determined by IAS 33, adjusted for 'separately identifiable re-measurements' (as defined in SAICA Circular 1/2023), net of related tax (both current and deferred) and related non-controlling interest.

## 2. New Standards and Interpretations

### 2.1 New standards and interpretations not yet adopted

The company has not applied the following new, revised or amended pronouncements that have been issued by the IASB as they are not yet effective for the annual financial year beginning 1 June 2024 (the list does not include information about new requirements that affect interim financial reporting or first-time adopters of IFRS since they are not relevant to the company). The directors anticipate that the new standards, amendments and interpretations will be adopted in the company's consolidated and separate financial statements when they become effective. The company has assessed, where practicable, the potential impact of all these new standards, amendments and interpretations that will be effective in future periods.

### Amendments IFRS 9 and IFRS 7 regarding the classification and measurement of financial instruments

The amendments address matters identified during the post-implementation review of the classification and measurement requirements of IFRS 9 Financial Instruments. The mandatory implementation required by the standard is for years beginning on or after 1 January 2026. This change in accounting policy will be implemented for the first time for the financial year ending 31 May 2027.

### Annual Improvements to IFRS Accounting Standards — Volume 11

The pronouncement comprises the following amendments:

- IFRS 1: Hedge accounting by a first-time adopter
- IFRS 7: Gain or loss on derecognition
- IFRS 7: Disclosure of deferred difference between fair value and transaction price
- IFRS 7: Introduction and credit risk disclosures
- IFRS 9: Lessee derecognition of lease liabilities
- IFRS 9: Transaction price



# ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MAY 2025

- IFRS 10: Determination of a 'de facto agent'
- IAS 7: Cost method

The mandatory implementation required by the standard is for years beginning on or after 1 January 2026. This change in accounting policy will be implemented for the first time for the financial year ending 31 May 2027.

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



# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2025

## 3. Property, plant and equipment

Group	2025			2024		
	Cost /	Accumulate	Carrying	Cost /	Accumulated	Carrying
	Valuation	d depreciation	value	Valuation	depreciation	value
	R'000	R'000	R'000	R'000	R'000	R'000
Land and Buildings	3 752	(73)	3 679	3 103	(70)	3 033
Leasehold	427	(427)	-	427	(427)	-
Plant and equipment	6 150	(6 004)	146	6 150	(5 953)	197
Motor vehicles	162	(162)	-	162	(162)	-
Furniture & fixtures	242	(199)	43	242	(197)	45
Office & Computer equipment	569	(551)	18	569	(499)	70
<b>Total</b>	<b>11 302</b>	<b>(7 416)</b>	<b>3 886</b>	<b>10 653</b>	<b>(7 308)</b>	<b>3 345</b>

### Reconciliation of property, plant and equipment – Group – 2025

	Opening Balance	Business Combination	Additions	Disposals	Depreciation	Closing balance
	R'000	R'000	R'000	R'000	R'000	R'000
Land and buildings	3 033	-	649	-	(3)	3 679
Leasehold improvements	-	-	-	-	-	-
Plant and equipment	197	-	-	-	(51)	146
Furniture & fixtures	45	-	-	-	(2)	43
Motor vehicles	-	-	-	-	-	-
Office and Computer equipment	70	-	-	-	(52)	18
<b>Total</b>	<b>3 345</b>	<b>-</b>	<b>649</b>		<b>(108)</b>	<b>3 886</b>



# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2025

## Reconciliation of property, plant and equipment – Group – 2024

	Opening Balance R'000	Business Combination s R'000	Additions R'000	Disposals R'000	Depreciation R'000	Closing balance R'000
Land and buildings	3 059	-	-	-	(26)	3 033
Leasehold improvements	-	-	-	-	-	-
Plant and equipment	330	-	51	-	(185)	197
Furniture & fixtures	289	-	-	(222)	(21)	45
Motor vehicles	-	-	-	-	-	-
Office and Computer equipment	156	-	10	-	(96)	70
<b>Total</b>	<b>3 834</b>	<b>-</b>	<b>61</b>	<b>(222)</b>	<b>(328)</b>	<b>3 345</b>

## Reconciliation of property, plant and equipment – Company – 2025

	Opening Balance R'000	Additions R'000	Disposals R'000	Depreciation R'000	Total R'000
Furniture & Fittings	26	-	-	(18)	8
Office and computer equipment	69	-	-	(69)	-
<b>Total</b>	<b>95</b>	<b>-</b>	<b>-</b>	<b>(95)</b>	<b>8</b>

## Reconciliation of property, plant and equipment – Company – 2024

	Opening Balance R'000	Additions R'000	Disposals R'000	Depreciation R'000	Total R'000
Furniture & Fittings	35	-	-	(9)	26
Office and computer equipment	153	10	-	(94)	69
<b>Total</b>	<b>188</b>	<b>10</b>	<b>-</b>	<b>(103)</b>	<b>95</b>

### 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 2025 (2024: Nil).

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 2025

	2025 R'000	2024 R'000
<b>Land and Buildings</b>		
Land	2 400	2 400
Buildings	630	633
<b>Total</b>	<b>3 679</b>	<b>3 033</b>

## 4. Right of Use of Assets

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

### Reconciliation of right-of-use assets – Group – 2025

	Opening Balance R'000	Additions R'000	Acquisitions through business combinations R'000	Disposals and Depreciation R'000	Closing balance R'000
Buildings	2 455		4 356	(1 657)	5 154
Motor vehicles	1 334	-	-	(1 018)	316
<b>Total</b>	<b>3 789</b>	<b>-</b>	<b>4 356</b>	<b>(2 675)</b>	<b>5 470</b>

### Reconciliation of right-of-use assets – Group – 2024

	Opening Balance R'000	Additions R'000	Depreciation R'000	Closing balance R'000
Buildings	3 346	-	(891)	2 455
Motor vehicles	1 951	-	(617)	1 334
<b>Total</b>	<b>5 297</b>	<b>-</b>	<b>(1 508)</b>	<b>3 789</b>

### Reconciliation of right-of-use assets – Company 2025

	Opening Balance R'000	Additions R'000	Disposals and Depreciation R'000	Closing balance R'000
Buildings	1 379	-	(1 379)	-
Motor vehicles	1 334	-	(1 018)	316
<b>Total</b>	<b>2 713</b>	<b>-</b>	<b>(2 397)</b>	<b>316</b>



# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2025

## Reconciliation of right-of-use assets – Company 2024

	Opening Balance R'000	Additions R'000	Depreciation R'000	Closing balance R'000
Buildings	1 655	-	(276)	1 379
Motor vehicles	1 951	-	(617)	1 334
<b>Total</b>	<b>3 606</b>	<b>-</b>	<b>(893)</b>	<b>2 713</b>

## 5. Goodwill

Group	2025			2024		
	Cost R'000	Accumulated impairment R'000	Carrying value R'000	Cost R'000	Accumulated impairment R'000	Carrying value R'000
Goodwill	1 379	(1 379)	-	1 379	(131)	1 248
<b>Total</b>	<b>1 379</b>	<b>(1 379)</b>	<b>-</b>	<b>1 379</b>	<b>(131)</b>	<b>1 248</b>

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

## Reconciliation of goodwill – 2025

	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)	-
<b>Total goodwill</b>	<b>1 248</b>	<b>-</b>	<b>(1 248)</b>	<b>-</b>

## Reconciliation of goodwill – 2024

	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
<b>Total goodwill</b>	<b>1 248</b>	<b>-</b>	<b>-</b>	<b>1 248</b>

## Goodwill Impairment – Sweet Waters Aquaponics

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 as fair value less costs of disposal is not determinable. 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. Full goodwill of Sweet Waters Aquaponics was impaired for the period under review (2024: Nil).



# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2025

## 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:

## Goodwill 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 2025 was 4% (2024: 5%).

## Discount Rates

The discount rates reflect appropriate adjustments relating to market risk and specific risk factors of each segment. The discount rate applied in 2025 was 26% (2024: 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 (2025)

The goodwill impairment loss for the 2025 financial year was R1.248 million (2024: Nil). 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 a change to the impairment loss for the financial year.

## 6. Intangible assets

Group	2025			2024		
	Accumulated amortisation and impairment		Carrying value	Accumulated amortisation and impairment		Carrying value
	Cost			Cost		
	R'000	R'000	R'000	R'000	R'000	R'000
Contractual and non-contractual client relationship	103 499	(103 499)	-	103 499	(103 499)	-
Licences	7 258	(6 771)	487	7 258	(4 256)	3 002
Intellectual property: integrated circuits	10 753	(10 753)	-	10 753	(10 753)	-
Site Master Plan	409	(409)	-	409	(409)	-
Brands	22 362	(12 460)	9 902	22 362	(7 405)	14 957
E-Commerce system	21 913	(17 042)	4 871	21 397	(14 429)	6 968
Product and Strain development	11 564	(7 889)	3 675	11 564	(6 045)	5 519
Total	177 757	(158 823)	18 935	177 242	(146 796)	30 446



# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2025

## Reconciliation of intangible assets – 2025

Group	Opening Balance	Additions	2025 Business Combinations	Impairment	Amortisation	Carrying Value
	R'000	R'000	R'000	R'000	R'000	R'000
Contractual and non-contractual client relationship	-	-	-	-	-	-
Licences	3 002	-	-	(639)	(1 876)	487
Intellectual property: integrated circuits	-	-	-	-	-	-
Site Master Plan	-	-	-	-	-	-
Brands	14 957	-	-	(3 186)	(1 869)	9 902
E-Commerce system	6 968	516	-	-	(2 613)	4 871
Product and Strain development	5 519	-	-	(1 175)	(669)	3 675
<b>Total</b>	<b>30 446</b>	<b>516</b>	<b>-</b>	<b>(5 000)</b>	<b>(7 027)</b>	<b>18 935</b>

## Reconciliation of intangible assets – 2024

Group	Opening Balance	Additions	2024 Business Combinations	Impairment	Amortisation	Carrying Value
	R'000	R'000	R'000	R'000	R'000	R'000
Contractual and non-contractual client relationship	-	-	-	-	-	-
Licences	4 878	-	-	-	(1 876)	3 002
Intellectual property: integrated circuits	-	-	-	-	-	-
Site Master Plan	-	-	-	-	-	-
Brands	16 823	-	-	-	(1 869)	14 957
E-Commerce system	9 582	-	-	-	(2 613)	6 968
Product and Strain development	6 188	-	-	-	(669)	5 519
<b>Total</b>	<b>111 257</b>	<b>1 516</b>	<b>-</b>	<b>-</b>	<b>(7 027)</b>	<b>30 446</b>

## Intangible assets Impairment – Labat Healthcare

The Group identified an indicator of impairment in the Healthcare business due to a decline in the net asset value of the business. The intangible assets tested for impairment relates to the initial acquisition of Healthcare subsidiaries and the creation of at-acquisition intangible assets. The recoverable amount is determined on the higher of fair value less cost of disposal and value in use calculations. The fair value less costs of disposal was the higher amount. This resulted in an impairment loss of R5 million (2024: Nil). The fair value hierarchy was determined as Level 3 and fair value considerations included amounts that could be obtained by market participants in an unrelated transaction. Key assumptions included the entity's negotiations with market participants and appointed valuation experts.



# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2025

## 7. 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 (2024: R54m as at the business rescue date). Labat has made a provision of R20 million (2024: R9.8m) against these PCGs.

	GROUP		COMPANY	
	2025 R'000	2024 R'000	2025 R'000	2024 R'000
Total PCGs exposure	54 000	54 000	54 000	54 000
Less: Provision made	(R20m)	(R9.8m)	(R20m)	(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. Further legal processes indicated the increase of the provision to R20 million in 2025.

### 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.



# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2025

## 8. Investment in subsidiaries

Name of Company	2025 Issued share capital	2025 Profit / (Loss) after tax	2025 Carrying Value	2025 % Holding	2024 % Holding	2024 Carrying Value
	R'000	R'000	R'000	R'000	R'000	R'000
South African Micro Electronic Systems (Pty) Limited & ICDC (*)	8 368	(245)	202	100%	100%	202
The Highly Creative (Pty) Ltd "THC"	-	(812)	75 000	100%	100%	75 000
CannAfrica (Pty) Ltd	-	16 559	21 429	100%	70%	15 000
BioData (Pty) Ltd	-	8 166	7 500	100%	100%	7 500
African Cannabis Enterprises (Pty) Ltd	1	(1 334)	1 804	100%	100%	1 804
Echo Life (Pty) Ltd	-	(123)	2 150	100%	100%	2 150
Lima Romeo Air (Pty) Ltd t/a Sweet Waters Aquaponics	-	(4 934)	2 755	80%	80%	2 755
Classic International Trading (Pty) Ltd	-	60 328	16 275	75.55%	-	-
Ahnamu Investments (Pty) Ltd	-	3 876	25 000	51%	-	-
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%	-
<b>Total</b>	<b>13 368</b>	<b>3 647</b>	<b>110 840</b>			<b>104 411</b>

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.

\*\* - Entity is dormant

\*\*\* - Both Force Fuel and Force Fuel Properties are liquidated. 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.



# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2025

## 9. Deferred tax

	GROUP		COMPANY	
	2025 R'000	2024 R'000	2025 R'000	2024 R'000
Property plant and equipment	-	(13)	-	-
Leases	(273)	83	-	-
Leave pay provision	156	156	-	-
Tax losses	42 628	2 223	-	-
Intangible assets	(2 244)	(7 612)	-	-
Deferred revenue	-	233	-	-
Prepayments	(27)	(29)	-	-
<b>Total Net deferred tax</b>	<b>40 240</b>	<b>(4 959)</b>	<b>-</b>	<b>-</b>
Deferred tax liability	(2 545)	(7 612)		
Deferred tax asset	42 785	2 653		
<b>Total net deferred tax</b>	<b>40 240</b>	<b>(4 959)</b>		

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

### Reconciliation of deferred tax asset / (liability)

At the beginning of the year	(4 959)	(6 868)	-	-
Property, plant and equipment	(13)	13	-	-
Leases	(356)	(4)	-	-
Tax losses carried forward	40 411	65	-	-
Leave pay provision	-	-	-	-
Salary provisions	-	-	-	-
Deferred revenue	(233)	(65)	-	-
Intangible assets	5 388	1 898	-	-
Prepayments	2	2	-	-
<b>Total net deferred tax</b>	<b>40 240</b>	<b>(4 959)</b>	<b>-</b>	<b>-</b>
<b>Unrecognised deferred tax asset</b>				
Unused tax losses not recognised as deferred tax assets	275 817	246 978		

### 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. Refer to the Going concern statement in the directors' report.



# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2025

## 10. Inventories

	GROUP		COMPANY	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Work in progress	1 795	1 163	-	-
Finished goods	2 444	4 638	-	-
Additions due to acquisition of subsidiaries – work in progress inventory	329 572			
Raw materials, components	-	-	-	-
	<b>333 811</b>	<b>5 801</b>	<b>-</b>	<b>-</b>
Allowance for obsolescence	(393)	(393)	-	-
	<b>334 418</b>	<b>5 408</b>	<b>-</b>	<b>-</b>

### Amounts recognised in profit or loss

Inventory recognised as an expense during the year ended 31 May 2025 amounted to R82.5 million (2024: R18.7 million). These are included in cost of sales and cost of providing services.

No inventory has been pledged as security against financial liabilities

## 11. Loans to Group Companies

	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
African Cannabis Enterprises (Pty) Ltd	-	-	6 494	4 769
BioData (Pty) Ltd	-	-	-	-
The Highly Creative (Pty) Ltd	-	-	19 159	18 605
CannAfrica (Pty) Ltd	-	-	-	1 372
Echo Life (Pty) Ltd	-	-	744	744
Lima Romeo Air (Pty) Ltd t/a Sweet Waters Aquaponics	-	-	15 868	15 994
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>42 265</b>	<b>41 483</b>
Impairment provision	-	-	(22 666)	(22 666)
<b>Total</b>	<b>-</b>	<b>-</b>	<b>19 599</b>	<b>18 817</b>

### 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.



# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2025

## 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.

## 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.

## 12. Loan to and (from) directors and shareholders

	GROUP		COMPANY	
	2025	2024	2025	2024
	R '000	R '000	R '000	R '000
<b>Current Assets</b>				
H Maasdorp (shareholder)	-	1	-	1 777
<u>Directors' loans</u>				
B Van Rooyen	2 151	1 381	2 151	-
Other/staff	410		360	
S.E. Van Rooyen	365	396	365	-
<b>Total</b>	<b>2 926</b>	<b>1 778</b>	<b>2 875</b>	<b>1 777</b>
<b>Current liabilities</b>				
<u>Directors' loans</u>				
D O'Neil	(3 291)	(2 938)	(3 291)	(2 938)
S Van Rooyen	-	-	-	-
<u>Shareholders' loans</u>				
Link Private Equity Investments (Pty) Ltd (*)	(647)	(647)	(647)	(647)
D Asmal (*)	(484)	(484)	(484)	(484)
<b>Total</b>	<b>(4 421)</b>	<b>(4 069)</b>	<b>(4 421)</b>	<b>(4 069)</b>

The shareholders' loans are secured, interest free and is repayable on demand. The loans are fully secured by pledge of Labat shares and surety provided.



# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2025

## 13. Amounts owing to and by the South African Revenue Services

	GROUP		COMPANY	
	2025 R'000	2024 R'000	2025 R'000	2024 R'000
Current tax assets	56 306	54 785	-	-
Current liabilities	(71 083)	(47 354)	(35 040)	(28 936)
<b>Net tax asset/(liability)</b>	<b>(14 777)</b>	<b>7 431</b>	<b>(35 040)</b>	<b>(28 936)</b>

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.

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.

## 14. Trade and other receivables

	GROUP		COMPANY	
	2025 R'000	2024 R'000	2025 R'000	2024 R'000
Trade receivables	34 831	18 193	11 073	1 432
Trade receivables impairment	(14 056)	(13 900)	-	(1 391)
Trade receivables - net	20 775	4 293	11 073	41
Trade receivables due to acquisition of subsidiaries	169 664	169 664	-	-
Prepayments	108	115	-	-
Deposits	26	26	-	-



# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2025

Other loans and receivables due to acquisition of subsidiaries	7 000	7 000	-	-
Other receivables	2 488	2 955	1 814	2 427
	<b>200 061</b>	<b>7 388</b>	<b>12 887</b>	<b>2 469</b>

## 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 of recovering the balance. The R7 million loan receivable acquired by way of acquisition of subsidiary Classic (Pty) Ltd, relates to an employee loan.

## 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 2025, trade and other receivables of R14 million (2024: R13.9 million) 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.

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

	GROUP		COMPANY	
	2025 R'000	2024 R'000	2025 R'000	2024 R'000
At the beginning of the year	13 900	7 413	1 391	74
Impaired raised / (reversed)	156	6 487	(1 391)	1 317
At the end of the year	<b>14 056</b>	<b>13 900</b>	<b>-</b>	<b>1 391</b>

### Calculation of expected credit losses

<b>Expected credit loss rate:</b>				
Debtors Balance	34 831	18 193	11 073	1 432
Loss Rate before FLI	40.35%	76.40%	0%	97.12%
Loss Rate after FLI	40.35%	76.40%	0%	97.12%
<b>Expected credit loss raised</b>	<b>14 056</b>	<b>13 900</b>	<b>-</b>	<b>1 391</b>

FLI – Forward-looking information

The expected credit loss rates are the effective rate for the Group. The reason for the decrease is that there were an increase in debtors on certain subsidiary companies in the Group 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.



# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2025

## 15. Cash and cash equivalents

Cash and cash equivalents consist of:	GROUP		COMPANY	
	2025 R'000	2024 R'000	2025 R'000	2024 R'000
<b>Current assets</b>				
Cash and bank balances	3 414	2 976	18	359
<b>Current liabilities</b>				
Bank overdraft	(38)	(39)	(3)	(3)
<b>Net cash and equivalents</b>				
Current Assets	3 414	2 976	18	359
Current Liabilities	(38)	(39)	(3)	(3)
	3 376	2 937	15	356

### 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.

## 16. Share capital

	GROUP		COMPANY	
	2025 R'000	2024 R'000	2025 R'000	2024 R'000
<b>Authorised</b>				
5 000 000 000 Ordinary shares of R0.01 each	50 000 000	50 000 000	50 000 000	50 000 000
<b>Reconciliation of number of shares issued:</b>				
Ordinary shares as at 1 June 2024	669 026	639 102	669 026	639 102
Issue of shares - ordinary shares	463 350	29 924	463 350	29 924
Cancelled	-	-	-	-
<b>Total number of shares in issue</b>	<b>1 132 376</b>	<b>669 026</b>	<b>1 132 376</b>	<b>669 026</b>
Treasury shares	(19 460)	(19 460)	(19 460)	(19 460)
<b>Number of shares in issue net of treasury</b>	<b>1 112 916</b>	<b>649 566</b>	<b>1 112 916</b>	<b>649 566</b>



# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2025

	GROUP		COMPANY	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Ordinary shares	220 785	177 150	220 304	177 150
Share premium	71 245	71 245	71 245	71 245
Share incentive	(481)	(481)	-	-
<b>Total share capital</b>	<b>291 549</b>	<b>247 913</b>	<b>291 549</b>	<b>248 394</b>

## 16.1 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.

## 17. Non-controlling interest

	GROUP	
	2025	2024
	R'000	R'000
<b>CannAfrica</b>		
- Business combination at acquisition		6 429
- Accumulated loss at beginning of year		(2 004)
- (Loss)/Profit-current year		-
- NCI derecognised		(4 425)
	-	-
<b>Bio Data</b>		
- Business combination at acquisition	3 526	3 526
- Accumulated loss-prior year	530	(546)
- Profit -current year	1 495	1 076
	5 551	4 056
<b>Lima Romeo Air (Pty) Ltd t/a Sweet Waters Aquaponics</b>		
- Business combination at acquisition	376	376
- Accumulated loss/profit-prior year	(85)	1 591
- Loss- current year	(1 273)	(1 676)
	(982)	291
<b>Classic International Trading Pty Ltd*</b>		



# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2025

- Business combination at acquisition	8 279	-
- Profit- current year	11 503	-
	19 782	-
<b>Ahnamu Investments Pty Ltd*</b>		
- Business combination at acquisition	75 314	-
- Profit- current year	1 900	-
	77 214	-
<b>Total Non-Controlling Interest</b>		
- Business combination at acquisition	87 495	3 902
- Accumulated profit	14 070	445
<b>Total</b>	<b>101 565</b>	<b>4 347</b>

\*Refer to acquisition of subsidiaries note 33.

## 18. Non-distributable 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	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Opening balance	11	54	-	-
Realisation of revaluation reserve through use	(11)	(43)	-	-
	-	11	-	-

### Non-distributable reserves – share issue reserve

The share issue reserve arose as a result of contingent equity consideration in the acquisition of Classic International Trading (Pty) Ltd. The purchase consideration included a profit warranty related to the issue of 116.5 million shares and this fixed number of shares will be issued/allotted once the profit warranty condition has been achieved.

	GROUP		COMPANY	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Opening balance	-	-	-	-
Share issue reserve	8 138	-	8 138	-
	8 138	-	8 138	-



# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2025

## 19. 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	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Opening balance	-	-	33 456	34 108
Capital contribution/(Reduction)	-	-	(3 659)	(652)
	-	-	29 797	33 456

## 20. Lease liabilities

	GROUP		COMPANY	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
<b>Maturity analysis</b>				
- within one year	2 954	2 554	1 704	1 704
- in second to sixth year inclusive	6 667	9 220	1 738	8 554
Total	9 621	11 774	3 442	10 258
Less: future finance charges	(1 933)	(3 641)	(1 265)	(3 509)
	7 688	8 133	2 177	6 749
<b>Presented as follows:</b>				
Non-current liabilities	6 038	6 484	1 272	5 844
Current liabilities	1 650	1 650	905	905
	7 688	8 134	2 177	6 749
<b>Net carrying value of related right-of-use asset:</b>				
- Vehicles	316	1 334	316	1 334
- Buildings	5 154	2 455	-	1 379
	5 470	3 789	316	2 713

Due to the acquisition of subsidiary Classic (Pty) Ltd, lease liabilities increased by R4.1 million in 2025 (R3.962 million non-current liability and R165 000 current liability). The related increase in the leased assets are presented in note 4.

Other disclosures:	Group		Company	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Interest expense on lease liabilities	535	1 098	203	925
Capital repayment on leases	2 019	1 180	1 501	556
Total cash outflow from leases	2 554	2 278	1 704	1 481



# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2025

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

The average lease term on motor vehicles is 6 years and the remaining term of the leases are between 1.5 years (2024: 2 years) and 2 years (2024: 2.5 years). The average effective borrowing rate was 11% (2024: 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% (2021 to 2024: 11%).

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.

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

## Exposure to liquidity risk

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

## 21. Other financial liabilities

	GROUP		COMPANY	
	2025 R'000	2024 R'000	2025 R'000	2024 R'000
<b>Other financial liabilities consist of:</b>				
Directors' remuneration liability	20 598	24 775	11 691	24 773
Loan to shareholder due to acquisition of subsidiary	27 200	-	-	-
	47 798	24 775	11 691	24 773
<b>Total</b>				
Non-current liabilities	47 798	24 775	11 691	24 773
Current liabilities	-	-	-	-
	47 798	24 775	11 691	24 773
The fair value of the non-current liabilities is discounted at the rate of 10.75% (2024: 11.75%) per annum to arrive at its present value.	43 611	22 170	10 505	22 168

These liabilities are unsecured, interest free, and have no repayment date.

## 22. Biological Assets

Group	2025			2024		
	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	6 801	-	6 801	6 801	-	6 801
Seeds	1 512	-	1 512	1 512	-	1 512
<b>Total</b>	<b>8 313</b>	<b>-</b>	<b>8 313</b>	<b>8 313</b>	<b>-</b>	<b>8 313</b>



# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2025

## Reconciliation of Biological Assets – Group – 2025

	Opening Balance R'000	Gains (losses) arising from changes in fair value	Additions R'000	Closing balance R'000
Medical cannabis plants	6 801	-	-	6 801
Seeds	1 512	-	-	1 512
<b>Total</b>	<b>9 257</b>	<b>-</b>	<b>-</b>	<b>8 313</b>

## Reconciliation of Biological Assets – Group – 2024

	Opening Balance R'000	Decrease due to harvest	Gains (losses) arising from changes in fair value	Additions R'000	Closing balance R'000
Medical cannabis plants	7 745	(545)	(399)	-	6 801
Seeds	1 512	-	-	-	1 512
<b>Total</b>	<b>9 257</b>	<b>(545)</b>	<b>(399)</b>	<b>-</b>	<b>8 313</b>

There were no contractual commitments for the acquisition of biological assets at 31 May 2025 (2024: Nil).

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.

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	Fair value as at 31 May 2025 R 000s
Medical cannabis plants	6 801
Seeds	1 512

<b>Valuation technique</b>	Recoverable value
<b>Unobservable inputs</b>	Market related selling price per gram of cannabis seeds less harvesting, transport, and other costs to sell
<b>Range of unobservable inputs</b>	R10 – R20 per gram
<b>Relationship of unobservable input to Fair value</b>	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.



# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2025

## 23. Loan from Group companies

	GROUP		COMPANY	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
SAMES Properties (Pty) Ltd	-	-	318	318
Bio Data (Pty) Ltd			8 623	-
CannAfrica (Pty) Ltd			18 100	
Classic International Trading (Pty) Ltd			27 200	
<b>Total</b>	<b>-</b>	<b>-</b>	<b>54 241</b>	<b>318</b>

The carrying value of loans approximates their fair value, due to the short-term nature thereof.

### CannAfrica (Pty) Ltd and Biodata (Pty) Ltd

With the two Cannabis related entities starting to show increased profits, loans have been advanced to the holding entity. The loans will be repaid through management fees provided by Labat and when cash flows are available. The loans are unsecured, bear no interest and have no fixed repayment terms.

### Classic International Trading (Pty) Ltd

As part of the acquisition of Classic International Trading, Classic undertakes to underwrite the actual and contingent liabilities of Labat on effective date. Classic also furthermore settled expenses and debts of Labat. The loan is unsecured, bear no interest and have no fixed repayment terms.

## 24. Trade and other payables

	GROUP		COMPANY	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Trade payables	8 041	17 218	4 279	14 782
Trade payables due to acquisition of subsidiaries	225 552	-	-	-
Accruals	-	457	-	374
Payroll accruals	1 807	1 126	1 556	809
Sundry payables	4 777	4 164	329	1 564
VAT accruals due to acquisition of subsidiaries	25 879	-	-	-
Revolving credit facility	710	1 059	-	-
<b>Total Trade and other payables</b>	<b>266 766</b>	<b>24 024</b>	<b>6 164</b>	<b>17 529</b>
Financial instruments	239 080	22 898	4 608	16 720
Non-financial instruments	27 686	1 126	1 556	809
	<b>266 766</b>	<b>24 024</b>	<b>6 164</b>	<b>17 529</b>

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



# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2025

## 25. Financial guarantees

	GROUP		COMPANY	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Financial guarantees (*)	20 000	9 800	20 000	9 800

### Group and Company – 2025

Reconciliation	Opening balance R'000	Fair value adjustments / change in estimate R'000	Payments R'000	Total R'000
Financial guarantees	9 800	11 200	-	20 000

### Group and Company – 2024

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. The total exposure in relation to the PCGs as at the business rescue date was approximately R54 million (2024: R54 million). Labat has recognised a liability at fair value of R20 million (2024: 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.

## 26. Provisions

### Group – 2025

Reconciliation	Opening balance R'000	Provision raised R'000	Utilised during the period R'000	Reclassification R'000	Total R'000
Provision for expenses	7 770	-	-	-	7 770
	<b>7 770</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7 770</b>

### Company – 2025

Reconciliation	Opening balance R'000	Provision raised R'000	Utilised during the period R'000	Reclassification R'000	Total R'000
Provision for expenses	6 700	-	-	-	6 700
	<b>6 700</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6 700</b>

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

## 27. Revenue

### 27.1 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.



# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2025

	GROUP		COMPANY	
	2025 R'000	2024 R'000	2025 R'000	2024 R'000
<b>Revenue from contracts with customers</b>				
Sale of goods	20 086	19 927	-	-
Sale of goods due to acquisition of subsidiaries	151 256	-	-	-
Rendering of services	28 058	28 610	9 484	18 651
<b>Total revenue from contracts with customers</b>	<b>198 400</b>	<b>48 536</b>	<b>9 484</b>	<b>18 651</b>
<b>Disaggregation of revenue from contracts with customers</b>				
The Group disaggregates revenue from customers as follows:				
<b>Sale of goods</b>				
Information technology sales	2 973	4 804	-	-
Sales of hardware and software products	151 256	-	-	-
Medical cannabis sales	16 939	15 123	-	-
<b>Total sale of goods</b>	<b>171 168</b>	<b>19 927</b>	<b>-</b>	<b>-</b>
<b>Rendering of services</b>				
Franchise fees	19 711	16 389	-	-
Marketing and royalty fees	7 521	-	-	-
Management Fees	-	-	9 484	6 430
Bulk logistics and other	-	-	-	12 221
<b>Total revenue from contracts with customers</b>	<b>198 400</b>	<b>48 536</b>	<b>9 484</b>	<b>18 651</b>
<b>Primary Geographic Markets</b>				
South Africa	198 400	48 536	9 484	18 651
<b>Timing of revenue recognition</b>				
At a point in time	171 168	48 536	-	12 221
Over time	27 232	-	9 484	6 430
	<b>198 400</b>	<b>48 536</b>	<b>9 484</b>	<b>18 651</b>

## 27.2 Deferred Revenue

The deferred revenue of the prior year related to certain franchise agreements for which the Group's right to consideration did not correspond directly with the performance. Deferred revenue is recognised upon satisfaction of the performance obligations.

Disclosed as follows:



# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2025

	GROUP		COMPANY	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
<b>Deferred Revenue</b>	-	826	-	-
<b>Reconciliation</b>				
Opening balance	826	1 104	-	-
Additional amount deferred	-	-	-	-
Revenue recognised for performance obligations	(826)	(278)	-	-
Closing balance	-	826	-	-

## 28. Cost of sales

### Disaggregation of cost of sales from contracts with customers

The Company disaggregates cost of sales from customers as follows:

	GROUP		COMPANY	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Sale of goods	12 840	10 086	-	-
Cost of sales of due to acquisition of subsidiaries	68 977	-	-	-
Cost of services	-	8 611	-	8 611
	<b>81 817</b>	<b>18 697</b>	<b>-</b>	<b>8 611</b>
<b>Cost of sales of goods</b>				
Information technology	3	1 597	-	-
Cost of sales relating to software development and hardware sales	68 977	-	-	-
Medical cannabis	12 837	8 489	-	-
<b>Total cost of sales of goods</b>	<b>81 817</b>	<b>10 086</b>	<b>-</b>	<b>-</b>
<b>Cost of services</b>				
Bulk logistics	-	8 611	-	8 611
<b>Total cost of sales of goods and services</b>	<b>81 817</b>	<b>18 697</b>	<b>-</b>	<b>8 611</b>

## 29. Other income

	GROUP		COMPANY	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Fair value gain on biological assets	-	-	-	-
Sundry other income	3 907	511	1 995	42
Gain on bargain purchase on acquisition of subsidiaries	62 696	-	-	-
	<b>66 603</b>	<b>511</b>	<b>1 995</b>	<b>42</b>



# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2025

## 30. Operating profit / (loss)

	GROUP		COMPANY	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
<b>Operating loss includes the following:</b>				
Auditor's remuneration - external Audit fees	668	874	668	837
Consulting and professional services	7 092	708	2 046	-
Employee costs	32 245	24 247	29 370	14 466
Depreciation	1 400	1 866	1 059	995
Amortisation	7 027	7 027	-	-
Impairment loss	6 248	-	-	-
Retirement benefits plans: defined contribution expense	-	435	-	385
Movement in expected credit loss (ECL)	156	6 487	(1 319)	1 317

## 31. Investment income

	GROUP		COMPANY	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
<b>Interest income per category:</b>				
Bank and other cash	60	2	-	-
<b>Total investment income</b>	<b>60</b>	<b>2</b>	<b>-</b>	<b>-</b>

## 32. Finance costs

	GROUP		COMPANY	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
<b>Finance costs per category:</b>				
Lease liabilities	535	1 098	203	925
South African Revenue Services	5	166	-	-
Directors' loans	1 276	363	1 276	362
<b>Total finance costs</b>	<b>1 817</b>	<b>1 626</b>	<b>1 479</b>	<b>1 287</b>



# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2025

## 33. Acquisition of subsidiaries

### 33.1 Details of acquisitions

Name of acquiree	Principal activity	Date of acquisition	Proportion of voting equity acquired %
<b>Classic International Trading Proprietary Limited</b>	Software development and IT related hardware	1 January 2025	<b>75.55%</b>
<b>Ahnamu Investments Proprietary Limited</b>	Software development and IT related hardware	1 March 2025	<b>51%</b>

**Classic International Trading Proprietary Limited ("Classic")** - The Company acquired 75.55% of the equity in Classic with effect of 1 January 2025 for R16.275 million, settled through the issue of 232.5 million ordinary Labat Africa shares, of which a profit warranty related to 116.5 million of these shares. The issue price of R0.07 per share which was the opening trading price on effective date of the agreement.

**Ahnamu Investments Proprietary Limited ("Ahnamu")** – The Company acquired 51% of the equity in Ahnamu effective 1 March 2025, which was acquired for a cash consideration of R5 million and the issues of 200 million Labat Africa ordinary shares at an issue price of R0.10 per share which represented a premium of 25% compared to the trading share price of R0.08 per share just before acquisition date.



# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2025

## Business combinations continued...

### Assets acquired and liabilities recognised at the date of acquisition

	Classic	Ahnamu	Total
<b>Non-current assets</b>			
Right-of-use assets	4 356	-	4 356
Other non-current financial assets	34 200	-	34 200
<b>Current assets</b>			
Inventory	67 981	214 514	282 495
Trade and other receivables	22 692	74 272	96 964
Cash and cash equivalents	90	641	731
<b>Non-current liabilities</b>			
Lease liability	(3 989)	-	(3 989)
<b>Current liabilities</b>			
Trade and other payables	(24 365)	(75 511)	(99 876)
Current tax liabilities	(39 904)	(60 214)	(100 118)
Shareholder loan	(27 200)	-	(27 200)
<b>Assets acquired and liabilities recognised at the date of acquisition</b>	<b>33 861</b>	<b>153 702</b>	<b>187 563</b>
Non-controlling interest	(8 279)	(75 314)	(83 593)
Gain on bargain purchase	(9 307)	(53 388)	(62 695)
<b>Purchase consideration</b>	<b>16 275</b>	<b>25 000</b>	<b>41 275</b>

### Net cash flow from acquisition of subsidiaries

	Classic	Ahnamu		
Consideration paid in cash	-	(5)	-	-
Less: cash and cash equivalents acquired	90	641	-	-
<b>Total net cash flow from acquisition of subsidiaries</b>	<b>90</b>	<b>636</b>	<b>-</b>	<b>-</b>

### Gain recognised in bargain purchase transaction

Recognised in comprehensive income as follows:

Name of entity	Line item in comprehensive income in which recognised	Classic	Ahnamu		
	Other income	9 308	53 388	-	-

Both acquisitions resulted in a gain on bargain purchase. All assets and liabilities at acquisition date, as well as the consideration were re-assessed to be at fair value and the gain arose due to high net asset value, especially in the form of work in progress inventory of the subsidiaries at the acquisition date.



# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2025

## Non-controlling interests

	Classic	Ahnamu		
Non-controlling interest recognised at acquisition date	8 279	75 314	-	-

Non-controlling in both acquisitions were recognised at the proportionate share of the net asset value of the acquirees at acquisition date.

## Impact of acquisitions on the results of the group

	Classic	Ahnamu
Revenue since acquisition included in results	118 184	33 072
Profit or loss since acquisition included in results	60 328	3 876

## 34. Basic and Headline profit / (loss) per share

GROUP	2025 R'000	2024 R'000
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### Basic Earnings

The Profit and (Loss) used in the calculation of basic earnings per share is as follows:

Profit / (Loss) for the year	131 492	(26 404)
Adjusted for:		
Non-controlling interest in profit / (loss) for the year	(13 625)	(600)
<b>Profit / (Loss) attributable to owners of the parent</b>	<b>117 867</b>	<b>(25 804)</b>

### HEADLINE EARNINGS/ (LOSS)

#### Headline loss from continuing operations

Profit / (Loss) for the period/year	117 867	(25 804)
Adjusted for:		
Gain on bargain purchase	(62 695)	-
Impairment of Intangible asset	6 248	-
Loss on disposal of asset		222
Tax	(1 350)	(60)
<b>Headline profit / (loss) for the period/year</b>	<b>60 070</b>	<b>(25 642)</b>

### Per share information (cents)

Basic profit / (loss) per share (cents)	10.59	(3.97)
Headline profit / (loss) per share (cents)	5.40	(3.95)
Diluted basic profit / (loss) per share (cents)	10.41	(3.97)
Diluted headline profit / (loss) per share (cents)	5.30	(3.95)

### Number of Shares ('000):

Weighted number of shares in issue (net of treasury shares)	1 112 916	649 566
Number of ordinary shares in issue (net of treasury shares)	1 112 916	649 566
Shares in issue at the end of the year (including treasury shares)	1 132 376	669 026
Diluted weighted average shares in issue (net of treasury shares)	1 112 916	649 566



# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2025

## 35. Taxation

	2025 R'000	2024 R'000	2025 R'000	2024 R'000
<b>Major components of the tax income</b>				
<b>Current tax</b>				
<b>Deferred tax</b>	12 855		-	
Originating and reversing temporary differences	1 940	(30)	-	-
Assessed loss	(27 766)		-	
<b>Reconciliation of the tax expense</b>	<b>(12 971)</b>		<b>-</b>	
<b>Reconciliation between accounting profit and tax</b>				
Accounting profit / (loss) before tax	118 521	(28 313)	(33 280)	(12 682)
Tax at the applicable tax rate of 27% / (2024: 27%)				
<b>Tax effect of adjustments on taxable income</b>	<b>32 001</b>	<b>(7 644)</b>	<b>(8 986)</b>	<b>(3 424)</b>
Expenses not deductible				
- Interest and penalties	-	7	-	48
- Goodwill impairment	337	-	-	-
Assessed loss of prior year reversed	(2 498)			
Assessed losses related to prior year	(42 628)			
Tax losses not recognised	-	5 728	8 986	3 376
Other	(183)	-	-	-
	<b>(12 971)</b>	<b>(1 909)</b>	<b>-</b>	<b>-</b>

## 36. Cash used in operations

	Notes	Group		Company	
		2025 R'000	2024 R'000	2025 R'000	2024 R'000
<b>Profit / (Loss) before taxation</b>		<b>118 521</b>	<b>(28 313)</b>	<b>(33 280)</b>	<b>(20 194)</b>
<b>Adjustments for:</b>					
Depreciation	3&4	1 400	1 866	1 060	996
Amortisation	6	7 027	7 027	-	-
Goodwill/Intangible impairments	6&11	6 248	-	-	-
Gain on bargain purchase		(62 696)			
Management fees		-	-	-	(6 430)
Movement in provisions	26	11 200	810	11 200	-
Investment income	31	(60)	(2)	-	-
Fair value adjustment biological assets	22	-	399	-	-
Finance costs	32	1 816	1 626	1 479	1 287
Other non-cash flow items		2 727	-	(82)	-
Movement in provision for directors' remuneration	12	(796)	5 424	(746)	5 424



# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2025

Changes in working capital					
Inventories	10	(45 515)	1 880	-	-
Deferred revenue	27.2	(826)	(278)	-	-
Trade and other receivables	14	(95 709)	(2 807)	5 418	1 187
Trade and other payables	24	42 748	16 090	(11 364)	10 821
<b>Cash utilised in operations</b>		<b>(13 915)</b>	<b>3 723</b>	<b>(37 151)</b>	<b>(6 908)</b>

## 37. Reconciliation of capital contribution

	GROUP		COMPANY	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
<b>Balance at the beginning of the year</b>	-	-	<b>34 108</b>	<b>36 103</b>
Contribution (made) / received during the year (cash flow)	-	-	-	(1 453)
Inter-Company transactions (non-cash flow)	-	-	(652)	(543)
<b>Balance at the end of the year</b>	<b>-</b>	<b>-</b>	<b>33 456</b>	<b>34 108</b>

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

## 38. 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  
 Classic International Trading Proprietary Limited  
 Ahnamu Investments Proprietary Limited

### 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  
 Herschel Maasdorp  
 Stanton van Rooyen



# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2025

## Directors

IO Noormohamed (Chief Executive Officer)	N Bordirwa (Independent Non-Executive Chairperson)
DJ O'Neill (Financial Director)	R Mohamed (Independent Non-Executive Director)
BG van Rooyen (Executive Director)	J Kabila (Independent Non-Executive Director)
SE van Rooyen (Executive Director)	F Paruk (Independent Non-Executive Director)
H Maasdorp (Executive Director)	

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

### Related parties

	GROUP		COMPANY	
	2025	2024	2025	2024
Figures in Rand	R'000	R'000	R'000	R'000

### Related party balances

#### Loans

SAMES Properties Proprietary Limited	-	-	(318)	(318)
The Highly Creative Proprietary Limited	-	-	19 159	18 605
CannAfrica (Pty) Ltd	-	-	(18 100)	1 372
African Cannabis Enterprises (Pty) Ltd	-	-	6 494	4 769
Biodata Proprietary Limited	-	-	(8 623)	(472)
Lima Romeo Air Proprietary Limited t/a Sweet Waters Aquaponics	-	-	15 868	15 994
Echo Life (Pty) Ltd.	-	-	744	744
Brian Van Rooyen	1 119	1 381	1 119	1 381
David O'Neill	(3 290)	(2 938)	(3 290)	(2 938)
Dawood Asmal	(484)	(484)	(484)	(484)
Herschel Maasdorp	-	1	-	-
Dr Shiksha Gallow	-	(2)	-	-
Directors' loans				
• Stanton Van Rooyen	396	396	396	396
• Brian Van Rooyen	(13 834)	(10 454)	(13 834)	(10 454)
• David O'Neill	(13 859)	(11 554)	(13 859)	(11 554)
• Gordon Walters	(2 764)	(2 764)	(2 764)	(2 764)
Link Private Equity Investments Proprietary Limited	(647)	(647)	(647)	(647)

### Capital contribution

South African Micro-Electronic Systems Limited (SAMES)	-	-	(29 797)	(34 108)
--	---	---	----------	----------

### Related party transactions

South African Micro-Electronic Systems Proprietary Limited				
- Management Fees / recovery of costs	-	-	118	586
The Highly Creative Proprietary Limited				
- Management Fees / recovery of costs	-	-	810	919
Biodata Proprietary Limited				
- Management Fees / recovery of costs	-	-	1 233	1 560
African Cannabis Enterprises Proprietary Limited				
- Management Fees / recovery of costs	-	-	1 334	402
CannAfrica Proprietary Limited				
- Management Fees / recovery of costs	-	-	1 072	1 205
Lima Romeo Air Proprietary Limited	-	-	1 716	1 607



# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2025

- Management Fees / recovery of costs

Echo Life Proprietary Limited

- Management Fees / recovery of costs

Link Equity Investments Proprietary Limited

- Rent paid to (received from) related parties

	-	-	122	151
	-	-	-	600
<b>Compensation to directors and other key management</b>				
Short-term employee benefits	9 879	9 879	9 879	9 879
Directors' loan interest				
• Brian Van Rooyen	-	-	-	-
• David O'Neill	362	362	386	386

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

## Executive

	Emoluments R'000	Provident fund R'000	Medical aid R'000	Travel R'000	Total R'000
<b>2025</b>					
B.G. van Rooyen	3 074	145	126	300	3 645
D.J. O'Neill	2 588	51	126	180	2 945
S van Rooyen	956	-	-	-	956
	<b>6 618</b>	<b>196</b>	<b>252</b>	<b>480</b>	<b>7 546</b>

	Emoluments R'000	Provident fund R'000	Medical aid R'000	Travel R'000	Total R'000
<b>2024</b>					
B.G. van Rooyen	3 074	145	126	300	3 645
D.J. O'Neill	2 588	51	126	180	2 945
GRI Walters	2 333	-	-	-	2 333
S van Rooyen	956	-	-	-	956
	<b>8 951</b>	<b>196</b>	<b>252</b>	<b>480</b>	<b>9 879</b>

## Non-executive

		Directors' fees	Total
<b>2025</b>			
R. Majiedt	13	13	13
R. Mohamed	10	10	10
B. Penny	10	10	10
		<b>33</b>	<b>33</b>

		Directors' fees	Total
<b>2024</b>			
R. Majiedt	62	62	62
R. Mohamed	50	50	50
B. Penny	50	50	40
		<b>162</b>	<b>162</b>



# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2025

## Directors' interests in shares

	May 2025			May 2024		
	Direct*	Beneficial Indirect	% *	Direct*	Beneficial Indirect	% *
BG Van Rooyen	-	56 408 450	4.98	-	56 408 450	8.68
DJ O'Neill	-	48 621 365	4.29	-	48 621 365	7.49
GRI Walters	-	-	-	-	1 218 750	0.19
S van Rooyen	72 500 000	-	6.40	72 500 000	-	11.16
	<b>72 500 000</b>	<b>105 029 815</b>	<b>27.52</b>	<b>72 500 000</b>	<b>106 248 565</b>	<b>27.52</b>

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.

## 40. Risk management

### Financial Instruments and risk management

#### Categories of financial instruments

Group

#### Categories of financial assets

2025	Note(s)	Amortised cost R'000	Fair value R'000
Trade and other receivables	14	199 953	199 953
Cash and cash equivalents	15	3 413	3 413
Loans to directors and shareholders	12	2 926	2 926
		<b>206 292</b>	<b>206 292</b>

	Note(s)	Amortised cost	Fair value
		<b>R'000</b>	<b>R'000</b>
2024			
Trade and other receivables	14	7 274	7 274
Cash and cash equivalents	15	2 976	2 976
Loans to directors and shareholders	12	1 778	1 778
		<b>12 028</b>	<b>12 028</b>

#### Categories of financial liabilities

2025

	Note(s)	Fair value through profit or loss R'000	Amortised cost R'000	Leases R'000	Fair value R'000
Trade and other payables	24	-	239 080	-	239 080
Financial guarantees	25	-	20 000	-	20 000



# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2025

Lease liabilities	20	-	-	7 688	7 688
Loan from directors and shareholders	12	-	4 421	-	4 421
Other financial liabilities	21	-	48 537	-	48 537
Bank overdraft	15	-	38	-	38
		-	<b>312 076</b>	<b>7 688</b>	<b>319 764</b>

## 2024

	Note(s)	Fair value through profit or loss R'000	Amortised cost R'000	Leases R'000	Fair value R'000
Trade and other payables	24	-	22 898	-	22 898
Financial guarantees	25	-	9 800	-	9 800
Lease liabilities	20	-	-	8 134	8 134
Loan from directors and shareholders	12	-	4 069	-	4 069
Other financial liabilities	21	-	24 775	-	24 775
Bank overdraft	15	-	39	-	39
		-	<b>61 581</b>	<b>8 134</b>	<b>69 715</b>

## Categories of financial instruments

### Company

#### Categories of financial assets 2025

	Note(s)	Amortised cost R'000	Total R'000
Loans to group companies	11	19 599	19 599
Trade and other receivables	14	12 887	12 887
Cash and cash equivalents	15	18	18
Loans to directors and shareholders	12	2 875	2 875
		<b>35 379</b>	<b>35 379</b>

## 2024

	Note(s)	Amortised cost R'000	Total R'000
Loans to group companies	11	18 817	18 817
Trade and other receivables	14	2 469	2 469
Cash and cash equivalents	15	359	359
Loans to directors and shareholders	12	1 777	1 777
		<b>23 422</b>	<b>23 422</b>

## Categories of financial liabilities 2025

Note(s)	Fair value through profit or loss R'000	Amortised cost R'000	Leases R'000	Fair value R'000
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# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2025

Trade and other payables	24	-	4 608	-	4 608
Loans from group companies	23	-	54 241	-	54 241
Lease liabilities	20	-	-	2 117	2 117
Financial guarantees	25		20 000		20 000
Loans from directors and shareholders	12		4 421		4 421
Other financial liabilities	21		11 691		11 691
Bank overdraft	15		3		3
			<b>94 964</b>	<b>2 117</b>	<b>97 081</b>

## 2024

	Note(s)	Fair value through profit or loss R'000	Amortised cost R'000	Leases R'000	Fair value R'000
Trade and other payables	24	-	16 720	-	16 720
Loans from group companies	24	-	790	-	790
Lease liabilities	20	-	-	6 750	6 750
Financial guarantees	25		9 800		9 800
Loans from directors and shareholders	12		4 069		4 069
Other financial liabilities	21		24 773		24 773
Bank overdraft	15		3		3
			<b>56 155</b>	<b>6 750</b>	<b>62 905</b>

### Capital risk management

The Group and Company's capital structure 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 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).



# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2025

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.

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
<b>At 31 May 2025</b>		<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Over 5 years</b>	<b>Total</b>
Trade and other payables	24	239 080	-	-	239 080
Financial guarantees	25	-	20 000	-	20 000
Lease liabilities	20	1 650	6 038	-	7 688
Loan from directors and shareholders	12	4 421	-	-	4 421
Other financial liabilities	21	-	48 537	-	48 537
Bank overdraft	15	38	-	-	38
		245 189	74 575	-	319 764
<b>At 31 May 2024</b>		<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Over 5 years</b>	<b>Total</b>
Trade and other payables	24	22 898	-	-	22 898
Other financial liabilities	21	-	9 800	-	9 800
Loans from directors and shareholders	12	1 650	6 483	-	8 133
Lease liabilities	20	4 069	-	-	4 069
Financial guarantees	25	-	24 775	-	24 775



# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2025

Bank overdraft	15	39	-	-	39
		28 656	41 058	-	69 714

Company		R'000	R'000	R'000	R'000
		Less than 1 year	Between 1 and 2 years	Over 5 years	Total
<b>At 31 May 2025</b>					
Trade and other payables	24	4 608	-	-	4 609
Loans from group companies	23	54 241	-	-	54 241
Lease liabilities	20	905	1 272	-	2 117
Financial guarantees	25	-	20 000	-	20 000
Loans from directors and shareholders	12	4 421	-	-	4 421
Other financial liabilities	21	-	11 691	-	11 691
Bank overdraft	15	3	-	-	3
		64 178	32 963	-	97 142
		Less than 1 year	Between 1 and 2 years	Over 5 years	Total
<b>At 31 May 2024</b>					
Trade and other payables	24	16 720	-	-	16 720
Other financial liabilities	21	-	24 773	-	24 773
Loans from directors	12	4 069	-	-	4 069
Financial guarantees	25	-	9 800	-	9 800
Bank overdraft	15	3	-	-	3
Loans from group companies	23	790	-	-	790
Lease liabilities	20	905	5 844	-	6 749
		22 487	40 417	-	62 904

## 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 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



# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2025

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

GROUP	Note(s)	2025 R'000	2025 R'000	2025 R'000	2024 R'000	2024 R'000	2024 R'000
		Gross carrying amount	Credit loss allowance	Amortised Cost	Gross carrying amount	Credit loss allowance	Amortised Cost
Trade and other receivables	14	34 831	(14 056)	20 775	21 288	(13 900)	7 388
Trade and other receivables from the acquisition of subsidiaries		169 664		169 664			
Loans to directors	12	2 926	-	2 926	1 778	-	1 778
Cash & cash equivalents	15	3 413	-	3 413	2 976	-	2 976
Total		210 834	(14 056)	196 778	26 042	(13 900)	12 142



# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2025

COMPANY	Note(s)	2025 R'000	2025 R'000	2025 R'000	2024 R'000	2024 R'000	2024 R'000
		Gross carrying amount	Credit loss allowance	Amortised Cost	Gross carrying amount	Credit loss allowance	Amortised Cost
Trade and other receivables	14	12 887	-	12 887	3 860	(1 391)	2 469
Loans to directors	12	2 875	-	2 875			
Loans to Group companies	11	42 265	(22 666)	19 599	41 483	(22 666)	18 817
Cash & cash equivalents	15	359	-	359	359	-	359
Total		58 386	(22 666)	35 720	45 702	(24 057)	21 645

## 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 than 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 10.75% (2024:11.75%).

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 2025, 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 2024, 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 R3 198 (2024: R26 406) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

## 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. The Group's exposure to foreign currency risk is less than R25 000 (2024:R22 000).



# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2025

## 41. Going concern

The directors have considered the direct and indirect exposures to the impacts of various factors and the resulting financial accounting and reporting implications on Labat Africa Limited as part of their going concern assessment. This assessment has not raised any concerns regarding the going concern assumption and the directors believe that there is no need for any adjustments to the Consolidated and Separate Financial Statements as a result of these events.

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

## 42. Events after the reporting period

For the purposes of this report the subsequent events reporting period is defined as from 31 May 2025 till date of authorisation of the consolidated and separate financial statements by the board of directors. The non-adjusting events that took place between year end and date of authorisation of the consolidated and separate financial statements, are fully disclosed in the directors' report.

**Please refer to the directors' report for these disclosures**

## 43. 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.

The Company has three segments as follows:

- Technology which manufactures and distributes integrated circuits South African Micro - Electronic Systems. The acquisition of Classic and Ahnamu will fall in this category relating to IT hardware and software development;
- 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.

Logistics segment closed in the prior year which transported coals and minerals for some of the major mines of 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



# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2025

## Reconciliation of Segment Reporting Group 2025

31 May 2025 Statement of Profit or loss	Technology	Healthcare	Operational Total	Head Office	Inter- Segment and group adjustments	Total
External revenue	154 350	45 050	199 400	-		199 400
Management Fees	-	-	-	9 484	(9 484)	-
<b>Total Revenue</b>	<b>154 350</b>	<b>45 050</b>	<b>199 400</b>	<b>9 484</b>	<b>(9 484)</b>	<b>199 400</b>
Cost of revenues	(71 683)	(11 573)	(83 256)	-	1 439	(81 817)
<b>Gross Profit</b>	<b>82 396</b>	<b>33 477</b>	<b>-116 144</b>	<b>9 484</b>	<b>(7 774)</b>	<b>117 538</b>
Other income	(13)	967	954	42	65 882	66 863
Operating expenses	(11 545)	(12 433)	(23 978)	(41 062)	1 224	(63 816)
<b>Recurring operating profit/(loss)</b>	<b>70 864</b>	<b>22 011</b>	<b>92 875</b>	<b>(31 578)</b>	<b>59 332</b>	<b>120 630</b>
Finance income	60	-	60	-	-	60
Finance cost		(4)	(4)	(1 811)	-	(1 815)
<b>Profit/(loss) before taxation</b>	<b>70 924</b>	<b>22 007</b>	<b>92 931</b>	<b>(33 390)</b>	<b>59 332</b>	<b>118 874</b>
Taxation	(7 142)	(5 713)	(12 855)	-	25 827	12 971
<b>Profit/(loss) for the period</b>	<b>63 782</b>	<b>16 294</b>	<b>80 076</b>	<b>(33 390)</b>	<b>85 159</b>	<b>131 846</b>
<b>Segment Assets</b>	<b>608 859</b>	<b>38 181</b>	<b>647 040</b>	<b>162 342</b>	<b>(133 868)</b>	<b>675 514</b>
<b>Segment Liabilities</b>	<b>(342 149)</b>	<b>(19 223)</b>	<b>(361 372)</b>	<b>(84 627)</b>	<b>17 891</b>	<b>428 108</b>



# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2025

31 May 2024 Statement of Profit or loss	Technology	Bulk Logistics	Healthcare	Operational Total	Head Office	Inter-Segment and group adjustments	Total
External revenue	4 804	12 221	31 511	48 536	-	-	48 536
Management Fees	-	-	-	-	6 430	(6 430)	-
<b>Total Revenue</b>	<b>4 804</b>	<b>12 221</b>	<b>31 511</b>	<b>48 536</b>	<b>6 430</b>	<b>(6 430)</b>	<b>48 536</b>
Cost of revenues	(1 597)	(8 611)	(8 489)	18 697	-	-	(18 697)
<b>Gross Profit</b>	<b>3 207</b>	<b>3 610</b>	<b>23 022</b>	<b>29 839</b>	<b>6 430</b>	<b>(6 430)</b>	<b>29 839</b>
Other income	(22)	-	491	469	42	-	511
Fair value adjustment	-	(399)	-	(399)	-	-	(399)
Impairment	-	-	-	-	-	-	-
Operating expenses	(6 660)	-	(19 523)	(26 183)	(27 992)	6 430	(47 745)
<b>Before disclosable items</b>	<b>(3 475)</b>	<b>3 211</b>	<b>3 990</b>	<b>3 726</b>	<b>(21 520)</b>	<b>-</b>	<b>(17 794)</b>
Amortisation & depreciation	(673)	(893)	(198)	(1 764)	(102)	(7 027)	(8 893)
<b>Recurring operating profit/(loss)</b>	<b>(4 148)</b>	<b>2 318</b>	<b>3 792</b>	<b>1 962</b>	<b>(21 622)</b>	<b>(7 027)</b>	<b>(26 687)</b>
Finance income	2	-	-	-	-	-	2
Finance cost	(175)	-	(164)	(339)	(1 287)	-	(1 626)
<b>Profit/(loss) before taxation</b>	<b>(4 321)</b>	<b>2 318</b>	<b>3 628</b>	<b>1 623</b>	<b>(22 909)</b>	<b>(7 027)</b>	<b>(28 313)</b>
Taxation	12	-	(75)	(63)	-	1 972	1 909
<b>Profit/(loss) for the period</b>	<b>(4 309)</b>	<b>2 318</b>	<b>3 553</b>	<b>1 560</b>	<b>(22 909)</b>	<b>(5 055)</b>	<b>(26 404)</b>
<b>Segment Assets</b>	<b>59 568</b>	<b>2 754</b>	<b>29 988</b>	<b>92 310</b>	<b>120 661</b>	<b>(89 578)</b>	<b>123 123 393</b>
<b>Segment Liabilities</b>	<b>22 181</b>	<b>16 879</b>	<b>8 286</b>	<b>47 346</b>	<b>62 297</b>	<b>33 204</b>	<b>142 847</b>



# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2025

## 44. Analysis of Shareholders

Labat Africa's shareholder spread for the year ended 31 May 2025 is set out below:

**ISSUED CAPITAL** **1 132 375 595**

SHAREHOLDERS ANALYSIS AND INFORMATION	No. of Holders	No. of Shares	% Holding
COMPANIES	132	330 067 801	29,15%
CLOSE CORPORATIONS	11	424 486	0,04%
TRUSTS	34	21 911 737	1,94%
INDIVIDUALS	16 982	779 971 571	68,88%
<b>TOTAL</b>	<b>17 159</b>	<b>1 132 375 595</b>	<b>100,00%</b>

SIZE OF SHAREHOLDING	No. of Holders	No. of Shares	% Holding
1 - 10 000	15 301	16 373 616	1,45%
10 001 - 25 000	758	11 898 735	1,05%
25 001 - 100 000	658	34 445 780	3,04%
100 001 - 500 000	296	72 298 045	6,38%
500 001 AND OVER	146	997 359 419	88,08%
<b>TOTAL</b>	<b>17 159</b>	<b>1 132 375 595</b>	<b>100,00%</b>

CATEGORIES OF SHAREHOLDERS			
SHAREHOLDER TYPE	No. of Holders	No. of Shares	% Holding
PUBLIC	17 154	705 587 312	62,31%
NON-PUBLIC			
<b>- SHAREHOLDERS HOLDING MORE THAN 10%</b>			
MR CHRISTOPHER MARK GOVENDER	1	200 000 000	17,66%
MR ABDUL KADER MOOSA MAHOMED	1	116 069 654	10,25%
- DIRECTORS	2	80 694 378	7,13%
- ASSOCIATES	1	30 024 251	2,65%
<b>TOTAL</b>	<b>17 159</b>	<b>1 132 375 595</b>	<b>100,00%</b>

### SHAREHOLDERS OF MORE THAN 5% OF TOTAL ISSUED SHARE CAPITAL

SHAREHOLDER	No. of Shares	% Holding
MR CHRISTOPHER MARK GOVENDER	200 000 000	17,66%
MR ABDUL KADER MOOSA MAHOMED	116 069 654	10,25%
ALL TRADING (PTY) LTD	91 264 214	8,06%
MR STANTON VAN ROOYEN	72 500 000	6,40%
RANIA JEWELLERS	65 000 000	5,74%
<b>TOTAL</b>	<b>544 833 868</b>	<b>48,11%</b>



# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2025

## Administration

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### DIRECTORS

IN Mohamed (Chief Executive Officer)  
DJ O'Neill (Financial Director)  
BG van Rooyen (Executive Director)  
SE van Rooyen (Executive Director)  
H Maasdorp (Executive Director)

N Bordirwa (Independent Non-Executive Chairperson)  
R Mohamed (Independent Non-Executive Director)  
J Kabila (Independent Non-Executive Director)  
F Paruk (Independent Non-Executive Director)

### BUSINESS AND REGISTERED OFFICE

The Leonardo  
14<sup>th</sup> Floor  
75 Maude Street  
Sandown. Sandton  
2146  
Telephone: +27 11 675-6841  
Telefax: +27 11 675-1019  
Website: [www.labatafrica.com](http://www.labatafrica.com)  
E-mail: [labatafrica@mwebbiz.co.za](mailto:labatafrica@mwebbiz.co.za)  
VAT No: 4850182819

### COMPANY SECRETARY

Alred Van Rooyen  
59 Fernlea Rd,  
Sunningdale  
Telephone: +27 11 675 6841

### TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited  
Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196  
Private Bag X9000, Saxonwold, 2132  
Telephone: +27 11 370 5000 / 086 110 0933  
Telefax: +27 11 688 7732 / 086 110 0932

### AUDITORS

### PRINCIPAL BANKERS

ABSA Bank Limited

### SPONSOR

Vunani Sponsors Proprietary Limited  
Vunani House Block C  
Vunani Office Park, 151 Katherine Street, Sandton, 2196  
PO Box 652419, Benmore, 2010  
Telephone: +27 11 263 9534

