LUXE HOLDINGS LIMITED
Incorporated in the Republic of South Africa
(Registration number: 2000/002239/06)
Share code: LUX ISIN Code: ZAE000286035
(“**Luxe**” or “**the Company**” or “**the Group**”)

LATE SUBMISSION OF ANNUAL FINANCIAL STATEMENTS UPDATE TO SHAREHOLDERS

1. SUSPENSION

Shareholders are referred to the ‘Late submission of Annual Financial Statements’ announced on SENS on 1 July 2022 by the JSE Limited (“**JSE**”) wherein it was advised, *inter alia*, that:

- Luxe had failed to submit its annual report within the four-month period following its year-end, as stipulated in the Listings Requirements.
- Luxe’s listing on the JSE trading system had been annotated with a "RE" to indicate its failure to submit its annual report timeously and that the listing of the Company’s securities was under threat of suspension and possible removal.
- If Luxe failed to submit its annual report on or before 31 July 2022, then its listing may be suspended.

As Luxe’s annual financial statements for the year ended 28 February 2022 (“**AFS**”) have not been published within the prescribed period, the JSE has taken a decision to suspend trading in all securities of the Company with effect from 5 August 2022, as announced on SENS by the JSE today.

2. CORRECTION OF PRIOR PERIOD ERRORS

During the current year, management identified a number of transactions that were not accounted for in accordance with International Financial Reporting Standards (“**IFRS**”) in prior periods, the impact of which has entailed the review of various IFRS standards applied at that time.

In assessing whether the identified adjustments should be processed as prior period errors or recognised in the current period, management considered whether the facts that gave rise to the adjustments existed in prior years, or whether those events only arose due to information that came to light in the current year.

It is management’s opinion that the consolidated Annual Financial Statements for the year ended 28 February 2021 and the consolidated statement of financial position as at 1 March 2020 should be restated to correct the prior period errors detailed below. Accordingly, the Company has appointed W.Consulting to provide technical IFRS opinions on each of the identified corrections detailed below.

2.1. Deconsolidation of liquidating entities

In the years prior to 2021, the Group revised its long-term strategy which included the disposal of all of its food businesses. However, suitable buyer(s) could not be identified for Taste Food Franchising Proprietary Limited and Buon Gusto Cuisine Proprietary Limited and accordingly, these entities were placed under voluntary liquidation on 16 March 2020. From this point, the liquidator was responsible for all decision-making relating to these companies.

IFRS 10 requires that an investor, regardless of the nature of its involvement with an entity (the investee), shall determine whether it is a parent by assessing whether it controls the investee.

Based on the aforementioned facts and circumstances, management determined that Luxe was no longer exposed, or had rights, to variable returns from its involvement with the subsidiaries and did not have the ability to affect those returns through its power over these subsidiaries.

As the Company no longer had control over the liquidating entities, these should not have been consolidated in the financial results for the year ended 28 February 2021.

The effect of the consolidation resulted in the release of debt previously disclosed in the audited financial statements for the period ended 28 February 2021. Shareholders are referred to notes 15, 16, 18, 19 and 20 to the published 2021 Annual Financial Statements relating to the exposure of the liquidating entities.

2.2. Incremental borrowing rate ("IBR") at lease inception

In terms of IFRS 16 Leases, on initial recognition lease liabilities should be discounted using the interest rate implicit in the lease, if that rate can be readily determined, IFRS 16 permits the use of the incremental borrowing rate of the lessee as an alternative discount rate.

Management identified that in previous years, a discount rate of 13% was applied throughout all leases since the standard came into effect. The standard does not permit this as each lease should be measured as a singular agreement entered into at the date that the obligation arose.

The rate used in the previous financial years stems from the reserve bank borrowing rate at the date the transition took place with an incremental borrowing rate assignment of 2.75% as a set standard. This however, is in contradiction with that allowed by the standard.

At the end of 28 February 2021, there were approximately 70 stores in terms of which the incorrect IBR was used to calculate the lease liabilities and right-of-use assets.

2.3. Goodwill impairment of Arthur Kaplan in the 2019 financial year

The Group realised an addition to goodwill in the 2017 financial year when it acquired Arthur Kaplan Proprietary Limited. Subsequent to the acquisition, management made an assessment on the recoverability of the goodwill so acquired.

In management's assessment, an error was noted in the discounted cash flow forecast used for the assessment of impairment. On correcting the error, it was noted that no impairment was necessary for the acquisition.

Shareholders are referred to note 6 to the audited Annual Financial Statements for the year ended 28 February 2019 regarding the impact previously raised.

2.4. Deferred tax liability – Acquisition of NWJ

When Luxe purchased Natal Wholesale Jewellers Proprietary Limited in 2009, a deferred tax liability was recognised regarding the trademark purchased. However, in terms of the Income Tax Act, No 62 of 1952, the acquisition of the trademark did not meet the requirement to claim the allowance and therefore did not give rise to a temporary difference in term of IAS 12 *Income Taxes.*

2.5. Reassessment of useful lives and residual values

The fixed asset register included various fully depreciated assets that were still in use at the end of the 28 February 2022 reporting period. It was further identified that the useful lives and residual values had not previously been assessed on an annual basis.

IAS 16 Property, Plant and Equipment requires that tangible assets are depreciated over their useful lives and any changes to the useful lives or residual values are to be accounted for as changes in estimates in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

2.6. Capitalisation of advertising costs

The amounts that were recognised in the historical practice of the Group was a deviation from IFRS.

In terms of IFRS, expenditure must be realised as and when a service is received and consumed. It was noted that in previous financial results these items were capitalised as prepayments when services were already rendered and consumed.

Shareholder are referred to previously published Statements of Financial Positions for the historical impact on Advertising levies capitalised to the assets.

3. RESPONSIBILITY STATEMENT OF THE BOARD

This update to shareholders, which is the responsibility of the board of the directors of Luxe ("**Board**"), contains only a summary of the prior period errors that have been identified by management and which have resulted in the aforementioned delays in the publication of the Group's AFS.

The Board wishes to express its gratitude to all shareholders and stakeholders for their patience regarding the delay.

Shareholders will be notified by way of a further SENS announcement once the Board is in a position to advise on the expected date of publication of the AFS.

Johannesburg
5 August 2022

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