

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 BT DISPOSAL

Shareholders are referred to the announcements released on SENS on 28 September 2023 and 24 November 2023, and to the Circular relating to the disposal by Kilomix Investments Proprietary Limited ("**Kilomix**"), a wholly-owned subsidiary of AEEI, of 30 000 ordinary shares, constituting 30% of the issued share capital of BT Communications Services South Africa Proprietary Limited ("**BTSA**"), a subsidiary of BT Limited, to BTSA for an aggregate amount of R290 million ("**the Disposal**"), as distributed to Shareholders on Friday, 24 November 2023.

Terms defined in the Circular shall, unless otherwise stated, bear the same meaning in this announcement.

In compliance with paragraph 8.25(a) of the Listings Requirements, the *pro forma* financial effects of the Disposal on AEEI ("**pro forma financial effects**") included in the Circular, were based on the then most recently published financial results of AEEI, being the unaudited interim financial results for the period ended 28 February 2023 ("**AEEI Interim 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 December 2023, AEEI published its reviewed condensed consolidated results for the year ended 31 August 2023 ("**AEEI 2023 Results**"). Due to a difference of more than 10% between the *pro forma financial effects* based on the AEEI 2023 Results and the *pro forma financial effects* based on the AEEI Interim Results included in the Circular, the Company is required to publish updated *pro forma financial effects* of the Disposal on AEEI. AEEI Shareholders are advised that the JSE has no objection to the publication of the updated *pro forma financial effects* on SENS, rather than requiring AEEI to distribute a supplementary circular, as this is the only supplementary information and there are no other matters that require revision.

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 Disposal, based on the AEEI 2023 Results.

The Supplementary Consolidated *Pro forma* Financial Information has been prepared to illustrate the impact of the Disposal had the Disposal occurred on 1 September 2022 for purposes of the *pro forma* Income Statement and on 31 August 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 reviewed results of AEEI for the year ended 31 August 2023.

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.

Consolidated Pro Forma Statement of Comprehensive Income for the period ended 31 August 2023

	AEEI Group (Note 1) 2023 R'000	Disposal of invest- ment in associate (Note 2) R'000	Transaction costs (Note 3) R'000	Investment income earned on funds invested (Note 4) R'000	AEEI Group after the disposal of investment in associate 2023 R'000
Revenue	734 246				734 246
Cost of sales	(410 392)				(410 392)
Gross profit	323 854	-	-	-	323 854
Other income	50 252				50 252
Operating expenses	(324 532)		(2 192)		(326 724)
Net impairment changes and impairment reversals	(854 775)	708 023			(146 752)
Fair value adjustments	6 042				6 042
Investment income	13 381			7 019	20 400
Finance costs	(5 815)				(5 815)
Income from equity accounted investments	64 972	(62 422)			2 550
Loss on disposal of investment in associate	0	(645 601)			(645 601)
Loss on settlement of liability for dividend in specie	(514 798)				(514 798)
Loss before taxation	(1 241 419)	0	(2 192)	7 019	(1 236 592)
Taxation	22 359			- 1 965	20 394
Loss from continuing operations	(1 219 060)	0	(2 192)	5 054	(1 216 198)
Discontinued operations					
Loss from discontinued operations	(509 782)				(509 782)
Loss from operations	(1 728 842)	0	(2 192)	5 054	(1 725 980)
Other comprehensive income:					

Items that may be reclassified to profit or loss:

Exchange differences on translating foreign operations - Discontinued operations

(1 731)

(1 731)

Other comprehensive (loss)/profit for the year net of taxation

(1 731)

0

0

0

(1 731)

Total comprehensive loss for the period**(1 730 573)****0****(2 192)****5 054****(1 727 711)****Total comprehensive loss attributed to:**

Owners of parent from continuing operations

(1 245 690)

0

(2 192)

5 054

(1 242 828)

Owners of parent from discontinued operations

(180 941)

(180 941)

Non-controlling interest from continuing operations

26 630

26 630

Non-controlling interest from discontinued operations

(330 572)

(330 572)

(1 730 573)**0****(2 192)****5 054****(1 727 711)****Loss attributable to ordinary equity owners of the parent for continuing operations**

(1 245 690)

0

(2 192)

5 054

(1 242 828)

Headline earnings adjustments

Derecognition of lease

10 718

10 718

Impairment of intangibles

139 503

139 503

Loss on settlement of liability for dividend in specie

514 798

514 798

Gain on loss of control of subsidiary

(20 302)

(20 302)

Scrapping of property, plant and equipment

(129)

(129)

Impairment of associate

702 471

702 471

Impairment of property, plant and equipment

2 141

2 141

Headline loss from continuing operations**103 510****0****(2 192)****5 054****106 372****Loss attributable to ordinary equity owners of the parent for discontinued operations**

(180 941)

(180 941)

Headline earnings adjustments

Profit on disposals of property, plant and equipment

(148)

(148)

Loss on disposal of subsidiary

14 125

14 125

Headline profit / (loss) from discontinued operations**(166 964)****0****0****0****(166 964)**

Shares in issue ('000)

491 022**491 022**

491 022

491 022

491 022

Weighted average shares in issue ('000)

491 022**491 022**

491 022

491 022

491 022**Basic and diluted earnings/(loss) per share (cents) for continuing operations****(253,69)**

0,00

(0,45)

1,03

(253,11)

Basic and diluted earnings/(loss) per share (cents) for discontinued operations	(36,85)	0,00	0,00	0,00	(36,85)
Basic and diluted earnings/(loss) per share (cents) for total operations	(290,54)	0,00	(0,45)	1,03	(289,96)
Headline earnings/(loss) per share (cents) for continuing operations	21,08	0,00	(0,45)	1,03	21,66
Headline earnings/(loss) per share (cents) for discontinued operations	(34,00)	0,00	0,00	0,00	(34,00)
Headline earnings/(loss) per share (cents) for total operations	(12,92)	0,00	(0,45)	1,03	(12,34)

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 reviewed financial information of AEEI for the period ended 31 August 2023.
- 2 Represents the disposal by AEEI of its 30% investment in BTSA.
- 2.1 Disposal of the investment in BTSA on the effective date of 1 September 2022 implies that the Equity Accounted Income reported in the reviewed consolidated statement of comprehensive income for the period ended 31 August 2023 is reversed.

The adjustment is considered to have a continuing effect on the statement of comprehensive income as AEEI will no longer account for any proportion of the income of BTSA.
- 2.2 Disposal of the investment in BTSA on the effective date of 1 September 2022 implies that the impairments recognised to the carrying value of the Investment in Associate in the reviewed consolidated statement of comprehensive income for the period ended 31 August 2023 are reversed.

The adjustment is not considered to have a continuing effect on the statement of comprehensive income as the impairments were once-off transactions recognised during the period.
- 2.3 AEEI has chosen to reflect the loss on the disposal of the Investment in Associate as at the effective date of 1 September 2022 in accordance with paragraph 8.17 of the JSE Listings Requirements and the Guide on Pro Forma Financial Information issued by The South African Institute of Chartered Accountants, as we are of the opinion that the loss as at 1 September 2022 will differ materially from the loss at 31 August 2023. The material difference is a result of the impairment recognised to the carrying value of the Investment in Associate as well as the Equity Accounted Earnings recorded for the period 1 September 2022 to 31 August 2023.

Calculation of loss on disposal of investment in BTSA

ZAR '000

Proceeds on disposal of investment in BTSA	290 000
Less carrying value of investment in BTSA at 1 September 2022	(935 601)
(Loss) on disposal of investment	(645 601)

The loss on disposal of the investment in BTSA will not have a continuing effect on the statement of comprehensive income as it is a once-off realised loss.

- 3 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.

- 4 Represents investment income calculated on the disposal consideration at market rates for cash invested in the call account.

An average rate of 6.85% was used.

This adjustment will have a continuing effect on the consolidated statement of comprehensive earnings.

Consolidated Pro Forma Statement of Financial Position at 31 August 2023

	AEEI Group (Note 1) 2023 R'000	Disposal of investment in associate (Note 2) R'000	Transaction costs (Note 3) R'000	Investment income earned on funds invested (Note 4) R'000	AEEI Group after the disposal of investment in associate 2023 R'000
Assets					
Non-current assets					
Property, plant and equipment	480 036				480 036
Right of use assets	24 991				24 991
Goodwill	69 514				69 514
Intangible assets	61 105				61 105
Investment in associate	72 872				72 872
Other financial assets	49 029				49 029
Deferred tax	162 895				162 895
Loans receivable	18				18
Total non-current assets	920 460	0	0	0	920 460
Current assets					
Biological assets	85 915				85 915
Inventories	63 395				63 395
Current tax receivable	8 557				8 557
Trade and other receivables	101 964				101 964
Other financial assets	5 934				5 934
Cash and cash equivalents	235 737	290 000	(2 192)	7 019	530 564
Total current assets	501 502	290 000	(2 192)	7 019	796 329
Disposal group assets classified as held for sale	290 000	(290 000)			0
Total Assets	1 711 962	-	(2 192)	7 019	1 716 789
Equity and liabilities					
Equity attributable to equity holders of the parent					
Share capital	402 240				402 240
Reserves	8 684				8 684
Retained income	63 285		(2 192)	5 054	66 147
Equity attributable to equity holders of parent	474 209	0	(2 192)	5 054	477 071
Non-controlling interest	734 068				734 068
	1 208 277	0	(2 192)	5 054	1 211 139

Liabilities**Non-current liabilities**

Other financial liabilities	696				696
Lease liabilities	18 872				18 872
Employee benefit obligation	1 450				1 450
Deferred tax	218 576				218 576
Loans from related parties	82 890				82 890
Total non-current liabilities	322 484	0	0	0	322 484

Current liabilities

Provisions	12 057				12 057
Trade and other payables	99 705				99 705
Other financial liabilities	958				958
Lease liabilities	8 596				8 596
Deferred income	687				687
Current tax payable	1 874			1 965	3 839
Dividend payable	13 987				13 987
Contract liability	1 189				1 189
Loans from related parties	40 393				40 393
Bank overdraft	1 755				1 755
Total current liabilities	181 201	0	0	1 965	183 166

**Disposal group liabilities
classified as held for sale**

-					0
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Total liabilities	503 685	-	-	1 965	505 650
Total Equity and Liabilities	1 711 962	0	(2 192)	7 019	1 716 789

Number of shares in issue ('000)	491 022	491 022	491 022	491 022	491 022
Net asset value per share (cents)	246,07	0,00	(0,45)	1,03	246,66
Net tangible asset value per share (cents)	219,47	0,00	(0,45)	1,03	220,06

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 reviewed financial information of AEEI for the period ended 31 August 2023.
- 2 Represents the derecognition of the investment in associate on disposal as well as the receipt of the disposal proceeds in cash.

Calculation of profit / (loss) on disposal of investment in BTSA

Cash proceeds on disposal of investment in BTSA	290 000
Derecognition of carrying value of investment in BTSA	(290 000)
Profit / (Loss) on disposal of investment	-

The carrying value of the investment in associate was accounted for in terms of IAS28 using the equity method. In accordance with IAS28 the investment in associate was initially recognised at cost and then adjusted each period by the post-acquisition change in the investor's share of the net assets of the

associate. The carrying value of the investment is further adjusted for any impairments calculated in terms of IAS36.

The investment in associate was included in Disposal Group Assets held for disposal in accordance with requirements of IFRS 5 in the Consolidated Statement of Financial Position.

- 3 Represents the transaction costs in respect of the proposed Disposal that will be settled from existing available cash.
- 4 Represents investment income calculated on the disposal consideration at market rates for cash invested in the call account.
An average rate of 6.85% was used.

Cape Town

27 December 2023

Transaction adviser and Sponsor



Vunani Sponsors

Joint Sponsor



Merchantec Capital

Legal Adviser



Clyde & Co Incorporated

Independent Reporting Accountants



Crowe JHB



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27 December 2023

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 pro forma financial information, as set out in the announcement containing such supplementary information to be issued on or about 27 December 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.

The pro forma financial information has been compiled by the directors to illustrate the impact of the corporate action or event, described in the Announcement, on the Group's financial position as at 31 August 2023, and the Group's financial Performance for the period then ended, as if the corporate action or event had taken place at 1 September 2022 and for the period then ended. 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 reviewed results for the period ended 31 August 2023 issued on 13 December 2023.

Directors' Responsibility for the Pro Forma Financial Information

The directors are responsible for compiling the 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 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 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 pro forma financial information.

The purpose of pro forma financial information included in a prospectus 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 31 August 2023 would have been as presented.

A reasonable assurance engagement to report on whether the 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 pro forma financial information provide 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 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 pro forma financial information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the 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 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.

A handwritten signature in dark ink, appearing to read "Crowe JHB", is written diagonally across the page.**Crowe JHB**

Gary Kartsounis

Partner

Registered Auditor

9 Autumn Street, Rivonia, 2191