CONDENSED FINANCIAL STATEMENTS

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The reports and statements set out below comprise the financial statements presented to the shareholders:

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LEVEL OF ASSURANCE

These condensed annual financial statements have been audited in compliance with the applicable requirements of the Companies Act No. 71 of 2008.

PREPARER

Rufaro Chanakira CA(SA)

SUPERVISOR

Michelle Hunlun CA(SA)
Group financial manager

31 January 2020

GROUP PERFORMANCE

FINANCIAL HIGHLIGHTS

- Revenue increased by 243% from R701m to R2.4bn
- Headline earnings increased by 316% from R119m to R496m
- Headline earnings per share increased by 316% from the 24.24c to 100.89c
- Net cash generated from operating activities increased by 9% from R131m to R143m
- Net asset value per share increased by 13% from 1 152.98c to 1 304.15c
- Total assets at year-end have grown to R7.4bn
- Gross final dividend of 6 cents per share declared to shareholders, which equates to a total dividend of 17 cents for the 2019 financial year
- A total dividend to shareholders for the 2019 financial year equates to R83.5m

The Group delivered excellent revenue growth due to both organic and acquisitive growth predominately from the technology and fishing and brands divisions respectively. Revenue increased significantly by 243% from R701m to R2.4bn as a result of recognising revenue growth of R1.6bn from the technology division and R83m from the fishing and brands division. In the prior year, the technology division was accounted for as an associate and thus excluded from the Group's revenue as the division was equity accounted in terms of IAS 28 Investment in Associates.

Effective 21 December 2018, the Group obtained control over AYO Technology Solutions Ltd ("AYO"), previously accounted for as an investment in associate. AYO was therefore treated as a subsidiary from the aforementioned effective date as AEEI had the ability to exercise its power over AYO in line with IFRS 10 Consolidated Financial Statements. The technology division's financial performance for the eight-month period has therefore been consolidated into the Group's statement of profit and loss and other comprehensive income. Refer to details below under significant events.

During the year, AEEI regained control over its investment in AYO and the Group therefore incurred a once-off accounting loss on deemed disposal (IFRS 10) of associate amounting to R2.4bn in the current year. This resulted in the Group's profit before tax decreasing from R6.01bn to a loss of R2.38bn and earnings per share decreasing from 1 016.01c to a loss per share of 304.09c.

Headline earnings increased by 316% from R119m to R496m. Headline earnings per share ("HEPS") increased by 316% from 24.24c to 100.89c, indicating the strategic plans in place driving both organic and acquisitive growth in revenue and earnings.

The NAV increased by 12% from R5.67bn to R6.4bn as a result of the strengthened financial position.

The NAV per share amounted to 1 304.15c despite a challenging national economy, stakeholder scrutiny and market forces.

AEEI is a proud Level 1 Contributor in terms of the Department of Trade and Industry's Code of Good Practice on Broad-Based Black Economic Empowerment Amendment Act No 53 of 2003, with the Amended Generic Scorecard being applied, with black ownership at 73.55% and black female ownership of 39.39%.

FISHING AND BRANDS

The fishing and brands division, Premier Fishing and Brands Limited ("Premier" or the "Premier Group") operates a vertically integrated fishing business which specialises in the harvesting, processing and marketing of fish and fish-related products. The Premier Group holds medium to long-term fishing rights in squid, lobster, small pelagics, hake deep-sea trawl, hake longline, horse mackerel, swordfish and tuna. The Premier Group also owns an abalone farm and invests in organic fertilisers through the "Seagro" range of products.

The fishing and brands division performed in line with expectations with revenue increasing by 17%. The division benefited from the excellent sales performance from the deep sea lobster and squid divisions, including the financial performance of Talhado Fishing Enterprises (Pty) Ltd for a full year. The pelagic division performed admirably despite industry-wide catch rates. This was offset by the lower operational performance of the lobster division as result of lower total allowable quotas obtained for the west coast rock lobster division.

Sales volumes declined in the abalone division due to an exogenous factor that arose as a result of the political situation in Asia. The farm expansion is progressing well and is on track with construction to be completed in the 2020 financial year.

TECHNOLOGY

The information and communications technology ("ICT") subsidiary, AYO Technology Solutions Ltd ("AYO") is one of the largest Broad-based Black Economic Empowerment ICT companies in South Africa. AYO delivers end-to-end ICT solutions to multiple industries in South Africa's public and private sectors through strategic partnerships. These partnerships enable them to service customers across Africa, North America, Europe and Mauritius.

The technology division achieved significant organic growth in its revenue as a result of the acquisitions in Sizwe Africa IT Group Ltd ("Sizwe"), SGT Solutions (Pty) Ltd ("SGT") via Main Street 1653 (Pty) Ltd ("Main Street") and Global Command and Control Technologies (Pty) Ltd ("GC² T"). These acquisitions took place effective 19 December 2018, 28 February 2019 and 1 March 2019 respectively. AYO contributed R1.6bn to the Group's revenue for the year. Refer to the business combination note further below.

As a result of the change in control (as referred to under "Significant Events," the technology division was recognised as a subsidiary from 21 December 2018. Despite the additional requirements from the JSE and the litigation from stakeholders, organic growth was achieved as well as acquisitive growth.

On 31 May 2019, AYO received a summons issued by the Public Investment Corporation ("PIC") and the Government Employees Pension Fund ("GEPF"). The summons seeks a declaration that the subscription agreement entered into between the PIC and AYO be declared unlawful and set aside and that AYO be ordered to pay the PIC R4.2bn together with interest of 10.25% per annum accrued from 22 December 2017 to the date of final payment. AYO has instructed its attorneys to oppose the action.

In the event that the PIC and GEPF are successful in their court application, management believes that they will be able to reconfigure AYO into a pure investment holding company. AYO has several subsidiaries that have been in existence for more than 20 years, delivering both satisfactory trading performance and dividend income for AYO. These subsidiaries are expected to continue trading at an optimal level independent of the PIC funding.

AEEI's associate investment in BT Communication Services SA (Pty) Ltd ("BT") continually produces consistent earnings and it contributed positively to the Group's profit from equity accounted investments.

HEALTH AND BEAUTY

The companies in the health and beauty division focus on the importation and distribution of cosmetic brands and make-up as well as the manufacturing, sales and marketing of an extensive range of natural products that are human, animal and plant safe and internationally recognised in the food, agriculture, hygiene, beauty and general health sectors.

Revenue from the health and beauty businesses declined during the year due to subdued consumer demand in the current economic climate. However, management expects an improvement in the businesses in the next financial year.

BIOTECHNOLOGY

Genius Biotherapeutics, one of Africa's largest medical biotechnology companies, in collaboration with research partners at the University of Cape Town will commence with clinical trials on breast cancer next year. The Group is currently in the process of acquiring the intellectual property in relation to the dendritic cell vaccine project and is preparing for the recruitment phase of selected patients for its pending human clinical trials.

EVENTS AND TOURISM

The events and tourism division manages and owns an events planning and production company, espAfrika (Pty) Ltd ("espAfrika"); a travel services company, Tripos Travel (Pty) Ltd ("Tripos Travel") and a radio station Magic 828 (Pty) Ltd ("Magic 828") (managed under the corporate division). During the year the Group acquired additional shares in espAfrika increasing its shareholding from 75% to 100%.

espAfrika, a Group subsidiary, hosted their annual 20th annual Cape Town International Jazz Festival event promoting the well-established brand. The company did not achieve its expected revenue during a challenging year due to the local economic uncertainty. Magic 828, which has operated for over four years, contributed R12m to the Group's gross revenue for the year. Its listenership continues to increase year-on-year.

STRATEGIC INVESTMENTS

The Group's strategic investments consist of: BT Communications Services South Africa (Pty) Ltd ("BT") which is now reported under the technology division; Saab Grintek Defence (Pty) Ltd ("SGD"); African Legend Investments (Pty) Ltd ("ALI") and Sygnia Ltd ("Sygnia").

AEEI has minority equity stakes in BT, SGD, ALI and Sygnia. The strategic investments have shown consistent growth in earnings with regular dividend payments on an annual basis. The Pioneer Foods Ltd's ("PFG") shares were disposed of on 15 March 2019 and Quantum Foods Ltd's shares were disposed of on 27 May 2019. Refer to the disposal of the PFG investment below for full details.

CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

AS AT 31 AUGUST 2019

	Audited to 31 August 2019 R'000	Audited to 31 August 2018 R'000
ASSETS		
Non-current assets	**2 501 535**	6 705 151
Property, plant and equipment	**521 176**	324 229
Goodwill	**219 093**	86 201
Intangible assets	**293 309**	277 853
Investments in associates	**825 520**	5 575 997
Investment in joint ventures	**33**	-
Other loans receivable	**350**	11 808
Other financial assets	**544 180**	419 905
Deferred tax	**97 874**	9 158
Current assets	**4 952 776**	657 125
Inventory	**222 929**	56 978
Biological assets	**83 260**	68 021
Other financial assets	**38 886**	3 083
Other current assets	**755**	-
Current tax receivable	**13 287**	2 168
Trade and other receivables	**715 745**	164 157
Cash and cash equivalents	**3 877 914**	362 718
Total assets	**7 454 311**	7 362 276
EQUITY AND LIABILITIES		
Equity		
Share capital and share premium	**402 240**	403 177
Reserves	**7 776**	8 034
Retained income	**2 905 241**	4 498 480
Equity attributable to equity holders of parent	**3 315 257**	4 909 691
Non-controlling interest	**3 088 434**	755 358
	6 403 691	5 665 049
LIABILITIES		
Non-current liabilities	**283 628**	1 486 862
Other financial liabilities	**71 105**	208 392
Deferred tax	**156 836**	1 278 257
Other non-current liabilities	**55 687**	213
Current liabilities	**766 992**	210 365
Trade and other payables	**541 647**	105 993
Other financial liabilities	**55 194**	18 328
Current tax payable	**26 267**	21 969
Provisions	**53 764**	27 392
Other current liabilities	**48 703**	900
Bank overdraft	**41 417**	35 783
Total liabilities	**1 050 620**	1 697 227
Total equity and liabilities	**7 454 311**	7 362 276
Net asset value per share (cents)	**1304.15**	1 152.98
Tangible net asset value per share (cents)	**1 211.81**	1 077.02
Number of ordinary shares in issue ('000s)	**491 022**	491 339

CONDENSED GROUP STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 AUGUST 2019

	Audited to 31 August 2019 R'000	Audited to 31 August 2018 R'000
Revenue	**2 377 368**	700 691
Cost of sales	**(1 652 055)**	(410 192)
Gross profit	**725 313**	290 499
Other income	**37 276**	11 467
Other operating expenses	**(816 347)**	(256 060)
Net impairments, impairment reversals and write off	**(82 573)**	(140 319)
Fair value adjustments and other operating gains/(losses)	**(57 871)**	(5 414)
(Loss)/gain on deemed disposal of associate and subsidiaries	**(2 480 713)**	6 049 029
Gain on bargain purchase	**-**	952
Profit from equity accounted investments	**63 634**	57 914
Investment revenue	**257 578**	33 421
Finance cost	**(34 399)**	(30 839)
(Loss)/profit before taxation	**(2 388 102)**	6 010 650
Taxation	**996 841**	(1 062 789)
Profit from continuing operations	**(1 391 261)**	4 947 861
Discontinued operations		
Profit from discontinued operations	**-**	159 533
(Loss)/profit for the year	**(1 391 261)**	5 107 394
Other comprehensive loss	**(254)**	-
Total comprehensive (loss)/income	**(1 391 515)**	5 107 394
Total comprehensive (loss)/income attributable to:		
Equity holders of the parent	**(1 493 605)**	4 992 064
Non-controlling interest	**102 090**	115 330
	(1 391 515)	5 107 394
Basic and diluted earnings per ordinary share (cents)	**(304.09)**	1 016.01
Headline earnings per ordinary share (cents)	**100.89**	24.24
Weighted average number of ordinary shares in issue ('000s)	**491 178**	491 339

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 AUGUST 2019

	Attributable to parent R'000	Non-controlling interest R'000	Total equity R'000
Balance at 1 September 2017	**1 277 493**	**760 627**	**2 038 120**
Profit for the year	4 992 064	115 330	5 107 394
Transfer from reserves to retained income	11 790	-	11 790
Additional shares acquired	(4 826)	(1 705)	(6 531)
Changes in ownership interest - control not lost	(1 323 592)	5 627 155	4 303 653
Dividends paid	(43 238)	(30 147)	(73 385)
Changes in ownership interest (deemed disposal) - control lost	-	(5 767 588)	(5 767 588)
Business combinations and additional shares purchased	-	51 686	51 686
Balance at 31 August 2018	**4 909 691**	**755 358**	**5 665 049**
Loss for the year	**(1 493 351)**	**102 070**	**(1 391 261)**
Other comprehensive income	**(254)**	**-**	**(254)**
Shares repurchase	**(937)**	**-**	**(937)**
	5 768	**(4 168)**	**1 600**
Change in ownership - additional shares acquired			
Changes in ownership interest – acquisition of minorities	**(27 455)**	**(11 045)**	**(38 500)**
Business combination	**34 806**	**16 745**	**51 551**
Dividends paid	**(113 022)**	**(104 280)**	**(217 302)**
Derecognition relating to sale of business	**11**	**(384)**	**(373)**
Business combinations – control obtained	**-**	**2 334 119**	**2 334 119**
Balance at 31 August 2019	**3 315 257**	**3 088 434**	**6 403 691**

CONDENSED GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 AUGUST 2019

	Audited to 31 August 2019 R'000	Audited to 31 August 2018 R'000
Cash (utilised)/generated by operations	**(693)**	174 263
Investment revenue	**264 903**	33 421
Dividend income	**24 844**	31 434
Finance cost	**(32 786)**	(31 217)
Tax paid	**(113 124)**	(77 087)
Net cash flows from operating activities	**143 144**	130 814
Cash flows from investing activities		
Net movement in property, plant and equipment	**(140 922)**	(120 059)
Purchase of biological assets	**(8 975)**	-
Net movement in intangible assets	**(20 538)**	(8 059)
Business combination	**3 330 183**	(77 217)
Sale of business and deemed disposal of subsidiaries	**1 203**	(4 303 642)
Movement in other investing activities	**7 202**	671
Purchase of financial assets	**(358 442)**	(85 056)
Sale of financial assets	**1 038 207**	-
Funds in trust	**(110 000)**	-
Dividend recovery by associates	**18 868**	18 746
Net cash flows from investing activities	**3 756 786**	(4 574 616)
Cash flows from financing activities		
Repayment of other financial liabilities	**(149 290)**	(80 573)
Proceeds from other financial liabilities	**774**	20 492
Movement in other financing activities	**(15 175)**	(869)
Change in ownership	**(9 600)**	4 322 980
Dividends paid including minorities	**(217 078)**	(71 795)
Net cash flows from financing activities	**(390 369)**	4 190 235
Total cash movement for the year	**3 509 561**	(253 567)
Cash and cash equivalent at the beginning of the year	**326 935**	580 502
Cash and cash equivalents at the end of the year	**3 836 496**	326 935

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.

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.

NOTES TO CONDENSED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

The adoption of the general approach for other loan receivables means that a three-stage approach is undertaken to recognise credit loss as significant, not significant or credit-impaired. At each reporting date, the Group assesses whether financial assets classified at amortised cost are credit impaired by identifying one or more events that has a detrimental impact on the estimated cash flows or a failure to make payment when due. Based on the current reporting date, credit risk has not increased significantly since the initial recognition and therefore 12-months ECL has been determined to be not material.

Based on the detailed assessment performed in the various divisions, the application of IFRS 9 had no material impact on the reported earnings or the financial position for the reporting year under review.

Transition Method

The Group transitioned to IFRS 9 by applying the standard retrospectively with the cumulative effect of initial application recognised as an adjustment to the opening retained income. Comparative information has therefore not been restated and continues to be reported under the previous applicable IAS 39. The Group applied the standard from 1 September 2018 and there has been no impact on the opening retained income of the Group as at 1 September 2018.

IFRS 15 Revenue from contracts with customers

IFRS 15 replaces all existing revenue requirements in IAS 18 and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of the standards on leases, insurance contracts and financial instruments.

However, given the nature of revenue streams and contracts with customers, the adoption of the standard did not materially affect the manner of revenue recognition, and therefore no transitional adjustment is required to the opening retained income at the date of the initial application. The Group will include enhanced revenue disclosures related to the nature and timing of the service obligations.

Transition Method

The Group transitioned to IFRS 15 by applying the standard retrospectively with the cumulative effect of initial application recognised as an adjustment to the opening retained income. Comparative information has therefore not been restated and continues to be reported under the previous applicable IAS 18 standards. However, given the nature of revenue streams and customer contracts in the Group, no adjustment is required to adjust the retained income or any financial statement line items by the application of IFRS 15 on 1 September 2018. The adoption of the above standard has not resulted in a material impact and additional enhanced disclosure has been included in the revenue note due to the Group adopting IFRS 15 requirements.

Standard issued but not yet effective

The Group decided not to adopt the following standard which is effective for the financial year commencing 1 September 2019 early. IFRS 16 replaced IAS 17 “Leases” and its related interpretations. IFRS 16 introduces a single lessee accounting model that requires a lessee to recognise assets and liabilities for all leases with a term of more than 12-months, unless the underlying asset is of low value.

Due to the quantitative value of the lease payments, the application of the standard is expected to have a material impact on the Group’s financial statements, which will result in changes to the statement of financial position and the changes to the statement of comprehensive income, with a reduction in current operating lease costs being replaced with an expected increase in depreciation expenses and finance costs. The standard will further impact the key performance measures such as operating profit, earnings before interest and tax, depreciation and amortisation, earnings per share and taxation.

The Group is in the process of assessing the full impact of IFRS 16 and will apply it on either full retrospective method or retrospectively, with cumulative effect recognised as an adjustment to opening retained income method.

NOTES TO CONDENSED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2019

1. BUSINESS COMBINATIONS - ASSOCIATE BECOMES A SUBSIDIARY

On 21 December 2018, the Group regained control over AYO, and consolidated AYO from this date. The change in control stemmed from AEEI's ability to direct the relevant activities as a result of the AYO board changes based on the IFRS 10 control assessment. AEEI's investment in AYO was previously classified as an associate and was accounted for using the equity method in accordance with IAS 28 Investment in associates.

AYO and its underlying subsidiaries was consolidated with effect from 22 December 2018 with a carrying value of net identifiable assets of R4.59bn, which included an intangible asset resulting from a major contract amounting to R65.25m and non-controlling interest of R2.32bn. Due to the aforementioned, the fair value of the previously held investment equated to R2.3bn resulting in no goodwill or gain on bargain purchase. However, the deemed disposal of the associate resulted in an accounting loss of R2.48bn.

Non-controlling interest is measured at its proportion percentage of the recognised amounts of the acquiree's identifiable net assets. AYO's revenue of R1.6bn and profit of R153m has been included in the Group`s trading results which includes Zaloserve's revenue of R748m and profit of R31m since the effective acquisition date. The fair values of the identifiable assets and liabilities are summarised in the aggregate business combination table below:
Aggregated business combination note

	R'000
Property, plant and equipment	107 094
Goodwill	105 704
Intangible assets	116 368
Investment in joint ventures	33
Other financial assets	1 072 534
Finance lease receivable	8 155
Deferred tax	18 018
Inventories	174 050
Trade and other receivables	381 200
Current tax receivable	1 442
Cash and cash equivalents	3 413 784
Other financial liabilities	(244 403)
Trade and other payables	(440 992)
Provisions	(29 339)
Current tax payable	(8 230)
Bank overdraft	(531)
Total identifiable net assets	**4 684 123**
Non-controlling interests	(2 341 898)
Fair value of previously held interest	2 266 381
Goodwill	37 107
Total	**112 953**
Consideration paid	**112 953**
Cash	83 070
Present value of contingent consideration	29 883
Net cash (outflow)/inflow on acquisition date:	**3 330 183**
Cash consideration paid	(83 070)
Cash acquired	3 413 253

Business combinations during the year

Acquisition of SGT Solutions Proprietary Limited

On 9 February 2019, Competition Commission approval was obtained for the acquisition of an effective 80% shareholding in SGT Solutions Proprietary Limited ("SGT") via a special purpose vehicle, Main Street 1653 Proprietary Limited ("Main Street") for a purchase consideration of R100m. On 28 February 2019 all conditions precedent in terms of the agreements were met, allowing the Group to acquire the aforementioned effective shareholding in SGT, effective 01 March 2019. The consideration includes a cash portion of R60m and a contingent consideration of R40m, if the company achieves profit warranties for the 2020 and 2021 financial years. In terms of IFRS 10 Consolidated Financial Statements, the acquisition date is determined as 01 March 2019 when all conditions precedent was met for the Group to control Main Street.
SGT 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

NOTES TO CONDENSED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2019

partnerships with its customers and technology providers. SGT specialises in integrated, leading-edge and comprehensive solutions across the entire spectrum of telecommunications. SGT has been operating in South Africa for the past fourteen years.

The fair value of the assets acquired, and liabilities are summarised in the aggregate business combination table above.
The contingent consideration arrangement for SGT required the Group to pay the former owners of SGT for achieving certain earn-out targets for the 2020 and 2021 financial years, up to a maximum undiscounted amount of R20 million for each financial year. The fair value of the contingent consideration arrangements was calculated as the present value of the future expected cash flows. The calculation was based on the assumption that the earn-out targets will be met based on the best available forecast information at acquisition date and were discounted at the weighted average cost of capital of the relevant subsidiary.

The acquisition related costs of R1.3m which have been included in the operating expenses in the statement of profit and loss and other comprehensive income. Goodwill is attributable to the strong position and profitability in SGT trading in the telecommunications market and synergies are expected to arise after the Company's acquisition of the new subsidiary.
Revenue of R220m and profit contribution of R19,5m has been included in the Group`s trading results since the acquisition date. Had Main Street been consolidated from 1 September 2018 the revenue and profit after tax would have been R477m and R28m respectively.

Acquisition of Global Command and Control Technologies Proprietary Limited
On 13 December 2018, the Group acquired an effective 88% of the ordinary share capital in Global Command and Control Technologies Proprietary Limited ("GC^{2}T"). GC^{2}T purchased the command, control, training and simulation business as a going concern from Saab Grintek Defence Proprietary Limited for a cash consideration of R23m. The effective date of the transaction when the conditions precedent were fulfilled was 1 March 2019. AEEI acquired this business to strengthen its intellectual asset base and to expand its footprint into Africa as part of its strategic objectives.
The fair value of the assets acquired, and liabilities assumed are summarised in the aggregate business combination table above.
Revenue of R25m and a loss contribution of R6.3m has been included in the Group's trading results since the acquisition date

2. ADDITIONS TO OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

On 28 September 2018, the AEEI Group through its subsidiary AYO, purchased 32% of the issued shares in Bambelela Capital (Pty) Ltd ("Bambelela") for a nominal amount. The 32% shareholding does not represent a significant influence over the entity. This is because the Group has no representation on the board of directors and does not participate in any financial or operating activities in Bambelela. The voting rights only provide the Group with limited decision making. The investment has been accounted for as an investment at fair value. Bambelela holds a 49% interest in Vunani Ltd, a diversified financial services group.

On 4 March 2019, the AEEI Group through its subsidiary AYO, subscribed for 19% of the share capital in KSA (Pty) Ltd ("KSA"). KSA is a company established online by AYO and Loot (Pty) Ltd to specialise in e-commerce with a key focus being on the business-to-business marketplace for fashion, luxury goods and services in Africa. KSA's key focus will be on marketing locally manufactured goods and global brands.

Loans receivable at amortised cost

The Group subscribed for 500 000 cumulative redeemable non-participating convertible "C" Class preference shares of no-par value in Bambelela for a consideration of R145m. Interest is accrued at variable prime rate multiplied by a dividend adjustment of 72%. Interest accrued is R11m for the year under review.

The loan with Tamlalor (Pty) Ltd is unsecured and bears interest at prime. The loan is repayable on 28 February 2024.

The loan with Volt Business Solutions (Pty) Ltd bears interest at prime plus 2% per annum and 50% of the balance is repayable on 1 January 2020 with the remaining balance on 1 January 2024.

The loan with Cortex Logic (Pty) Ltd ("Cortex") has no fixed repayment terms and bears interest at a rate of prime plus 2%. The loan is secured by a guarantee and pledge of shares in Cortex by the majority shareholders.

NOTES TO CONDENSED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2019

Other financial assets	**31 August 2019 R'000**	**31 August 2018 R'000**
Fair value through profit and loss:		
Investments in unlisted public companies	**36 113**	36 113
Investments in unlisted private companies	**200 837**	181 051
Investments in listed public companies	**22 847**	202 201
Other	**9 388**	-
Total fair value through profit and loss	**269 185**	419 905
Loans and receivable at amortised cost:		
Bambelela Capital (Pty) Ltd	**150 996**	-
Tamlalor (Pty) Ltd	**103 026**	-
Volt Business Solutions (Pty) Ltd	**11 534**	-
Cortex Logic (Pty) Ltd	**11 432**	-
Supplier development	**24 462**	-
Other	**12 431**	11 808
Total loans and receivables at amortised cost	**313 881**	11 808
Total other financial assets	**583 066**	431 713

3. DISPOSAL OF OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

On 26 February 2019, the AEEI Board of directors accepted the non-binding offer by Pioneer Foods Group Ltd ("PFG") to repurchase 1 589 998 Pioneer Foods shares and 1 598 998 Quantum Foods Holding shares for the purchase consideration of R78.19 and R3.30 per share respectively. The proceeds were used to redeem all outstanding liabilities in respect of the A preference shares and B preference shares as well as settle all outstanding dividends on the latter shares by 27 May 2019.

The financial impact on the Group is the net proceeds received from the disposal of the Pioneer Foods and Quantum Foods shares, before any tax liability, amounts to R17m.

4. EXPANSION OF THE ABALONE FARM

During the current reporting year, the carrying value of plant and machinery increased from R61m to R81m within the fishing and brands division as a result of the abalone farm expansion. Assets under construction increased to R121m compared to R30m in the prior year, where R90m was transferred to buildings and plant and machinery. As at 31 August 2019, Premier's directors authorised capital expenditure of R40m that has not been contracted for relating to the abalone farm expansion.

5. EVENTS AFTER REPORTING DATE

On 13 September 2019, 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 increasing its effective shareholding to 100%.

A final gross dividend of 6.00 cents per share has been declared and approved by the Board of directors in respect of the financial year ended 31 August 2019 after the reporting period but before the financial statements were authorised for issue.

The directors are not aware of any other material facts or circumstances which occurred between the statement of financial position date and the date of this report that would require any adjustments to the consolidated annual financial statements.

6. FAIR VALUE INFORMATION

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: Other techniques for all inputs which have a significant effect on the recorded fair value and are observable, either directly or indirectly.

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

NOTES TO CONDENSED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2019

As at 31 August 2019, the Group held the following instruments measured at fair value:

	Fair value hierarchy	2019	2018
Recurring fair value measurements		**R'000**	**R'000**
Abalone	Level 3	**83 260**	68 021
Intangible assets acquired through business combinations			
Patents and trademarks		**4 157**	23 225
Licences and technologies		**4 157**	-
Brands		**12 829**	17 028
Software development		**7 344**	15
Customer contracts and lists		**76 034**	-
Distribution rights		**9 876**	-
Total intangible assets	Level 3	**114 391**	40 268
Financial assets designated at fair value through profit/(loss)			
Listed shares	Level 1	**22 847**	202 201
Investments in unlisted private companies	Level 3	**210 225**	181 591
Investments in unlisted public companies	Level 3	**36 113**	36 113
Total financial assets designated at fair value through profit/(loss)		**269 185**	419 905
Loans and receivables		**313 881**	-
Total financial assets		**583 066**	419 905
Financial liabilities at fair value through profit/(loss)			
Other financial liabilities		**39 297**	226 720
Contingent consideration liability		**44 977**	-
Total financial liabilities at fair value through profit/(loss)		**84 274**	226 720

Refer to fair value adjustments in the Group's statement of profit or loss and other comprehensive income.

7. DIVIDENDS

The Board of directors is pleased to announce that it has approved and declared a dividend of 6.00 cents per share for the year ended 31 August 2019 from income reserves. The dividend amount, net of South African dividend tax of 20% which equates to 4.80 cents per share, is therefore 9.60 cents per share for those shareholders that are not exempt from dividend tax.

The number of ordinary shares in issue at declaration date is 491 022 434 and the income tax number of the Company is 9314001034. Share certificates may not be dematerialised or rematerialised between Wednesday, 29 January 2020 and Friday, 31 January 2020, both days inclusive.

8. EARNINGS PER SHARE AND RECONCILIATION OF REPORTABLE SEGMENTS PROFIT OR LOSS

Reconciliation of reportable segments profit and loss

	Audited 31 August 2019 R'000	Audited 31 August 2018 R'000
Total (loss)/profit before tax for reportable segments	**(2 388 102)**	6 010 650
Taxation	**996 841**	(1 062 789)
(Loss)/profit for the year and total comprehensive	**(1 391 261)**	**4 947 861**
Profit from discontinued operations	**-**	159 533
Other comprehensive income	**(254)**	-
(Loss)/profit for the year and total comprehensive loss income	**(1 391 515)**	**5 107 394**

NOTES TO CONDENSED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2019

Determination of headline earnings

		Audited 31 August 2019 R'000 Gross	Audited 31 August 2019 R'000 Nett	Audited 31 August 2018 R'000 Nett
Earnings attributable to ordinary equity holders of parent entity	IAS 33		(1 493 605)	4 992 064
Adjusted for:				
Impairment of intangible assets	IAS 38	80 265	52 022	95 625
Impairment of goodwill	IAS 36	9 920	9 920	11 937
Loss on disposal of property, plant and equipment	IAS 16	1 303	938	3 541
(Gain)/loss on disposal of associates	IAS28	-	-	(1 491)
(Gain)/loss on disposal of subsidiaries	IFRS 3	1 345	1 345	1 985
Gain on bargain purchase	IFRS 3	-	-	(952)
Loss/(gain) on deemed disposal of associate or subsidiary	IFRS 10	2 480 713	2 480 713	(4 983 624)
Deferred tax effect on deemed disposal of associate	IAS 12	(555 770)	(555 769)	-
Headline earnings			**495 565**	119 085
Headline and diluted earnings per ordinary share (cents)			**100.89**	24.24
Determination of normalised headline earnings				
Headline earnings			**495 565**	119 085
Nett impairments			**(400)**	-
Share based payment			**-**	11
Fair value adjustments			**57 871**	5 414
Deferred tax on fair value adjustments			**(12 963)**	(1 213)
Normalised headline earnings			**540 073**	123 297
Normalised headline and diluted earnings per ordinary share (cents)			**109.95**	25.09

NOTES TO CONDENSED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 AUGUST 2019

9. SEGMENTAL ANALYSIS

Group segmental report – 2019

2019	Fishing and brands R'000	Tech-nology R'000	Tele-communi-cations R'000	Combined technology and tele-communi-cation R'000	Health and beauty R'000	Biotech-nology R'000	Events and tourism R'000	Corporate R'000	Group R'000
Revenue	575 007	1 663 465	-	1 663 465	42 311	-	103 363	249 484	2 633 630
External sales	573 986	1 640 903	-	1 640 903	42 219	-	79 718	40 542	2 377 368
Intergroup sales	1 021	22 562	-	22 562	92	-	23 645	208 942	256 262
Segment results:									
Profit/(loss) before tax	101 257	123 839	-	123 839	1 057	(67 771)	(42 341)	(2 504 143)	(2 388 102)
Included in the segment results:									
Net (impairments)/ impairment reversals and write offs	-	(21 529)	-	(21 529)	-	(60 644)	-	(400)	(82 573)
Depreciation and amortisation	(10 761)	(59 027)	-	(59 027)	(211)	(2 163)	(163)	(1 376)	(73 701)
Loss on deemed disposal of associate	-	-	-	-	-	-	-	(2 480 713)	(2 480 713)
Fair value adjustments	-	(43 358)	-	(43 358)	-	-	38	(14 551)	(57 871)
Non-current assets	515 203	675 047	-	675 047	40 131	163 683	15 396	1 092 075	2 501 535
Current assets	417 467	4 481 802	-	4 481 802	20 546	1 131	7 829	24 000	4 952 776
Non-current liabilities	133 579	56 238	-	56 238	9 504	-	-	84 307	283 628
Current liabilities	80 592	596 237	-	596 237	7 520	3 240	16 652	62 752	766 992
Profit from associates	-	38 970	24 644	63 634	-	-	-	-	24 644
Capital expenditure	126 372	24 573	-	24 573	36	-	81	592	151 653

EMPLOYMENT EQUITY ACT SUMMARY (UNAUDITED)

FOR THE YEAR ENDED 31 AUGUST 2019

SEGMENTAL ANALYSIS (continued)

Group segmental report – 2019 (continued)

2018	Fishing and brands R'000	Tech-nology R'000	Tele-communi-cations R'000	Combined technology and tele-communi-cation R'000	Health and beauty R'000	Biotech-nology R'000	Events and tourism R'000	Corporate R'000	Food R'000	Combined corporate and strategic invest-ments R'000	Group R'000
Revenue	490 870	-	-	-	46 961	-	123 716	110 625	6 661	117 286	778 833
External sales	490 859	-	-	-	46 961	-	121 576	34 634	6 661	41 295	700 691
Intergroup sales	11	-	-	-	-	-	2 140	75 991	-	75 991	78 142
Segment results:											
Profit/(loss) before tax	92 588	-	57 905	57 905	4 777	(153 285)	(6 321)	6 052 154	(37 168)	6 014 986	6 010 650
Discontinued operations	-	159 533	-	159 533	-	-	-	-	-	-	159 533
Included in the segment results:											
Net (impairments)/impairment reversals and write offs	-	-	-	-	(3)	(139 791)	-	(525)	-	(525)	(140 319)
Depreciation and amortisation	(14 685)	-	-	-	(198)	(2 226)	(211)	(2 658)	-	(2 658)	(19 978)
Gain on bargain purchase	-	-	-	-	-	-	-	-	-	-	-
Gain on disposal of subsidiaries/ business	-	-	-	-	-	-	-	6 049 029	-	6 049 029	6 049 029
Fair value adjustments	-	-	-	-	-	-	-	28 357	(33 771)	(5 414)	(5 414)
Non-current assets	434 949	-	819 726	819 726	40 598	204 322	11 228	5 019 005	175 323	5 194 328	6 705 151
Current assets	614 575	-	20	20	19 775	(1 530)	17 611	6 568	106	6 674	657 125
Non-current liabilities	130 802	-	-	-	10 479	55 111	2 854	1 158 102	129 514	1 287 616	1 486 862
Current liabilities	147 744	-	24	24	8 595	746	11 393	41 863	-	41 863	210 365
Profit from associates	-	-	57 914	57 914	-	-	-	-	-	-	57 914
Capital expenditure	116 400	-	-	-	-	-	70	224	-	224	116 694

Notes

The events and tourism division excludes Magic 828 (Pty) Ltd (Magic828), as the company was managed under the corporate office for the financial year under review. During the year, management assessed the above segments' profits/losses using profit before tax as a result of the Group moving towards becoming an investment entity whereby both subsidiaries and equity accounted investments are being assessed.

10. RELATED PARTIES

The Group, in the ordinary course of business, entered into various sales and purchases transactions on an arm's length basis with related parties.

11. CHANGE IN THE DIRECTORATE

Messrs AM Salie, TT Hove, JM Gaomab and Ms Z Barends did not make themselves available for re-election at the AGM held on 18 January 2019 and voluntarily elected to step down from the Board. Ms CF Hendricks voluntarily elected to step down from the Board as an executive director of the Company on 18 January 2019 but continues in her role as an executive for Corporate Affairs and Sustainability.

Mr Ismet Amod was appointed to the Board of directors as a non-executive director effective 21 January 2019 as well as a member of the audit and risk committee. Reverend Dr Vukile Charles Mehana resigned as an independent non-executive director of the Board and its committees effective 14 March 2019.

Ms Moleboheng Gabriella Mosia and Mr Gaamiem Colbie were appointed to the Board of directors as non-executive directors effective 30 August 2019. Mr JS van Wyk was appointed post year-end on 23 September 2019 as the lead independent non-executive director. Mrs AB Amod was appointed as the non-executive chairperson of the Board on 9 December 2019. Due to the changes on the Board during the year, the committees were restructured.

Refer to fair value adjustments in the Group's statement of comprehensive income. The Group has been successful in providing equal employment opportunities and in promoting internal employees, and it remains committed to driving employment equity goals and enhancing diversity across the Group. The Group subscribes to the Employment Equity Act, 1998 (No. 55 of 1998) and senior executives work with the Department of Labour to ensure ongoing compliance and proactive implementation of regulations and plans. Open dialogue is encouraged between employees and management through our information sessions and committees. In terms of section 22 of the Act, herewith a summary of the Group's 2019 Employment Report in respect of its operations as at 31 August 2019, as required by section 21 of the Act.

EMPLOYMENT EQUITY ACT SUMMARY

	Non-designated groups Foreign nationals			Designated groups Male			Designated groups Female				
	W	M	F	A	C	I	A	C	I	W	Total
Occupational levels	0	0	0	1	2	1	1	2	0	0	**7**
AEEI board members	19	1	0	7	9	7	3	4	1	1	**51**
Top management	22	0	0	10	10	20	5	5	2	6	**80**
Senior and middle management	140	1	1	41	27	27	12	15	4	43	**279**
Skilled upper	80	0	2	125	80	32	92	49	20	58	**536**
Semi-skilled	14	0	0	275	126	8	47	30	10	21	**531**
Labour/unskilled	0	0	0	75	62	0	29	11	1	0	**178**
Seasonal	0	0	0	35	202	0	6	15	0	0	**89**
Contract workers including interns and fixed term contracts	38	0	0	202	87	10	64	35	3	11	**450**
Total	**283**	**2**	**3**	**771**	**436**	**105**	**259**	**166**	**41**	**140**	**2 201**