

PERFORMANCE AND FUTURE OUTLOOK

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INDEPENDENT NON-EXECUTIVE CHAIRMAN'S REPORT

“I have three precious things which I hold fast and prize. The first is gentleness; the second is frugality; the third is humility, which keeps me from putting myself before others. Be gentle and you can be bold; be frugal and you can be liberal; avoid putting yourself before others and you can become a leader among men.” – Lao Tzu



DEAR SHAREHOLDER

African equity empowerment investments limited is well positioned for further growth: we are now one of the largest B-BBEE-owned and managed powerhouse in the country.

It has been another milestone year in the history of AEEI. AEEI has flourished over this past financial year by reaching its goals for the year and receiving recognition and acknowledgement for its leadership style and management control, financial performance, corporate governance and reporting structures.

I must admit that our operating environment has been especially tough this year. However, I will err on the side of optimism by hoping that the impact of the economic downturn, unpredictable weather patterns as well as the socio and political volatility in South Africa will reach an even keel over the next year or two.

I believe that one's team takes its lead from the top and through being optimistic, one is able to lead through stormy situations with the utmost confidence that there will be an upturn in the very near future.

OUR PERFORMANCE

AEEI's resilience in uncertain times is testimony to its value system and work ethic that has stood the test of time for 19 years. Reflecting on the past year, I would like to highlight the following:

- AEEI's acknowledgement by its peers for its B-BBEE credentials, good corporate governance and reporting, as well as for its financial performance
- The acknowledgment of the Group's chief executive officer, Khalid Abdulla, for his leadership skills and management style
- The successful listing of Premier Fishing and Brands Limited on the main board of the JSE
- The acquisition of equity in companies that will facilitate sustainability and growth for AEEI in the short to long-term
- The successful listing of the technology division on the main board of the JSE

VISION 2020 VISION

A key feature of our 2018 financial year is the significant progress we have made in executing our Vision 2020 Vision strategy to become the leading diversified company that creates superior stakeholder value and empowers people through profits and performance in South Africa.

Our 2018 performance is testament to the broader Group rallying together to drive continued optimisation and efficiency of our operations while growing a sustainable cash flow and creating value for our shareholders.

Our Vision 2020 Vision strategy is underpinned by our diverse portfolio and is reflected in our results. This growth strategy has laid a strong foundation for the next phase of the AEEI Group's evolution.

We now have a more diversified asset and product base to reduce risk exposure and to secure access to distribution channels nationally and internationally; this aimed at further enabling value creation for our shareholders.

CORPORATE GOVERNANCE AT AEEI

The Board serves as the focal point and custodian of good corporate governance and provides continued oversight while taking into account the Group's strategic direction and purpose.

The Board is committed to the highest standards of ethics, governance and business integrity and has adopted an integrated approach to managing the Group to ensure that the governance structure actively identifies, communicates on and responds to material matters that impact the Group's capacity to create value. The Board continuously reviews the Group's governance structures and processes to incorporate and accommodate new corporate developments, to facilitate effective leadership, to provide sustainable corporate citizenship in support of the Group's strategy and to reflect national and international corporate governance standards, developments and best practices.

Sound corporate governance and ethics form the foundation of AEEI's business and are pivotal in delivering long-term value to our stakeholders.

During the year under review, Mr Salim Young, our lead independent non-executive deputy chairman, did not make himself available for re-election at the annual general meeting. We would like to thank Mr Young for his valuable contribution to the Board during his tenure.

INDEPENDENT NON-EXECUTIVE CHAIRMAN'S REPORT – continued

The Board reviewed its current membership composition taking into account gender and race diversity and appointed Advocate Dr Ngoako Ramatlhodi as the lead independent non-executive director and Mr Abdul Malick Salie as an executive director in the capacity of chief investment. The Board has the appropriate balance of race and gender diversity, skills, experience and independence to provide strategic direction and sound corporate governance. Read more about this on page 71.

The Board is satisfied that effective controls have been implemented and complied with throughout the Group and that the Company fully complies with the spirit and form of the continuing obligations of the JSE Listings Requirements, King IV™ and the Companies Act.

The Group's policies, practices and charters are updated regularly to remain compliant with the relevant laws, rules, regulations, codes and standards including but not limited to the JSE Listings Requirements and the Companies Act. We continue to embrace the inclusion of King IV™ in all areas applicable. More about this can be read on page 79.

TRANSFORMATION

Race and gender diversity and inclusion at all levels of the business are essential to the sustainability of AEEI. Transformation is in our DNA and we will continue to provide meaningful transformation through our operations. The Group currently provides employment for 889 employees of which 80% are black South Africans (this excludes the new acquisitions).

I am delighted to mention that records indicate that AEEI has played a part in carving the way for our future nation through its skills development and corporate social responsibility programmes which are implemented throughout the country, but especially in the communities in which we operate. Refer to page 105 for a detailed report on our corporate social responsibility projects.

During the year, we renewed our focus on critical skills and leadership capability development as key enablers to build a resilient organisation for the future. We continued to invest in sponsored study and learning programmes which include leadership, career and succession development plans.

To secure a pipeline for the future of experienced talent, we invested significantly in skills development and training, ranging from basic literacy and health and safety training to further training for our professionals to remain at the top of their games.

The empowerment of women remains a key focus area and our skills development programmes are accordingly designed to secure the critical and scarce skills required to operate our divisions and deliver long-term growth ambitions.

I am proud to announce that we have increased the number of women employed at our Group – not only on the ground but also in executive positions. In addition to this and related to transformation, we recognise that it is imperative to continue with the adequate upskilling of our employees and communities through the skills development and training programme. Read more about this on page 20 of the online sustainability report.

Our culture which is underpinned by our values, is essential to support us in achieving our goals and transformation aspirations. To this end, we will continue to further embed the behaviours that support our transformation objectives in all our divisions.

OUR EMPLOYEES

Our employees are fundamental to the success of the Group and I have to acknowledge that it is because of the resilience and diligence of our values-driven, high-performing employees, that we are able to create value for all our stakeholders.

We adopted a risk-based approach to minimise labour volatility challenges. This required a review of the broader employee relations landscape and the adoption of a more integrated approach across all stakeholder groups, aimed at achieving greater employee engagement and ensuring business continuity.

SUSTAINABILITY AT AEEI

At AEEI, we are cognisant of our material sustainability focus areas and its impact on our stakeholders. Refer to page 105 for in-depth details of these focus areas.

Stakeholder engagement at AEEI is supported by transparent and effective communication, mutually beneficial outcomes and inclusiveness and integrity. We participate in initiatives to inform and ensure a best practice approach in the areas of sustainability and social impact. We actively engage with our stakeholders to ensure the achievement of the best outcomes.

SINCERE APPRECIATION

It is with sincere appreciation that I thank all our shareholders for their unwavering support and confidence in me as the independent non-executive chairman of the Board. Not only do they have the utmost confidence in me, but also in the leadership teams who have remained steadfast in their implementation of our strategy of growth and value creation.

I would like to recognise the support and contribution of my fellow Board members, who have willingly and without prejudice contributed their collective skills, expertise and experiences during the year.

Hearty congratulations to Khalid Abdulla on receiving several accolades in recognition of his leadership, skills, insight and commitment in realising the potential of our Group. A special word of thanks goes to the executive management teams and all our employees in the Group, without whom we could not have achieved such positive growth.

I look forward to chairing the Board through the next exciting growth phase of AEEI.

Dankie baie.



Reverend Dr Vukile Charles Mehana
Independent non-executive chairman

CHIEF EXECUTIVE OFFICER'S REPORT



**VISION 2020
VISION DURING
A TURBULENT
YEAR**

“When the world is in the midst of change, when adversity and opportunity are almost indistinguishable, this is the time for visionary leadership and a time when leaders need to look beyond the survival needs of those they’re serving.”

– Chip Conley

SEEING CLEARLY WITH OUR 2020 VISION

Over the past year, the international communities and markets have had significant challenges from an economic and geopolitical perspective. I don't believe that any of the nations globally could avoid all the challenges facing the globe from a macro-economic point of view.

Over the next few decades, I believe that international trade, globalisation, innovation and, now more specifically, both disruptive technology and the fourth industrial revolution will affect everyone's life, become more transformed and change the world into a more prosperous one. The combination of these, together with political change and stability, will create unprecedented opportunities that we can only imagine, and we need to prepare to take advantage of these opportunities.

AEEI is a business built on excellence and everything we do is by design rather than by chance. Our values and our Vision 2020 Vision strategy determine our actions and our goals. Our guiding principle of custodianship requires that we integrate social, governance and environmental priorities alongside the financial performance of the Group.

Because of the new challenges and growth expectations over the next decade, 'Fearless but responsible leadership' will be required. Fearless but responsible leadership is for leaders who want to lead economic and political transformation from the inside out. It works with emotional transparency balanced by courageous action; anchoring personal values and governance to organisational goals. It also means leading an organisation with authenticity and welcoming challenges from other members of management and staff, as well as their support in an open and conscientious way.

In the words of Theodore Roosevelt, we must be "the man who ... at the worst, if he fails, at least fails while daring greatly" – which is why I've adopted the characteristics of a 'fearless but responsible leader'.

We believe that fearless leadership involves implementing strategies, listening and developing the traits that can make one truly exceptional. AEEI exists because of our employees who come to work each day to add value to our business and in turn meet both our stakeholders' needs and the demands of the market.

I am grateful for our employees' ongoing commitment to embracing change, ensuring that the Group meets its goals as set out in our Vision 2020 Vision strategy,

while living a strongly ethical culture. This is in many ways, thanks to the exceptional teams that we work with across the Group – as we are a Company founded on putting our employees first.

This intrinsic principle is yielding sustainable results in the marketplace, in the business, for our shareholders, stakeholders and in our communities, towards building our nation. Therefore, it seems fitting for me to begin my report by acknowledging each one of the AEEI employees, and thanking them for their concerted efforts to ensure that AEEI continues to grow in strength, positively influencing our stakeholders and shareholders, both locally and internationally.

During this financial year, we have exceeded our set expectations for the year to date in terms of our Vision 2020 Vision strategy and the goals we had set. We are enthusiastic about the next exciting phase in our growth cycle; our team has already started thinking strategically toward formalising our future strategy towards 2025 and 2030.

Notwithstanding the challenging market conditions, I am delighted to report that AEEI has more than risen to the challenges and delivered outstanding results across the board due to admirable returns and growth from its operational and strategic investments. This attests to the underlying resilience of our business and our determination to continue to provide shareholders with world-class investments and an increase in shareholder value.

AEEI is identified as a Group that is innovative in its thinking, pushing beyond established norms to advance progress on all levels. In addition to this, our communication and ongoing engagement with our stakeholders and other business leaders are geared to promoting economic inclusion and optimal growth for all parties.

Our contribution to the South African 2030 National Development Plan is significant because it has been plotted as part of our 'business as usual' business model and projected approach which we believe will begin to filter through our strategy to all our business units and assist with building communities and the nation.

In the context of our business, we cannot afford to become complacent and there is no space for mediocrity. We need to keep our market competitive advantages and build on what sets us apart to consistently achieving our set goals:

- B-BBEE Level 1 with 73.72% black ownership and 38.29% black female ownership.

CHIEF EXECUTIVE OFFICER'S REPORT – continued

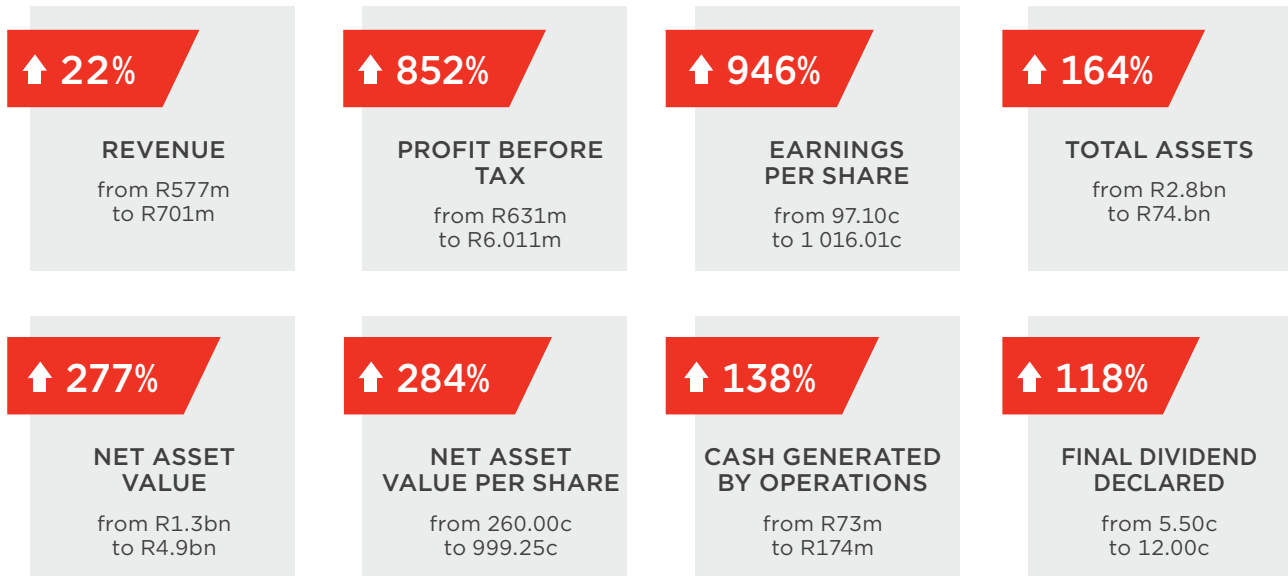
- We are a B-BBEE-partner of choice, with solid empowerment ownership credentials.
- We carry a diversified business portfolio, with a hands-on approach in our business development strategy to deliver consistent growth and results for our stakeholders.
- AEEI has the ability to make informed decisions within acceptable time frames; hence, we are able to move forward swiftly.
- We have an excellent track record and business reputation for a high standard of corporate governance and ethical conduct across the Group, adhering to the latest principles of King IV™.

- A strong management team is in place, with experienced executives leading all business units.
- There is a committed and stable employee complement across our Group companies who enjoy what they do, which is reflected in employee retention and Company outcomes.
- We remain focused on delivering our Vision 2020 Vision strategy with clear short, medium and long-term plans that yield the desired results.

Like any business, we face several risks and uncertainties. Right from the onset of decision-making, we manage what we can control, and mitigate those factors that we are unable to control.

BY THE NUMBERS

These financial indicators are all very significant achievements, setting new records for the Group and raising the bar for future growth.



SUSTAINABILITY

“The sustainability revolution has started, and the way to make your fortune in the future will be in ways that are sustainable for our world.” – Jason J Drew

For AEEI, this has mostly been a year of consolidation after the successful listing of our subsidiary AYO Technology Solutions Limited (AYO) which has since become an associate, has unlocked a fair amount of value and has positioned the Group well to expand its footprint, strengthen its balance sheet and improve the corporate pipeline to fund further growth plans to improve shareholder value in a more sustainable way.

Refer to the CFO's report on pages 64 to 69 for further information.

AEEI is able to show a strong balance sheet due to its growth track record over the past few years.

REVIEW OF OUR INVESTMENTS

FISHING AND BRANDS DIVISION

“Never give up, because that is just the place and time that the tide will turn.” – Harriet Beecher Stowie

While Premier Fishing and Brands Limited (Premier) only listed on the JSE in March 2017, it has met the challenges in the face of these industry vagaries and realised its results in line with its prelisting profit promises, but the real X-factor lies in its ability to hook into fishing opportunities as the tides in the South African fishing industry changes.

High fuel and electricity costs, regulatory challenges, inclement weather, fickle fishing patterns and the declining total allowable catches can create chaos with catch rates. Additionally, there is also the effect of inevitable currency swings on the revenue line.

The fishing and brands division performed as expected with total revenue increasing by more than 20% from R411m to R491m for the year, which includes the acquisition of Talhado Fishing Enterprises (Pty) Ltd.

The abalone division continued to focus on increasing its spat production and stock holding in preparation for the farm's expansion. Additional animal rearing capacity has been added to date while construction for the expansion of the abalone farm is on track and in line with the expansion plans. This division has produced results in line with management's expectations. The focus has been on their expansion plans, with increased performance expected to be achieved during the 2019/2020 financial year when the expansion of the abalone farm will be completed, and the pipeline fully secured. The well-known brand is in great demand from customers abroad, and since Premier's philosophy is based on pleasing its clients, the request for larger sized abalone can now be accommodated with the new hatchery.

Another key focus area for Premier is its deep dive into the issue of sustainable fishing, with an awareness of the over-exploitation and depletion of fish stocks and the heightened increase in the poaching of rare and fish species.

In addition to creating awareness of poachers and increasing the perimeter of security in and around the abalone farm, Premier continues to benefit from

recirculating aquaculture systems at its farm – by recycling water and using water for agricultural purposes, these systems can lower seafood's carbon footprint by up to 50 percent. For us to make an impact on biologically sustainable fishing we are encouraging local and international collaboration, which is a tall ask, meaning catch levels are not adhered to.

TECHNOLOGY DIVISION

“The best way to create value in the 21st century is to connect creativity with technology.”
– Steve Jobs

I am also happy to report that the Group successfully listed its technology division – now trading as AYO Technology Solutions Ltd (AYO) – on the main board of the JSE on 21 December 2017.

Since its listing, the deemed disposal of this subsidiary meant that the AEEI Group relinquished control of AYO, resulting in the division becoming an associate with increased corporate governance and additional policies in place. AEEI now owns 49.36% of AYO, without Board control.

AYO delivered satisfactory organic revenue and profit growth as a result of the strong contributions from all its underlying operations and investment activities for the year under our control. AYO's revenue increased by 33% from R478m to R638m compared to the prior year, with all divisions benefiting from the Group's synergies, empowerment credentials and excellent management expertise, as well as gaining significant clients in various sectors.

EVENTS AND TOURISM

AEEI increased its investment in espAfrika (Pty) Ltd (espAfrika) by purchasing an additional 24.5% shares by exercising its pre-emptive rights. This year, espAfrika managed to deliver yet another successful and profitable 19th Cape Town International Jazz Festival and funded its operations out of existing profits. espAfrika contributed positively to its stakeholders and, with its projected growth plan, will continue to strengthen its sustainability and returns to all stakeholders. The company's contribution to the Group's revenue amounted to R57m for the financial year.

CHIEF EXECUTIVE OFFICER'S REPORT – continued

The radio station, Magic 828 (Pty) Ltd (Magic828), now in existence for 36 months, contributed to the Group's gross revenue of R9m for the period under review and increased its listenership in the Western Cape to approximately 187 000 listeners since its launch three years ago.

Tripes Travel (Pty) Ltd (Tripes) engaged in its turnaround strategy since 2016 and this is now bearing fruit. The strategy led to revenue increasing by 21% from R53m to R64m for the year under review. Tripes now has two distinct operating divisions: Travel Management Services and Inbound Tours and Events. They provide a service in both the corporate and leisure markets.

HEALTH AND BEAUTY

This division also shows promise for the medium to long term and has undergone a shift, moving away from being referred to as the health and biotherapeutics division to incorporating 'beauty'. This is to take account of a more consumer-focused approach in the booming wellness sector.

The acquisition of Orleans Cosmetics (Pty) Ltd (Orleans Cosmetics) in the prior year combined with the existing business has led to revenue increasing by 256% from R9.7m to R34.5m. Operating profit excluding the gain on bargain purchase increased from a loss of R0.65m to a profit of R1.9m. Orleans Cosmetics is the exclusive South African and Southern African distributors of imported, high-end cosmetics brands such as Gatineau, NUXE, RVB SKINLAB/diego dalla palma professional and Sothys.

AfriNat (Pty) Ltd, previously known as Wynberg Pharmaceuticals (Pty) Ltd rebranded during the year. As a result of marketing the brand and improved volume movements, revenue increased by 138% from R5.2m to R12.4m and operating profit increased from a loss of R1.1m to a profit of R2.7m.

BIOTHERAPEUTICS

Genius Biotherapeutics (Genius), made progress with its research and development activities as it completed the construction of a clean room facility.

The dendritic cell vaccine project obtained final approval from the Medicines Control Council to commence with phase 1 clinical trials on breast cancer, provided that the human clinical trials are performed in a validated clean room facility. The feasibility of the granulocyte-colony stimulating factor technology is being investigated with an international partner.

STRATEGIC INVESTMENTS

The Group's strategic investments consist of minority equity stakes in Pioneer Foods Group Ltd (Pioneer), Sygnia Ltd (Sygnia), Saab Grintek Defence (Pty) Ltd (SGD) and BT Communication Services South Africa (Pty) Ltd, which is now managed and reported under the technology division and accounted for as an associate since the prior year.

These investments have shown improvements in its investment value since the date of the acquisitions. Consistent growth in earnings and regular dividends are received from all the strategic investments.

“Every economic threat also represents an inspiring challenge to those who are bold and creative enough to rise to it. Investment in the technologies and products and the new energy infrastructure that will shape the low carbon future offers a huge opportunity to businesses large and small around the world.”

– Nancy Skinner

Although South Africa, as well as global markets, have faced an economic downturn, AEEI has fortunately remained positive and focused on delivering sustainable and positive shareholder value with single-minded determination. This has been achieved through a combination of sound strategic decisions and prudent control of working capital and capital allocation, without compromising long-term benefits, while also investing in safety and risk management, all of which are non-negotiable.

We are satisfied that our Vision 2020 Vision strategy, underpinned by our resilient business model, high performance culture and steadfast focus on the fundamentals of our businesses and business model, will continue to serve us well.

While the latest Apps, mobile devices, digital gadgets, iCloud and everything in-between are simplifying things, so too are digital devices and technologically advanced machines enabling nefarious cyber activity. This has prompted us to install and upgrade to even more stringent security measures to safeguard our online assets, our intellectual property and confidential information.

Corporate governance, ethics and regulatory and policy developments remain an important challenge for all. The Group adopted all the latest governance essentials and continue to do so as further stringent measures are put into place to eliminate fraud and to ensure that business is conducted in an ethical manner at all times. Refer to our online Corporate Governance Report.

AEEI remains positively capitalised to pursue value-enhancing acquisitions – based on cash-generative quality assets, shifting towards continuously bolstering our standing as a credible stakeholder and partner of choice with ongoing improvements in all business operations. We will continue to maintain a long-term view and a partnership approach to our underlying investments.

Fearless leaders don't overthink and over-analyse or let fear conquer adequate decision-making. I must emphasise that a lack of decisiveness in all the 'noise' could create missed opportunities. It is for this very reason that I encourage my executive teams to gather enough information that is available, decide and move forward.

We will continue to pursue opportunities to leverage the business model by exploring synergistic and value-adding acquisitions. Other future developments for the Group will include further acquisitions and diversification. We will continue to expand our sphere of operations across Africa, and towards the rest of the globe, and embrace strategic partnerships to further diversify our portfolio of investments. All in all, the future is shaping up to be an extremely exciting period for AEEI.

During the financial year, we made inroads into several new international markets through operational entities in fishing and brands, technology, events and tourism, health and beauty and through our partners and associates. Our footprint has expanded to include Asia, Europe, Dubai, Saudi Arabia, Spain, the United Kingdom, the United States of America, Ghana, Uganda, Zambia, Cameroon, Tanzania, Nigeria, Namibia, Kenya, Zimbabwe, Botswana, Ethiopia, Lesotho, Swaziland, Mozambique, Madagascar, Malawi and Mauritius.

CONCLUSION

“Never doubt that a small group of committed people can change the world. Indeed, it is the only thing that ever has.”

– Margaret Mead

At the start of my report, I expressed my thanks to all those who have shared our vision and helped us deliver on it. I would like to end off my report by reminding everyone that investment into human capital is a prerequisite for laying the foundations of a great business and nation.

AEEI is successful because of its employees.

The country may have entered uncertain times, but if we continue to look to one another, support one another and share our successes and our failures and learn from both, as an AEEI community, we can achieve that which we all dream of – prosperity.

I would like to thank our Board, including my fellow executive directors, non-executive directors, executive teams, management and employees for all their contributions to the success of AEEI. I am confident that AEEI is well positioned to meet and exceed the expectations of our stakeholders and shareholders and continue to make good on its philosophy and promise.

WE ARE READY FOR 2019

Next year will be another challenging year; perhaps, challenges of a new kind will face us – but whatever comes our way, I am confident that AEEI and the team are prepared and ready.

Here's to another fabulous year of empowering people through profits!



Khalid Abdulla
Group chief executive officer

GROUP CHIEF FINANCIAL OFFICER'S REVIEW

AEEI continues to deliver on its vision to create superior value through a healthy balance sheet and sterling financial results.



KEY FINANCIAL HIGHLIGHTS

STRONG EARNINGS GROWTH DRIVEN BY CHANGE IN CONTROL



SOLID BALANCE SHEET AFTER UNBUNDLING AND ACQUISITIONS



GREATER SHAREHOLDER RETURNS WITH DIVIDEND DECLARED OF 12 CENTS PER SHARE



OVERVIEW OF THE 2018 FINANCIAL YEAR

During the 2018 financial year, we continued with our Vision 2020 journey by unlocking shareholder value through the unbundling of the technology division in the AEEI Group and increasing our investment portfolio in the fishing and brands division.

In our third year of Vision 2020 Vision, we succeeded in meeting our strategic objectives against the macro-economic backdrop of low economic growth and socio-political uncertainty. We concluded the raising of equity capital to acquire more technology businesses and utilising the capital from the fishing and brands listing to expand their businesses. Capital allocation became crucial to ensure that it was spent wisely to produce excellent shareholder returns.

Our first strategic priority to leverage the investment portfolio - through driving growth through acquisitions - was met. With the conclusion of the acquisition of Talhado Fishing Enterprises (Pty) Ltd in the fishing and brands division on 30 November 2017 and our other core investment in technology being listed on the JSE on 21 December 2017, we achieved our objective to increase our capital structure and boost our investment portfolio.

The second strategic priority for the Group is to maintain gross margins from our underlying operations and retain the Group's margins within the targeted range of 30% to 35%. After the prior year was restated to exclude the technology division, the Group's gross margin remains in line with restated prior year at 41%. This margin exceeded the range due to operational efficiencies from the fishing and brands division and change in product and business mix in the health and beauty division.

Our third strategic priority is to improve social, governance and financial sustainability in our business in order to secure long-term growth and value creation for the Group. The investment in an early childhood development classroom for Where Rainbows Meet Training and Development will create a social impact and uplift the community in Vrygrond, Western Cape in the future.

Transformation targets were met in AEEI as we worked towards improving our previous B-BBEE status from the prior year and achieved a Level 1 status. Refer to page 20 of the online sustainability report for more details.

We believe that we have created superior value and delivered sterling financial results for our stakeholders in 2018 as the financial position strengthened with total assets accelerating from R2.8bn to R7.4bn and increasing shareholder equity.

GROUP FINANCIAL PERFORMANCE

SALIENT FEATURES

(Extract of statement of profit or loss)

	Audited 2018 R'000	Restated Audited 2017 R'000	Var %
Profit before taxation	6 010 650	631 338	852
Profit from continuing operations	4 947 861	487 598	911
Profit from discontinued operations	159 533	41 074	288
Profit for the year	5 107 394	528 672	866
Profit attributable to AEEI shareholders	4 992 064	477 805	946
Earnings per share	1 016.01	97.10	
Headline earnings	119 085	466 232	
Headline earnings per share	24.24	94.89	
Normalised headline earnings	123 297	51 008	
Normalised headline earnings per share	25.09	10.38	142

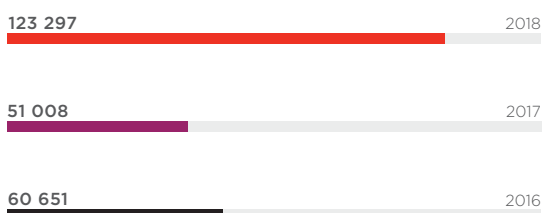
CHIEF FINANCIAL OFFICER'S REPORT – continued

The 2018 financial results were impacted by some significant once-off items and impairments as we maintained the sustainability of our underlying businesses. A significant event occurred in the current year, where at listing date of AYO Technology Solutions Ltd (AYO), our shareholding dropped to 49.36% from 80.01% as well as the change in control of the AYO Board. This resulted in AEEI no longer unilaterally directing the activities in the technology division. The deconsolidation in our Group's accounts from 24 August 2018 meant that the realisation of an extraordinary gain of R6 049m on the deemed disposal of AYO as a controlled subsidiary and its profits are now disclosed as a discontinued operation. This event led to the reclassification of the technology division and resulted in AYO being an equity accounted associate.

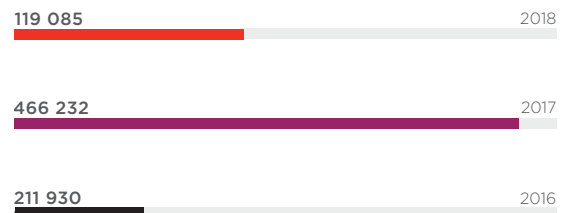
Profit from equity accounted investments includes a full year of our share of profits of R57m in BT Communication Services South Africa (Pty) Ltd (BT). Due to poor future cash flows and a muted outlook, we adopted a prudent approach to impair the potential value in the biopharmaceutical intangible assets in the biotechnology division. The statement of profit and loss includes a R140m impairment charge. A moderate fair value loss of R5.4m was accounted for in comparison to a prior year once-off non-recurring fair value gain of R535m.

After taking into consideration the above-mentioned once-off gains and impairments, the profit before tax accelerated to R6bn. The ordinary earnings attributable to AEEI shareholders escalated from R477m to almost R4 942m, which translates to 1016.01 cents per share. The normalised headline earnings, which is adjusted for fair value adjustments, impairments and once-off charges, is R123m against the prior year's R51m earnings. An increase of 142% in comparison to the prior year reflects the excellent growth in the operational performance of the subsidiaries.

NORMALISED HEADLINE EARNINGS R'000



HEADLINE EARNINGS R'000

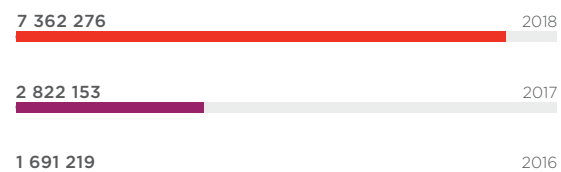


GROUP FINANCIAL POSITION

The most significant movement in the balance sheet was the deconsolidation of the assets and liabilities of the AYO Group of companies and the net revenue and expenses of the technology division being reclassified as profits from discontinued operations in the income statement as a result thereof. This investment is now accounted for as an investment of associate at fair value of R4.8bn. A deferred tax liability had to be raised which increased the non-current liabilities from R461m to R1 487m. The change in control in the subsidiary, the investment in property, plant and equipment in the fishing and brands division, as well as the inclusion of the newly acquired assets of Talhado are the major reasons for the 161% increase in the total assets from R2.822m to R7 362m.

AEEI's investment in BT as an associate increased through strong earnings growth with our share of the carrying value of the investment being accounted for at R820m. Financial assets consist of investments in public companies of R238m and private companies of R181m which is detailed below under Material Matters – Growth in Strategic Investments.

TOTAL ASSETS R'000



Cash and cash equivalents decreased substantially from R625m to R363m at year-end, which is largely attributable to the cash excluded from the technology division, the balance of capital unutilised from the listing of Premier

Fishing and Brands Ltd as well as reserved cash on hand from all subsidiaries in the Group.

The total liabilities, excluding the deferred tax liability of R1.1m, decreased by 27% from R573m to R419m, which demonstrates the low gearing of 8% for the Group as the acquisitions and growth expansion plans of the Group utilised equity funding and no debt funding. We are committed to reducing our debt exposure by repayment of our financial obligations and settled debt funding related to acquisitions during the year.

The net asset value of the Group grew by 284% over the year from R1 277m to R4 910m. This growth is underpinned by a greater fair value in the investment in associates, inclusion of additional value from the acquisition in the fishing and brands division, as well as the increased equity from the statement of comprehensive income.

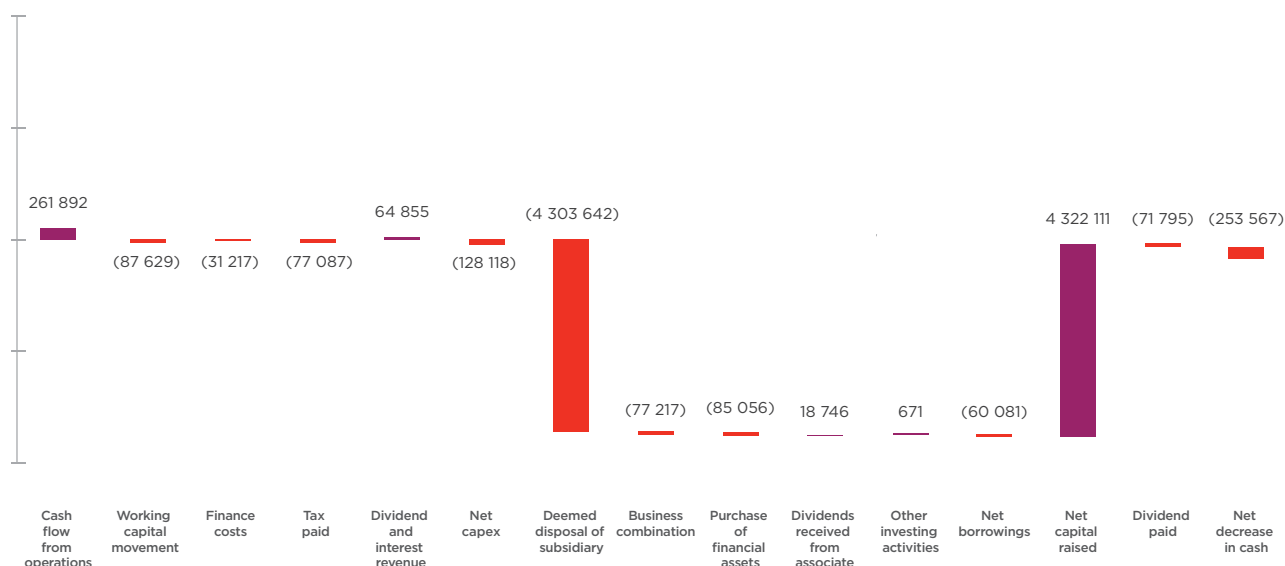
CASH FLOWS

Net cash generated from operating activities increased by 64% from R80m to R131m. Additional interest income affected the operating activities of subsidiary operations. Cash generated from these operations is R174m which includes AYO as a discontinued operation.

The disposal amount of R4 300m resulting from the reduced shareholding in AYO affected both investing and financing activities as a cash outflow and inflow respectively. The additions made to property, plant and equipment of R37m for the existing fishing operations, and R79m to expand the fishing operations in line with growth plans, play a significant part in our future growth and vision.

Shareholders were paid dividends amounting to R72m during the current year compared to R32m from the prior year, which reflects our commitment to increase our returns to our shareholders.

CASH FLOW WATERFALL R'000



CHIEF FINANCIAL OFFICER'S REPORT – continued

SHAREHOLDER RETURNS

AEEI returns value to its shareholders in the form of dividends and share price appreciation. The share price traded well with a closing price of 400 cents and we expect this to increase further as the Group meets its strategic objectives.

We continue to reward our shareholders in line with our earnings growth, and accordingly increased our total gross dividend per share to 15.30 cents per share, a 104% increase from the prior year's 7.50 cents per share. The Board declared a final gross dividend of 12 cents per share for the year ended 31 August 2018 from income reserves.

MATERIAL MATTERS THAT AFFECT OUR PERFORMANCE**RESPONSIBLE USE OF CAPITAL GENERATED**

The AEEI Group incurred R117m (2017: R27m) in capital expenditure, which included R45m for existing operations and R71m for expansion plans. Since the fishing division's listing in March 2017, the fishing and brands division acquired 50.3% in Talhado – the largest squid company in South Africa – and owns twelve squid vessels as well as property, plant and equipment which were consolidated into the Group's balance sheet.

The listing of AYO unlocked R4.8bn of value for AEEI shareholders. This alone has more than doubled the non-current assets to R6 705m. We move closer to the investment entity model after the change of control to one of significant influence. After two years of strategic focus, AEEI has met its objective to unbundle its two core assets with equity funding for future acquisitions and growth.

INVESTMENT IN BUSINESS OPERATIONS

Investments of R37m were made into the existing infrastructure to maintain vessels and production facilities to sustain our existing fishing operations. The expansion of the abalone farm is progressing well with an investment being made to increase the farm's capacity by 40 tons so far, as well as the building of a hatchery facility to grow more animals and hold more stock. The stock holding increased by 19 tons, from 126 tons to 145 tons, in preparation for the construction of the pipeline for the larger farm.

Further working capital was invested in Magic 828 (Pty) Ltd and Opispex (Pty) Ltd to increase the resources at the radio station and to enhance revenue to obtain tangible returns in the short to medium term.

espAfrika (Pty) Ltd's management expanded its footprint and now has three company-owned events, the latest being in Limpopo where they will manage a music festival in collaboration with the Limpopo Department of Arts and Culture, which will promote the social development of this rural area.

A further investment was made in the biotechnology division to continue with its progress by building an accredited 'clean room' facility in collaboration with the University of Cape Town. Phase 1 human trials will commence next year and we believe that this exciting dendritic cell vaccine project will advance the immunotherapy field in cancer treatment.

GROWTH THROUGH STRATEGIC INVESTMENTS

The Group's strategic investment in Saab Grintek Defence (Pty) Ltd, an unlisted private company, continues to grow in value, delivering strong financial results with consistent and sustainable dividends which is used to reduce and repay the preference share liabilities.

AEEI expects a recovery in its listed investment in Pioneer Foods Group Ltd in the medium to long-term as it continues to experience a year of share price volatility and the dividend returns increased marginally. With our additional shareholding in Sygnia Ltd, the dividend returns increased substantially during the current year. Our minority shareholding in an unlisted public company, African Legend Investments Ltd, is starting to gain traction as it delivers consistent growth in earnings and dividend returns over the past two years.

EXTERNAL FACTORS THAT IMPACT THE GROUP'S PERFORMANCE

The external environment with its financial market volatility, socio-political uncertainties and greater scrutiny of various industry leaders and government associations, which is out of our control, continues to have an impact on our ability to increase stakeholder value.

Volatile currencies reduced our revenue generation in the fishing and brands division marginally, as the greater sale volumes and better pricing outweigh the exchange loss incurred of R3.2m. The operational management team continually reviewed their margins after the rand to dollar conversion rate strengthened in the first ten months of the year but weakened thereafter, with an average rate of 12.94 (2017: 13.25) achieved in the current year. Some of the cost structures are dependent on foreign suppliers in the technology and health and beauty divisions, but these had marginal effects on the operating margin.

The adverse weather conditions continue to impact the number of seaworthy days and catch rates in the fishing and brands division. This led to changing the vessel planning and scheduling to increase fishing earlier in the year so that, by year-end, 100% of the division's lobster quota was caught. The pelagic division did not perform as well as in the prior year, which is an industry-wide norm. The diversification strategy to acquire a new company in the squid sector offset the lower financial performance in the pelagic division.

Political uncertainties related to the fishing rights allocation process may impact larger fishing companies as well as certain fishing communities; the outcome remains unknown until the process is completed. Operational management continues to manage this area within their control and continues to engage with outside quota holders to increase our catch allocation in the west coast lobster division.

LOOKING AHEAD

In this exciting time of change, where innovative and agile work practices are required to keep up with the digital transformation, we explored our available digital options and will continue to invest in a robust IT infrastructure system to consolidate our investments and have information easily available to drive effectiveness and efficiency.

As scrutiny into government associations, corporate South Africa and professional audit firms continue, we hold ourselves accountable to do the right things. We look ahead to return value to shareholders through acquisitions that make good business sense for AEEI, its subsidiaries and associates.

We remain committed to create superior value for our stakeholders and maintain gross margins within our targeted range by continually refining the cost structure and operating efficiencies, and improving our social, governance and financial impact on society and the economy.

APPRECIATION

I would like to thank all the financial teams in the companies, subsidiaries and associates across the AEEI Group for their contribution, dedication and commitment to meet the demanding timelines in order to deliver quality financial information to our stakeholders. I express my appreciation to our Board and executive management team for their unwavering support and guidance during the challenging times.

CONCLUSION

AEEI is well positioned to continue to meet its strategic objectives and will focus on improving its profitability and delivering superior value to its shareholders. Our balance sheet is healthy to affect future acquisitions and growth. A disciplined approach in our investment philosophy is followed to ensure good returns from our capital investments.



Chantelle Ah Sing
Group Chief financial officer