NOTES TO CONDENSED FINANCIAL STATEMENTS

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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