

DIRECTOR'S REPORT

The directors have pleasure in submitting their report on the annual financial statements of African Equity Empowerment Investments Limited and the Group for the year ended 31 August 2019.

1. NATURE OF BUSINESS

African Equity Empowerment Investments Limited ("AEEI" or "the Group") is a majority black-owned and black managed investment holding company based in South Africa. The Group has investments in fishing and brands, technology, events and tourism, health and beauty, biotherapeutics and strategic investments, all supporting Broad-based Black Economic Empowerment (B-BBEE) and small, medium and micro enterprises (SMMEs). The Group also holds strategic investments some with international partners.

It has many operational joint arrangements, associates and subsidiaries. Refer to notes 44, 45 and 46.

2. REVIEW OF FINANCIAL RESULTS AND ACTIVITIES

The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the SAICA financial reporting guides issued by the Accounting Practices Committee and the Listings Requirements of the JSE Limited. The accounting policies have been applied consistently compared to the prior year except as outlined in note 2 of the annual financial statements.

Full details of the financial position, results of operations and cash flows of the Group are set out in these consolidated annual financial statements. Refer to note 43 - Segmental Information for a detailed breakdown of the proportion of net income or loss attributable to the various divisions of the Group.

3. CORPORATE GOVERNANCE

The directors subscribe to the principles incorporated in the King IV™ Report on Corporate Governance™ for South Africa (King IV™) and, save as disclosed in the corporate governance report, have complied as far as practical with principles contained therein throughout the reporting period. The directors recognise the need to manage the Company with integrity and in accordance with generally accepted corporate practices. The Board and the Board committees have reviewed the Group and Company's corporate governance policies and procedures in the current year and no issues were identified.

4. EVENTS AFTER THE REPORTING PERIOD

The AEEI Group via its subsidiary AYO, acquired an additional 43% shareholding in Puleng Technologies (Pty) Ltd from the minority shareholders for a purchase consideration of R38.5m and increased its effective holding to 100%.

The AYO Board of directors approved the binding offer on 17 October 2019 to acquire 100% of the ordinary share capital of NSX Experts (Pty) Ltd ("NSX") for a consideration of R850,000. NSX provides cloud computing solutions which complements the offerings of the technology division.

AEEI via its subsidiary AYO, concluded a binding offer to acquire 55% of the share capital of VOX Spectrum Limited ("VOX") for a purchase consideration of R9 million on 1 November 2019. VOX is a multinational company, which offers a suite of services for a broad range of voice, data, video and wireless infrastructure for clients worldwide.

The directors are not aware of any other material event which occurred after the reporting date and up to the date of this report that would require any adjustments to the consolidated annual financial statements.

5. AUTHORISED AND ISSUED SHARE CAPITAL

Refer to note 17 of the consolidated annual financial statements for detail of the movement in authorised and issued share capital.

6. DIVIDENDS

The company's dividend policy is to consider an interim and a final dividend in respect of each financial year. At its discretion, the board of directors may consider a special dividend, where appropriate. Depending on the perceived need to retain funds for expansion or operating purposes, the board of directors may pass on the payment of dividends.

A final dividend of 6 cents per share was approved by the Board of directors on 23 December 2019 in respect of the year ended 31 August 2019. The dividend payment date is 03 February 2020 to shareholders recorded in the register of the company at close of business on 31 January 2020.

DIRECTOR'S REPORT (continued)

7. DIRECTORATE

The directors in office during the period up to the date of the report are as follows:

Directors	Office	Designation	Changes
K Abdulla	Chief executive officer	Executive	
C Ah Sing	Chief financial officer	Executive	
CF Hendricks	Corporate affairs and sustainability	Executive	Resigned, 18 January 2019
AM Salie	Chief investment officer	Executive	Resigned, 18 January 2019
Reverend Dr VC Mehana	Executive Chairman	Non-executive independent	Resigned, 14 March 2019
JM Gaomab	Other	Non-executive independent	Resigned, 18 January 2019
I Amod	Other	Non-executive	Appointed, 21 January 2019
AB Amod	Other	Non-executive	
TT Hove	Other	Non-executive independent	Resigned, 18 January 2019
Z Barends	Other	Non-executive independent	Resigned, 18 January 2019
Adv Dr NA Ramathlodi	Other	Non-executive Independent	
G Colbie	Other	Non-executive Independent	Appointed, 30 August 2019
MG Mosia	Other	Non-executive Independent	Appointed, 30 August 2019
JS Van Wyk	Other	Non-executive Independent	Appointed, 23 September 2019

8. AUDITORS

BDO South Africa Incorporated continued in office as auditors for the Company and its subsidiaries for 2019. Mr I Hashim acted as the designated lead audit partner for the 2019 financial year.

At the AGM, the shareholders will be requested to appoint new independent external auditors following the end of its relationship with BDO South Africa Incorporated as the independent external auditors of the Group and to confirm a new individual as the designated lead audit partner for the 2020 financial year.

9. SECRETARY

The company secretary Mr D Terblanche remained in office.

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10. LIQUIDITY AND SOLVENCY

The directors have performed the liquidity and solvency tests required by the Companies Act, as amended, for the Group. The Board is satisfied that the Group is solvent and has no reason to believe that the business will not be a going concern in the year ahead.

11. COMPANY SECRETARY

As required by JSE Listings Requirement 3.84(i), the Board is satisfied itself that the company secretary has the appropriate expertise, competence and experience. The company secretary is accountable to the Board and the following duties, among other things, were carried out:

- guidance to the director in terms of their duties, responsibilities, powers, training and induction of the responsibilities and liabilities under the Companies Act;
- making the Board aware of any law relevant to and/or affecting the Company;
- preparation of Board packs and recording of proper detailed minutes of meetings;
- ensuring proper and orderly conduct at all Board, committee and annual general meetings;
- disclosure of corporate actions of SENS announcements and directors' dealings in securities; and

DIRECTOR'S REPORT (continued)

- compliance with JSE Listings Requirements and the Companies Act

All directors have access to the advice and services of the company secretary. The Board considered the competence, qualifications and experience of the company secretary and is satisfied that they are appropriate. This was concluded after due assessment following a review by the remuneration committee of the Company regarding the interim company secretary's qualifications, experience and performance.

12. REPORT OF THE AUDIT AND RISK COMMITTEE

The report of the audit and risk committee, as required in section 94(7)(f) of the Companies Act, is set out on pages 3 to 4 of these financial statements.

13. BOARD EVALUATION OF THE AUDIT AND RISK COMMITTEE

Due to the restructure of the Board during the year, the audit and risk committee was affected and was seen to be non-compliant from 18 April to 23 September 2019.

The committee was reconstructed post year-end and fulfilled its statutory duties in terms of section 94(7) of the Companies Act and King IV™ compliance. As at the reporting date, the committee was compliant.

The committee confirms that it has complied with its legal and regulatory responsibilities for the 2019 financial year.

14. DIRECTORS' INTERESTS IN SHARES

As at 31 August 2019, the directors of the Company held in aggregate, directly or indirectly, beneficially or non-beneficially, 14 969 706 (2018: 15 988 580) shares in the Company, equivalent to 2.76% (2018: 3.24%) of the issued share capital. The individual interests of directors are as follows:

INTEREST IN SHARE CAPITAL 'B' CLASS ORDINARY SHARES - LISTED

31 August 2019	Direct	Direct non-Indirect	Indirect beneficial	Indirect non-beneficial	Total shares	Total percentage
K Abdulla*	1 575 316	-	5 300 000	7 534 390	14 409 706	2.65
C Ah Sing*	350 000	-	-	-	350 000	0.07
I Amod	205 000	-	-	-	205 000	0.04
A Amod	5 000	-	-	-	5 000	0.00
Subtotal	2 135 316	-	5 300 000	7 534 390	14 969 706	2.76
31 August 2018	Direct	Direct non-Indirect	Indirect beneficial	Indirect non-beneficial	Total shares	Total percentage
K Abdulla*	1 575 316	-	5 300 000	7 534 390	14 409 706	2.93
C Ah Sing*	350 000	-	-	-	350 000	0.07
CF Hendricks*	265 000	-	-	-	265 000	0.05
Reverend Dr VC Mehana (Chairman)	250 000	-	-	-	250 000	0.05
T Hove	31 794	-	-	-	31 794	0.00
Z Barends	1 000	-	-	-	1 000	0.00
AB Amod	5 000	-	-	-	5 000	0.00
AM Salie	-	-	676 080	-	676 080	0.14
Subtotal	2 478 110	-	5 976 080	7 534 390	15 988 580	3.24

* Executive Directors

There have been no changes in beneficial interests that occurred between the end of the reporting period and the date of this report.

DIRECTOR'S REPORT (continued)

15. VOTING RIGHTS

"B" ordinary shares each carry one vote per share and "A" ordinary shares each carry five hundred votes per share. No "A" ordinary shares have been issued.

16. PROPERTY, PLANT AND EQUIPMENT

There was no change in the nature of the property, plant and equipment of the Group or in the policy regarding their use.

17. ACQUISITIONS DURING THE YEAR

On 16 September 2018, AYO Technology Solutions Ltd (AYO) concluded the acquisition of a 32% shareholding in Bambelela Capital (Pty) Ltd ("Bambelela") (previously Vunani Group (Pty) Ltd). Bambelela holds a 49% shareholding in Vunani Ltd a diversified financial services Group.

On 28 September 2018, AYO subscribed for 261 343 070 cumulative, redeemable, non-participating, convertible class C preference shares of no-par value in Bambelela for a consideration of R145m.

On 19 December 2018, AYO concluded the acquisition of a 55% shareholding in Zaloserve (Pty) Ltd. Zaloserve offers various ICT services to its customers, including a focused spectrum of physical infrastructure, metro and long-distance optic fibre, facility management, continuous energy supply, networking and security to hosting, storage server processing, mobility, data center, end-user computing and associated consumables.

On 9 February 2019, AYO and AEEI concluded the acquisition of a 40% and 60% equity interest respectively in SGT Solutions (Pty) Ltd ("SGT Solutions"). SGT Solutions is a turnkey solutions integrator specialising in the design, supply, deployment, commissioning and maintenance of multi - technology telecommunication systems for mobile broadband and converged solutions, through partnerships with its customers and technology providers.

Effective 1 March 2019, AYO and AEEI concluded the acquisition of a 24% and 76% equity interest in Global Command & Control Technologies (Pty) Ltd ("GC2T") respectively. GC2T is a leading technology provider for enabled awareness solutions in the security and defence industry.

On 19 March 2019, AYO entered into a joint venture with Tamlalor (Pty) Ltd ("Tamlalor"). Tamlalor was formed to invest in disruptive financial services technology as part of AYO's 'go to market' strategy. Tamlalor is jointly managed by AYO, Bambelela and Vunani Capital.

On 2 April 2019, AYO subscribed for 10% of the issued share capital in 4 Plus Technology Venture Fund Africa (Pty) Ltd ("4 Plus"). 4 Plus has interests in digital media, artificial intelligence, software development and telecommunications. Refer to note 49 of the consolidated annual financial statements for details of the acquisitions.

The Group regained control over AYO Technology Ltd and its subsidiaries (refer to Note 49) and indirectly acquired Sizwe Africa IT Group (Pty) Ltd.

The purchase of additional shares in espAfrika (Pty) Ltd increasing ownership to 100% and an additional 3,2 million shares purchased in Premier Fishing and Brands Ltd increasing shareholding to 56.2%.

The disposal of Pioneer Foods Group Ltd and Quantum Foods Ltd shares with the resulting proceeds used to redeem all outstanding liabilities.

The sale of a business, Acacia Cloud Solutions (Pty) Ltd, a subsidiary of Afrozaar (Pty) Ltd on 30 June 2019.

18. INTERESTS IN SUBSIDIARIES, ASSOCIATES AND JOINT ARRANGEMENTS

The principle joint ventures, associates and subsidiaries are reflected in notes 44, 45 and 46.

19. BORROWING LIMITATIONS

In terms of the Memorandum of Incorporation of the Company, the directors may exercise all the powers of the Company to borrow money, as they consider appropriate. The unutilised borrowings as at 31 August 2019 amounted to R123 140 549 (2018: R45 198 077).

DIRECTOR'S REPORT (continued)

20. SPECIAL RESOLUTIONS

The statutory information relating to special resolutions passed by subsidiaries is available from the registered office of the Company. The only special resolutions passed at the annual general meeting on 23 February 2019 were as follows:

- remuneration for executive and non-executive directors;
- inter-company financial assistance
- financial assistance for the acquisition of shares in the Company or a related or inter-related company;
- the Company or its subsidiaries to repurchase Company shares; and
- the amendment of the Memorandum of Incorporation of the Company in relation to fractions.

21. GOING CONCERN

The directors believe that the Group has adequate financial resources to continue in operation for the foreseeable future and accordingly the consolidated annual financial statements have been prepared on a going concern basis.

The directors have satisfied themselves that the Group is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the Group. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the Group.

22. LITIGATION STATEMENT

The Group becomes involved in litigation from time to time through various claims and lawsuits incidental during the ordinary course of business. The Group is currently not involved in any such claims or lawsuits, except for the summons issued by the Public Investment Corporation ("PIC") and the Government Employee Pension Fund ("GEPF") to declare the subscription agreement entered into by the PIC and AYO as unlawful and set aside. The Group has instructed its lawyers to oppose this action.

AYO and a significant customer concluded an ICT Master Service Agreement in May 2018 whereby AYO would render to the significant customer a host of ICT services effective 1 April 2018 for an indefinite period as long as the services are provided under the agreement. On 1 October 2019, this significant customer gave AYO six months' notice purporting to terminate this agreement. AYO disputes this significant customer's right to cancel the agreement. By virtue of the dispute, AYO has invoked the arbitration provisions under the agreement and anticipates the matter being arbitrated in the first quarter of 2020.

23. DATE OF AUTHORISATION FOR ISSUE OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

The consolidated annual financial statements have been authorised for issue by the directors on 31 January 2020. No authority was given to anyone to amend the consolidated annual financial statements after the date of issue.

24. PREPARER AND SUPERVISOR

These consolidated annual financial statements were prepared by the Group Financial Controller, Rufaro Chanakira CA (SA) and Michelle Hunlun CA (SA), Group Financial Manager under the supervision of Group Chief Financial Officer, Chantelle Ah Sing.