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

REVIEWED PROVISIONAL CONDENSED CONSOLIDATED FINANCIAL RESULTS FOR THE YEAR ENDED 31 AUGUST 2018 AND RENEWAL OF CAUTIONARY ANNOUNCEMENT

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	31 August 2018 R'000 Reviewed	31 August 2017 R'000 Audited
Revenue	73 347	52 011
Cost of sales	(58 963)	(40 617)
Gross profit	**14 384**	**11 394**
Other income	6 447	1 026
Operating expenses	(20 808)	(14 310)
Operating profit/(loss)	**23**	**(1 890)**
Investment revenue	13 693	6 474
Finance costs	(1 106)	(435)
Profit before taxation	**12 610**	**4 149**
Taxation	(25)	493
Profit for the year	**12 585**	**4 642**
Other comprehensive income for the year	-	-
Total comprehensive income for the year	**12 585**	**4 642**
Attributable to:		
Owners of the parent:		
Profit for the year	12 585	4 642
Total comprehensive income for the year	12 585	4 642
Per share information:		
Basic and diluted earnings per share (cents)	4,86	1,81
Weighted average shares in issue (net of treasury shares) ('000)	258 879	256 140

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 August 2018 Reviewed R'000	31 August 2017 Audited R'000
ASSETS		
Non-current assets		
Property, plant and equipment	13 579	1 867
Intangible assets	3 029	1 422
Deferred tax	8 364	8 389
	24 972	**11 678**
Current assets		
Inventories	3 689	2 587
Other financial assets	-	715
Trade and other receivables	10 445	18 577
South African Revenue Services	17 363	3 070
Cash and cash equivalents	6 435	9 226
	37 932	**34 175**
Total assets	**62 904**	**45 853**
EQUITY AND LIABILITIES		
Equity		
Share capital	2 620	2 620
Share premium	57 745	57 745
Treasury shares	(481)	(481)
Reserves	257	300
Accumulated loss	(35 310)	(47 938)
	24 831	**12 246**
Non-current liabilities		
Finance lease liabilities	6 965	716
Current liabilities		
Loans from directors and shareholders	1 929	399
Finance lease liabilities	4 930	174
South African Revenue Services	3 531	361
Trade and other payables	7 944	22 764
Provisions	12 774	9 193
	31 108	**32 891**
Total Liabilities	**38 073**	**33 606**
Total equity and Liabilities	**62 904**	**45 853**

Number of ordinary shares in issue (net of treasury shares) ('000)	258 879	258 879
Net asset value per share (cents)	9.59	4,73
Net tangible asset value per share (cents)	8.42	4.18

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	31 August 2018 Reviewed R'000	31 August 2017 Audited R'000
Cash flows (utilised in)/ from operating activities		
Cash (utilised in)/ generated from operations	(515)	2 090
Investment revenue	-	46
Finance costs	(915)	(183)
Net cash (utilised in)/ generated from operating activities	**(1 430)**	**1 953**
Cash flows from investing activities		
Purchase of property, plant and equipment	(247)	(53)
Increase in development costs capitalised	(1 607)	(1 422)
Repayment of other financial assets	2 201	-
Advances of other financial assets	(1 486)	(700)
Proceeds from loans to directors and shareholders	-	85
Net cash utilised in investing activities	**(1 139)**	**(2 090)**
Cash flows (utilised in)/ from financing activities		
Proceeds from share issue	-	505
Proceeds of loans from directors and shareholders	1 470	-
Repayment of loans from directors and shareholders	(378)	(251)
Finance lease payments	(1 314)	(171)
Net cash (utilised in)/generated from financing activities	**(222)**	**83**
Total net cash movement for the year	**(2 791)**	**(54)**
Cash and cash equivalents at the beginning of the year	9 226	9 280
Cash and cash equivalents at the end of the year	**6 435**	**9 226**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital (net of treasury shares) R'000	Share premium R'000	Total share capital R'000	Non distributable reserves/ revaluations R'000	Accumulated loss R'000	Total equity R'000
Balance 31 August 2016 – Audited	**2 111**	**56 795**	**58 906**	**343**	**(52 623)**	**6 626**
Profit for the year	-	-	-	-	4 642	4 642
Total comprehensive income for the year	**-**	**-**	**-**		**4 642**	**4 642**
Issue of shares	28	950	978	-	-	978
Transfer of revaluation reserve through use	-	-	-	(43)	43	-
Balance at 31 August 2017- Audited	**2 139**	**57 745**	**59 884**	**300**	**(47 938)**	**12 246**
Profit for the year	-	-	-	-	12 585	12 585
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**12 585**	**12 585**
Transfer of revaluation reserve through use	-	-	-	(43)	43	-
Balance at 31 August 2018 - Reviewed	**2 139**	**57 745**	**59 884**	**257**	**(35 310)**	**24 831**

SEGMENT INFORMATION

	31 August 2018 Reviewed R'000	31 August 2017 Audited R'000
Revenue		
Technology – External	12 834	9 617
Bulk logistics – External	60 513	42 394
Head office – Inter segmental	3 000	200
Elimination adjustments	(3 000)	(200)
Total revenue as per statement of profit and loss	**73 347**	**52 011**
Profit/(Loss) for the year before disclosable items		
Technology	1 898	2 289
Bulk logistics	4 707	4 104
Head office	(5 726)	(7 951)
Investment income		
Technology	13 693	6 469
Bulk logistics	-	-
Head office	-	5
Finance costs		-
Technology	(1)	-
Bulk logistics	(475)	-
Head office	(630)	(435)
Depreciation and amortisation		
Technology	(256)	(201)
Bulk logistics	(431)	-
Head office	(169)	(131)
Taxation		
Technology	(25)	493
Bulk logistics	-	-
Head office	-	-
Profit/(Loss) for the year and other comprehensive income		
Technology	15 309	9 050
Bulk logistics	3 801	4 104
Head office	(6 525)	(8 512)
Total comprehensive income for the year	**12 585**	**4 642**
Segment assets		
Technology	40 567	23 835
Bulk logistics	21 115	16 566
Head office	4 588	6 826
Elimination adjustments	(3 366)	(1 374)
Total assets as per statement of financial position	**62 904**	**45 853**
Segment liabilities		
Technology	(35 672)	(33 386)
Bulk logistics	(16 668)	(21 471)
Head office	(20 174)	(10 987)
Elimination adjustments	**34 441**	32 237
Total liabilities as per statement of financial position	**(38 073)**	**(33 607)**

COMMENTARY

BASIS OF PREPARATION

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

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

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

The Group adopted IAS 7 on 1 September 2017 which resulted in enhanced disclosures of the financing activities section of the statement of cash flows.

All financial information presented in South African Rand has been rounded to the nearest thousand.

The preparation of the condensed consolidated financial results for the year ended 31 August 2018 was supervised by the Financial Director, Mr Gorden Walters.

The directors take full responsibility for the preparation of the condensed consolidated financial results for the year ended 31 August 2018.

Review Conclusion
These condensed consolidated financial results for the year ended 31 August 2018, have been reviewed by our auditors Nexia SAB&T, who expressed an unmodified review conclusion. The Auditor's Report does not necessarily report on all of the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the Auditor's engagement they should obtain a copy of the Auditor's Report together with the accompanying financial information from the company's registered office.

Results
The directors of Labat ("Board") are pleased to announce a profit of R12.5m for the year ended 31 August 2018.

Revenue increased by 41% to R73.3m for the year ended 31 August 2018 from R52m in the year ended 31 August 2017. This substantial increase is primarily due to revenue generated in the logistics business. The company has won some attractive new logistics contracts. Net Profit and Cost of Sales similarly increased proportionately in the logistics business. Gross profit increased by 26% from R11.3m to R14.3m. Whilst the gross margin percentage from the logistics segment is lower than that of the SAMES electronic chip business, the growth in the logistics business has been very satisfactory.

Other income has increased substantially to R6.4m for the year under review from R1.0m in the prior year. This income primarily relates to transaction fees raised on the Force Fuel (Pty) Ltd acquisition effective from 1 September 2018. Operating expenses were increased to R20.8m from R14.3m from the prior year. This included substantial start-up costs and provision for executive director's remuneration. The group made a negligible operating profit of R23k for the year compared to an operating loss of R1.9m in the previous year.

The Company realised R13.6m (2017: R6.4m) of investment revenue in the current year, which arose from interest receivable from overdue SARS receivables. Finance costs of R1.1m were higher during the year under review due to invoicing facilities taken out during the year to assist with the rapid growth of the logistics business and interest incurred on the finance leases from the acquisition of 8 trucks and 8 trailers, emanating from the Labat-Kufika transaction, subsequent to the dissolution thereof.

Profit before taxation of R12.6m was achieved for the year ended 31 August 2018 against the prior year of R4.1m, A tax charge of R25k resulted in a profit after taxation of R12.5m.

During the current year, intangible assets from the capitalisation of development costs of energy measurement devices by SAMES rose by R1.6m compared to the R1.4m capitalised in the previous financial period.

Trade and other receivables showed a substantial decrease to R10.4m from R18.5m due to better cash flow management and the reduction of 60 day accounts. Trade and other payables showed a similar quantum reduction to R7.9m from R22.7m. Amounts receivable from SARS of R17.3m arose mainly as a result of interest receivable on overdue SARS receivables.

The Company acquired 8 trucks and 8 trailers after the dissolving of the Labat-Kufika JV. This resulted in a total increase in the finance lease liability with R11.0m.

Provisions increased with R3.6m as a result of the increase in executive director emoluments during the year.

The improved performance of the group has also led to the net asset value of the group increasing by 102% to 9,59 cents per share.

Property, plant and equipment
Property, plant and equipment of the Group increased by R11.7m by means of finance leases taken over from Labat-Kufika amount to R8.1m for trucks as well R4.1m for trailers, together with depreciation of R0.8m for the current financial period, There were no disposals during the year other than the scrapping of assets of a R0 carrying value and that were no longer is use.

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

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

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

	2018	**2017**
Plant and equipment		
Opening balance	759	876
Transferred	114	-
Additions	-	-
Fair value adjustment	-	-
Depreciation	(148)	(117)
Fair value closing balance	**725**	**759**
Fair value hierarchy	Level 3	Level 3
Valuation technique	Discounted cash flow	Discounted cash flow

Financial risk management and fair value
There has been no material change in the Group's financial risk management objectives and policies compared to those disclosed in the condensed consolidated financial results for the year ended 31 August 2017.

The Group does not currently carry any assets or liabilities at fair value which required any disclosure on its fair value measurement, other than those disclosed above. The carrying value of the Group’s financial instruments however approximates their fair values.

New IFRS Standards and Interpretations
Standards effective for financial year commencing 1 September 2018:
- IFRS 15 Revenue from Contracts with Customers
- IFRS 9 Financial Instruments

Standards effective for reporting periods starting on or after 1 September 2019:
- IFRS 16 Leases

The Group will adopt the above standards and interpretations when they become effective. The Board is in the process of assessing the financial impact associated with the adoption of the above standards and interpretations.

Headline earnings and share information

	31 August 2018 R'000 Reviewed	31 August 2017 R'000 Audited
Headline earnings reconciliation:		
Profit attributable to shareholders of the group	**12 585**	4 642
Profit on sale of fixed assets	**-**	(3)
Headline earnings attributable to shareholders of the group	**12 585**	**4 639**
Earnings and diluted earnings per share:	**cents**	**cents**
Basic and diluted earnings per share (cents)	4,86	1,81
Headline earnings and diluted headline earnings per share		
Headline and diluted headline earnings per share (cents)	4,86	1,81
Share information	**('000)**	**('000)**
Weighted average shares in issue	258 879	256 140
Number of ordinary shares in issue (net of treasury shares)	258 879	258 879
Shares in issue at year end (Including. treasure shares)	262 089	262 089

Share Capital
During the year under review, the Company did not issue shares under its general authority to issue shares which authority was approved by shareholders at the Company last annual general meeting held during May 2018. There were no share repurchases effected.

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

Acquisitions and Disposals
Other than the acquisition of the 100% stake in Force Fuel (Pty) Ltd, effective 1 September 2018, there were no other acquisitions concluded by the Company during the year under review. The acquisition of Force Fuel (Pty) Ltd was fully described in the SENS announcement dated 1 June 2018.

Related party transactions and balances
The Group entered into transactions with related parties which were in the ordinary course of business, and on an arm's length basis, and which were consistent with the previous year.

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

Related party balances	31 August 2018 R'000 Reviewed	31 August 2017 R'000 Audited
David O'Neill		
Owing (to) by shareholders and directors with significant influence	(1 000)	-
Link Private Equity Investments (Pty) Ltd		
Owing (to) by shareholders and directors with significant influence	(644)	(115)
Director services raised as provision		
Provisions from directors	(12 231)	(8 488)
Related party transactions		
Link Private Equity Investments (Pty) Ltd		
Rent paid to (received from) related parties	360	366
Compensation to directors and other key management		
Short-term employee benefits	2 604	3 979

Going Concern

The Board is of the opinion that, having regard to the current status and the future strategy of the Group, the Group has sufficient resources to continue as a going concern. The Group is projecting positive cash flows for the year ahead from its existing and new business.

Litigation

The Group has various claims and counter claims made by and against Labat which have risen in the normal course of business as previously disclosed. These matters are being dealt with by the Company's attorneys. No material changes to litigation have occurred since the previous year.

Post Balance Sheet events

We have agreed to finalise our Labat-Kufika relationship as follows: Kufika and the Aucamp brothers will take over the remaining trucks and trailers and release Labat from any sureties outstanding on these vehicles as a full and final settlement.

We have also acquired Force Fuel (Pty) Ltd as disclosed under the Acquisitions and Disposals section of the financial results.

The Group entered into guarantee agreements with various third party suppliers of Force Fuel (Pty) Ltd in the amount of R110 million.

Other than the matters noted above, there have been no further post Balance Sheet events which need to be reported on.

Prospects

Prospects for the year ahead are excellent. With the exponential growth of the newly established logistics business, the Board is of the view that the Group is well-positioned to explore greater opportunities and use current resources to broadly diversify the Group's logistics strategy, which includes a seamless franchising model. In addition, the acquisition of Force Fuel (Pty) Ltd, a large fuel distribution business, has given Labat the scale it requires for its growth strategy giving access to a diversified range of customers, including many in the logistics industry.

Forward looking statements

This report may contain certain forward looking statements concerning Labat's operations, economic performance and financial condition, plans and expectations. Such views involve both known and unknown risks, assumptions, uncertainties and other important factors that could materially influence the actual performance of the group. No assurance can be given that these will prove to be correct and no representation or warranty expressed or implied is given as to the accuracy or completeness of such views or as to any of the other information in this report.

Changes to the Board
As announced on 30 August 2018, Mr D O' Neill changed his role from financial director to an executive director, Mr G. Walters was appointed as financial director and Mr T. Mogapi was appointed as an executive director of the Company with effect from 30 August 2018.

Renewal of cautionary announcement
Shareholders are referred to the cautionary announcement issued on 8 August 2018, last renewed on 28 November 2018 and are advised that the Company is still in discussions relating to various acquisitions, which, if successfully concluded, may have a material effect on the price of the Company's securities.

Accordingly, shareholders are advised to continue exercising caution when dealing in the Company's securities until a full announcement is made.

For and on behalf of the board.

B G VAN ROOYEN	**G WALTERS**
CHIEF EXECUTIVE OFFICER	FINANCIAL DIRECTOR

Johannesburg
14 December 2018

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

Company Secretary: Arbor Capital Company Secretarial Proprietary Limited

Registered Address: 23 Kroton Avenue, Weltevreden Park, 1709

Sponsor: Arbor Capital Sponsors Proprietary Limited

Transfer Secretary: Computershare Investor Services Proprietary Limited