INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF AFRICAN EQUITY EMPOWERMENT INVESTMENTS LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

OPINION

We have audited the consolidated and separate financial statements of African Equity Empowerment Investments Limited (the Group) set out on pages 19 to 111, which comprise the statement of financial position as at 31 August 2018, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group and Company as at 31 August 2018, and its consolidated and separate financial performance and consolidated and separate cash flows for the period then ended in accordance with International Financial Reporting Standards and 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 Consolidated and Separate Financial Statements section of our report. We are independent of the Group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). 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 and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matters relating to the consolidated and separate financial statements are set out below.

Valuation of goodwill and intangible assets (Consolidated)	
The valuation of goodwill and Intangible assets not yet available for use has been assessed as a key audit matter due to the significant judgement and estimation required by management in determining whether the carrying amount exceeds the recoverable amount (higher of fair value less costs to sell or value in use). Forecasting future cash flows and applying an appropriate discount rate, inherently involves a high degree of estimation and judgement by management. Details of the assumptions and estimation used has been disclosed in note 1.2 and note 29.	Our audit procedures on the valuation of goodwill and intangible assets included, amongst others, the following: • Confirmed the appropriateness of the methodology applied as well as the mathematical accuracy of the underlying 'value in use' calculations. • Audited the 'value in use' model for compliance with IAS 36 Impairment of Assets by assessing the reasonableness of the variables applied by management. • Evaluated 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. • Engaged our internal valuation specialist to assess the key growth rate assumptions by comparing them to the historical results, economic and industry forecasts and assessing the discount rate by reference to the cost of capital of the Group. • Performed a sensitivity analysis of the key assumptions in the model. • Reviewed the adequacy and appropriateness of the disclosures in the financial statements in accordance with International Financial Reporting Standards.

INDEPENDENT AUDITOR'S REPORT (continued)

TO THE SHAREHOLDERS OF AFRICAN EQUITY EMPOWERMENT INVESTMENTS LIMITED

Residual values of vessels (Consolidated)	
The residual values of the vessels are reviewed annually by management. 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. Accordingly, the residual values of vessels was considered to be a key audit matter, due to the significance of the estimates and the level of judgement applied by management. The disclosures relating to vessels are contained in note 1.3 (accounting policies) and note 3 (property, plant and equipment).	Our audit procedures on the vessel's residual values included, amongst others, the following: • Obtained a management expert's assessment of the residual values and assessed for reasonability by comparing to residuals of other public entities. • Compared the expert's assessment to that used by management to assess reasonability. • Assessed the independence, experience and expertise of management's expert. • Discussed the reasonableness of the residual values used with management. • Obtained a representation to confirm that management have reviewed the residual values.

Physical quantities of biological assets (Consolidated)	
Biological assets comprise of 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. 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. 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 the complexity of the determination and that it requires significant management judgement. The disclosures relating to biological assets are contained in note 1.2 (accounting policies) and note 14 (biological assets).	Our audit procedures on biological assets included, amongst others, the following: • Obtained an understanding of the overall control environment as well as the processes which have been implemented by management and which have been overseen by those charged with governance. • The attendance of 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 the baskets counted on the day of observation to the stock sheets and system report to ensure reliance on the system inputs. • Agreed actual abalone graded on the day of observation to the system predicted weights to ensure reliance on the outputs and the system's accuracy of abalone growth prediction.

INDEPENDENT AUDITOR'S REPORT (continued)

TO THE SHAREHOLDERS OF AFRICAN EQUITY EMPOWERMENT INVESTMENTS LIMITED

Impairment of fishmeal plant (Consolidated)

The Fishmeal plant, located at Saldanha, is carried at cost less accumulated depreciation and accumulated impairment.

In accordance with IAS 36 – impairment of assets, management annually assess whether there is any indication that the plant may be impaired.

In assessing whether there is an indication of impairment, management applied judgement in:

- Determining whether any impairment indicators exist, and
- Determining the recoverable amount, being the higher of the assets fair value less costs to sell and its value in use.

Accordingly, the impairment assessment of the fishmeal plant was considered to be a key audit matter, due to the quantitative significance and the level of judgement involved.

The disclosures relating to property, plant and equipment are contained in note 1.3 (accounting policies) and note 3 (property, plant and equipment).

Our audit procedures for the assessment of the impairment assessment performed by management, included, amongst others, the following:

- Physically inspected the fishmeal plant for any indicators of impairment
- Assessed for indicators of impairment based on our knowledge of the client and its operations
- Discussed with management whether any impairment indication exists
- Discussed with management the method in which management has estimated the recoverable amount and ensured that this has been performed on a consistent basis year on year
- Reviewed and assessed the reasonability of the method and key inputs used by management in determining the estimated recoverable amount
- Obtained a representation from management confirming that the plant is not impaired

Business combination (Consolidated)

The Group acquired the squid fishing rights, brand and related assets of Talhado Fishing Enterprises Proprietary Limited for a total consideration of R89 000 000 to enhance the Group's footprint in the squid sector. The purchase agreement had an effective date of 30 November 2017, however in terms of IFRS 3 – Business Combinations, the date of acquisition has been determined as the 9 May 2018.

Accounting for Business Combinations is governed by International Financial Reporting Standards IFRS 3 – Business Combinations. The requirements can be complex and requires management and those charged with governance to exercise judgement in determining certain estimates, The most significant is the determination of the Purchase Price Allocation Valuation (PPAV) which involves:

- Identifying the assets and liabilities acquired and determining their fair values;
- Identifying the acquisition date implicit in the purchase agreement;
- Determination and recognition of goodwill on acquisition; and
- Determining the value of the considerations transferred.

Our audit procedures on the business combination, amongst others, included the following:

- Obtained an understanding of the overall control environment as well as the processes which have been implemented by management and which have been overseen by those charged with governance.
- Involved our internal valuation specialists in the assessment of the valuation of identifiable assets and liabilities including assessing the adequacy of the valuation methods, appropriateness of key assumptions used and the inputs used in management's expert report.
- Obtained the acquisition agreement to confirm the purchase price and terms of the acquisition.
- Obtained expert technical opinions to determine the date of acquisition based on the acquisition agreement.
- Assessed the independence, expertise and experience of management's expert.
- Recalculated the value of the considerations transferred with reference to the purchase agreement and agreed this to bank statements and share certificates.

INDEPENDENT AUDITOR'S REPORT (continued)

TO THE SHAREHOLDERS OF AFRICAN EQUITY EMPOWERMENT INVESTMENTS LIMITED

Business combination (Consolidated) (continued)

Management and those charged with governance engaged externally with experts to assist with the determination of the PPAV on the acquisition concluded during the year.

Due to the significant level of judgement involved in determining the PPAV this area has been regarded as a key audit matter.

The disclosure relating to business combinations is contained in note 1.1 (accounting policies) and note 50 (business combinations).

- Recalculated the goodwill to be recognised on acquisition.
- Reviewed the related disclosures in the financial statements to ensure the accuracy of the disclosures and compliance with International Financial Reporting Standards.

Loss of control of AYO Technology Solutions Limited ("AYO") (Consolidated and Separate)

The Group held an 80% equity interest in AYO as at 31 August 2017. Prior to the listing of AYO, a decision was made to issue 10% of its shares to a B-BBEE Consortium, which resulted in a dilution of the Group's investment in AYO to 69.55%. On 21 December 2017 AYO listed on the main board of the Johannesburg Stock Exchange (JSE), whereby AYO issued shares under a private placement resulting in a further dilution of the Group's shareholding to 49.36%.

Due to the significant judgement applied by management in determining that control was lost in terms of International Financial Reporting Standard IFRS 10 – Consolidated Financial Statements as well as in determining the date that control was lost (24 August 2018), this area is regarded as a key audit matter.

Refer to accounting policy 1.2 and note 6 to the annual financial statements.

Our audit procedures on the loss of control of AYO included amongst others, the following:

- Reviewed managements' assessment detailing the considerations resulting in the Group's loss of control in the subsidiary in terms of IFRS 10.
- Obtained an external technical opinion relating to whether the entity no longer meets the requirements for control as stipulated in IFRS 10 and with regards to the date control was lost.
- Established the date that control was lost by applying the control definition and requirements of IFRS 10.
- Ensured the loss of control transaction was appropriately accounted for, in terms of IFRS 10. Performed cut-off testing on the date that control was lost to confirm that profits were consolidated only up until the date that control was lost.
- Recalculated the gain associated with the loss of control on the date control was lost.
- Confirmed, based on the requirements of IAS 28, that the remaining investment has been a correctly accounted for as an investment in associate.
- Reviewed the disclosures in the financial statements relating to the loss of control of the subsidiary for compliance with the International Financial Reporting Standards.

INDEPENDENT AUDITOR'S REPORT (continued)

TO THE SHAREHOLDERS OF AFRICAN EQUITY EMPOWERMENT INVESTMENTS LIMITED

Valuation of unlisted investments (Separate)	
Investment in subsidiaries are carried at fair value through profit or loss. The valuation of these investments are based on an entity discounted cash flow valuation technique. The use of a discounted cash flow valuation requires the estimation of a number of significant inputs, including the future expected cash flows and the weighted average cost of capital used to perform the discounting. Many of these inputs may have a material impact on the valuation. In determining the fair value of the subsidiary companies, which are not traded in an active market, valuation techniques which require significant judgement and estimates are applied by management. These are in accordance with Level 3 inputs as per International Financial Reporting Standard 13 Fair Value Measurement (IFRS 13). The judgements are based on existing market conditions, determined at the end of each reporting period to determine the fair value of these financial instruments. Accordingly, the valuation of investment in subsidiaries at fair value through profit or loss was considered to be a key audit matter, due to the significant contribution to results of the separate financial statements as well as the significance of the assumptions, estimates and the level of judgement involved. The disclosures relating to investment in subsidiaries are disclosed in note 1 (accounting policies) and notes 6 and 30 (financial disclosures).	Our audit procedures on the valuation of unlisted investments included, amongst others, the following: In assessing the fair value of the unlisted investments, we obtained an understanding of the overall control environment as well as the processes which have been implemented by management and which have been overseen by the Board of directors. The following procedures were performed, amongst others: • Inspected the mathematical accuracy of the valuation models by performing a re-calculation of each valuation. • Assessed the budgeting process and confirmed reasonability of the forecasts by comparing the actual performance of the investment to that of the prior year forecasts. • Agreed management forecasts to the approved budgets. • Assessed the key inputs in the valuation model by performing the following procedures: – Compared the inputs to the weighted average cost of capital discount rate to independently obtained data such as the cost of debt, risk free rates in the market, market risk premiums, debt/equity ratios as well as the beta of comparable companies.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the Report of the Board of Directors, the Report of the Audit and Risk Committee and the Statement by the Company Secretary as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our auditor's report there on.

Our opinion on the consolidated and separate 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 and separate 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 and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, 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)

TO THE SHAREHOLDERS OF AFRICAN EQUITY EMPOWERMENT INVESTMENTS LIMITED

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the consolidated and separate 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 and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and the Company'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 and/or the Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 and separate 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 and separate 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 and the Company'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 and the Company'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 and separate 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 and/or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITOR'S REPORT (continued)

TO THE SHAREHOLDERS OF AFRICAN EQUITY EMPOWERMENT INVESTMENTS LIMITED

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate 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 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 Cape Inc. (formerly Grant Thornton Cape Inc.) has been the auditor of African Equity Empowerment Investments Limited for a period of 21 years.

BDO Cape Inc

BDO Cape Incorporated
Registered Auditors
Practice number: 970879

Imtiaaz Hashim
Partner
Registered Auditor
Chartered Accountant (SA)

11 December 2018

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