

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF AFRICAN EQUITY EMPOWERMENT INVESTMENTS LIMITED GROUP

Opinion

We have audited the consolidated financial statements of African Equity Empowerment Investments Limited (the "group") set out on pages 21 to 113, which comprise the consolidated statement of financial position as at 31 August 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the group as at 31 August 2019, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the group in accordance with section 290 and 291 of the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board of Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together with the IRBA codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

INDEPENDENT AUDITOR'S REPORT (continued)

Regaining control of AYO Technology Solutions Ltd ("AYO")	How our audit addressed the key audit matter
<p>During the period, the group regained control over AYO as defined by IFRS 10 Consolidated Financial Statements, and subsequently consolidated AYO from the date of control being 21 December 2018. The change in control stemmed from AEEI's ability to direct the relevant activities of AYO based on the IFRS 10 assessment.</p> <p>Due to the significant judgement applied by management in determining that control was regained in terms of IFRS 10, as well as the significance of the judgements and assumptions applied by management in the determination of the fair values of the identifiable assets acquired, liabilities assumed and previously unidentified intangible assets recognised, this area is regarded as a key audit matter.</p> <p>The disclosure relating to regaining control of AYO is contained in note 1.1 and note 49.</p>	<p>Our audit procedures on regaining control of AYO include amongst others, the following:</p> <ul style="list-style-type: none"> • Obtained internal technical opinions on control in terms of IFRS 10; • Reviewed managements' assessment detailing the considerations resulting in the group regaining control in the subsidiary in terms of IFRS 10 and considered the appropriateness of the conclusions reached; • Assessed appropriateness of the date that control was regained by applying the control definition and requirements of IFRS 3. • Recalculated the loss on the deemed disposal of the associate on the date control was regained; • Involvement of our internal valuation specialists to perform an independent assessment of the fair values of the identifiable assets acquired and liabilities assumed on the respective acquisition dates specifically relating to the provisional valuation and identification of previously unidentified intangible assets; • Assessed whether the previously unidentified intangible assets meet the recognition criteria; • Assessed based on management's calculation whether any goodwill/ bargain purchase arose on the regaining of control. • Obtained management representations on the valuation of the purchase price allocations <p>We assessed the disclosures made for compliance with International Financial Reporting Standards.</p>

INDEPENDENT AUDITOR'S REPORT (continued)

Business combinations	How our audit addressed the key audit matter
<p>The group, through one of its significant components, acquired several businesses during the year.</p> <p>The accounting for these acquisitions is governed by IFRS 3 Business Combinations, whose requirements can be complex and requires management to exercise judgment in determining certain estimates. The most significant is the determination of the purchase price allocation which encompasses:</p> <ul style="list-style-type: none"> • Identifying the assets and liabilities acquired and determining their provisional fair values; • Determination of goodwill to be recognized on acquisition; and • Determining the value of the considerations transferred. <p>Management appointed independent experts to assist them with the purchase price allocation (PPA) and the determination of the resulting goodwill.</p> <p>We have determined this to be a key audit matter due to the significant judgment and estimate in the determination of the fair value of assets and liabilities assumed at acquisition date.</p> <p>The disclosure relating to business combinations is contained in note 1.1 and note 49.</p>	<p>The business combinations originated in one of the significant components of the group.</p> <p>Group audit instructions addressing the significant audit areas in general as well as specific information required to be reported on to the Group audit team relating to business combinations was issued to the component auditors. We held various planning, execution and completion meetings and discussions with the component auditor throughout the engagement.</p> <p>We assessed the competence, knowledge and experience of the component audit team and performed a review of the significant audit areas to assess the adequacy of the work performed.</p> <p>The following procedures, amongst others, were performed by the component auditors:</p> <ul style="list-style-type: none"> • Assessed the design of the key controls over the PPA process; • Assessed the competence, capabilities and objectivity of management's independent experts and verified their qualifications and independence; • Involvement of our internal valuation specialists to perform an independent assessment of the fair values of the identifiable assets acquired and liabilities assumed on the respective acquisition dates specifically relating to the provisional valuation and identification of previously unidentified intangible assets and the resultant goodwill which was recognised; • Recomputed the value of the considerations transferred with reference to the purchase agreements; • Recomputed the resulting goodwill or bargain purchase to be recognized on acquisition; • Assessed whether the previously unidentified intangible assets meet the recognition criteria; • Performed procedures to determine that acquisitions made were included correctly in the consolidation; • Reviewed the acquisition agreements to ensure that the acquisitions were accounted for at the correct effective date of acquisition; • Obtained internal technical opinions on control in terms of IFRS 10 and reviewed and assessed opinions obtained by management on the matter; and • Obtained management representations on the valuation of the purchase price allocations <p>At group level, we performed the following procedures amongst others:</p> <ul style="list-style-type: none"> • Re-performed the computation of the at acquisition journals <p>We assessed the disclosures made for compliance with International Financial Reporting Standards.</p>

INDEPENDENT AUDITOR'S REPORT (continued)

Valuation of goodwill and intangible assets	How our audit addressed the key audit matter
<p>Under IFRS, the group is required to annually test goodwill and intangible assets with an indefinite useful life for impairment. The test compares the carrying amount of the asset with its recoverable amount, which is the higher of its fair value less costs to sell (if known) and its value in use.</p> <p>Forecasting future cash flows and applying an appropriate discount rate, inherently involves a high degree of estimation and judgement by management.</p> <p>We have determined this to be a key audit matter due to the judgement required by management in preparing a 'value-in-use' model to satisfy the impairment test.</p> <p>Details of the assumptions and estimation used has been disclosed in note 1.2 and note 29.</p>	<p>Our audit procedures, in conjunction with the component auditors, focused on evaluating and challenging the key assumptions applied by management in conducting the impairment review. These procedures included, amongst others, the following:</p> <ul style="list-style-type: none"> • Reviewed the model for compliance with IAS 36 Impairment of Assets; • Verified the mathematical accuracy and methodology appropriateness of the underlying model calculations; • Agreed the key financial inputs to the actual trial balance; and <p>We have made use of our internal valuation experts to:</p> <ul style="list-style-type: none"> • Assess the model for arithmetical accuracy; • Evaluate the cash flow projections and the process by which they were developed, comparing the cash flows to the latest budgets, and assessing the historical accuracy of the budgeting process; • Assess the reasonability and appropriateness of the key inputs; • Perform a sensitivity analysis of the key assumptions in the model; and • Assess the key growth rate assumptions by comparing them to historical results, economic and industry forecasts, and assessing the discount rate by reference to the cost of capital of the group; <p>We assessed the disclosures made for compliance with International Financial Reporting Standards.</p>

INDEPENDENT AUDITOR'S REPORT (continued)

Residual values of vessels	How our audit addressed the key audit matter
<p>The residual values of the vessels are reviewed annually by management.</p> <p>A management expert (the expert) is used to assist in the determination of residual values.</p> <p>In determining the residual value, management applies judgement in determining the estimated amount that the entity would currently obtain from the disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.</p> <p>Accordingly, the residual values of vessels were considered to be a key audit matter, due to the significance of the estimates and the level of judgement applied by management.</p> <p>The disclosures relating to the vessels are contained in note 1 and note 3.</p>	<p>The residual values of vessels originated in one of the significant components of the group.</p> <p>Group audit instructions addressing the significant audit areas in general as well as specific information required to be reported on to the Group audit team relating to residual values of vessels was issued to the component auditors. We held various planning, execution and completion meetings and discussions with the component auditor throughout the engagement.</p> <p>We assessed the competence, knowledge and experience of the component audit team and performed a review of the significant audit areas to assess the adequacy of the work performed.</p> <p>The following procedures, amongst others, were performed by the component auditors:</p> <ul style="list-style-type: none"> • Obtained a copy of the expert's assessment of the residual values and performed the following: <ul style="list-style-type: none"> • Assessed the independence, experience and expertise of the expert; • Performed reasonability testing on the inputs and assumptions used by the expert, by comparing these to our industry knowledge, external sources and information gathered throughout the audit; • Inspected that the residual values calculated by the expert were within the predetermined range of market values. The exchange rates used were compared to observable forex rates; • The method applied by the expert was compared to that of the prior year in order to determine consistency; and • Obtained management representation to confirm that they have reviewed the residual values. <p>We assessed the disclosures made for compliance with International Financial Reporting Standards.</p>

INDEPENDENT AUDITOR'S REPORT (continued)

Physical quantities of Biological Assets	How our audit addressed the key audit matter
<p>Biological assets comprises live abalone and are held in various weight categories. It is impractical to count all the abalone on a given day, due to factors such as the delicate nature of the abalone and the quantity of abalone held at the farm.</p> <p>As such, the quantities are determined through a process known as grading, which involves the periodic process of categorising systematic batches of abalone across the farm. Through this continual process and the use of industry growth algorithms, the number and average weight of the abalone is determined.</p> <p>Physical quantities of biological assets were a key audit matter due to the significant contribution to the consolidated results of the group, as well as it requiring significant management judgement.</p> <p>The disclosures relating to biological assets are contained in note 1 and note 12.</p>	<p>The biological assets originated in one of the significant components of the group.</p> <p>Group audit instructions addressing the significant audit areas in general as well as specific information required to be reported on to the Group audit team relating to biological assets was issued to the component auditors. We held various planning, execution and completion meetings and discussions with the component auditor throughout the engagement.</p> <p>We assessed the competence, knowledge and experience of the component audit team and performed a review of the significant audit areas to assess the adequacy of the work performed.</p> <p>The following procedures, amongst others, were performed by the component auditors:</p> <ul style="list-style-type: none"> • Obtained an understanding of the overall control environment, as well as the processes which have been implemented by management, around determining the physical quantities of abalone. The control environment and processes have been overseen by those charged with governance. • Attended the periodic grading on site, in order to observe the appropriateness of controls implemented in applying sampling methodologies, as well as to confirm the adherence to appropriate biological inventory processes. The procedures followed in the periodic grading were compared to that of the prior year in order to determine consistency; • Agreed a sample of baskets counted on the day of observation to the inventory sheets and system report, to ensure reliance on the system inputs; • Agreed a sample of actual abalone graded on the day of observation to the system predicted weights. This was performed to ensure reliance on the predicted weight and the system's accuracy of abalone growth prediction. <p>We assessed the disclosures made for compliance with International Financial Reporting Standards.</p>

INDEPENDENT AUDITOR'S REPORT (continued)

Completeness of related party disclosure	How our audit addressed the key audit matter
<p>There are significant and complex transactions within the group and other related entities.</p> <p>Significant audit effort was required for testing the completeness of related party disclosures, resulting in this being regarded as a key audit matter.</p> <p>The disclosure of related party transactions are included in note 40.</p>	<p>Our procedures included, amongst others, the following:</p> <ul style="list-style-type: none"> • Obtained an understanding of the overall control environment regarding related parties, as well as the processes which have been implemented by management in this regard, and which have been overseen by the board of directors; • Tested the design and implementation of relevant controls in place over related party transactions; • Identified related parties through the review of shareholder records, minutes of meetings, director's registers, the Group structure and other records; • Reviewed the prior year working papers for names of known related parties and compared these to the current year list of related parties provided by management; • Obtained the list of known affiliations of those charged with governance to other entities and compared this to client schedules; • Obtained signed declarations of directors' interests in contracts; • Scanned the general ledger for known related parties and: <ul style="list-style-type: none"> o Ensured that all material recorded entries were included in the related party disclosure in the financial statements; o Obtained an understanding of the transaction to determine whether it is within the scope of the entity's ordinary business; • Obtained management representations as to the completeness of related party disclosures. <p>We assessed the disclosures made for compliance with International Financial Reporting Standards..</p>

Other Information

The directors are responsible for the other information. The other information comprises the information in the document titled "African Equity Empowerment Investments Limited Group Annual Financial Statements for the year ended 31 August 2019", which includes the Directors' Report, Audit and Risk Committee Report and the Company Secretary's Certification as required by the Companies Act of South Africa, and the information in the document titled "African Equity Empowerment Investments Limited Abridged Integrated Report 2019". The other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 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 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.

INDEPENDENT AUDITOR'S REPORT (continued)

Responsibilities of the Directors for the Consolidated Financial Statements

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

In preparing the consolidated 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 intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's 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 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 financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

INDEPENDENT AUDITOR'S REPORT (continued)

doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that BDO South Africa Incorporated has been the auditor of African Equity Empowerment Investments Proprietary Limited for 22 years

BDO South Africa Incorporated
Registered Auditors

Handwritten signature in black ink that reads "BDO South Africa Im" with a horizontal line underneath.

Imtiaaz Hashim
Partner
Registered Auditor

31 January 2020
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