

AFRICAN EQUITY EMPOWERMENT INVESTMENTS LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1996/006093/06)

Share Code: AEE

ISIN ZAE000195731

("AEEI" or "the Company")

UPDATED *PRO FORMA* FINANCIAL EFFECTS IN RESPECT OF THE UNBUNDLING BY AEEI OF ITS SHAREHOLDING IN AYO

AEEI Shareholders are referred to:

- the various announcements released on SENS relating to the Unbundling of AEEI's entire shareholding in AYO to AEEI Shareholders ("**Unbundling**"), by way of a *pro rata* distribution *in specie* in the ratio of 1 AYO Share for every 2.89 AEEI Shares held on the Unbundling record date, the last of which was released on SENS on 15 June 2023; and
- the circular to Shareholders containing details of the Unbundling ("**Circular**") distributed to Shareholders on 1 June 2023.

Unless expressly defined in this announcement, capitalised terms herein have the meaning given to them in the Circular.

In compliance with paragraph 8.25(a) of the Listings Requirements, the *pro forma* financial effects of the Unbundling on AEEI ("**pro forma financial effects**") included in the Circular, were based on the then most recently published financial results of AEEI, being the audited annual financial results for the year ended 31 August 2022 ("**AEEI FY2022 Results**").

In terms of paragraph 11.56 of the Listings Requirements, a supplementary circular must be published if, at any time after a circular has been published and before the relevant shareholders meeting, there has been a significant change affecting any matter contained in the Circular. In the context of the *pro forma* financial effects, "significant" means a change of 10% or more from the *pro forma* financial effects included in the Circular.

On 13 June 2023, AEEI published its unaudited condensed consolidated interim results for the six months ended 28 February 2023 ("**AEEI HY2023 Results**"). Due to a difference of more than 10% between the *pro forma financial* effects based on the AEEI HY2023 Results to the *pro forma* financial effects based on the AEEI FY2022 Results included in the Circular, the Company is required to publish updated *pro forma financial* effects of the Unbundling on AEEI. AEEI Shareholders are advised that the JSE has approved the publication of the updated *pro forma* financial effects on SENS, rather than requiring AEEI to distribute a supplementary circular.

The tables below set out the consolidated *pro forma* statement of financial position and statement of comprehensive income (collectively, the "**Supplementary Consolidated Pro forma Financial Information**") of AEEI in respect of the Unbundling, based on the AEEI HY2023 Results.

The Supplementary Consolidated *Pro forma* Financial Information has been prepared to illustrate the impact of the Unbundling had the Unbundling occurred on 28 February 2023 for purposes of the *pro forma* Income Statement and on 28 February 2023 for purposes of the *pro forma* Balance Sheet.

The Supplementary Consolidated *Pro forma* Financial Information has been prepared using accounting policies that comply with IFRS, the Guide on *Pro Forma* Financial Information issued by the South African Institute of Chartered Accountants and that are consistent with those applied in the audited results of AEEI for the year ended 31 August 2022.

The Supplementary Consolidated *Pro forma* Financial Information, which is the responsibility of the Directors of AEEI, are provided for illustrative purposes only and, because of their *pro forma* nature, may not fairly present AEEI's financial position, changes in equity, results of operations or cash flows.

The Supplementary Consolidated *Pro forma* Financial Information has been prepared based on the assumptions indicated in the notes to the tables below.

The Supplementary Consolidated *Pro forma* Financial Information has been reported on by the independent reporting accountants, Crowe JHB, whose report on the Supplementary Consolidated *Pro forma* Financial Information is also contained below.

RESPONSIBILITY STATEMENT

The Independent Board accepts responsibility for the information in this announcement. To the best of the Independent Board's knowledge and belief, the information contained in this announcement is true and the announcement does not omit anything likely to affect the importance of the information contained herein.

SUPPLEMENTARY PRO FORMA FINANCIAL INFORMATION

Consolidated Pro Forma Statement of Comprehensive Income for the period ended 28 February 2023

	AEEI Group before AYO Unbundling (Note 1) 2023	Unbundling of AYO Group (Note 2)	Loss on settlement of liability for dividend <i>in specie</i> (Note 3)	Transaction costs (Note 4)	Equity accounting for income from associate (Note 5)	AEEI Group after the AYO Unbundling 2023
	R'000	R'000	R'000	R'000	R'000	000
Revenue	344 634					344 634
Cost of sales	(193 417)					(193 417)
Gross profit	151 217	-	-	-	-	151 217
Other income	14 872					14 872
Operating expenses	(161 312)			(2 500)		(163 812)
Net impairment changes and impairment reversals	(210 269)					(210 269)
Fair value adjustments	0					0
Investment income	5 167					5 167
Finance costs	(1 456)					(1 456)
Income from equity accounted investments	42 513				9 105	51 618
Loss on settlement of liability for dividend in specie			(686 872)			(686 872)
Loss before taxation	(159 268)	0	(686 872)	(2 500)	9 105	(839 535)
Taxation	39 591					39 591
Loss from continuing operations	(119 677)	0	(686 872)	(2 500)	9 105	(799 944)
Discontinued operations						
Loss from discontinued operations	(157 195)	157 195				0
Loss from operations	(276 872)	157 195	(686 872)	(2 500)	9 105	(799 944)
Other comprehensive income:						
Items that may be reclassified to profit or loss:						
Exchange differences on translating foreign operations	(3 448)					(3 448)
Other comprehensive (loss)/profit for the year net of taxation	(3 448)	0	0	0	0	(3 448)
Total comprehensive loss for the period	(280 320)	157 195	(686 872)	(2 500)	9 105	(803 392)
Total comprehensive loss attributed to:						
Owners of parent from continuing operations	(138 511)		(686 872)	(2 500)	9 105	(818 778)
Owners of parent from discontinued operations	(30 608)	157 195				126 587

Non-controlling interest from continuing operations			18 834			18 834
Non-controlling interest from discontinued operations			(130 035)			(130 035)
			(280 320)	157 195	(686 872)	(2 500)
				9 105		(803 392)
Loss attributable to ordinary equity owners of the parent for continuing operations			(138 511)	0	(686 872)	(2 500)
Headline earnings adjustments						9 105
Loss on settlement of liability for dividend in specie					686 872	686 872
Tax effects						
Headline loss from continuing operations			(138 511)	0	0	(2 500)
						9 105
						(131 906)
Loss attributable to ordinary equity owners of the parent for discontinued operations			(30 608)	157 195		126 587
Headline earnings adjustments						0
Loss on disposals of property, plant and equipment			(230)			(230)
NCI effects of adjustments						0
Tax effects						0
Headline profit / (loss) from discontinued operations			(30 838)	157 195	0	0
						0
						126 357
Shares in issue ('000)			491 022	491 022	491 022	491 022
Weighted average shares in issue ('000)			491 022	491 022	491 022	491 022
Basic and diluted earnings/(loss) per share (cents) for continuing operations			(28,21)	0,00	(139,89)	(0,51)
Basic and diluted earnings/(loss) per share (cents) for discontinued operations			(6,23)	32,01	0,00	0,00
Basic and diluted earnings/(loss) per share (cents) for total operations			(34,44)	32,01	(139,89)	(0,51)
						1,85
						(166,75)
Headline earnings/(loss) per share (cents) for continuing operations			(28,21)	0,00	0,00	(0,51)
Headline earnings/(loss) per share (cents) for discontinued operations			(6,28)	32,01	0,00	0,00
Headline earnings/(loss) per share (cents) for total operations			(34,49)	32,01	0,00	(0,51)
						1,85
						(26,86)
						25,73
						(1,13)

Notes to the *pro forma* consolidated statement of comprehensive income

1. The consolidated statement of comprehensive income has been extracted, without adjustment, from the published unaudited financial information of AEEI for the period ended 28 February 2023.

2. In the Unbundling process, AEEI will distribute its entire shareholding in AYO to its owners by means of a dividend *in specie*. After the distribution has taken place, AEEI will no longer have control of AYO and will deconsolidate the results of AYO from its consolidated results.

This column represents the deconsolidation of the comprehensive income of AYO for the period ended 28 February 2023. The information is extracted from the published unaudited financial information of AYO for the period ended 28 February 2023.

The published unaudited information of AYO was adjusted for the reversal of consolidation adjustments directly related to the deconsolidation of AYO at 28 February 2023.

AYO was classified as a discontinued operation in the published unaudited information of AEEI for the period ended 28 February 2023.

The deconsolidation of comprehensive income is considered to be continuing transaction as the results of AYO will no longer be included in the consolidated results AEEI from the date of the Unbundling.

3. The dividend *in specie* declared to Shareholders of AEEI and the corresponding liability for the dividend payable is recognised at the fair market value of the AYO shares to be distributed.

Upon distribution of the shares as a dividend *in specie*, the liability for the dividend payable is settled and the difference between the carrying value of the liability for the dividend payable and the carrying value of the assets and liabilities of the former subsidiary is recognised in profit or loss.

The loss on settlement of the liability for the dividend in specie is calculated as follows:

Net asset value of AYO on Unbundling in proportion to AEEI shareholding in AYO of 49.36%	AEEI
	1 196 472

Less carrying value of the liability for the dividend <i>in specie</i> calculated as 169 866 829 shares at R3 per share	(509 600)
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Loss on settlement of liability for dividend <i>in specie</i>	<u>686 872</u>
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The loss recognised is excluded from Headline Earnings.

The loss on settlement of the liability for the dividend *in specie* will not have a continuing effect on the consolidated statement of comprehensive earnings as it is a once-off transaction.

4. Represents the transaction costs in respect of the proposed transaction. There is no tax impact as the costs have been deemed capital in nature. This adjustment will not have a continuing effect on the consolidated statement of comprehensive earnings.

5. Represents the recording of the equity accounted income of Mainstreet 1653 Proprietary Limited ("**Mainstreet**") for the period.

Before the Unbundling, the shareholding of Mainstreet was held as follows:

AEEI - 60% of the issued share capital of Mainstreet

AYO - 40% of the issued capital of Mainstreet

The pre-Unbundling shareholding structure gave AEEI control over Mainstreet and the investment was consolidated in AEEI financial statements.

In the Unbundling of AYO, the AEEI group deconsolidates its investment in Mainstreet.

Post the Unbundling of AYO, AEEI retains its 60% shareholding in Mainstreet, however in terms of a shareholders agreement, AYO retains the rights to appoint the majority of the board of directors of Mainstreet and has retained control of the entity.

Post the Unbundling of AYO, AEEI will exercise significant influence over its investment in Mainstreet and will account for the investment in Mainstreet as an investment in associate under the equity method.

Consolidated Pro Forma Statement of Financial Position at 28 February 2023

	AEEI Group before AYO Unbundling (Note 1) 2023 R'000	Unbundling of AYO Group (Note 2) 2023 R'000	Transaction Costs (Note 3) R'000	Equity accounting for income from associate (Note 4) R'000	AEEI Group after the AYO Unbundling 2 023 R'000
Assets					
Non-current assets					
Property, plant and equipment	472 071				472 071
Right of use assets	32 422				32 422
Goodwill	43 196				43 196
Intangible assets	262 361				262 361
Investment in associate	773 638	36 768		9 105	819 511
Investments in joint ventures	-				0
Other financial assets	38 640				38 640
Finance lease receivables	-				0
Deferred tax	75 302				75 302
Loans receivable	-				0
Loans to related parties	-				0
Total non-current assets	1 697 630	36 768	0	9 105	1 743 503
Current assets					
Biological assets	83 073				83 073
Inventories	82 647				82 647
Current tax receivable	4 622				4 622
Trade and other receivables	148 527				148 527
Other financial assets	-				0
Finance lease receivables	-				0
Loan receivable	10 375				10 375
Cash and cash equivalents	205 246		(2 500)		202 746
Loans to related parties	-				0
Total current assets	534 490	0	(2 500)	0	531 990
Disposal group assets classified as held for sale	3 278 123	(3 278 123)			0
Total Assets	5 510 243	(3 241 355)	- 2 500	9 105	2 275 493

Equity and liabilities

Equity attributable to equity holders of the parent

Share capital	402 240				402 240
Reserves	(28 420)	37 791			9 371
Retained income	1 832 680	(449 769)	(2 500)	9 105	1 389 516
Equity attributable to equity holders of parent	2 206 500	(411 978)	(2 500)	9 105	1 801 127
Non-controlling interest	2 081 605	(2 049 616)			31 989
	4 288 105	(2 461 594)	(2 500)	9 105	1 833 116

Liabilities

Non-current liabilities

Other financial liabilities	4 706				4 706
Derivatives financial liabilities					0
Lease liabilities	29 047				29 047
Employee benefit obligation	1 849				1 849
Deferred tax	259 715				259 715
Total non-current liabilities	295 317	0	0	0	295 317

Current liabilities

Provisions	27 063				27 063
Trade and other payables	75 122				75 122
Other financial liabilities	-				0
Lease liabilities	12 003				12 003
Deferred income	2 824				2 824
Current tax payable	17 701				17 701
Dividend payable	12 210				12 210
Contingent consideration liability	-				0
Loans from related parties					0
Bank overdraft	137				137
Total current liabilities	147 060	0	0	0	147 060

Disposal group liabilities classified as held for sale

	779 761	(779 761)			0
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Total liabilities

	1 222 138	- 779 761	-	-	442 377
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Total Equity and Liabilities

	5 510 243	(3 241 355)	(2 500)	9 105	2 275 493
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Number of shares in issue ('000)

	491 022	491 022	491 022	491 022	491 022
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Net asset value per share (cents)

	873,30	(501,32)	(0,51)	1,85	373,33
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Net tangible asset value per share (cents)

	811,07	(501,32)	(0,51)	1,85	311,10
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Notes to the *pro forma* consolidated statement of financial position

1. The consolidated statement of financial position has been extracted, without adjustment, from the published unaudited financial information of AEEI for the period ended 28 February 2023.
2. In the Unbundling process, AEEI will distribute its entire shareholding in AYO to its owners by means of a dividend *in specie*. After the distribution has taken place, AEEI will no longer have control of AYO and will deconsolidate the results of AYO from its consolidated results. This column represents the deconsolidation of the net asset value of AYO as at 28 February 2023. The information is extracted from the published unaudited financial information of AYO for the period ended 28 February 2023. The published unaudited information of AYO was adjusted for the reversal of consolidation adjustments directly related to the deconsolidation of AYO at 28 February 2023. AYO was classified as a discontinued operation in the published unaudited information of AEEI for the period ended 28 February 2023.
3. Represents the transaction costs in respect of the proposed transaction that will be settled from existing available cash.
4. Represents the recording of the equity accounted income of Mainstreet for the period.

Before the Unbundling, the shareholding of Mainstreet 1653 was held as:

AEEI - 60% of the issued share capital of Mainstreet

AYO - 40% of the issued capital of Mainstreet

The pre-Unbundling shareholding structure gave AEEI control over Mainstreet and the investment was consolidated in AEEI financial statements.

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Post the Unbundling of AYO, AEEI retains its 60% shareholding in Mainstreet, however in terms of a shareholder's agreement, AYO retains the rights to appoint the majority of the board of directors of Mainstreet and has retained control of the entity.

Post the Unbundling of AYO, AEEI will exercise significant influence over its investment in Mainstreet and will account for the investment in Mainstreet as an investment in associate under the equity method.

Cape Town

23 June 2023

Transaction adviser and Sponsor



Vunani Sponsors

Joint Sponsor



Merchantec Capital

Legal Adviser

CLYDE&CO

Clyde & Co Incorporated

Independent Reporting Accountants



Crowe JHB



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Independent Reporting Accountant's Assurance Report on the Compilation of Pro Forma Financial Information

To the Directors of African Equity Empowerment Investments Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of African Equity Empowerment Investments Limited ("**the Group**") by the directors. The supplementary pro forma financial information, as set out in the announcement containing such supplementary information to be issued on or about 22 June 2023 (the "**Announcement**"), consists of the Consolidated Pro Forma Statement of Comprehensive Income and the Consolidated Pro Forma Statement of Financial Position and related notes. The applicable criteria on the basis of which the directors have compiled the pro forma financial information are specified in the Johannesburg Stock Exchange Limited (JSE) Listings Requirements and described in the Announcement.

The supplementary pro forma financial information has been compiled by the directors to illustrate the impact of the corporate action or event, described in the Circular issued to shareholders on the 01 June 2023, on the Group's financial position as at 28 February 2023, as if the corporate action had taken place at 28 February 2023 for the statement of financial position and 1 September 2022 for statement of comprehensive income purposes. As part of this process, information about the Group's financial position and financial performance has been extracted by the directors from the Group's published unaudited financial information for the period ended 28 February 2023.

Directors' Responsibility for the Pro Forma Financial Information

The directors are responsible for compiling the supplementary pro forma financial information on the basis of the applicable criteria specified in the JSE Listings Requirements and described in the Announcement.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the Code of Professional Conduct for Registered Auditors issued by the Independent Regulatory Board for Auditors (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards).

Crowe JHB applies the International Standard on Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibility

Our responsibility is to express an opinion about whether the supplementary pro forma financial information has been compiled, in all material respects, by the directors on the basis specified in the JSE Listings Requirements based on our procedures performed.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus which is applicable to an engagement of this nature issued by the International Auditing and Assurance Standards Board. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the pro forma financial information has been compiled, in all material respects, on the basis specified in the JSE Listings Requirements.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the supplementary pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the supplementary pro forma financial information.

The purpose of the supplementary pro forma financial information included in the Announcement is solely to illustrate the impact of a significant corporate action or event on unadjusted financial information of the entity as if the corporate action or event had occurred or had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance

that the actual outcome of the corporate action or event at 28 February 2023 would have been as presented.

A reasonable assurance engagement to report on whether the supplementary pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the supplementary pro forma financial information provides a reasonable basis for presenting the significant effects directly attributable to the corporate action or event, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The supplementary pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

Our procedures selected depend on our judgement, having regard to our understanding of the nature of the company, the corporate action or event in respect of which the supplementary pro forma financial information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the supplementary pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the supplementary pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria specified in the JSE Listings Requirements and described in the Announcement.

Restriction of use

This report has been prepared for the purpose of satisfying the requirements of the JSE Listings Requirements, and for no other purpose.

Crowe JHB

Gary Kartsounis

Partner

Registered Auditor

23 June 2023

9 Autumn Street, Rivonia, 2191