

PERFORMANCE AND FUTURE **OUTLOOK**

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INDEPENDENT NON-EXECUTIVE CHAIRMAN'S REPORT

African Equity
Empowerment
Investments Limited
is well positioned for
further growth.



Reverend Dr Vukile Charles Mehana
Non-executive chairman



DEAR SHAREHOLDER

It has been another milestone year in the history of African Equity Empowerment Investments Limited (AEEI). AEEI has flourished over this past financial year by surpassing its goals for the year, receiving recognition and acknowledgement for its leadership style and management control, maintaining its B-BBEE status, improving its financial performance, practising good corporate governance and by upholding its reporting structures.

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

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

OUR PERFORMANCE

AEEI's resilience amid uncertainty stands testament to its value system and work ethic that has stood the test of time for 18 years. Upon reflection of the past year, I would like to highlight the following:

- The Group delivered excellent results for the financial year ended 31 August 2017 as a result of strong contributions from all its underlying operations and strategic investments for the year. The consistent increase in earnings and asset growth during these turbulent times demonstrates just how resilient and flexible our business model is.
- AEEI received acknowledgement from its peers for its BEE rating, good corporate governance and reporting, as well as for its financial performance.
- The Group's CEO, Khalid Abdulla, was acknowledged for his leadership skills and management style through various awards.
- Premier Fishing and Brands Ltd listed successfully on the main board of the JSE.
- AEEI acquired equity in three companies, which will facilitate sustainability and growth in the short to long term.
- The listing of the technology division AYO Technology Solutions Ltd, formerly known as Sekunjalo Technology Solutions Ltd, is imminent.

VISION 2020 VISION

A key feature of our 2017 financial year is the significant progress we have made in executing our Vision 2020 Vision strategy, which is to become the leading diversified company that creates superior stakeholder value and empowers people through profits and performance.

Our 2017 performance demonstrates how successfully the broader Group rallied together to drive continuous optimisation and efficiency in our operations, while growing sustainable cash flow and value for our stakeholders.

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

We now have a more diversified portfolio that reduces risk exposure while securing access to distribution channels both nationally and internationally and creates further value for our stakeholders.

TRANSFORMATION AT AEEI

Diversity and inclusion at all levels of the business are essential to the sustainability of AEEI.

I am delighted to mention that we continue to maintain our focus on B-BBEE and transformation in accordance with the new codes.

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

In order to secure a pipeline of future experienced talent, we invested significantly in skills development and training, which ranged from basic literacy and health and safety training to upskilling our professionals to remain on the top of their game.

INDEPENDENT NON-EXECUTIVE CHAIRMAN'S REPORT – continued

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

I am proud to announce that we are continually increasing the number of women employed throughout our Group – not only at the Group's foundation, but also in executive positions. On another transformation-related note, we recognise that it is imperative to continue with the adequate upskilling of our people and communities through skills development and training programmes.


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

OUR EMPLOYEES

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


SUSTAINABILITY AT AEEI


At AEEI, we are cognisant of our material sustainability focus areas and their impact on our stakeholders.

 Read page 122 for in-depth details of these focus areas.

Stakeholder engagement at AEEI is supported by transparent and effective communication, mutually beneficial outcomes where possible, as well as inclusiveness and integrity. We participate in initiatives that inform and affirm a best practice approach in the areas of sustainability and social impact. We actively engage with our stakeholders so that the best possible outcomes may be achieved.

GOVERNANCE AT AEEI

The Board strives to ensure that AEEI is governed effectively, with integrity and in accordance with sound corporate governance practices. Read more about this on page 69. 

The Group's policies, practices and charters are updated regularly to remain compliant with the relevant laws, rules, regulations, codes and standards that include, but not limited to the JSE Listings Requirements. We have also embraced the inclusion of King IV™ in all applicable areas. More information can be found on page 69. 

SINCERE APPRECIATION

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

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

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

I look forward to chairing the Board throughout AEEI's next exciting growth phase.

Dankie baie.



Reverend Dr Vukile Charles Mehana

Independent non-executive chairman

“Greater transparency is an unstoppable force. It is the product of growing demands from everybody with an interest in any corporation – its stakeholder web – and of rapid technological change, above all the spread of the Internet, that makes it far easier for firms to supply information, and harder for them to keep secrets. Firms now know that their internal e-mails may one day become public knowledge, for instance, and many big companies must co-exist with independent websites where employees can meet anonymously to air their grievances. With greater transparency will come greater accountability and better corporate behaviour. Rather than engage in futile resistance to it, firms should actively embrace transparency and rethink their values and generally get in better shape.”

Don Tapscott, co-author *The Naked Corporation*

CHIEF EXECUTIVE OFFICER'S REPORT

If our people share in our vision for prosperity, we all profit from the outcome. Putting people first at AEEI is driving us forward to not only sustain Company output but is leading the way in how business of the future will be conducted.



Khalid Abdulla | Chief executive officer



SEEING OUR VISION 2020 VISION IN ACTION

The 2017 financial year has been one characterised by economic challenges, political volatility and social unrest. Many of us have experienced some of these “interesting times” first hand. The aforementioned notwithstanding, it has also been a year of great advances – for social innovation, business and the development of new technologies that will in time, underpin the functioning of everything we need to live and work. This also necessitates the rapid changes in the way we do business.

Looking back, AEEI had its fair share of challenges as we entered a period of global economic austerity, but we also rose to the challenge more than comfortably and delivered outstanding results yet again. This is, in many ways, thanks to the exceptional teams that we work with across the Group. We are a Company founded on the principle of putting our people first. This approach is yielding great benefits in the marketplace, in our business, for our shareholders and in our communities. It therefore seems fitting that I begin my report by acknowledging each and every one of you and thanking you for your concerted efforts to ensure that AEEI continues to grow in strength and stature.

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

I am pleased to announce that we have exceeded our growth targets for the financial year as we continue to create value for all our stakeholders by focusing on our set strategic objectives. More details on our Vision 2020 Vision are provided on page 34.

AEEI, which is now in its 18th year as a JSE-listed company, yielded excellent results for the 2017 financial year. The AEEI brand is gaining influence in the market place and is becoming synonymous with the conception of an exciting and innovative company that is growing consistently.

Our primary goal is to become sustainable in every aspect of the business – after identifying the factors that will leverage future growth, formulating and implementing the plans and then checking back in, on a regular basis, to confirm that we are on track with our Vision 2020 Vision strategy. The year 2020 is but three years away and I am happy to report that we are progressing ahead of schedule. This is due to our interpretation of constantly changing market indicators and trends and our ability to be nimble in adapting our strategies where needed. This is not an easy task, but it is something the Group accomplishes with professional enthusiasm. We are holding our course, due to our employees and the systems we have in place.

Once again, AEEI is able to present a strong and improved balance sheet on account of a number of critical

achievements, including value-creating acquisitions, and separately listing our fishing and brands division. This contributed to the effective management of the Company's balance sheet to fund further growth plans and enhance shareholder value. The in-depth financial results are published in the chief financial officer (CFO)'s report from page 60.

SEEING CLEARLY – OUR VISION 2020 VISION OVERVIEW

Previously, I promised to focus on our Vision 2020 Vision strategy and the future orientation of the Company. I believe that we have now provided a clear roadmap to our stakeholders of how we see the Group progressing in the years to come and how we will generate long-term value creation for all our stakeholders.

Our approach, energy and willingness to adapt where we need to, bodes well for ensuring the Group's future sustainability and excellent financial performance.

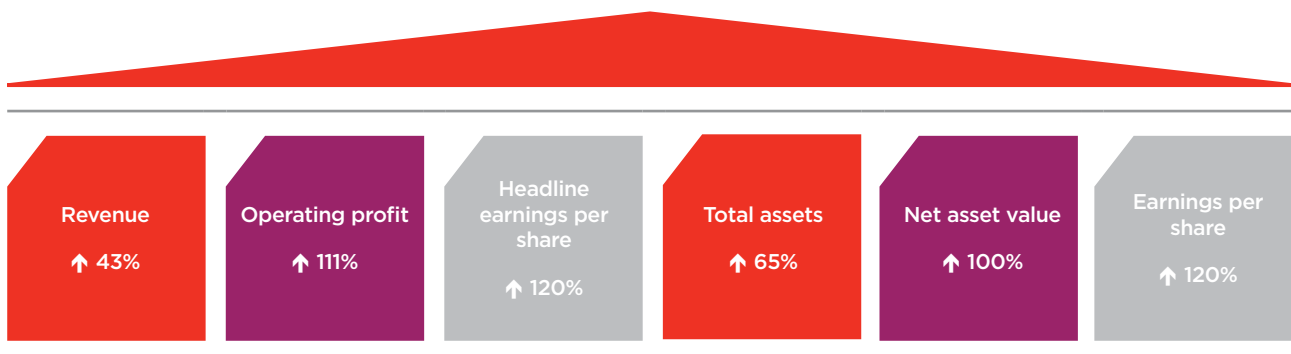
EXTERNAL AFFIRMATION

In terms of recognition, it has been a bumper year of awards, details of which can be seen on page 14. We would not have achieved anything without teamwork – I encourage you to read about our accomplishments, bearing in mind that everyone in the organisation contributed to our collective achievements.

However, one thing we cannot afford to do is to become complacent. As wonderful and as gratifying as it is to receive acknowledgment for our efforts towards positively transforming the South African business landscape and consistently delivering excellent results for our stakeholders, there is still more to achieve. As a reminder of what sets us apart from our competitors and why we consistently achieve recognition, refer to page 13.

AEEI is known to be a Group that is innovative in its thinking and pushes beyond entrenched practices to advance progress on all levels. Furthermore, our communication and ongoing engagement with associates, employees, government, labour unions, our sponsors, partners, shareholders and other business leaders is geared to promoting economic inclusivity and optimal growth for all parties concerned. Here, our contribution to the 2030 National Development Plan is of significance – it has been plotted as part of our projected “business as usual” practices and will begin to filter through to all of our business units through our strategy.

CHIEF EXECUTIVE OFFICER'S REPORT – continued

**BY THE NUMBERS**

It is indeed the case that the country as well as the global markets have faced an economic downturn; however, AEEI has remained positive and focused on delivering sustainable, positive stakeholder value with single minded determination. This was achieved through a combination of sound decisions that include cash-generating business deals, prudent control of working capital and the containment of expenditure, without compromising investment safety and risk management-related items, all of which are non-negotiable.

I am delighted to advise that the Group remains on a positive trajectory. The Group delivered excellent revenue, operating profit and asset growth due to the strong contributions from all its underlying operations and investments for the year under review. The consistent increase in earnings and asset growth during the ongoing economic volatility, low investor and consumer confidence, as well as the rating downgrade demonstrates the efficiency and effectiveness of our business model in challenging market conditions.

AEEI has been successful in that the Group's revenue, operating profit, earnings, profit before tax, asset base and net asset value all increased significantly for the financial year.

As a result of the solid financial performance of the underlying businesses, net cash generated from operating activities increased substantially over the past few years. More detail in this regard can be found in the CFO's report.

REVIEW OF OUR INVESTMENTS**GROUP PROFILE**

The Group as a whole performed very well showing growth in all our key performance indicators due to strong contributions from all of our underlying operations and investments.

The Group's revenue increased by a significant 43% from R736m in 2016 to R1 052m in 2017, the operating profit

increased by 111% from R310m in 2016 to R655m in 2017, while our asset growth rose by 65% from R1,76bn in 2016 to R2,8bn in 2017.

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

FISHING AND BRANDS DIVISION

We successfully listed our fishing and brands division separately on the JSE. In the listing process, the Company raised R526m and achieved a market capitalisation of approximately R1,2bn on listing date.

Premier Fishing and Brands Ltd (Premier) delivered a consistent and satisfactory set of results for the year with operating profit increasing to R77m.

Premier's revenue and product basket is further diversified through customer geographies in the USA, Europe and the Far East, which we believe mitigates various economic and global risks.

The overall improved catch rates, greater sales volumes, better pricing and efficient vessel management all contributed to their more than satisfactory financial performance during the year.

The abalone farm expansion plans are all on track and are expected to be completed by 2020 with full production increasing to over 300 tons.

Premier announced in October 2017 that it concluded a binding heads of agreement with Talhado Fishing Enterprises (Pty) Ltd, the largest squid company in South Africa, to acquire a 50.01% equity interest in their company. This acquisition will further complement its overall diversification strategy and enhance its product range.

TECHNOLOGY DIVISION

A sizeable percentage of AEEI's value now resides in our technology division. This is evident in the results of our operating profits and is an indication of how our

ambition to realise the goals and objectives we set out in our Vision 2020 Vision strategy are coming to fruition. The technology division has over the past five years, shown consistent year-on-year growth and has delivered strong operating profits for the 2017 financial year once again.

The division delivered on its acquisition strategy by acquiring two information technology (IT) companies to bolster its product portfolio, which resulted in existing revenues and operating profits increasing by a substantial 182% and 141% respectively. This result includes the R570m telecommunications segment, which has now been reflected as part of the technology division. This produced the necessary economies of scale required to meet its Vision 2020 Vision strategy in relation to the potential listing of the division in the short to medium term.

The diversification in the various technology businesses complements its existing portfolio and will enhance its future offerings to its broader customer base.

During the period under review, the Group gained significant influence over its fully paid-up investments in BT Communication Services South Africa (Pty) Ltd (BT). This resulted in the technology division recognising the investment previously held as an investment at fair value through profit as an associate.

A major constituent of the division underwent a name change during this financial reporting period – Sekunjalo Technology Solutions Ltd was renamed to AYO Technology Solutions Ltd (AYO Technology), with “AYO” meaning “joy and happiness”.

More importantly, the Board approved a proposal to list the above-mentioned subsidiary, AYO Technology on the main board of the JSE, subject to market conditions.

HEALTH AND BEAUTY DIVISION

The health and beauty division increased revenue by 252% from R4,2m to R14,8m through increasing its footprint to regions less affected by drought and by acquiring a 90% equity interest in Orleans Cosmetics (Pty) Ltd (Orleans Cosmetics). Orleans Cosmetics is the exclusive South and Southern African distributor of imported, high-end cosmetic brands such as Gatineau, NUXE, RVB SKINLAB/diego dalla palma professional and Sothys.

BIOTECHNOLOGY

Genius Biotherapeutics (Genius), South Africa and Africa's largest medical biotechnology company, continues with its research and development activities.

Genius' management focused their plans on updating all regulatory work by employing the necessary human resources required to meet Medicines Control Council (MCC) compliance standards for the production of Repotin.

EVENTS AND TOURISM DIVISION

espAfrika continues to generate strong bottom-line growth. This has been achieved through rationalising business and streamlining processes over the past three years. The entertainment sector is evolving to appeal to a clientele looking for more experience-based events and espAfrika is positioning itself accordingly, with new Company-owned initiatives as well as a number of planned joint venture projects coming on the market in the short to medium-term.

espAfrika hosted another very successful 18th Cape Town International Jazz Festival post interim period. In 2016 espAfrika launched its own second annual event called “The Royal Escape” at Sun City and this was held again in July 2017.

The radio station Magic 828, which has been in existence for 24 months, contributed to the gross revenue for the period. The station increased their listenership by 155% in the greater Western Cape region from 134 000 to 342 000.

Tripos' growth in its inbound and outbound travel volumes improved as expected, which is in-line with the Group's strategy.

STRATEGIC INVESTMENTS

AEEI has minority equity stakes in Saab, Sygnia and Pioneer Foods and these investments have demonstrated an improvement in value since the date of the respective acquisitions.

Consistent growth in earnings and regular dividends were received from all the strategic investments. During the current year, AEEI purchased additional shares in Sygnia as a result of a rights issue, which resulted in the Group obtaining an additional 0.867% and now own 1.735% of the company.

SALE OF BUSINESS

During the current year, the Group disposed of the going concern in Saratoga Software (Pty) Ltd (Saratoga). Total net assets of R13,3m were sold, R4,6m of which was in relation to goodwill. The consideration receivable amounted to R19,4m, which resulted in a profit on disposal of R6,1m reflected in the statement of profit and loss and other comprehensive income.

CHIEF EXECUTIVE OFFICER'S REPORT – continued

FUTURE FOCUSED

The Group will continue with its strategic focus on growing the value of its core operational investments and improving the value-add to its strategic investments.

AEEI has built a solid platform for further organic growth and has positioned itself well to increase its investments by acquisition. Management is focused on its five-year strategic plan – Vision 2020 Vision – and has reinforced its overall acquisition pipeline and especially for its fishing and brands and technology divisions.

I had the pleasure of attending the World Economic Forum on Africa in Durban earlier this year. While it was an excellent opportunity to network with world thought leaders, to share and to learn from best practices, it is also the forum from which to gain insight into future trends. As I have already mentioned, technology and innovation will play an increasingly important role in business and consumer-related activities. There is much talk about the dawning of the 4th Industrial Revolution in which man and machine (mostly virtual) would merge. In fact, it is already here and AEEI is preparing for this evolution in a number of ways.

As an addition to AEEI's growth aspirations, a Group-wide innovation drive was initiated with our Vision 2020 Vision strategy. Innovation projects have been designed to improve the overall quality of earnings, while accelerating and enhancing our existing business and potentially diversifying the portfolio further, even as we take into account our transformation philosophy through B-BBEE, supplier and enterprise development responsibilities.

In the global innovation landscape, tomorrow's to-do list has already been realised with a click of a button. In the new "app economy", Millennials have made way for "Generation Z" – those individuals who were born in the digital era from 1995 – who are fast becoming the largest percentage of stakeholders and clientele worldwide.

While the latest app, cellular telephone, gadget, cloud and everything in-between is simplifying some aspects of our daily lives, digital and other technology is also enabling nefarious cyber activity. This has prompted us to install and upgrade stringent security measures to safeguard our online assets, intellectual property and information. Other future developments for the Group will include further acquisitions and diversification as we continue to expand our sphere of operations across Africa and embrace some

direct consumer-focused brands to further diversify our holdings and safeguard the growing e-commerce trend, among others. All in all, it is shaping up to be an extremely exciting period for AEEI.

SINCERE APPRECIATION

This past financial year has been exceptional on many levels – the Company's performance, both on a quantitative as well as a qualitative basis has been remarkable and we have been acknowledged with a number of high-level prestigious awards by our peers and industry.

In addition to the Company's awards mentioned in the chairman's report, I am honoured, but also delighted, yet humbly so, to share the following awards with you, as they come as a result of all our collective efforts.

This year I was honoured with the Top CEO Africa Award for South Africa by the CEO Today Africa Awards magazine – a publication that recognises and celebrates outstanding leadership, superb strategic thinking and entrepreneurial spirit.

I received both the Business Leader of the Year – Southern Africa 2017 award at the 7th All Africa Business Leaders Awards in partnership with CNBC Africa and South Africa's Most Empowered Business Leader of the Year 2017 at the Oliver Empowerment Awards. In addition to this, I was lauded as SA's Future Maker – Driver for Change Award 2017 at the inaugural Vision 2030 Awards and AEEI has also been recognised as a Most Empowered Company by Empowerdex over the many years since its inception.

While some of these awards have my name on it, I acknowledge that it is due to our collective efforts to deliver the results that we have, as a Group. I am truly blessed to be supported by a very talented, highly skilled and hardworking team of employees, partners and associates as well as our visionary shareholders.

These awards all stand as a testament to our commitment to continuing on our path of transformation and building AEEI as a sustainable business – one that can be admired and emulated as much for its ethics and governance as for its financial performance.

Our diversified operational and investment portfolio, expanding footprint, knowledge, skills and continued growth will be harnessed to improve and ensure a sustainable business for years to come.

I started this report by expressing my thanks to all who have shared our vision and helped us deliver on it. I would like to end this report by reminding everyone that investment in human capital is a prerequisite for laying the foundations of great economies. AEEI is successful because of its employees. The country may be entering uncertain times, but if we look to one another, support one another and share our successes as well as our failures and learn from both, as a community, we can achieve what we all dream of – prosperity.

I extend a special thank you and my sincere appreciation to the entire Board of directors and especially our chairman, Reverend Dr Vukile Charles Mehana and deputy chairman Mr Salim Young for their continued guidance and wisdom. I would also like to thank the executive management team, employees, strategic partners and associates for their passion, dedication and unwavering support as they continue contributing to the success of AEEI.

I look forward to the next phase of AEEI's growth trajectory based on our Vision 2020 Vision.

Thank you.



Khalid Abdulla

Chief executive officer

CHIEF FINANCIAL OFFICER'S REPORT

AEEI delivered exceptional financial results in the 2017 financial year and unlocked shareholder value through listing one of its core investments.



Chantelle Ah Sing | Chief financial officer



KEY FINANCIAL HIGHLIGHTS

REVENUE	OPERATING PROFIT	TOTAL ASSETS	NET ASSET VALUE (NAV)	NET OPERATING CASH FLOW
↑ 43% from R736m to R1 052m	↑ 111% from R310m to R655m	↑ 67% from R1 691m to R2 822m	↑ 39% from R916m to R1 277m	↑ 7% from R75m to R80m

OVERVIEW OF THE 2017 FINANCIAL YEAR

AEEI is pleased to deliver another set of exceptional financial results after the second year of its Vision 2020 Vision. The Group continues to deliver a sterling performance due to:

- earnings growth in its core operations in the technology and health and beauty divisions;
- strong growth and returns in its strategic investments; and
- substantial increases in fair value in an associate company.

Our first strategic priority is to leverage the investment portfolio to drive growth through acquisitions. In doing so, AEEI achieved its objective to increase its diversity and geographic footprint by the acquisition of a health and beauty company and two technology companies which add value and strengthen the growth of the existing portfolio. The above-mentioned reasons positively impacted the Group by increasing the total assets by 67% to R2 822m.

In terms of investment activities, we went further by meeting our strategic objective through the successful listing of Premier Fishing and Brands Ltd and its subsidiaries on the Johannesburg Stock Exchange (JSE) in March 2017 and unlocked its value at R1,1bn.

The second strategic priority for the Group is to maintain gross margins from its underlying operations and keep Group margins within the targeted range of between 30% and 35%. The Group exceeded its margin range from an initial 34% to 38% by improving operational efficiencies through the following:

- lower catch costs and improved pricing
- vessel planning and scheduling
- change in product portfolio
- business mix in the technology and the health and beauty divisions.

Our third strategic priority is to improve social, governance and financial sustainability in our business in order to secure long-term growth and value creation for the Group. Key stakeholder relationships were harnessed through ongoing engagement to improve our governance structure, to uplift communities, to

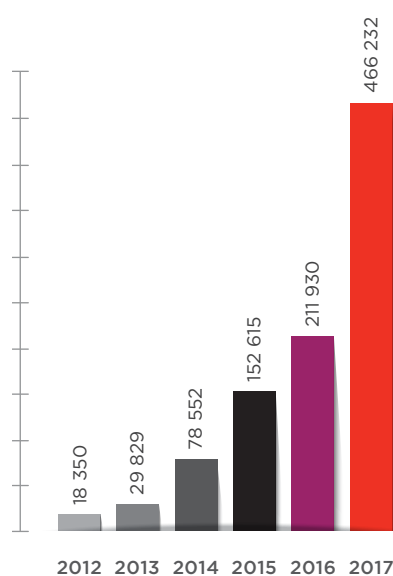
reduce our environmental footprint and to develop our transformation plan. Refer to our stakeholder engagement on page 85 for further details.

We created superior value for our stakeholders through the following achievements:

- Growth in revenue of 43% from R736m to more than R1 052m
- Increase in operating profit of 111% to R655m
- Increase in total assets to over R2,8bn, in line with our strategy
- Increase in net asset value per share from 186,52c to 260,00c per share
- Interim dividend of 2c per share and a final dividend declaration of 5,50c per share

Despite an uncertain political climate and low economic growth in South Africa, the Group performed exceptionally well and operating profit increased from R310m to R655m as a result of the acquisition growth strategy in the technology division and the restructuring of the BT investment to an associate company. Most of the divisions in the Group delivered on their strategic objectives for the 2017 financial year. Refer to page 65 for more details.

HEADLINE EARNINGS R'000



CHIEF FINANCIAL OFFICER'S REPORT – continued

The Group's earnings increased by 120% from R217m to R477m, which was driven by a solid operational performance from an enhanced investment portfolio and an increase in investment value from the Groups' strategic investment portfolio. As a result of these factors, headline earnings per share swelled from 43,13c to 94,89c.

The net asset value of the Group increased from R1bn to R2bn over the year due to the corporate transactions completed and the outstanding financial performance achieved in 2017. Our performance indicator – NAV per share – increased to 260,00c per share, which is a good measure of the strength of our balance sheet.

GROUP FINANCIAL PERFORMANCE

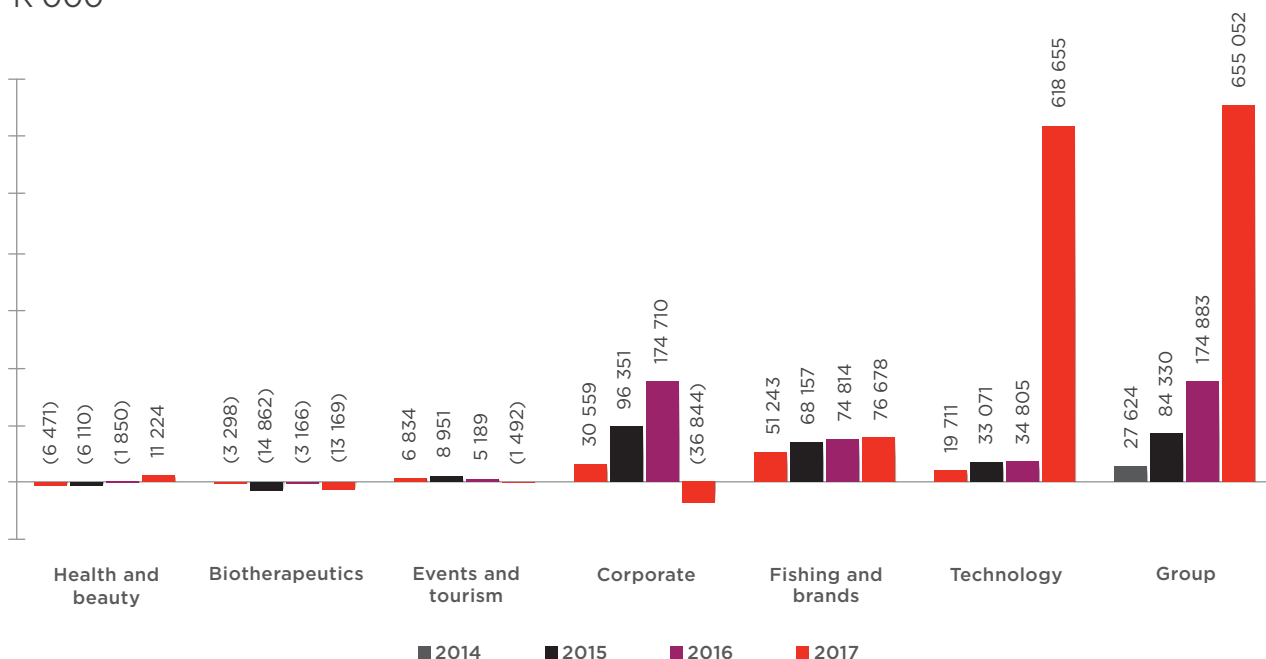
AEEI's revenue growth of 43% was bolstered by the R475m revenue contribution from the technology division, which increased by 182% through acquisitive growth. The fishing and brands division increased their revenue steadily to R408m from R401m. The acquisition in the health and cosmetics division increased its revenue from R4,3m to R14,9m.

Operating profit was R655m, which is an increase of 111% over the prior year. All the operational divisions contributed positively to the growth in operating profit for the year, with the exception of the events and tourism and biotherapeutics divisions.

The fishing and brands division produced a consistent operating profit of R77m (2016: R75m) with a 19% operating margin, which was driven by improved catch costs, greater sales volumes and better pricing. The technology division increased its operating profit contribution to R619m (2016: R256m) as a result of the profit included from the two new technology and telecommunication businesses. The health and beauty division achieved R11,2m in operating profit as a result of the contribution from the cosmetics company, in comparison to a prior year loss of R1,8m.

The events and tourism division delivered lower than expected revenue and contributed an operating loss due to a loss of sponsorship income and a lower margin in the travel business under a tough economic climate. The biotherapeutics division continued with its research and development and these activities increased the Group's operating expenses by R4m due to additional costs associated with infrastructure and resources to advance its various projects.

OPERATING PROFIT PER DIVISION R'000



Operating expenses increased by R128m from R169m to R297m mainly due to a full year's operating costs of R90m for the two newly acquired technology companies, as well as bad debt impairment of R3m, loss on disposal of assets of R2,8m and R3,9m foreign exchange losses, respectively.

The increase in the fair value adjustments of R535m is mainly due to the increased fair value of R605m from the investments in Saab and BT. As part of the restructuring of the technology division, the profit on the disposal of the Saratoga operations of R6m was included in the statement of profit of loss effective 1 July 2017, with further discontinued operations in Emergent Energy which was disposed of 1 September 2017.

Taxation amounted to R155m which included an income tax charge of R41m and deferred tax of R114m. The effective tax rate was 22.77%, mainly as a result of the effects of the capital gains and associate profit from the strategic investments.

GROUP FINANCIAL POSITION

As a result of the change in control, the investment in BT at fair value through profit and loss, previously classified under other financial assets, is treated as an investment in associate from 23 November 2016, with a deemed cost valued at R766m. A significant increase of R190m in current assets from the companies acquired and the increase of cash and cash equivalents of R560m are the major reasons for the increase in total assets.

Cash and cash equivalents increased significantly from R65m to R625m at year-end, which is largely attributable

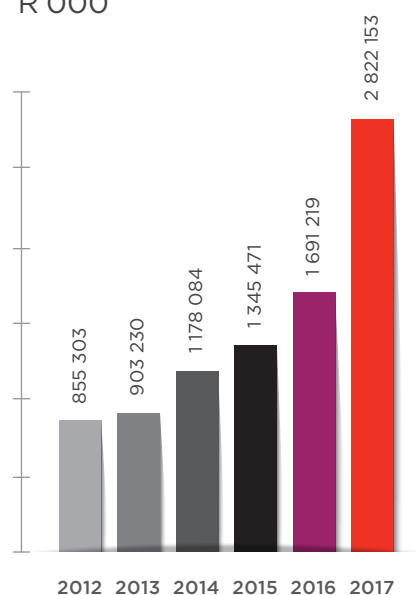
to the additional capital acquired from the listing of Premier Fishing and Brands. Current assets increased by 267% to R967m as a result of acquisitive growth in inventory and current trade and other receivables as well as cash and cash equivalents.

Total liabilities excluding the deferred tax liability increased to R573m (2016: R391m), mainly due to the additional current liabilities of the newly acquired companies, loans to minority shareholders and the outstanding amounts payable for the companies acquired during the current year.

The redeemable cumulative preference share liabilities decreased to R186m (2016: R199m) in the current year through dividend returns paid out by the strategic investments. The Group continually manages its debt commitment and finances its acquisitions through a mix of debt and equity. It decreased the medium gearing ratio to 16% (2016: 23%) with the strategic objective to reduce debt within the risk appetite limits.

The Group's net asset value growth of 39% was driven by the strong financial performance of all the underlying existing investments as well as the impact of the newly acquired assets and liabilities. As a result of the accelerated earnings growth and strong financial position achieved during the year, the return on equity increased from 24% to 37%.

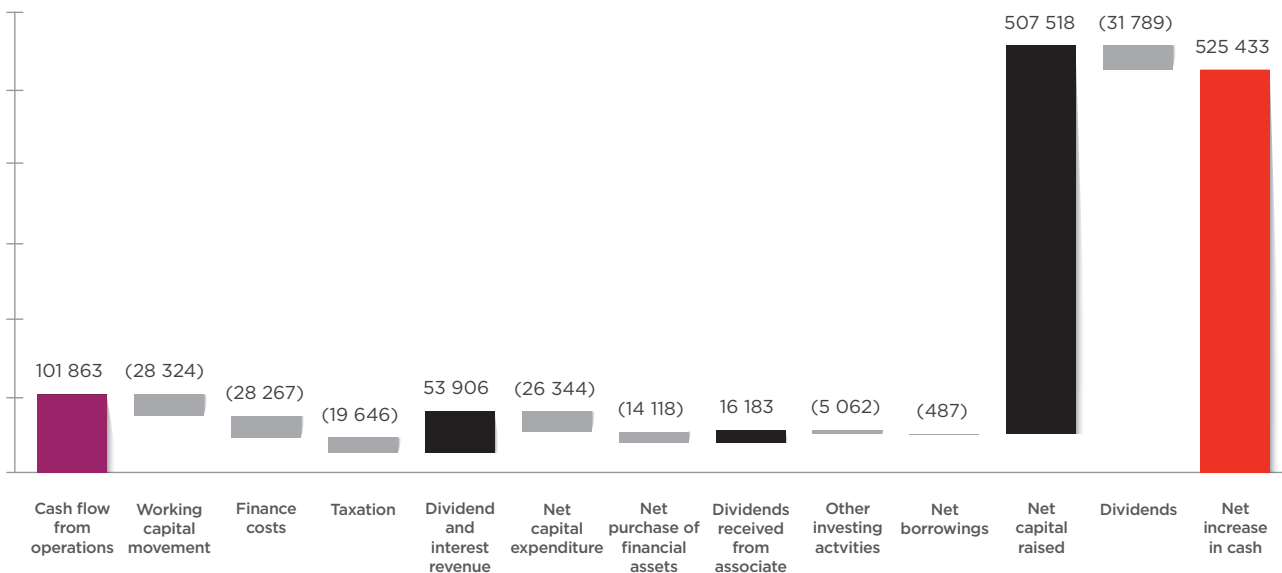
TOTAL ASSETS R'000



CHIEF FINANCIAL OFFICER'S REPORT – continued

CASH FLOWS

The solid operational performance from the underlying operations is reflected in the net cash flows from operating activities, which increased from R75m to R80m at year-end and included additional interest income of R20m and taxation paid of R2m. Cash generated from the operations is R73m – a decrease after a larger investment in working capital, which increased to R28m, was required by the operations. The cash raised from the fishing and brands listing is the major factor for the high balance in cash at year end. The movement in cash flows is depicted in the chart below:

CASH FLOW
R'000

MATERIAL MATTERS THAT AFFECT OUR PERFORMANCE

RESPONSIBLE USE OF CAPITAL GENERATED

The Group incurred R27m (2016: R12m) in capital expenditure which included R21m for existing operations. The fishing and brands division incurred replacement capital of R14m to maintain organic growth in its underlying businesses. The expansion plans of the abalone farm incurred expenditure of R8m in the current year to complete the live packing facility and additional infrastructure development to increase capacity on the farm.

The acquisitive growth strategy is on track in terms of Vision 2020 Vision, taking into account the two new IT companies brought into the technology division and the further bolstering of the health and beauty division through the acquisition of the cosmetics company. The strategy impacted the Group's balance sheet by

increasing its asset base through current assets and an additional R6m in long-term assets from the companies acquired. Asset efficiency ratios and pay-back periods were taken into account when these investment decisions were made and it was assessed that the returns from these investments exceeded the cost of capital.

Capital was used to fund the acquisitions through partial share issue and the cash portion was financed through a term loan and working capital facility. The Group continued to meet its existing debt obligations and strives to maintain a medium gearing of 15% to 25%.

INVESTMENT IN BUSINESS OPERATIONS

The technology division via its health information systems, is further developing its own software to improve the ambulance system with a programme to assess the availability of beds at public hospitals. In the current year, R1,1m was expended to develop this critical service to implement in the Western Cape's government hospitals next year. Further development of the electronic

continuity care record system enabled a second roll-out in October 2016.

Distribution rights valued at R44,8m were acquired through a business combination in the health and beauty division for contracts with four key principals with exclusive brands – Gatineau, NUXE, RVB SKINLAB/diego dalla palma professional and Sothys, as well as the rights to regulate the purchase of Plantronics products for resale in the technology division.

Magic 828 is the fourth largest commercial radio station in listenership in the Western Cape according to an independent survey. After two years on air, the station grew its listenership to more than 340 000 listeners and further working capital was invested to obtain tangible returns in the short to medium term.

Working capital was provided to the biotechnology division to continue with research and development activities by expanding the dendritic cell vaccine project to include pre-clinical trials for extreme drug resistant tuberculosis and the pursuit of MCC approval to commence with Phase 1 clinical trials on breast cancer as well as to improve its Repotin production methodology.

GROWTH THROUGH STRATEGIC INVESTMENTS

The Group's strategic investment in Saab continues to grow in value, delivering strong financial results with sustainable dividends to repay the preference share liabilities. The measure of control over the investment in BT changed to significant influence and is now equity accounted as an investment in associate. Our share of the carrying value of the investment in associate is accounted for at R781m.

The Pioneer Foods Group continued to experience a year of share price volatility. The Group expects a recovery in this investment in the medium to long term and continues to hold this listed investment for the long term. The number of shares in Sygnia increased during the year from 1.19m to 2.68m, by participating in a rights issue increasing our shareholding to 1.735%.

The synergistic benefits between AEEI and its key strategic partners continue to improve and expand the investment portfolio, enabling long-term growth and value creation.

EXTERNAL FACTORS THAT IMPACT THE GROUP'S PERFORMANCE

Factors outside of our control, which include higher fuel prices, volatile exchange rates, increasing electricity prices and changing interest costs, meant that management constantly had to relook at operations and resources within our control.

The Group's cost structure and margins are managed by the executive operational management teams, which are reported on through the governance structures. Key decisions are taken to ensure that the Group's cost structure and margins do not materially affect AEEI's budget expectations or strategic plans.

The volatility of the exchange rates impacted the various businesses both positively and negatively during the year. Operational management responded by improving their operational efficiencies by renegotiating pricing and improving cost structures to reduce the overall impact on their profits. A net foreign exchange loss of R 3,9m (2016: R1,6m) impacted the 2017 financial results.

The current slow economic climate and political instability in the South African economy necessitated that the Group open itself up to exploring opportunities outside of South Africa. The Group continued to invest in parts of Africa in accordance with the strategic plans in our technology division to expand the demand for their product offering.

The adverse weather conditions impacted the number of seaworthy days and catch rates in the fishing and brands division and this led to changing the vessel planning and scheduling. Due to the diversification strategy, operational management were able to mitigate any material effects. The declining demand from the drought-stricken farming areas in the Western Cape negatively impacted revenue and operating profits in the health and beauty division. Management expanded its product offering to other less severely drought-affected farming regions in the Northern and Eastern Cape to counter the effects in the Western Cape.

CHIEF FINANCIAL OFFICER'S REPORT – continued

SHAREHOLDER RETURNS

AEEI returns value to its shareholders in the form of dividends and share price appreciation. The share price traded well with a closing price of 350c and we expect this to increase further as the Group meets its strategic objectives.

We continue to reward our shareholders in line with our earnings growth and accordingly increased our total gross dividend per share to 7,50 cents per share, a 127% increase from the prior year's 3,30 cents per share. The Board declared a final gross dividend of 5,50 cents per share on 7 November 2017.

LOOKING AHEAD

In 2017, the medium-term economic outlook for South Africa remains constrained as growth remains at 0.3% and poor business confidence persists. AEEI's sustainable foundation, which is built on a diversified investment portfolio, cash-generative businesses and an efficient and effective business model, enabled resilience under the current conditions and creates the ability to focus on achieving its Vision 2020 Vision strategy.

AEEI will continue to diversify through acquisitive growth by raising capital through equity markets and/or increasing debt. The Group's balance sheet remains strong with sufficient leverage to enable the financing of further acquisitions.

AEEI's financial objective remains to create superior value for its stakeholders and maintain gross margins within its targeted range by continually improving the cost structure and operating efficiencies, to overcome the external factors that are out of our control.

APPRECIATION

I would like to thank the financial teams across the Group for their diligence, dedication and commitment during a turbulent year. We have come through with determination and integrity to meet the demand of delivering quality financial information to our stakeholders.

We acknowledge the unwavering support and guidance from our Board of directors and executive management teams that levered our efforts to deliver on our Vision 2020 Vision strategy.

CONCLUSION

I am pleased to report that the Group's financial objective – to deliver superior value to our shareholders – was achieved through the delivery of an exceptional set of financial results and a strong balance sheet for the year. We believe that the year ahead will bring deeper fulfilment of the Vision 2020 Vision and build a greater tomorrow for the Group.



Chantelle Ah Sing
Chief financial officer

GREAT LEADERS
DON'T SET OUT TO
BE A LEADER...

THEY SET OUT TO
MAKE A DIFFERENCE.
IT'S NEVER ABOUT
THE ROLE - ALWAYS
ABOUT THE GOAL.

Lisa Haisha