AEEI

AFRICAN EQUITY EMPOWERMENT INVESTMENTS LIMITED

African Equity Empowerment Investments Limited
(Incorporated in the Republic of South Africa)
Registration number 1996/006093/06
Share code: AEE and ISIN: ZAE000195731
("AEEI" or "the Group" or "the Company")

Provisional reviewed condensed consolidated annual financial results for the year ended 31 August 2019 and final dividend declaration

Financial highlights

- Revenue increased by 243% from R701m to R2.40bn
- Headline earnings increased by 276% from R119m to R448m.
- Headline earnings per share increased by 276% from the 24.24c to 91.16c
- Normalised headline earnings increased by 300% from R123m to R492m
- Normalised headline per share increased by 300% from 25.09c to 100.22c
- Net cash generated from operating activities increased by 9% from R131m to R143m
- Net asset value per share increased by 12% from 1152.98c to 1294.69c
- Total assets at year-end have grown to R7.4bn
- Gross final dividend of 6 cents per share declared to shareholders, which equates to a total dividend of 17 cents for the 2019 financial year.
- A total dividend to shareholders for the 2019 financial year equates to R83.5m

Group performance

The Group delivered excellent revenue growth due to both organic and acquisitive growth predominately from the technology and fishing divisions respectively. Revenue increased significantly by 243% from R701m to R2.40bn as a result of recognising revenue growth of R1.6bn from the technology division and R83m from the fishing and brands division. In the prior year, the technology division was accounted for as an associate, thus excluded from the Group's revenue as the division was equity accounted in terms of *IAS 28 Investment in associates*.

Effective 21 December 2018, the Group obtained control over AYO, previously accounted for as an investment in associate. AYO was therefore treated as a subsidiary from the aforementioned effective date as AEEI had the ability to exercise its power over AYO in line with *IFRS 10 Consolidated Financial Statements.* The technology division's financial performance for the 8 month period has therefore been consolidated into the Group's statement of profit and loss and other comprehensive income. Refer to details below under significant events.

During the year, AEEI regained control over its investment in AYO Technology Solutions Limited ("AYO") and the Group therefore incurred a once-off accounting loss on deemed disposal (IFRS 10) of associate amounting to 2.4bn in the current year. This resulted in the Group's profit before tax decreasing from 6.01bn to a loss of 2.39bn and earnings per share decreasing from 1016.01c to loss per share of 313.55c.

Should the aforementioned loss and non-recurring items be excluded, a normalized profit before tax of R240m would have been achieved by the Group.

Headline earnings increased by 356% from R119m to R448m. Headline earnings per share ("HEPS") increased by 356% from 24.24c to 91.16c, indicating the strategic plans in place driving both organic and acquisitive growth in revenue and earnings.

The net asset value ("NAV") increased by 12% from R5.67bn to R6.36bn as a result of the strengthened financial position. The NAV per share amounted to 1249.69c despite a challenging national economy, stakeholder scrutiny and market forces.

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

Condensed Group Statement of Financial Position

	Reviewed	Audited
	Group to	**Group to**
	31 August	**31 August**
	2019	**2018**
	R'000	**R'000**
ASSETS		
Non-current assets	2 450 582	6 705 151
Property, plant and equipment	521 176	324 229
Goodwill	219 093	86 201
Intangible assets	293 309	277 853
Investments in associates	825 520	5 575 997
Investment in joint ventures	33	-
Other financial assets	544 180	431 713
Finance lease receivables	350	
Deferred tax	46 921	9 158
Current assets	4 952 776	657 125
Inventory	222 929	56 978
Trade and other receivables	715 745	164 157
Other financial assets	38 886	-
Biological assets	83 260	68 021
Other loans receivable	-	3 083
Current tax receivable	13 287	2 168
Operating lease asset	86	-
Finance lease receivables	669	-
Cash and cash equivalents	3 877 914	362 718

Total assets	7 403 358	7 362 276
EQUITY AND LIABILITIES		
Equity		
Equity attributable to equity holders of parent		
Share capital and share premium	402 240	403 177
Reserves	7 776	8 034
Retained earnings	2 778 363	4 498 480
Equity attributable to equity holders of parents	3 188 379	4 909 691
Non-controlling interest	3 168 842	755 358
	6 357 221	5 665 049
LIABILITIES		
Non-current liabilities	283 628	1 486 862
Other financial liabilities	71 105	208 392
Contingent consideration liability	34 680	-
Deferred income	11 244	-
Deferred tax	156 836	1 278 257
Operating lease liability	245	213
Finance lease liabilities	2 853	-
Employee benefit obligation	6 665	-
Current liabilities	762 509	210 365
Trade and other payables	541 647	105 993
Other financial liabilities	55 194	18 328
Current tax payable	21 784	21 969

Deferred income	17 286	-
Provisions	53 764	27 392
Finance lease liability	12 683	-
Operating lease liability	31	-
Contingent consideration liability	10 297	-
Dividend payable	8 406	900
Bank overdraft	41 417	35 783
		-
Total liabilities	1 046 137	1 697 227
Total equity and liabilities	7 403 358	7 362 276
Net asset value per share (cents)	1 294.69	1 152.98
Net tangible asset value	1 211.96	1 077.02
Number of ordinary shares in issue (000's)	491 022	491 339

Condensed Group Statement of Profit and Loss and Other Comprehensive Income

	Reviewed	**Audited**
	Group to	**Group to**
	31 August	**31 August**
	2019 **12 months**	**2018** **12 months**
	R'000	**R'000**
Revenue	2 401 835	700 691
Cost of sales	(1 676 522)	(410 192)
Gross profit	**725 313**	290 499
Other income	37 276	11 467
Other operating expenses	(816 347)	(256 060)

Net impairments, impairment reversals and write off	(82 573)	(140 319)
Fair value adjustments	(57 871)	(5 414)
(Loss)/Gain on deemed disposal of associate /subsidiaries	(2 480 713)	6 049 029
Gain on bargain purchase	-	952
Profit from equity accounted investments	63 634	57 914
Investment revenue	257 578	33 421
Finance cost	(34 399)	(30 839)
(Loss)/Profit before taxation	**(2 388 102)**	6 010 650
Taxation	950 370	(1 062 789)
(Loss)/Profit from continuing operations	**(1 437 732)**	4 947 861
Discontinued operations		
Profit from discontinued operations	-	159 533
(Loss)/ Profit for the year	**(1 437 732)**	**5 107 394**
Other comprehensive loss net of tax	**(254)**	-
Total comprehensive (loss)/ income for the year	**(1 437 986)**	**5 107 394**
Total comprehensive (loss) / income attributable to:		
Equity holders of the parent	(1 540 075)	4 992 064
Non-controlling interest	102 089	115 330
	(1 437 986)	**5 107 394**
Basic and diluted (loss)/ earnings per ordinary share (cents)	(313.55)	1016.01
Headline and diluted earnings per ordinary share (cents)	91.16	24.24
Weighted (and fully diluted) average number of ordinary shares in issue (000s)	491 178	491 339

Condensed Group Statement of Changes in Equity

	Attributable To Parent	**Non-Controlling interest**	**Total Equity**
	R'000	**R'000**	**R'000**
Balance at 01 September 2017	1 277 493	760 627	2 038 120
Profit for the year	4 992 064	115 330	5 107 394
Dividends paid	(43 238)	(30 147)	(73 385)
Transfer of reserves to retained income	11 790	-	11 790
Changes in ownership interest - control not lost	(1 323 592)	5 627 155	4 303 563
Additional shares acquired	(4 826)	(1 705)	(6 531)
Changes in ownership interest - control lost	-	(5 767 588)	(5 767 588)
Business combinations and additional shares purchased	-	51 686	51 686
Balance at 31 August 2018	**4 909 691**	**755 358**	**5 665 049**
Loss for the year	(1 539 821)	102 089	(1 437 732)
Other comprehensive loss	(254)	-	(254)
Shares repurchased	(937)	-	(937)
Business combination – control obtained	(86 672)	2 420 791	2 334 119
Change in ownership interest – additional shares acquired *	5 768	(4 168)	1 600
Change in ownership interest – acquisition of minorities **	(24 340)	(14 160)	(38 500)
Business combination	34 806	16 745	51 551
Derecognition relating to sale of business	11	(384)	(373)
Dividends paid	(109 872)	(107 430)	(217 302)
Balance at 31 August 2019	**3 188 379**	**3 168 842**	**6 357 221**

*Additional shares acquired in Premier Fishing and Brands Limited and espAfrika Proprietary Limited

**Refer to events post reporting period for Puleng Technologies Proprietary Limited ("Puleng") share purchase

Condensed Group Statement of Cash Flows

	Reviewed	Audited
	31-Aug	**31-Aug**
	2019	**2018**
	R'000	**R'000**
Cash (utilized)/ generated by operations	(693)	174 263
Investment revenue	264 903	33 421
Divided income	24 844	31 434
Finance cost	(32 786)	(31 217)
Tax paid	(113 124)	(77 087)
Net cash flows from operating activities	**143 144**	**130 814**
Cash flows from investing activities		
Purchase of biological assets	(8 975)	-
Additions in property, plant and equipment	(155 791)	(120 601)
Proceeds on sale of property, plant and equipment	14 869	542
Net movement in intangible assets	(20 538)	(8 059)
Sale of business	1 203	-
Business combination	3 330 183	(77 217)
Deemed disposal of businesses and sale of business	-	(4 303 642)
Movement in other investments	-	671
Purchase of financial assets	(358 442)	(85 056)
Sale of financial assets	1 038 207	-
Funds in trust	(110 000)	-
Movement from investment in associates	18 868	18 746
Movement in finance lease asset	7 202	-
Net cash flows from investing activities	**3 756 786**	(**4 574 616**)
Cash flows from financing activities		
Repayment in financial liabilities	(149 290)	(80 573)

Proceeds from other financial liabilities	774	20 492
Movement in contingent liability	(3 205)	-
Finance lease payments	(11 970)	(869)
Change in ownership	(9 600)	4 322 980
Dividends paid including minorities	(217 078)	(71 795)
Net cash flows (to)/ from financing activities	**(390 369)**	**4 190 235**
Total cash movement for the year	**3 509 561**	**(253 567)**
Cash and cash equivalent at the beginning of the year	326 935	580 502
Cash and cash equivalents at the end of the year	**3 836 496**	**326 935**

Condensed Group Segmental Report 2019

31 August 2019	Fishing and brands	Technology	Telecommun-cations	Combined technology and telecommun-ication	Health and beauty	Biotechnol-ogy	Events and tourism	Corporate	Group
	Reviewed	Reviewed	Reviewed	Reviewed	Reviewed	Reviewed	Reviewed	Reviewed	Reviewed
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Revenue	575 007	1 687 937	-	1 687 937	42 311	-	103 363	249 484	2 658 097
External revenue	573 986	1 665 370	-	1 665 370	42 219	-	79 718	40 542	2 401 835
Internal revenue	1 021	22 562	-	22 562	92	-	23 645	208 942	256 262
Segment results									
Profit/ (Loss) before tax	101 257	123 840	-	123 840	1 057	(67 771)	(42 341)	(2 504 144)	(2 388 102)
Included in segment results:									
Net impairments and write offs	-	(21 529)	-	(21 529)	-	(60 644)	-	(400)	(82 573)
Depreciation and amortisation	(10 761)	(59 027)	-	(59 027)	(210)	(2 163)	(163)	(1 376)	(73 701)
Fair value adjustments	-	(43 358)	-	(43 358)	-	-	38	(14 552)	(57 871)
Loss on deemed disposal of associate	-	-	-	-	-	-	-	(2 480 713)	(2 480 713)
Non-current assets	515 203	624 093	-	624 093	40 132	163 683	15 396	1 092 075	2 450 582
Current assets	417 467	4 482 321	-	4 482 321	20 546	1 131	7 429	23 882	4 952 776
Non-current liabilities	133 579	56 238	-	56 238	9 504	-	-	84 306	283 627
Current liabilities	80 592	591 757	-	591 757	7 520	3 240	16 652	62 751	762 513
Profit from associates	-	38 990	24 644	63 634	-	-	-		63 634
Capital expenditure	126 372	24 573	-	24 573	36	-	81	592	151 654

Notes
The Events and Tourism division excludes Magic 828 Proprietary Limited ("Magic 828"), as the Company was managed under the corporate office and is therefore in the corporate division. Additionally, the investment in BT Communications Services South Africa Proprietary Limited was previously disclosed under corporate division and is now disclosed under the Technology division.

Condensed Group Segmental Report – 2018

31 August 2018	Fishing and brands	Technology	Telecommunic-ations	Combined technology and telecommu-nication	Health and beauty	Biotechn-ology	Events and tourism	Corporate	Food	Combined corporate and strategic investme-nts	Group
	Audited	Audited	Audited	Audited	Audited	Audited	Audited	Audited	Audited	Audited	Audited
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Revenue	490 870	-	-	-	46 961	-	123 716	110 625	6 661	117 286	778 833
External revenue	490 859	-	-	-	46 961	-	121 576	34 634	6 661	41 295	700 691
Internal revenue	11	-	-	-	-	-	2 140	75 991	-	75 991	78 142
Segment results											
Profit/(Loss) before taxation	92 588	-	57 905	57 905	4 777	(153 285)	(6 321)	6 052 154	(37 168)	6 014 986	6 010 650
Profit from discontinued operations		159 533	-	159 533							159 533
Included in segment results:											
Net impairments and write offs	-	-	-	-	(3)	(139 791)	-	(525)	-	(525)	(140 319)
Depreciation and amortisation	(14 685)	-	-	-	(198)	(2 226)	(211)	(2 658)	-	(2 658)	(19 978)

Gain on deemed disposal of subsidiary		-	-	-	-	-	-	6 049 029	-	6 049 029	6 049 029
Fair valuation of investments				-	-	-	-	28 357	(33 771)	(5 414)	(5 414)
Non-current assets	434 949	-	819 726	**819 726**	40 598	204 322	11 228	5 019 005	175 323	**5 194 328**	6 705 151
Current assets	614 575	-	20	**20**	19 775	(1 530)	17 611	6 568	106	**6 674**	657 125
Non-current liabilities	130 802	-	-	-	10 479	55 111	2 854	1158 102	129 514	**1 287 616**	1 486 862
Current liabilities	147 744	-	24	**24**	8 595	746	11 393	41 863	-	**41 863**	210 365
Profit from associates	-	-	57 914	**57 914**	-	-	-	-	-	-	57 914
Capital expenditure	116 400	-	-	-	-	-	**70**	224	-	224	116 694

Determination of headline earnings

		Reviewed	Audited
		31 August 2019	**31 August 2018**
		R'000	**R'000**
(Loss)/ earnings attributable to ordinary equity holders of parent entity	IAS 33	(1 540 075)	4 992 064
Adjusted for:			
Impairment of intangible assets	IAS 38	52 022	95 625
Impairment of goodwill	IAS 36	9 920	11 937
Loss on disposal of property, plant and equipment	IAS 16	938	3 541
Loss/(gain) on deemed disposal of associates	IAS 28	-	(1 491)
(Gain)/ loss on disposal of subsidiaries	IFRS 3	-	1 985
Gain on bargain purchase	IFRS 3	-	(952)

Loss/ (gain) on deemed disposal of associate or subsidiary	IFRS 10	2 480 713	(4 983 624)
Deferred tax effect on deemed disposal of associate	IAS 12	(555 770)	-
Headline earnings		447 749	119 085
Normalised headline earnings		492 257	123 297
Headline earnings and diluted headline earnings per ordinary share (cents)		**91.16**	**24.24**
Normalised headline earnings per ordinary share (cents)		100.22	25.09

Reconciliation of reportable segments profit or loss		
	Reviewed	**Audited**
	31 August 2019	**31 August 2018**
	R'000	**R'000**
Total (loss)/gain before tax for reportable segments	(2 388 102)	6 010 650
Taxation	950 370	(1 062 789)
Profit from continuing operations	(1 437 732)	4 947 861
Profit from discontinued operations	-	159 533
Other comprehensive loss for the year net of taxation	(254)	-
(Loss)/ profit for the year and total comprehensive income	(1 437 986)	5 107 394

Divisional performance

Fishing and brands

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

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

Technology

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

The technology division achieved significant organic growth in its revenue as well as a result of the acquisitions in Sizwe Africa IT Group Limited ("Sizwe"), SGT Solutions Proprietary Limited ("SGT") via Main Street 1653 Proprietary Limited ("Main Street")and Global Command and Control Technologies Proprietary Limited("GC^{2}T"). These acquisitions took place effective 19 December 2018, 28 February 2019 and 1 March 2019 respectively. AYO contributed R1.6bn to the Group's revenue for the year. Refer to the business combination note further below.

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

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

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

AEEI’s associate investment in BT Communication Services SA Proprietary Limited continually produces consistent earnings and it contributed positively to the Group’s profit from equity accounted investments.

Health and beauty

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

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

Biotechnology

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

Events and tourism

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

espAfrika, a Group subsidiary, hosted their annual 20th Cape Town International Jazz Festival event promoting the well-established brand. The company did not achieve its expected revenue during a challenging year due to the local economic uncertainty.

Magic 828 which has operated for over four years contributed R12m to the Group’s gross revenue for the year. Its listenership continues to increase year-on-year.

Strategic investments

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

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

Significant events

Business combinations

The fair values of the identifiable assets and liabilities are summarised in the aggregate business combination table below:

Aggregated business combination note

	AYO and its subsidiaries	**SGT Solutions**	**GC²T**	**Total**
Property, plant and equipment	96 864	3 075	7 155	**107 094**
Goodwill	105 704	–	–	**105 704**
Intangible assets	107 526	7 098	1 744	**116 368**
Investment in joint ventures	33	–	–	**33**
Other financial assets	1 072 534	–	–	**1 072 534**
Finance lease receivable	8 155	–	–	**8 155**
Deferred tax	-	18 018	–	**18 018**
Inventories	107 563	50 321	16 166	**174 050**
Trade and other receivables	317 258	51 225	12 717	**381 200**
Current tax receivable	677	765	–	**1 442**
Cash and cash equivalents	3 375 649	38 135	–	**3 413 784**
Other financial liabilities	(237 577)	(3 814)	(3 012)	**(244 403)**
Trade and other payables	(349 518)	((81 517)	(9 957)	**(440 992)**
Provisions	(13 809)	(15 530)	–	**(29 339_**
Current tax payable	(8 230)	–	–	**(8 230)**

Bank overdraft	(531)	-	-	**(531)**
Total identifiable net assets	**4 591 534**	**67 776**	**24 813**	**4 684 123**
Non-controlling interests	(2 325 153)	(13 729)	(3 016)	**(2 341 898)**
Fair value of previously held interest	2 266 381	-	-	**2 266 381**
Goodwill	-	35 836	1 271	**37 107**
Total	-	**89 883**	**23 070**	**112 953**
Consideration paid	-	**89 883**	**23 070**	**112 953**
Cash	-	60 000	23 070	**83 070**
Present value of contingent consideration	-	29 883	-	**29 883**

Net cash (outflow)/inflow on acquisition date:	**3 375 118**	(21 865)	(23 070)	3 330 183
Cash consideration paid	-	(60 000)	(23 070)	(83 070)
Cash acquired	3 375 118	38 135	-	3 413 253

Business combinations during the year

Change in control - 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.

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 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^2T"). GC^2T 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.

Business combinations subsequent to year end

On 17 October 2019 the Board of directors approved AYO concluding a binding offer to acquire 100% of the share capital of NSX Experts Proprietary Limited ("NSX") for a consideration of R850,000. NSX is a company which provides cloud computing solutions.

At the time of issue of the financial statements, AEEI did not have sufficient information to provide the disclosures as required by IFRS3 Business Combinations as the initial accounting for the transaction was incomplete. The business was owner-managed prior to acquisition and the management of AYO has decided to do an exercise of determining the fair value of assets and liabilities. The exercise will be concluded within the next 12 months.

Other financial assets

	Reviewed 31 August 2019	**Audited 31 August 2019**
	R'000	**R'000**
Fair value through profit and loss:		
Investments in unlisted public companies	36 113	36 113
Investments in unlisted private companies	223 168	181 051
Investments in listed public companies	23 954	202 201
Other	188	-

Total fair value through profit and loss	**283 423**	**419 365**
Loans and receivable at amortised cost:		
Bambelela Capital Proprietary Limited	150 996	-
Tamlalor Proprietary Limited	103 027	-
Volt Business Solutions Proprietary Limited	11 535	-
Cortex Logic Proprietary Limited	11 432	-
Supplier development	22 653	-
Other	-	16 014
Total loans and receivables at amortised cost	**299 643**	**16 014**
Total other financial assets	**583 066**	**435 379**

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 Proprietary Limited (“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 Limited, 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 Proprietary Limited (“KSA”). KSA is a company established by AYO and Loot Proprietary Limited online 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.

Additional - Loans receivable at amortised cost

The Group subscribed for 500 000 cumulative redeemable non-participating convertible Class C 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 Proprietary Limited is unsecured and bears interest at prime. The loan is repayable on 28 February 2024.

The loan with Volt bears interest at prime +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 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.

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 Limited ("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.

Correction of prior year errors

Investments in subsidiaries in "**Company**" annual financial statements

AEEI's management recognises that a prior year error was made in determining the fair value of the subsidiaries where certain items such as equity loans and deferred tax should not have been included in the fair value calculation. This error was identified through the JSE's Proactive Monitoring process and requires a retrospective restatement of the Company's annual financial statements for the year ended 31 August 2017 and 2018. For 2017, this resulted in an overstatement of the retained earnings of R208m from R1 576m to R1 368m and in 2018, this resulted in an understatement of retained earnings of R129m.

The above restatement had an effect on the Company's statements of financial position, equity, profit or loss and other comprehensive income as detailed in the table below:

31 August 2018	As previously reported	Amendment	Restated
	R'000	R'000	R'000
Company Statement of Financial Position			
Assets			

Non-current assets			
Investment in subsidiaries	1 807 762	(166 257)	1 641 505
Loans to group companies	109 376	(942)	108 434
Total assets	6 770 390	(167 199)	6 603 191
Equity and liabilities			
Retained earnings	(4 796 281)	129 660	(4 666 621)
Total equity	(5 199 458)	129 660	(5 069 798)
Loans to group companies	(94 142)	299	(93 843)
Deferred tax	(1 404 019)	37 242	(1 366 777)
Total liabilities	1 570 932	(37 541)	1 533 391
Company Profit and Loss and Other Comprehensive Income			
Net impairments	(97 646)	5 106	(92 540)
Fair value adjustments	4 272 553	94 287	4 366 840
Profit before tax	4 222 167	99 393	4 321 560
Taxation	(958 210)	(21 120)	(979 330)
Profit from the year	3 263 957	78 273	3 342 230
31 August 2017			
Company Statement of Financial Position			
Assets			
Investment in subsidiaries	2 303 034	(260 545)	2 042 489
Loans to group companies	231 178	(5 712)	225 466
Total assets	2 605 945	(266 257)	2 339 688

Equity and liabilities			
Retained earnings	(1 575 562)	207 927	(1 367 635)
Total equity	(1 978 739)	207 927	(1 770 812)
Loans from group companies	(89 962)	(31)	(89 993)
Deferred tax	(446 577)	58 362	(388 215)
Total liabilities	(627 206)	58 331	(568 875)
Company Profit and Loss and Other Comprehensive Income			
Net impairments	31 788	(5 744)	26 044
Fair value adjustments	96 587	(260 545)	(163 958)
Profit before tax	183 426	(266 289)	(82 863)
Taxation	(23 729)	58 362	34 633
Profit for the year	159 697	(207 927)	(48 230)
Company Statement of Equity		2018	2017
		R'000	R'000
Balance at 1 September (previously reported)		1 575	1 442
Profit for the year		3 264	160
Prior period error		(129)	(208)
Dividends		(43)	(26)
Balance at 31 August		4 667	1 368

Litigation Statement

The Group becomes involved in litigation from time to time through various claims and lawsuits incidental during the ordinary course of business. The Group is currently not involved in any such claims or lawsuits, except for the summons issued by the PIC and the GEPF to declare the subscription agreement entered into by the PIC and AYO be declared unlawful and set aside. The Group has instructed its lawyers to oppose this action.

Within the technology division, AYO and a significant customer concluded an ICT Master Service Agreement in May 2018 whereby AYO would render to the significant customer a host of ICT services effective 1 April 2018 for an indefinite period as long as the services are provided under the agreement. On 1 October 2019, this significant customer gave AYO six months' notice purporting to terminate this agreement. AYO disputes this significant customer's right to cancel the agreement. By virtue of the dispute, AYO has invoked the arbitration provisions under the agreement and anticipates the matter being arbitrated in the first quarter of 2020.

Events after reporting date

During the year, the AEEI Group via its subsidiary AYO, acquired an additional 43% shareholding in Puleng Technologies Proprietary Limited from the minority shareholders for a purchase consideration of R38.5 million and increased its effective holding to 100%.

The AYO Board of directors approved the binding offer on 17 October 2019 to acquire 100% of the ordinary share capital of NSX Experts Proprietary Limited ("NSX") for a consideration of R850,000. NSX provides cloud computing solutions which complements the offerings of the technology division. AEEI via its subsidiary AYO, concluded a binding offer to acquire 55% of the share capital of VOX Spectrum Limited ("VOX") for a purchase consideration of R9m on 1 November 2019. VOX is a multinational company, which offers a suite of services for a broad range of voice, data, video and wireless infrastructure for clients worldwide.

A final dividend of 6 cents per share was approved by the Board of directors in respect of financial year ended 31 August 2019. The dividend is payable on 3 February 2020 to shareholders recorded in the register of the Company at close of business on 31 January 2020.

The directors are not aware of any other material event which occurred after the reporting date and up to the date of this report that would require any adjustments to the consolidated annual financial statements.

Share repurchases

During the year under review, and as approved at the AGM held on 18 January 2019 relating to general share repurchase, the Company bought back 317 000 shares representing 0.06% of the total shares in issue. The shares were purchased at an average price of R2.95 per share for a total cash consideration of R936 887.

Financial markets announcements

As a result of the additional requirement by the JSE to audit two sets of interim financial results by AYO and at the same time comply with the normal compliance requirements to issue annual financial results within three months of year-end, this resulted in a compounding effect to publish the SENS announcement after the compliance date. Refer to AYO SENS announcement released in relation to the 2019 financial year for further details.

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.

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

	Fair value hierarchy	2019	2018
Recurring fair value measurements			
Abalone	Level 3	83 260	68 021
Intangible assets acquired through business combinations			
Fishing quotas		-	23 225
Licences and technologies		1 997	-
Brands, patents & trademarks		16 986	17 028
Software development		20 467	15
Customer lists		85 095	-
Total intangible assets	Level 3	**124 545**	**40 268**
Available for sale financial assets			
Other financial assets		611	-
Financial assets designated at fair value through profit (loss)			
Listed shares	Level 1	23 954	202 201
Investments in unlisted private companies	Level 3	223 168	181 591
Investments in unlisted public companies	level 3	36 113	36 113
Other financial assets		188	-
Total financial assets designated at fair value through profit(loss)		**283 423**	**419 905**
Loans and receivables		299 643	-
Total financial assets		**583 066**	**419 905**
Financial liabilities at fair value through profit (loss)			
Other financial liabilities		797	226 720

Contingent consideration liability	44 977	-
Total financial liabilities at fair value through profit (loss)	**45 774**	**226 720**

Refer to fair value adjustments in the Group's Statement of Comprehensive Income.

Reporting entity

African Equity Empowerment Investments Limited ("AEEI") is a Company domiciled in South Africa. These condensed consolidated annual financial statements for the year ended 31 August 2019 comprise of AEEI, the Company and its subsidiaries ("The Group") and its interest in associates and joint ventures. AEEI is a majority black-controlled entity, which holds interests in six sectors and promotes Broad-Based Black Economic Empowerment and sound corporate governance and ethical practices.

Use of judgements and estimates

In preparing these condensed consolidated annual financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited consolidated financial statements as at and for the year ended 31 August 2018.

Related parties

The group entered into various transactions with related parties in the ordinary course of business which included the following material transactions in the current year.

	2019
	R'000
Purchases of services from related parties	
BT Communication Services SA Proprietary Limited	302 358
African News Agency Proprietary Limited	10 771
Independent News and Media Proprietary Limited	15 676
Loan and other receivables balances include the following:	
Tamlalor Proprietary Limited	103 027

Trade payables to related parties	
BT Communication Services South Africa Proprietary Limited	27 360
Independent News & Media Proprietary Limited	6 931

Measurement of fair values

The Group has an established control framework with respect to the measurement of fair values. The fair valuation calculations are reviewed by the Group's corporate finance division and performed by the operational team of the subsidiaries on an annual basis. The finance division reports to the Group's chief financial officer. The valuation reports are approved by the investment committee in accordance with the Group's reporting policies.

Basis of preparation

The provisional condensed consolidated annual financial statements are prepared in accordance with the JSE Limited ("JSE") Listings Requirements and the requirements of the Companies Act of South Africa, 2008 as amended, applicable to summarised audited financial statements. The JSE Listings Requirements require financial reports to be prepared in accordance with the framework concepts, the measurement and recognition requirements of International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and also that they, as a minimum, contain the information required by IAS 34 'Interim Financial Reporting'. The accounting policies applied in the preparation of the condensed consolidated annual results for the year ended 31 August 2019 are in terms of IFRS and are consistent with the accounting policies applied in the preparation of the previous consolidated annual financial statements, except for adoption of accounting policies described below.

The reviewed annual financial results were prepared by Michelle Hunlun, group financial manager, CA(SA), and Rufaro Chanakira, CA(SA), group financial controller, under the supervision of Chantelle Ah Sing, chief financial officer and were reviewed by the Group's external auditors, BDO South Africa Inc.

The reviewed condensed consolidated financial results for the year ended 31 August 2019 have been reviewed by BDO South Africa Incorporated, who expressed an unmodified review conclusion. A copy of the independent reviewer's report is available for inspection at the Company's registered office. The independent reviewers' report does not necessarily report on all of the information contained in these financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the reviewers' engagement, they should obtain a copy of the independent reviewers' report together with the accompanying financial information from the issuer's registered office. Any reference to future financial performance included in this announcement is the responsibility of the directors and has not been reviewed or reported by the Company's independent reviewers.

Accounting policies

During the reporting year, the Group adopted the following newly effective standards as from 1 September 2018 which did not have a material impact on the 2019 annual financial statements:
-IFRS 9 Financial instruments (replacing IAS 39 Financial Instruments: Recognition and Measurement)
-IFRS 15 Revenue from contracts with customers

IFRS 9 Financial Instruments

The Group has applied the expected credit loss ("ECL") impairment model for the measurement of the trade and other receivables, financial assets and other loans receivable by establishing the provision matrix which is based on historical credit loss experience, adjusted for forward looking factors specific to trade and other receivables. For financial assets and financial liabilities, the existing classification and measurement requirements of IAS 39 will remain the same under IFRS 9.

The classification of financial assets in accordance to IFRS 9 measurement will require loans receivable, trade and other receivables, other financial assets as well as cash and cash equivalents to be categorised as subsequently measured at amortised cost.

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 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 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 has 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 has 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 twelve 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 Groups 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.

Prospects

The Group will continue with its strategic focus to grow the value of its core operational investments and improve the value add to our strategic and associate investments.

The AEEI Group continues to build on its solid platform for further organic growth and has positioned itself well to further increase its investments by acquisition. Management continues to focus and exceed on the last year of its five-year strategic plan ("Vision 2020 Vision") and has firmed up its acquisition pipeline for both the fishing and brands and the technology divisions.

The Group's auditors have not reviewed nor reported on any comments relating to future prospects.

Changes in the directorate

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

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

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

Dividends

The Board of directors are pleased to announce that it has approved and declared a final dividend of 6.00 cents per share for the year ended 31 August 2019 from income reserves. The interim dividend amount, net of South African dividend tax of 20% which equates to 1.20 cents per share, is therefore 4.80 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.

The salient dates of this dividend distribution are:

Gross dividend (cents per share)	6.00
Dividend net of dividend withholding tax	4.80
Last day to trade cum dividend	Tuesday, 28 January 2020
Trading ex-dividend commences	Wednesday, 29 January 2020
Record date	Friday, 31 January 2020
Date of payment	Monday, 3 February 2020

Share certificates may not be dematerialised or rematerialised between Wednesday, 29 January 2020 and Friday, 31 January 2020, both days inclusive.

Normalised headline earnings are defined as earnings excluding non-recurring items and once-off fair value adjustments and impairments

Supplementary information (unreviewed)

Normalised earnings are defined as earnings from continuing operations excluding non-recurring items and once-off fair value adjustments.

	Group to 31 August 2019 12 months	Group to 31 August 2018 12 months
Normalised earnings before tax reconciliation	R'000	R'000
Profit before tax	(2 369 163)	6 010 650
(Gain)/loss on deemed disposal	2 480 713	(6 049 029)
(Gain)/loss on bargain purchase	-	(953)
Fair value adjustments	45 721	5 414
Net impairments, impairment reversals and write-offs	83 597	140 319
Normalised earnings before tax	**239 844**	**107 354**

Normalised earnings before tax reconciliation	R'000	R'000
Headline earnings	447 749	119 085
Fair value adjustments	57 871	5 414
Deferred tax on fair value adjustments	(12 963)	(1 213)
Share-based payment	-	11
Net impairments, impairment reversals and write-offs	(400)	-
Normalised headline earnings	**492 257**	**123 297**
Normalised headline earnings per share	**100.22**	**25.09**

Appreciation

We wish to thank our employees, Group executives, management, our Board of directors as well as our strategic partners, stakeholders and business partners for their loyalty and dedication in contributing to the success of the Group.

Mrs Aziza Amod	Mr Khalid Abdulla
Non-executive chairman	Chief executive officer

Cape Town
23 December 2019

Directors

*Khalid Abdulla (chief executive officer); Aziza Amod (non-executive Chairman); *Chantelle Ah Sing; Ismet Amod; Advocate Dr Ngoako Ramatlhodi; Gaamiem Colbie; Moleboheng Mosia; Jowayne van Wyk

Executive directors

Company secretary: Damien Terblanche

Registered address: 1st Floor, Waterway House North,3 Dock Road, Victoria and Alfred Waterfront, Cape Town 8001,

Email: damien@aeei.co.za

Transfer secretaries: Link Market Services South Africa Proprietary Limited 19 Ameshoff Street,13th Floor, Rennie House, Braamfontein, Johannesburg 2001

Auditors: BDO South Africa Inc.
6th Floor, 123 Hertzog Boulevard, Cape Town, 8001

Sponsor: Vunani Capital Proprietary Limited
Vunani House, Vunani Office Park, 151 Katherine Street, Sandown, Johannesburg, 2196