

## CONDENSED ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 AUGUST 2019

### BASIS OF PREPARATION

The condensed reviewed consolidated annual financial statements are prepared in accordance with the Johannesburg Stock Exchange Ltd (“JSE”) Listings Requirements and the requirements of the Companies Act, applicable to summarised audited financial statements. The JSE Listings Requirements require financial reports to be prepared in accordance with the framework concepts, the measurement and recognition requirements of the International Financial Reporting Standards (“IFRS”), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and also that they, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the summarised consolidated annual financial statements from which the summary consolidated annual financial statements were derived are in terms of IFRS and are consistent with the accounting policies applied in the preparation of the previous consolidated annual financial statements.

This summarised report is extracted from the audited financial statements but is not itself audited. The directors take full responsibility for the preparation of the condensed report and that the financial information has been correctly extracted from the underlying annual financial statements. The full audited annual financial statements and audit report are available for inspection at the registered offices and at [www.aeei.co.za](http://www.aeei.co.za).

The audited annual financial results were prepared by the Group financial controller, Rufaro Chanakira CA (SA), under the supervision of Group financial manager, Michelle Hunlun CA (SA), and were audited by the Group’s external auditors, BDO South Africa Inc. who issued an unqualified opinion.

### Reporting entity

African Equity Empowerment Investments Ltd (“AEEI”) is a company domiciled in South Africa. These provisional condensed consolidated annual financial statements as at and for the year ended 31 August 2019 comprise AEEI and its subsidiaries (“the Group”) and interest in associates and joint ventures. AEEI is a black-controlled entity, which holds interests in six sectors and promotes Broad-based Black Economic Empowerment, sound corporate governance and ethical practices.

### Use of judgements and estimates

In preparing these provisional condensed annual financial statements, management made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual financial results may differ from these estimates.

The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited consolidated financial statements as at and for the year ended 31 August 2019.

### Measurement of fair values

The Group has an established control framework with respect to the measurement of fair values. The fair valuation calculations are performed by the Group’s finance department and operational team on an annual basis. The corporate finance department reports to the Group’s chief investment officer. The valuation reports are approved by the investment committee in accordance with the Group’s reporting policies.

### Accounting policies

During the reporting year, the Group adopted the following newly effective standards as from 1 September 2018, which did not have a material impact on the 2019 annual financial statements:

- IFRS 9 Financial instruments (replacing IAS 39 Financial Instruments: Recognition and Measurement)
- IFRS 15 Revenue from contracts with customers

### IFRS 9 Financial Instruments

The Group applied the expected credit loss (“ECL”) impairment model for the measurement of the trade and other receivables, financial assets and other loans receivable by establishing the provision matrix which is based on the historical credit loss experience, adjusted for forward-looking factors specific to trade and other receivables. For financial assets and financial liabilities, the existing classification and measurement requirements of IAS 39 will remain the same under IFRS 9.

The classification of financial assets in accordance to IFRS 9 measurement will require loans receivable, trade and other receivables, other financial assets as well as cash and cash equivalents to be categorised as subsequently measured at amortised cost.