

## DIRECTORS' REPORT

The directors have pleasure in submitting their report on the annual financial statements of African Equity Empowerment Investments Limited and the Group for the year ended 31 August 2016.

### 1. NATURE OF BUSINESS

African Equity Empowerment Investments Limited ("AEEI or "the Company" or "the Group") is a majority black-owned and black-managed investment holding Company based in South Africa. The Group has investments in food and fishing, technology, health and biotherapeutics, and events and tourism, all supporting Broad-based Black Economic Empowerment (BBBEE) and small, medium and micro enterprises (SMMEs). The Group also holds strategic investments; some with international partners.

It has many operational joint arrangements, associates and subsidiaries. Refer to notes 44, 45 and 46.

There have been no material changes to the nature of the Group's business from the prior year.

### 2. REVIEW OF FINANCIAL RESULTS AND ACTIVITIES

The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, the SAICA financial reporting guides issued by the Accounting Practices Committee and the Listings Requirements of the JSE Ltd. The accounting policies have been applied consistently compared to the prior year.

Full details of the financial position, results of operations and cash flows of the Group are set out in these consolidated annual financial statements. Refer to note 43 – Group Segmental Analysis for a detailed breakdown of the proportion of net income or loss attributable to the various divisions in the Group.

### 3. CORPORATE GOVERNANCE

The directors subscribe to the principles incorporated in the King Code of Corporate Practices and Conduct as set out in King III and, save as disclosed in the corporate governance review, have complied as far as practical with principles contained therein throughout the reporting period. The directors recognise the need to conduct the Company with integrity and in accordance with generally accepted corporate practices. The Board and the Board committees have reviewed the Group and Company's corporate governance policies and procedures in the current year and no issues were identified.

### 4. EVENTS AFTER THE REPORTING PERIOD

Effective 1 September 2016, the Group acquired 51% of the equity in of Kalula Communications (Pty) Ltd. Kalula Communications (Pty) Ltd, trading as Headset Solutions, is an authorised distributor of premium-branded electronics, namely Plantronics, Aastra and Konftel. The business focuses on audio communications equipment and software, which support VOIP environments, unified communications, mobile use, gaming and music to both corporate and retailer markets, which enhances the Group's strategy to diversify its IT portfolio.

Effective 1 October 2016, the Group acquired 57% of the equity in Puleng Technologies (Pty) Ltd ("Puleng"). Puleng provides client-centric strategies to manage and secure "Data" and "Users", supporting clients' IT and businesses with a platform to build an efficient, collaborative governance, risk and compliance computer, storage, virtualisation and management disciplines, which complements the other IT businesses.

The Board of AEEI has approved the proposed listing of its food and fishing division in the short to medium term (short term: 6 months; medium term: 12 months).

### 5. AUTHORISED AND ISSUED SHARE CAPITAL

There were no changes in the authorised and issued share capital of the Company during the year under review.

### 6. DIVIDENDS

A final dividend of 2.5 cents was paid to shareholders during the year under review, which is reflected in the statement of changes in equity. A final dividend of 3.30 cents was approved by the board of directors on 26 October 2016 in South African currency in respect of the year ended 31 August 2016. The dividend is payable on 13 February 2017 to shareholders recorded in the register of the Company at close of business on 10 February 2017.

## 7. DIRECTORATE

The directors in office at the date of this report are as follows:

Directors	Office	Designation
K Abdulla	Chief executive officer	Executive
C Ah Sing	Chief financial officer	Executive
CF Hendricks	Corporate affairs and sustainability director	Executive
Prof VC Mehana	Chairman	Non-executive independent
S Young	Deputy chairman	Non-executive independent
JM Gaomab	Other	Non-executive independent
A Amod	Other	Non-executive
TT Hove	Other	Non-executive independent
Z Barends	Other	Non-executive independent

There have been no changes to the directorate for the year under review.

## 8. AUDITORS

Grant Thornton Cape Inc. continued in office as auditors for the Company and its subsidiaries for 2016.

At the AGM, the shareholders will be requested to reappoint Grant Thornton Cape Inc. as the independent external auditors of the Company and to confirm Mr I Hashim as the designated lead audit partner for the 2017 financial year.

## 9. INTERIM SECRETARY

The interim company secretary is Ms CF Hendricks.

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Cape Town  
South Africa  
7966

Business address                Quay 7, East Pier  
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8000

## 10. LIQUIDITY AND SOLVENCY

The directors have performed the liquidity and solvency tests required by the Companies Act, as amended, for the Group. The Board is satisfied that the Group is solvent and has no reason to believe that the business will not be a going concern in the year ahead.

## 11. INTERIM COMPANY SECRETARY

As required by JSE Listings Requirement 3.84(i), the Board has satisfied itself that the Interim Company Secretary has the appropriate expertise, competence and experience. The company secretary is accountable to the Board and the following duties, among other things, were carried out:

- guidance to the directors in terms of their duties, responsibilities, powers, training and induction of the responsibilities and liabilities under the Companies Act;
- making the Board aware of any law relevant to and/or affecting the Company;
- preparation of Board packs and recording of proper detailed minutes of meetings;
- ensuring proper and orderly conduct at all Board, committee and annual general meetings;
- disclosure of corporate actions of SENS announcements and directors' dealings in securities;

## DIRECTORS' REPORT – continued

### 11. INTERIM COMPANY SECRETARY – continued

- preparation and timeous delivery of the integrated report and annual general meeting notice and proxy to shareholders;
- compliance with JSE Listings Requirements and the Companies Act; and
- updated Board policies, Board charters in compliance with statutory, regulatory and legislative requirements.

All directors have access to the advice and services of the company secretary. The Board considered the competence, qualifications and experience of the interim company secretary and is satisfied that they are appropriate. This was concluded after due assessment following a review by the remuneration committee of the Company regarding the interim company secretary's qualifications, experience and performance.

The Board is aware that due to the interim company secretary being an executive director, there is not an arm's length relationship with the Board and the directors and that this is not desirable from a governance perspective. An external resource has been identified and will be appointed in December 2016.

### 12. REPORT OF THE AUDIT AND RISK COMMITTEE

The report of the audit and risk committee, as required in section 94(7)(f) of the Companies Act, is set out on pages 225 to 226 of these financial statements.

### 13. BOARD EVALUATION OF THE AUDIT AND RISK COMMITTEE

The board of directors believes that the committee has satisfied its responsibilities for the year in compliance with the terms of reference of the Companies Act.

### 14. DIRECTORS' INTERESTS IN SHARES

There have been no changes in the directors' interest between 1 September 2016 and the date of this report.

There has been no change in the issued share capital during the financial year ending 31 August 2016. None of the Company's directors have bought and sold "B" class ordinary shares from 1 September 2016 until the publication of the results.

#### INTERESTS IN SHARE CAPITAL

##### "B" class ordinary shares – listed as at as at

	Direct beneficial	Direct non- beneficial	Indirect beneficial	Indirect non- beneficial	Total percentage
<b>31 August 2016</b>					
K Abdulla	1 575 316	-	-	10 024 390	2.36%
C Ah Sing	350 000	-	-	-	0.07%
CF Hendricks	265 000	-	-	-	0.05%
Prof VC Mehana	250 000	-	-	-	0.05%
Z Barends	1 000	-	-	-	0.00%
Total	2 441 316	-	-	10 024 390	2.53%

	Direct beneficial	Direct non- beneficial	Indirect beneficial	Indirect non- beneficial	Total percentage
<b>31 August 2015</b>					
K Abdulla	1 575 316	-	-	10 024 390	2.36%
C Ah Sing	400 000	-	-	-	0.08%
CF Hendricks	305 000	-	-	-	0.06%
Prof VC Mehana	250 000	-	-	-	0.05%
Z Barends	1 000	-	-	-	0.00%
Total	2 531 316	-	-	10 024 390	2.55%

**15. VOTING RIGHTS**

“B” class ordinary shares each carry one vote per share.

**16. PROPERTY, PLANT AND EQUIPMENT**

There was no change in the nature of the property, plant and equipment of the Group and the Company or in the policy regarding their use.

**17. INTERESTS IN SUBSIDIARIES, ASSOCIATES AND JOINT ARRANGEMENTS**

The principal subsidiaries, joint ventures and associates are reflected in notes 5, 6 and 7.

**18. BORROWING LIMITATIONS**

In terms of the Memorandum of Incorporation of the Company, the directors may exercise all the powers of the Company to borrow money, as they consider appropriate. The unutilised borrowings as at 31 August 2016 amounted to R63 574 726.

**19. SPECIAL RESOLUTIONS**

The statutory information relating to special resolutions passed by subsidiaries is available from the registered office of the Company. The only special resolutions passed at the annual general meeting on 25 February 2016 are as follows:

- remuneration for executive and non-executive directors;
- intercompany financial assistance
- financial assistance for the subscription and/or purchase of shares in the Company or a related or inter-related company;
- the Company or its subsidiaries to repurchase Company shares; and
- approval for the Company or its subsidiaries to repurchase shares.

**20. GOING CONCERN**

The directors believe that the Group and Company has adequate financial resources to continue in operation for the foreseeable future and accordingly the consolidated annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the Group and Company are in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the Group and Company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the Group or the Company.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

**21. LITIGATION STATEMENT**

The Group becomes involved from time to time in various claims and lawsuits incidental to the ordinary course of business. The Group is not currently involved in any such claims or lawsuits, which individually or in the aggregate, are expected to have a material adverse effect on the business or its assets.

**22. CONTINGENT LIABILITIES**

As advised by our legal advisors previously, there are no risks of any claims against the directors of the Company, its shareholders or the Group.

**23. DATE OF AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS**

The consolidated and separate annual financial statements have been authorised for issue by the directors on 26 October 2016. No authority was given to anyone to amend the annual financial statements after the date of issue.