

## DIRECTORS' REPORT

The directors have pleasure in submitting their report on the annual financial statements of African Equity Empowerment Investments Limited and the Group for the year ended 31 August 2018.

### 1. NATURE OF BUSINESS

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

It has many operational joint arrangements, associates and subsidiaries. Refer to notes 47, 48 and 49. There have been no material changes to the nature of the Group's business from the prior year other than detailed below:

- Dilution of investment in AYO Technology Solutions Ltd (AYO) upon listing (refer to note 6).
- Deemed disposal of AYO upon loss of control (refer to note 28).
- Business combination of Talhado Fishing Enterprises (Pty) Ltd (refer to note 50).

### 2. REVIEW OF FINANCIAL RESULTS AND ACTIVITIES

The Group and Company's annual financial statements have been prepared in accordance with IFRS and the requirements of the Companies Act, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the SAICA Financial Reporting Guides issued by the Accounting Practices Committee and the JSE Listings Requirements. The accounting policies have been applied consistently to the prior year.

Full details of the financial position, results of operations and cash flows of the Group and Company are set out in these consolidated annual financial statements. Refer to note 46 - Segmental Information for a detailed breakdown of the proportion of net income or loss attributable to the various division of the Group.

### 3. CORPORATE GOVERNANCE

The directors subscribe to the principles incorporated in the King IV Report on Corporate Governance™ for South Africa 2016 (King IV™) and, save as disclosed in the corporate governance report, have complied as far as practical with principles contained therein throughout the reporting period. The directors recognise the need to conduct the Company's business with integrity and in accordance with generally accepted corporate practices. The Board and its committees have reviewed the Group and Company's corporate governance policies and procedures in the current year and no issues were identified.

### 4. EVENTS AFTER THE REPORTING PERIOD

Subsequent to year-end on 9 November 2018, the Board approved a buy-back of shares, which management believes is trading at a discount, creating shareholder value.

A final gross dividend of 12.00 cents per share has been declared 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 annual financial statements.

### 5. AUTHORISED AND ISSUED SHARE CAPITAL

There have been no changes to the authorised or issued share capital during the year under review.

## DIRECTORS' REPORT (continued)

### 6. DIVIDENDS

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

A final dividend of 12.00 cents per share was approved by the Board of directors on Friday, 9 November 2018 in South African Rands in respect of the year ended 31 August 2018. The dividend payment date is 18 December 2018 to shareholders recorded in the register of the Company at close of business on 14 December 2018.

### 7. DIRECTORATE

The directors in office at the date of this report are as follows:

Directors	Office	Designation	Changes
K Abdulla	Chief executive officer	Executive	
CR Ah Sing	Chief financial officer	Executive	
CF Hendricks	Corporate affairs and sustainability director	Executive	
AM Salie	Chief investment officer	Executive	Appointed 21 February 2018
Reverend Dr VC Mehana	Chairman	Non-executive independent	
S Young	Deputy chairman	Non-executive independent	Resigned 21 February 2018
JM Gaomab		Non-executive independent	
AB Amod		Non-executive	
TT Hove		Non-executive independent	
Z Barends		Non-executive independent	
Adv Dr NA Ramatlhodi		Non-executive independent	Appointed 8 March 2018

### 8. AUDITORS

During the current financial year, a major transaction was announced between Grant Thornton Cape Inc. and BDO South Africa (BDO). The designated audit partner has remained unchanged. The directors recommend that BDO Cape Inc. represented by Mr Imtiaaz Hashim as designated auditor, continue in office in accordance with the Companies Act. The audit and risk committee is satisfied with the independence of the auditor of the Company.

At the annual general meeting (AGM), the shareholders will be requested to reappoint BDO Cape Inc. as the independent external auditors of the Company and to confirm Mr I Hashim as the designated lead audit partner for the 2019 financial year.

### 9. SECRETARY

Ms Nobulungisa Mbaliseli resigned as the company secretary on 4 September 2018, after which Mr Damien Terblanche was appointed as the new company secretary with immediate effect.

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8001

### 10. LIQUIDITY AND SOLVENCY

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

## DIRECTORS' REPORT (continued)

### 11. COMPANY SECRETARY

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

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

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

### 12. REPORT OF THE AUDIT AND RISK COMMITTEE

The report of the audit and risk committee, as required in section 94(7)(f) of the Companies Act, is set out on pages 2 to 3 of these financial statements.

### 13. BOARD EVALUATION OF THE AUDIT AND RISK COMMITTEE

The Board of directors believes that the committee has satisfied its responsibilities for the year in compliance with the terms of reference of the Companies Act.

### 14. DIRECTORS' INTERESTS IN SHARES

As at 31 August 2018, the directors of the Company held in aggregate, directly or indirectly, beneficially or non-beneficially, 15 988 580 (2017: 15 507 500) interest in the Company's shares, equivalent to 3.24% (2017: 2.82%) of the issued share capital. The individual interests of directors are as follows:

#### INTEREST IN SHARE CAPITAL "B" CLASS ORDINARY SHARES - LISTED 31 AUGUST 2018

31 August 2018	Direct beneficial	Direct non-beneficial	Indirect beneficial	Indirect non-beneficial	Total shares	Total percentage
K Abdulla*	1 575 316	-	5 300 000	7 534 390	14 409 706	2.93
CR Ah Sing*	350 000	-	-	-	350 000	0.07
CF Hendricks*	265 000	-	-	-	265 000	0.05
Reverend Dr VC Mehana	250 000	-	-	-	250 000	0.05
TT Hove	31 794	-	-	-	31 794	0.00
Z Barends	1 000	-	-	-	1 000	0.00
AB Amod	5 000	-	-	-	5 000	0.00
AM Salie	-	-	676 080	-	676 080	0.14
	<b>2 478 110</b>	<b>-</b>	<b>5 976 080</b>	<b>7 534 390</b>	<b>15 988 580</b>	<b>3.24</b>

\* The above directors are executive directors that own shares in the Company.

## DIRECTORS' REPORT (continued)

### 14. DIRECTORS' INTERESTS IN SHARES (continued)

31 August 2017	Direct beneficial	Direct non-beneficial	Indirect beneficial	Indirect non-beneficial	Total shares	Total percentage
K Abdulla*	1 575 316	-	5 500 000	7 534 390	14 609 706	2.65
CR Ah Sing*	350 000	-	-	-	350 000	0.07
CF Hendricks*	265 000	-	-	-	265 000	0.05
Reverend Dr VC Mehana	250 000	-	-	-	250 000	0.05
TT Hove	31 794	-	-	-	31 794	0.00
Z Barends	1 000	-	-	-	1 000	0.00
	2 473 110	-	5 500 000	7 534 390	15 507 500	2.82

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

\* The above directors are executive directors that own shares in the Company.

### 15. VOTING RIGHTS

"B" ordinary shares each carry one vote per share and "A" ordinary shares each carry 500 votes per share. No "A" ordinary shares have been issued.

### 16. PROPERTY, PLANT AND EQUIPMENT

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

### 17. RESTATEMENT OF COMPARATIVES

Comparatives were restated in the statement of profit or loss and other comprehensive income as a result of the discontinued operations arising in the current year, in accordance with IFRS 5 - Non-current assets held for sale and discontinued operations. The reclassifications had no effect on the total earnings, earnings per share and headline earnings per share. Refer to note 52.

### 18. INTERESTS IN SUBSIDIARIES, ASSOCIATES AND JOINT ARRANGEMENTS

A significant change occurred during the year whereby the Group relinquished control over its investment in AYO, which resulted in a gain on deemed disposal being recognised. In direct consequence, this investment (previously recognised as a subsidiary) became an associate subsequent to the events that occurred on 24 August 2018. The Board and management concluded that the change of control occurred on 24 August 2018, rather than 21 February 2018 as was previously reported in the 2018 interim results. Refer to note 28 for further details.

The principal subsidiaries, joint ventures and associates are reflected in notes 6, 7 and 8.

### 19. BORROWING LIMITATIONS

In terms of the Memorandum of Incorporation of the Company, the directors may exercise all the powers of the Company to borrow money, as they consider appropriate. The unutilised borrowings as at 31 August 2018 amounted to R45 198 077.11 (2017: R63 066 458).

### 20. SPECIAL RESOLUTIONS

The statutory information relating to special resolutions passed by subsidiaries is available from the registered office of the Company.

## DIRECTORS' REPORT (continued)

### 21. GOING CONCERN

The directors believe that the Group and Company have adequate financial resources to continue in operation for the foreseeable future and accordingly the consolidated annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the Group and Company are in a sound financial position and that they have access to sufficient borrowing facilities to meet their foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the Group and Company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the Group.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitment will occur in the ordinary course of business.

### 22. LITIGATION STATEMENT

The Group becomes involved from time to time in various claims and lawsuits incidental to the ordinary course of business. No lawsuits and claims have been identified at the reporting date.

### 23. CONTINGENT LIABILITIES

There were no contingent liabilities identified in the current year.

### 24. DATE OF AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The Group and Company's annual financial statements have been authorised for issue by the directors on 26 November 2018. No authority was given to anyone to amend the Group and Company's annual financial statements after the date of issue.