INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF AFRICAN EQUITY EMPOWERMENT INVESTMENTS LIMITED

OPINION

We have audited the consolidated and separate financial statements of African Equity Empowerment Investments Limited (the Group) set out on pages 16 to 111, which comprise the statements of financial position as at 31 August 2017, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group as at 31 August 2017, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the Group in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of unlisted investments (separate annual financial statements) Investment in subsidiaries are carried at fair value through profit or loss, amounting to R2 303 034 000. The valuation of these investments are based on an entity discounted cash flow valuation technique. The use of a discounted cash flow valuation requires the estimation of a number of significant inputs, including the future expected cash flows and the weighted average cost of capital used to perform the discounting. Many of these inputs may have a material impact on the valuation. In determining the fair value of the subsidiary companies, which are not traded in an active market, valuation techniques which require significant judgement and estimates are applied by management. These are in accordance with Level 3 inputs as per International Financial Reporting Standard 13 Fair Value Measurement (IFRS 13). The judgements are based on existing market conditions, determined at the end of each reporting period to determine the fair value of these financial instruments.	In assessing the fair value of the unlisted investments, we obtained an understanding of the overall control environment as well as the processes which have been implemented by management and which have been overseen by the Board of directors. • Testing the mathematical accuracy of the valuation models, by performing a recalculation of each valuation. • Assessing the budgeting process, and confirming reasonability of the forecasts • Agreeing management forecast to the approved budgets. • Comparing the actual performance to that of previous years forecast. • We have assessed the key inputs in the valuation models by performing the following procedures:

Key audit matter	How our audit addressed the key audit matter
Accordingly, the valuation of investment in subsidiaries at fair value through profit or loss was considered to be a key audit matter, due to the significant contribution to results of the separate financial statements as well as the significance of the assumptions, estimates and the level of judgement involved. The disclosures relating to investment in subsidiaries are contained in note 1 (accounting policies) and notes 6 and 43 (financial disclosures). Our audit procedures included an assessment of the reasonability of the forecast by:	• Comparing the inputs to the weighted average cost of capital discount rate to independently obtained data such as the cost of debt, risk free rates in the market, market risk premiums, debt/equity ratios as well as the beta of comparable companies. • Utilising our internal valuation experts, who have assessed the reasonableness and appropriateness of the key inputs. We have assessed managements' qualifications, experience and expertise with respect to the valuation performed. We inspected the disclosures in the financial statements in relation to the valuation of unlisted investments for compliance with the relevant accounting requirements.
Valuation of Goodwill and intangible assets (consolidated annual financial statements) Under IFRSs, the Group is required to annually test goodwill and intangible assets for impairment. We have determined this is a key audit matter due to the judgement required by the Board in preparing a 'value in use' model to satisfy the impairment test. Forecasting future cash flows and applying an appropriate discount rate, inherently involves a high degree of estimation and judgement by the Board. Details of the assumptions and estimation used has been disclosed in Note 1.3 and Note 29.	Our audit procedures focused on evaluating and challenging the key assumptions used by the Board in conducting the impairment review. These procedures included: • Reviewing the model for compliance with IAS 36 Impairment of Assets • Verifying the mathematical accuracy and methodology appropriateness of the underlying model calculations • Evaluating the cash flow projections and the process by which they were developed, comparing the cash flows to the latest budgets, assessing the historical accuracy of the budgeting process • Involvement of our internal valuation specialist to assessing the key growth rate assumptions by comparing them to historical results, economic and industry forecasts, and assessing the discount rate by reference to the cost of capital of the Group • Performing sensitivity analysis of the key assumptions in model. We have also assessed and validated the adequacy and appropriateness of the disclosures made in the financial statements.

INDEPENDENT AUDITOR'S REPORT (continued)

TO THE SHAREHOLDERS OF AFRICAN EQUITY EMPOWERMENT INVESTMENTS LIMITED

Key audit matter	How our audit addressed the key audit matter
New business acquisitions and related accounting (consolidated annual financial statements) During the year, the Group acquired Kalula Communications (Pty) Ltd, Puleng Technologies (Pty) Ltd and Orleans Cosmetics (Pty) Ltd. The accounting for these acquisitions is governed by IFRS 3 Business Combinations whose requirements can be complex and requires the directors to exercise judgement in determining certain estimates. The most significant is the determination of the purchase price allocation which encompasses: • Identifying the assets and liabilities acquired and determining their fair values; • Determination of separate identifiable intangible asset, bargain purchase or goodwill to be recognised on acquisition; and • Determining the value of the considerations transferred. We have determined this is a key audit matter due to the value of the current year acquisitions and the level of judgement and estimate involved in the purchase price allocation. Details of the acquisitions has been disclosed in Note 50.	Our procedures included, among others, the following: • Involvement of our internal valuation specialists in the valuation of the identifiable assets and liabilities including assessing the adequacy of the valuation methods and appropriateness of key assumptions used; • Recomputing the value of the considerations transferred with reference to the purchase agreements and the correct effective date was used; • Recomputing the resulting goodwill, bargain purchase and intangible assets to be recognised on acquisition; and • Performing procedures to determine that acquisitions made were included correctly in the consolidation. The purchase price allocation and the accounting for the acquisition transactions was assessed to be appropriate based on the evidence obtained.
Residual values of vessels (consolidated annual financial statements) The residual values are reviewed annually by management. In determining the residual value, management applies judgement in determining the estimated amount that the entity would currently obtain from the disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. Accordingly, the residual values of vessels was considered to be a key audit matter, due to the significance of the estimates and the level of judgement applied by management. The disclosures relating to vessels are contained in note 1 (accounting policies) and note 3.	Our audit procedures included an assessment of the reasonability of the residual values, namely: • We have inspected a management resolution to confirm that management have reviewed the residual values. • We have discussed the reasonableness of the residual values used with management, as well as with managements' expert, and • We have obtained an experts assessment of the residual values, confirming that the residual values are reasonable.

Key audit matter	How our audit addressed the key audit matter
Physical quantities of Biological Assets (consolidated annual financial statements) Biological assets comprise of live abalone and are held in various weight categories. It is impractical to count all the abalone on a given day, due to factors such as the delicate nature of the abalone and the quantity of abalone held at the farm. As such, the quantities are determined through a process known as grading, which involves the periodic process of categorising systematic batches of abalone across the farm. Through this continual process and the use of industry growth algorithms, the number and average weight of the abalone is determined. Physical quantities of biological assets was a key audit matter due to the significant contribution to the consolidated results of the Group. The disclosures relating to biological assets are contained in note 1 (accounting policies) and notes 14 and 43 (financial disclosures).	In assessing the quantity of the biological assets, we obtained an understanding of the overall control environment as well as the processes which have been implemented by management and which have been overseen by those charged with governance. Audit procedures included the attendance of the periodic grading on site, in order to observe the appropriateness of controls implemented in applying sampling methodologies, as well as to confirm the adherence to appropriate biological inventory processes. Reliance is placed on the inventory systems utilised.
Impairment of fishmeal plant (consolidated annual financial statements) The fishmeal plant, located at Saldanha, is carried at cost less accumulated depreciation and accumulated impairment. In accordance with IAS 36 – Impairment of Assets, management annually assess whether there is any indication that the plant may be impaired. In assessing whether there is an indication of impairment, management applied judgement in: • Determining whether any impairment indicators exists, and • Determining the recoverable amount, being the higher of the assets fair value less costs to sell and its value in use. Accordingly, the impairment assessment of the fishmeal plant was considered to be a key audit matter, due to the quantitative significance and the level of judgement involved. The disclosures relating to property, plant and equipment are contained in note 1 (accounting policies) and notes 3.	In assessing the impairment assessment performed by management, we performed the following: • Physically inspected the fishmeal plant, • Discussed with management whether any impairment indication exists, • Discussed with management the method in which management has estimated the recoverable amount, and • Obtained a representation from management confirming that the plant is not impaired. Reviewed the method and key inputs used by management in determining the estimated recoverable amount. We have also obtained an independent third party assessment, confirming the fair value of the plant in its current location and condition. We have assessed this assessment by: • Discussing the method used in determining the value of the plant with the third party service provider, • Confirming that the third party is independent. • Assessed the experience and expertise of the service provider.

INDEPENDENT AUDITOR'S REPORT (continued)

TO THE SHAREHOLDERS OF AFRICAN EQUITY EMPOWERMENT INVESTMENTS LIMITED

OTHER INFORMATION

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

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Grant Thornton Cape Inc. has been the auditor of African Equity Empowerment Investments Limited for 20 years.

Grant Thornton Cape Inc

Grant Thornton Cape Inc.
Registered Auditors
Practice number: 2010/016204/21

Imtiaaz Hashim
Director

Registered Auditor
Chartered Accountant (SA)

7 November 2017

6th Floor, Grant Thornton House,
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