

ABOUT THIS REPORT

African Equity Empowerment Investments (AEEI) is committed to the principles of integrated reporting in terms of our thinking and approach to long-term value creation and the role we play as a corporate citizen.

The leadership of the Group develops and directs the strategy and manages the business in an integrated way, taking into account the interests of our stakeholders and taking cognisance of the capital resources required.

In preparing our integrated report we were guided by the following:

- The International Integrated Reporting Council's Integrated Reporting <IR> Framework;
- The principles of the King Code of Governance (King III);
- The JSE Listings Requirements;
- The International Financial Reporting Standards (IFRS);
- The Companies Act, 2008 (No. 71 of 2008), as amended ("Companies Act"); and
- BBBEE regulations.

We have provided commentary on page 69 to explain the reasons why we elected to not comply fully with certain principles of King III.

SCOPE, BOUNDARY AND REPORTING CYCLE

This is the Group's sixth integrated report and is primarily targeted at our shareholders which include our stakeholders, the investment community and providers of capital while taking into account the interests, concerns and information requirements of a wider group of stakeholders. The report includes financial and non-financial information related to the Group's main businesses, key functions and strategic investments. The Group's income is generated mainly within South Africa with approximately 36% generated from Africa and abroad. It aims to enable our readers to obtain a balanced view and to make an informed assessment of the Group's ability to create stakeholder value in the short, medium and long term.

It covers the financial year ended 31 August 2016, with no restatements of data.

This report provides material information which relates to the Group's strategy, governance, performance and sustainability in respect of all the business divisions and sectors, which comprises food and fishing, technology, health and biotherapeutics, events and tourism as well as strategic investments. All non-financial indicators include subsidiaries but exclude strategic investments unless specifically indicated. Through a formal process by each committee of the Board including executives in the Group, material issues were identified in terms of relevance and was approved by the Board of AEEI. Material issues and developments are comprehensively dealt with throughout the report. For specific information on material issues refer to pages 39 to 42.

COMBINED ASSURANCE

AEEI has a combined assurance model to obtain the assurance from management as well as internal and external assurance providers. Management provides the Board with assurance on their accountabilities in terms of the implementation and monitoring of the Group's risk register and plan, as well as the controls related to the Group's day-to-day activities.

The audit and risk committee oversees the internal audit function and ensures the effectiveness of systems of internal control and risk management. It also monitors the relationship between the external assurance providers and the Company.

An independent audit of the Group's financial statements was performed by Grant Thornton Cape Inc. External verification has been provided for the Broad-based Black Economic Empowerment (BBBEE) accreditation level. The verification is carried out by an organisation accredited by the Independent Regulatory Board of Auditors (IRBA). The rest of this integrated report has not been subjected to an independent audit or review. The information reported on is derived from the Group's own internal records and information available in the public domain.

DISCLAIMER: FORWARD-LOOKING STATEMENTS

In this report we make certain statements that relate to analyses and other information based on forecasts of future results based on historical data, which are based on estimations of new business and investment assumptions. These statements may also relate to our future prospects, developments and business strategy. As defined, these are forward-looking statements. These statements may be identified by words such as "expect", "look forward to", "anticipate", "intend", "plan", "believe", "seek", "estimate", "will", "project" or words of similar meaning which are intended to identify such forward-looking statements but are not the exclusive means of identifying such statements. These are subject to a number of risks, uncertainties and factors, including, but not limited to those described in disclosures and in the risk management report.

Should one or more of these risks or uncertainties materialise, or should underlying expectations not occur or assumptions prove incorrect, actual results, performance or achievements of AEEI may (negatively or positively) vary materially from those described explicitly or implicitly in the relevant forward-looking statement. AEEI neither intends nor assumes any obligation to update or revise these forward-looking statements in light of developments that differ from those anticipated.

DIRECTORS' RESPONSIBILITY AND APPROVAL OF THE INTEGRATED REPORT

The audit and risk committee is responsible for reviewing and recommending the integrated report and annual financial statements to the Board for approval. The Board acknowledges its responsibility to ensure that the integrity of the integrated report is uncompromised. The Board has applied its mind to the integrated report and believes that it addresses all material issues and fairly represents the integrated performance of the Group.

The integrated report including the annual financial statements for the Group for the year ended 31 August 2016 were approved by the board of directors and signed on their behalf by Professor VC Mehana and Mr K Abdulla on 26 October 2016.

The special resolutions passed during the year for the Company relate to the approval of/for:

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

We welcome your feedback and comments on the integrated report. Please address any queries to the corporate affairs and sustainability director, Cherie Hendricks at cherie@aeei.co.za.

WHO WE ARE

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, events and tourism, all supporting Broad-based Black Economic Empowerment (“BBBEE”) and small, medium and micro enterprises (“SMMEs”). The Group also holds strategic investments in British Telecoms South Africa, Saab Grintek Defence, Pioneer Foods and Sygnia, some with international partners.

Our growth 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 AEEI Group’s evolution which is reflected in achievements in terms of Vision 2020 Vision.

MISSION STATEMENT

African Equity Empowerment Investments Limited is a diversified Company that empowers people through profits and partnerships.

VISION STATEMENT

We are a dynamic and innovative Company that creates superior stakeholder value.

WHERE WE OPERATE

While AEEI's primary market remains in South Africa, we continue to expand into the rest of Africa. Outside of South Africa we have a market presence in Asia, the United States of America (USA), Africa, Europe, Dubai, the United Kingdom (UK), Zambia, Ghana, Uganda, Cameroon, Australia, Zimbabwe, Tanzania, Nigeria, Kenya and Namibia through our subsidiaries.



KEY FACTS

<p>DATE OF LISTING ON THE JSE</p> <p>3 May 1999</p>	<p>MARKET CAPITALISATION AT 31 AUGUST 2016</p> <p>R1,45bn</p>	<p>MAJORITY SHAREHOLDER</p> <p>Sekunjalo Investment Holdings (Pty) Ltd</p> <p>61.09%</p>
<p>REVENUE</p> <p>Increased from R672m in 2015 to R752m in 2016</p>	<p>ASSETS</p> <p>Increased from R1,3bn in 2015 to R1,7bn in 2016</p>	<p>NUMBER OF PERMANENT EMPLOYEES</p> <p>680</p>
<p>NUMBER OF CONTRACTORS</p> <p>3 250</p>	<p>TOTAL NUMBER OF EMPLOYEES INCLUDING STRATEGIC INVESTMENTS</p> <p>12 250</p>	<p>HEAD OFFICE</p> <p>V&A Waterfront, Cape Town</p>
<p>% OF INCOME GENERATED OUTSIDE SOUTH AFRICA</p> <p>36</p>	<p>BBBEE LEVEL</p> <p>1</p>	<p>BLACK OWNERSHIP %</p> <p>79%</p>

TOTAL ASSETS (R'000)**1 691 219****2015:** 1 345 471 | **2014:** 1 178 084

HEADLINE EARNINGS (R'000)**211 930****2015:** 152 615 | **2014:** 78 552

HEADLINE EARNINGS per share (cents)**43.13****2015:** 31.06 | **2014:** 16.03

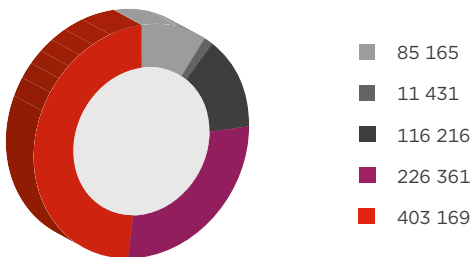
DIVIDEND DECLARED**12 283****2015:** 9 827

WHO WE ARE - continued

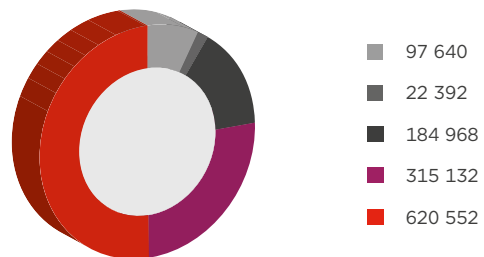
REVENUE CONTRIBUTION PER DIVISION

REVENUE R'000

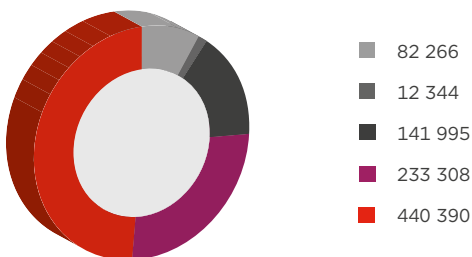
2010



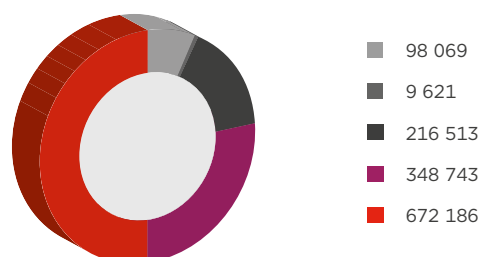
2014



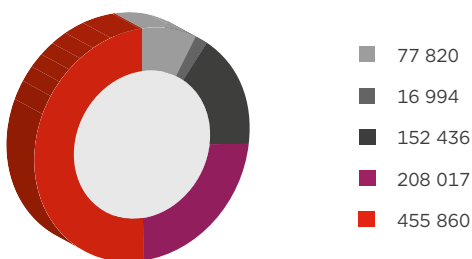
2011



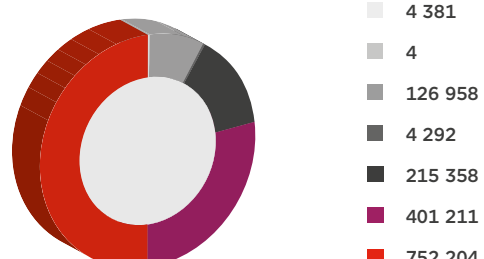
2015



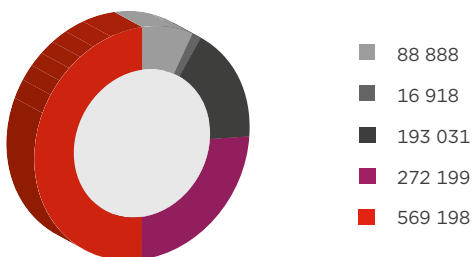
2012



2016



2013



■ Revenue ■ Fishing ■ IT ■ Health ■ Events ■ Biotechnology ■ Corporate

OUR KEY PERFORMANCE INDICATORS (KPIs)

FINANCIAL KPIs	2015	2016	2017 TARGET
REVENUE GROWTH	Achieved 8%	Achieved 12%	20% increase revenue growth
OPERATING PROFIT	Achieved 88%	Achieved 53%	20% increase operating profit
NET CASH FLOWS FROM OPERATING ACTIVITIES	Achieved (11%)	Achieved 47%	Increase cash flows 15%
INCREASING NET ASSET VALUE	Achieved 21%	Achieved 24%	Increase net asset value 15%
GROWTH IN TOTAL ASSETS	Achieved 14%	Achieved 26%	Grow total assets 20%

NON-FINANCIAL KPIs	2015 ACHIEVEMENT	2016 ACHIEVEMENT	2017 TARGET
BROAD-BASED BLACK ECONOMIC EMPOWERMENT	Level 1 status	Level 1 status	Retain Level 1 status
HEALTH AND SAFETY	Zero fatality	Zero fatality	Maintain zero fatality
STAKEHOLDER RELATIONSHIPS	Increased communication to stakeholders	Increased communication to stakeholders	Increase stakeholder communication through various platforms
EMPLOYEE TRAINING AND DEVELOPMENT	277 employees undertook training	372 employees undertook training	Continue with training and development

As a BBBEE company, AEEI has strong roots among historically disadvantaged individuals (HDIs) and community organisations. These form the majority of the Company's shareholder base. Black ownership of AEEI exceeds 79% and the majority of its economic benefits are enjoyed by black stakeholders.

AEEI is recognised by its peers as a pioneer in promoting the interests of HDIs and previously marginalised communities. The Group's commitment to transformation, including employment equity, skills and enterprise development, as well as corporate social investment, makes it a role model for BBBEE.

OUR RECENT AWARDS/ACHIEVEMENTS

Winner of the Empowerdex 100 Most Empowered Companies in 2016.

Financial Mail as one of the Top 10 JSE-listed Companies and 7th in the investment sector. In 2015 AEEI was ranked 13th overall for financial performance.

Level 1 BBBEE Status in terms of Broad-based Black Economic Empowerment.

Highest Sustainability Data Transparency Index score – Financial Services sector in 2016 and 10th overall in 2015 by the Integrated Reporting and Assurance Services out of the top 500 JSE-listed companies.

A finalist in the Top Empowered Business of the Year Award at the Annual Oliver Empowerment Awards in 2015.

Impumelelo Certificate of Excellence Award – Top Empowered Companies – in recognition of our commitment to transformation for the 2015 year.

Finalist of the Oliver Empowerment Awards – Top Business of the Year Award in 2014.

Ranked by Empowerdex as South Africa's Most Empowered Management Control Company in 2016.

Runner-up – 100 Most Empowered Black Ownership in 2016 by Empowerdex.

OUR VALUE-CREATING BUSINESS MODEL

 <p>FINANCIAL CAPITAL</p>	 <p>HUMAN CAPITAL</p>	 <p>MANUFACTURED CAPITAL</p>
<p>Capital: R916m Assets: R1,7bn Strategic investments: R536 261m</p>	<p>680 permanent employees Employment created for 3 250 contractors</p>	<p>Quality products Quality services Innovative organic products Investment in our businesses</p>
<p> <i>Read more on page 120.</i></p>	<p> <i>Read more on page 121.</i></p>	<p> <i>Read more on page 122.</i></p>
 <p>INTELLECTUAL CAPITAL</p>	 <p>SOCIAL AND RELATIONSHIP CAPITAL</p>	 <p>NATURAL CAPITAL</p>
<p>Patents Copyrights Software licences Strategic partnerships Empowerment partner of choice</p>	<p>Stakeholder engagement Leader in transformation Leader in social responsibility</p>	<p>Responsible use of natural resources, effective environment management systems and long-term goals to address carbon emissions, water and electricity usage</p>
<p> <i>Read more on page 123.</i></p>	<p> <i>Read more on page 124.</i></p>	<p> <i>Read more on page 125.</i></p>

FLOW OF INCOME AND EXPENSES

INCOME

- Income is generated through the sales of products and services provided.
- Management fees.

OTHER INCOME

- Private equity income derives from the realisation or revaluation of investments and dividends received.
- This includes private equity income and fair-value adjustments among others.
- Fair-value adjustments arise from the hedging of our balance sheet to mitigate fixed interest rate and basis risk.
- Associate income is generated through our investments in non-controlling shareholdings.

EXPENSES

- We invest in our operations through infrastructure, technology and marketing.
- We also invest in developing, motivating and retaining employees.

IMPAIRMENT CHARGES

- Fair-value adjustments arise from the hedging of our balance sheet to mitigate fixed interest rate and basis risk.

TAX

- Taxation is the regulatory requirement to pay direct and indirect taxes.

PRODUCTS AND SERVICES PROVIDED BY THE GROUP

THROUGH OUR VARIOUS BUSINESS ACTIVITIES,
THE FOLLOWING PRODUCTS AND SERVICES ARE PROVIDED:



**FOOD
AND FISHING**

Sales, marketing and production of west coast rock lobster, south coast rock lobster, canned fish products, longline hake, squid, fish meal, abalone and Seagro (organic fertiliser).



TECHNOLOGY

Offer a range of Information Communication Technology solutions well suited to the health care industry, hospital information and laboratory systems, pharmacy information systems. This is backed by the necessary professional services such as consulting, technical expertise, professional services, system integration, engineering of bespoke solutions, business intelligence, software development and engineering. Included in this sector is mobile inspection management, mobile field service, property inspections, franchise evaluations, cloud solution architecture, mobile banking and commissioning. Digital marketing, digital content redistribution for the publishing and media industry as well as commercial, industrial and agricultural solar PV solutions fall in this sector.



**HEALTH AND
BIOTHERAPEUTICS**

Manufacture, sales and marketing of an extensive range of natural chemicals for the food, agriculture, hygiene and general health sectors as well as research and development of biopharmaceuticals and biosimilars for commercialisation.



**EVENTS
AND TOURISM**

Events management, travel solutions as well as advertising and sponsorship income.



For further information refer to pages 153 to 216 – Responsible Investments.
The above excludes our strategic investment portfolio (refer to pages 218 to 221).

RISKS RELATED TO OUR ACTIVITIES



RISK

- Financial risk
- Operational risk
- Strategic risk
- Legal risk
- Human resource risk
- Environmental risk



Refer to page 98 for further information on the above risks.

OUR INVESTMENT PHILOSOPHY

AEEI'S HIGH-LEVEL INVESTMENT PHILOSOPHY IS TO:

- hold a diversified portfolio of investments in businesses;
- acquire control of the majority of its operational investments;
- acquire and maintain non-controlling equity in strategic investments;
- add value, influence business processes, provide management expertise and synergies with existing investments;
- provide capital investment to grow the businesses;
- ensure above market shareholder returns; and
- provide and maintain high-quality infrastructures and assets.

AEEI HAS A TRACK RECORD OF BEING AN EMPOWERMENT PARTNER OF CHOICE. AEEI INVESTS IN COMPANIES WITH THE FOLLOWING CHARACTERISTICS:

- Strong investment partners that are aligned with our strategic objectives;
- Leading brand; and
- Defined growth strategy



Refer to page 110 for further details.

WHAT SETS US APART

- Diversified business portfolio
- Sustainable and organic growth while containing costs and driving efficiencies
- Low debt and gearing ratio
- Hands-on approach in our business development strategy
- BEE partner of choice
- Built on solid empowerment credentials and return on investment
- Successful track record and excellent business reputation
- Strong management team and experienced executives leading our business units
- Rated as one of the JSE's most transformed companies
- Maintained our BBBEE Level 1 status since 2010
- Strategic investment portfolio
- Strong risk-based management of investments
- Vision 2020 Vision strategy, implementation plan with clear short-, medium- and long-term business strategies
- Invested in renewable energy and environmentally friendly products
- Strong brand, credentials and proven delivery
- Proven transformation culture and results

	EMPLOYEES	2016	2015	2014
Number of employees		680	618	619
Number of contractors		3 250	2 772	332
Number of employees and contractors		3 930	3 390	1 803
Percentage of employees who are deemed HDSA		86%	85.43%	80.46%
Percentage of employees who are women		31.5%	31.40%	31.66%
Percentage of employees who are permanent		98%	98%	98%
Percentage of employees who are unionised		19%	19.40%	16%
Percentage of employees and contractors operating in South Africa		100%	100%	100%
Percentage of management deemed HDSA		73%	73%	73%
Employee turnover as percentage		18%	3.72%	12%
Number of days lost due to absenteeism		1 576	797	981
Total number of person days lost		0	0	0
Total compensation paid to employees		191 709	147 459 864	139 925 364
Person hours worked - reported		5 689 715	3 602 202	2 789 043
Person hours worked - calculated		7 168 320	6 183 360	3 289 280
Total number of employees trained		372	227	326
Rand value of total employee training spend		2 372 218	1 209 074	1 002 035
Percentage of employees trained in South Africa		96%	100%	100%
Percentage of training spend in South Africa		91%	95%	95%
Number of days lost due to industrial action/strikes		0	0	0

GROUP STRUCTURE



**FOOD
AND FISHING**



TECHNOLOGY



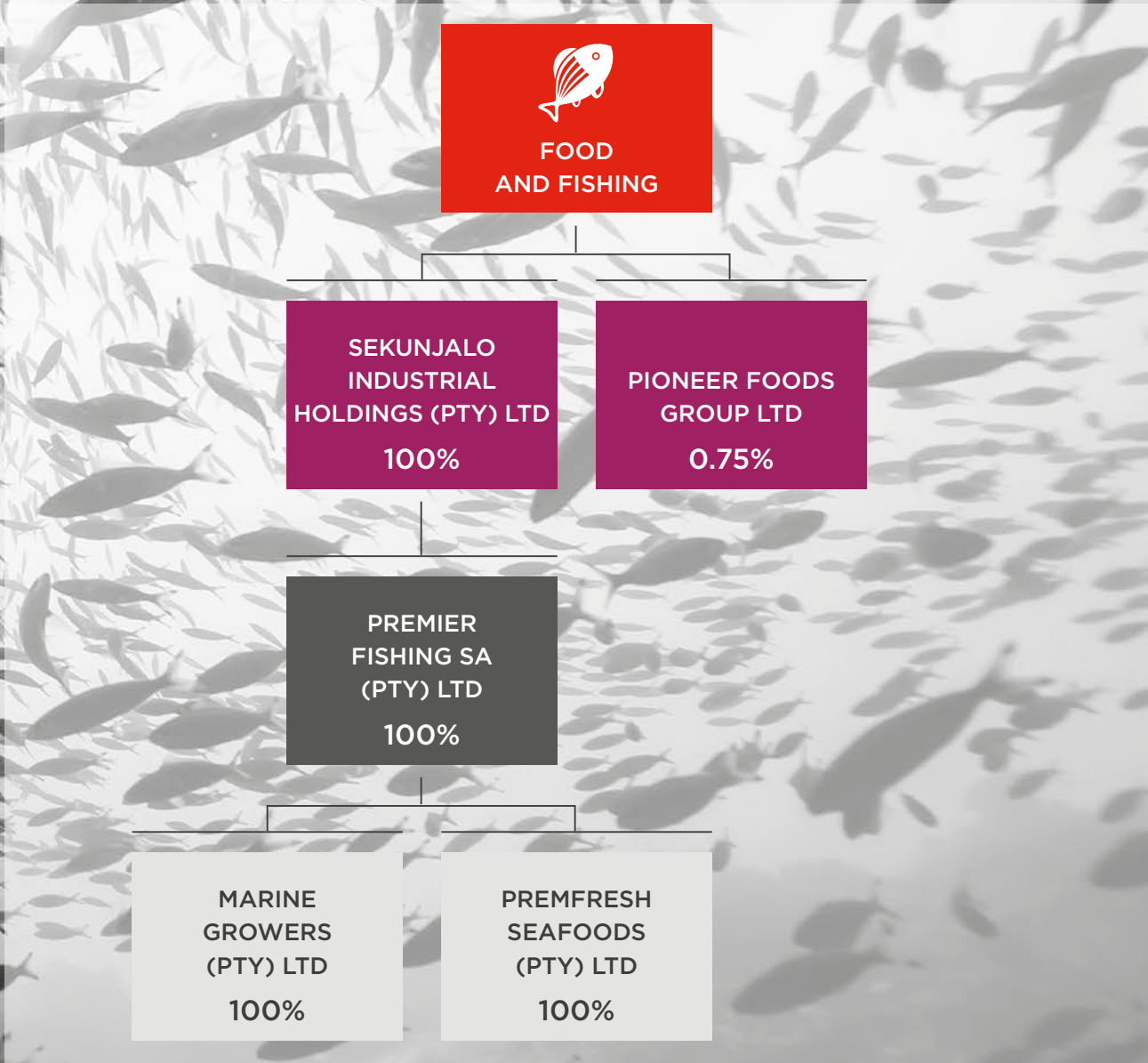
**HEALTH AND
BIOTHERAPEUTICS**



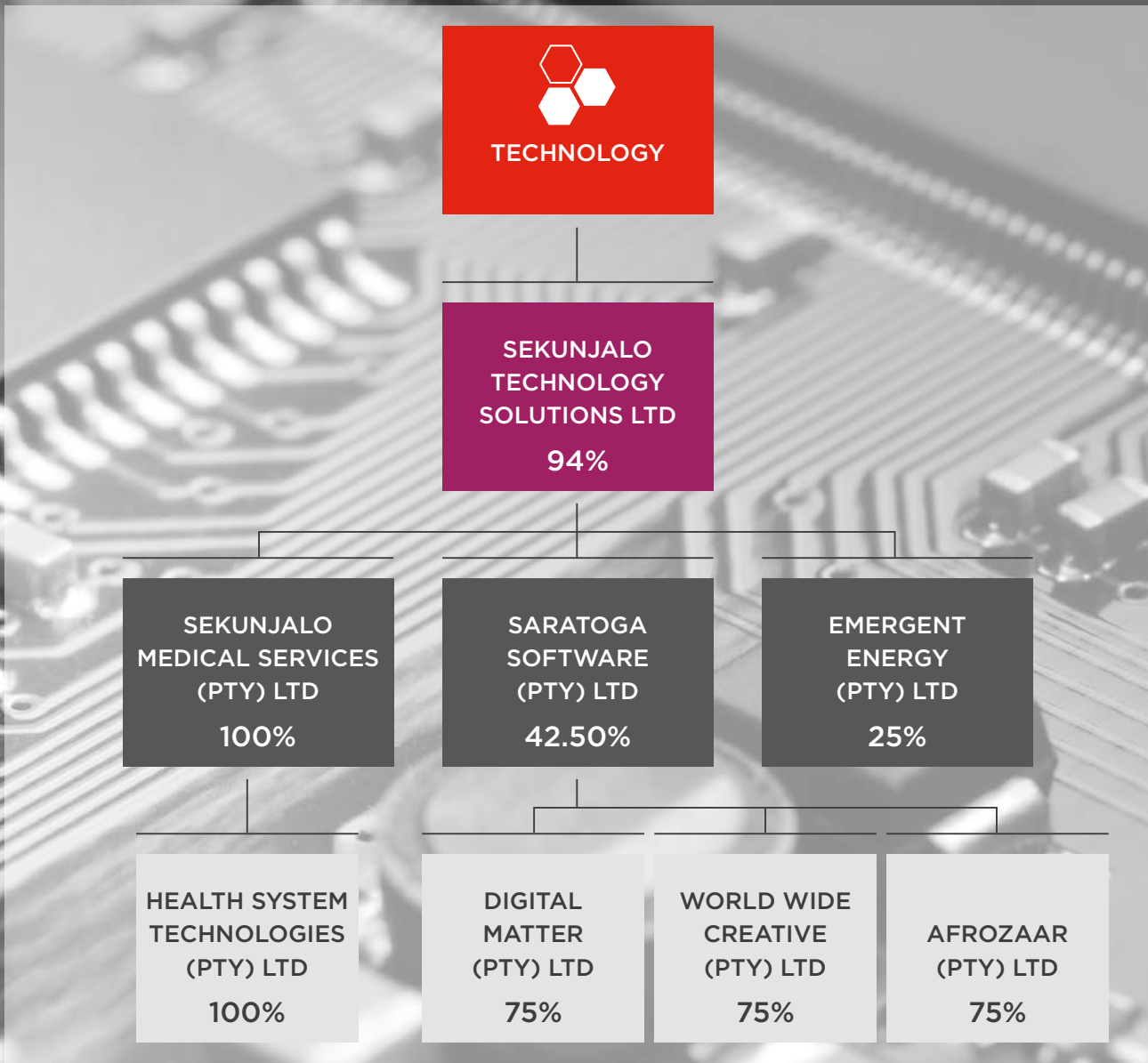
**EVENTS AND
TOURISM**



**STRATEGIC
INVESTMENTS**



GROUP STRUCTURE - continued





**HEALTH AND
BIOTHERAPEUTICS**

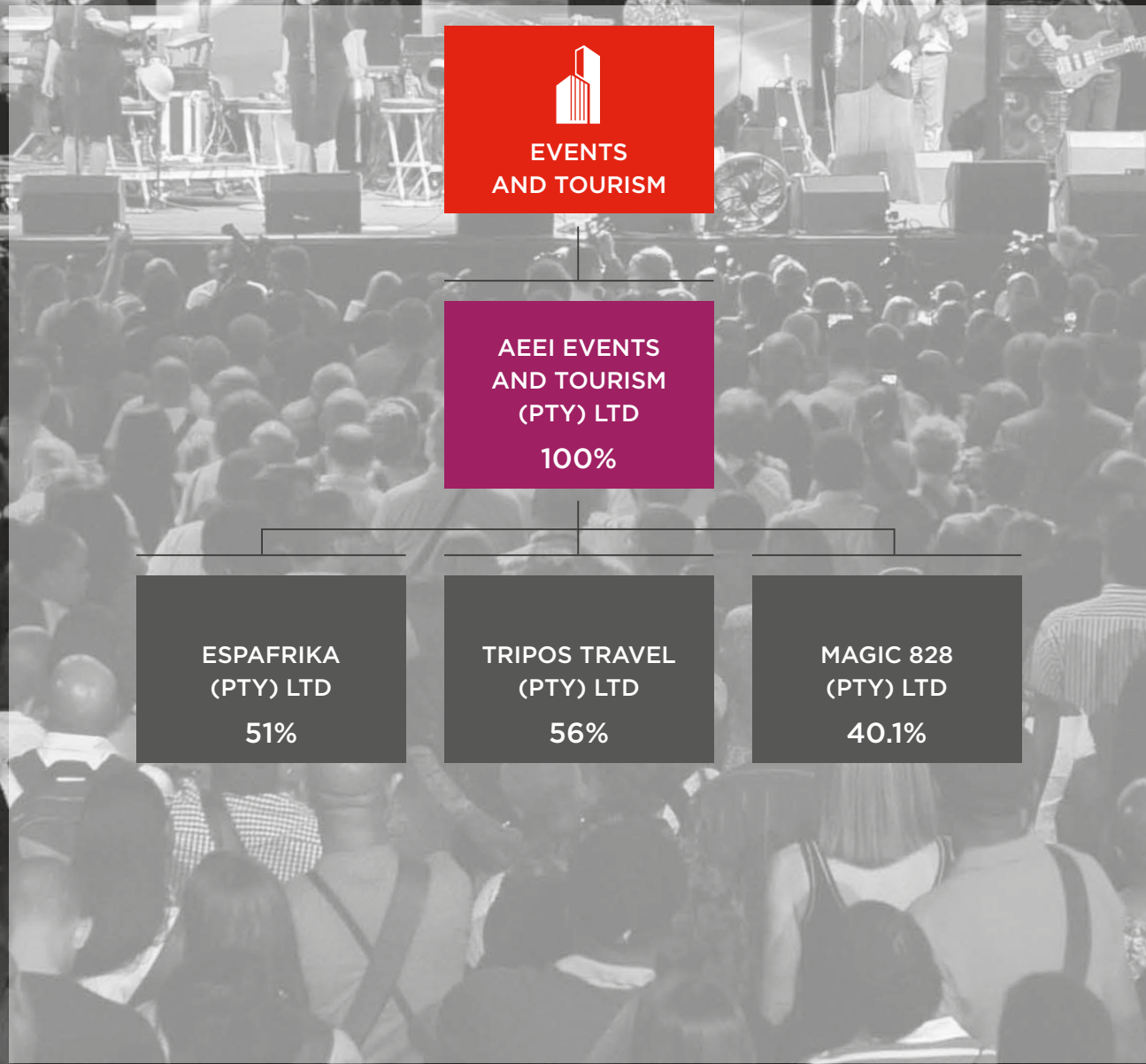
**WYNBERG
PHARMACEUTICALS
(PTY) LTD**
100%

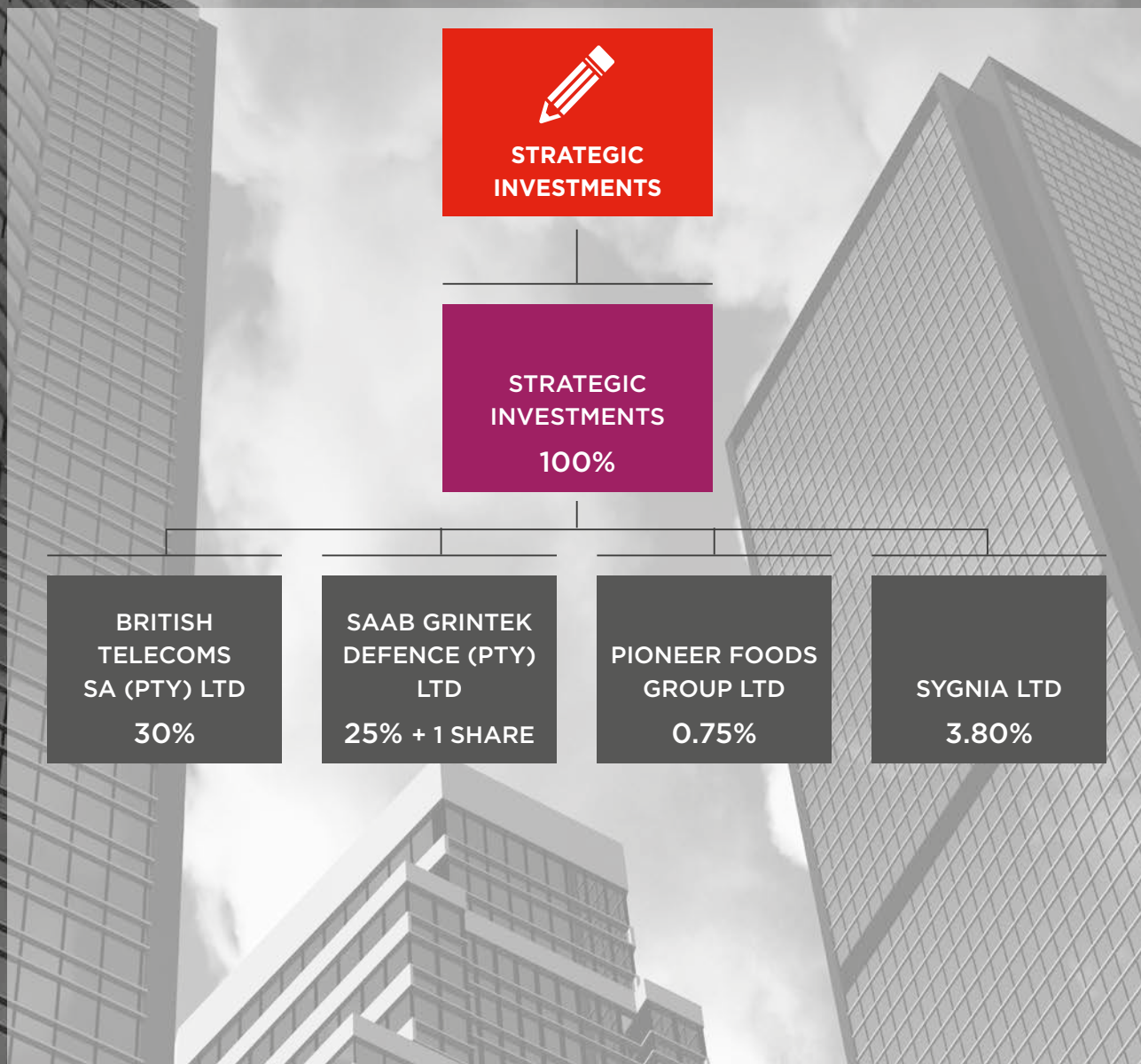
**AFRICAN BIOTECHNOLOGY
AND MEDICAL INNOVATION
INVESTMENTS (PTY) LTD**
100%

**INTEGRATED
BIOWORKS
(PTY) LTD**
60%

**BIOCLONES
(PTY) LTD**
49.99%

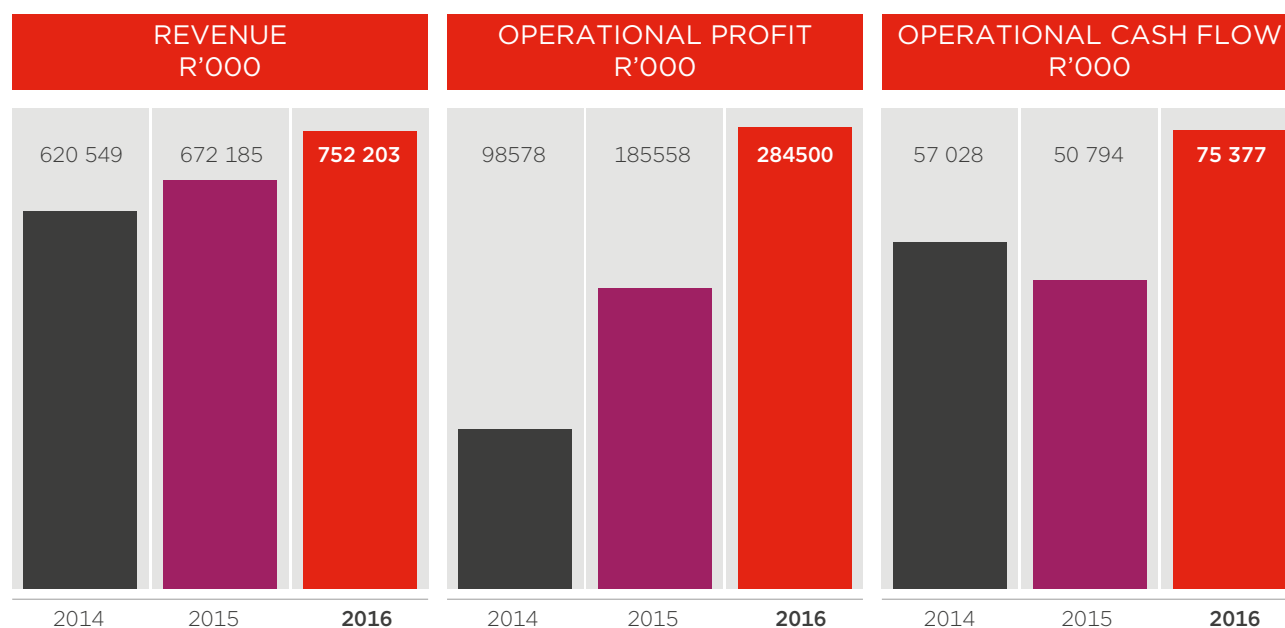
**RIBOTECH
(PTY) LTD**
60.02%





FINANCIAL HIGHLIGHTS

	2016 R'000	2015 R'000	2014 R'000	2013 R'000	2012 R'000
Revenue	752 203	672 185	620 549	569 198	455 860
Profit before tax	292 102	185 747	108 192	58 665	48 130
Profit after tax (including portion attributable to non-controlling interests)	208 527	149 256	102 433	30 352	18 199
Headline earnings	211 930	152 615	78 552	29 829	18 350
Net asset value - Group	1 001 035	804 549	665 072	476 996	451 864
Net asset value - Company	1 844 846	969 438	787 220	754 559	699 913
Total assets - Group	1 691 219	1 345 471	1 178 084	903 230	855 303
Total assets - Company	2 415 582	1 247 695	1 005 834	944 667	915 807
Earnings per share (cents)	44.09	31.12	19.76	6.08	3.67
Headline earnings per share (cents)	43.13	31.06	16.03	6.10	3.75
Net asset value per share - Group (cents)	186.52	144.93	115.81	96.50	90.49
Net asset value per share - Company (cents)	375.47	197.31	160.22	154.20	143.03



FIVE-YEAR REVIEW

STATEMENT OF FINANCIAL POSITION

	2016 R'000	2015 R'000	2014 R'000	2013 R'000	2012 R'000
ASSETS	1 691 219	1 345 471	1 178 084	903 230	855 303
Property, plant and equipment	147 086	153 422	138 266	126 890	135 500
Intangible assets and goodwill	395 472	396 529	391 836	50 108	49 833
Investments, loans and other receivables	868 151	530 406	429 238	531 789	463 003
Deferred tax assets	17 310	16 162	11 901	17 498	25 219
Current assets	263 200	228 952	204 991	174 818	181 748
Assets of disposal groups classified as held for sale	-	20 000	1 852	2 127	-
EQUITY	1 001 035	804 549	665 072	476 996	451 864
Equity attributable to equity holders of the parent	916 452	712 106	569 036	472 234	442 823
Non-controlling interest	84 583	92 443	96 036	4 762	9 041
LIABILITIES	690 184	540 922	513 012	426 234	403 439
Non-current financial liabilities	265 210	115 622	137 446	149 873	130 683
Deferred tax liabilities	299 102	239 015	210 489	132 721	123 189
Current liabilities	125 872	186 285	165 077	143 640	149 567
Net asset value					
Group	1 001 035	804 549	665 072	476 996	451 864
Company	1 844 846	969 439	787 220	754 559	699 913
Net asset value per share (cents)					
Group	186.52	144.93	115.81	96.50	90.49
Company	375.47	197.31	160.22	154.20	143.03

FIVE-YEAR REVIEW - continued

STATEMENT OF COMPREHENSIVE INCOME

	2016 R'000	2015 R'000	2014 R'000	2013 R'000	2012 R'000
Revenue	752 203	672 185	620 549	569 198	455 860
Profit before depreciation and amortisation (EBITDA)	299 818	208 841	118 128	99 124	91 887
Profit before taxation	299 102	185 747	108 192	58 665	48 130
Taxation	(80 538)	(36 491)	(5 759)	(28 313)	(29 931)
Profit for the year from continuing operations	211 564	149 256	102 433	30 352	18 199
Loss for the year from discontinued operations	(3 037)	-	-	-	-
Profit for the year	208 527	149 256	102 433	30 352	18 199
Attributable to:					
Equity holders of the Company	216 623	152 897	96 802	29 734	17 953
Minority interests	8 096	(3 641)	5 631	618	246
Headline earnings	211 980	152 615	78 552	29 829	18 350
	cents	cents	cents	cents	cents
Earnings per share	44.09	31.12	19.76	6.08	3.67
Headline earnings per share	43.13	31.06	16.03	6.10	3.75
Diluted earnings per share	44.09	31.12	19.76	6.08	3.67

CREATING VALUE

IN THE SHORT, MEDIUM AND LONG TERM

AEEI is a leading black economic empowered JSE listed Company, who creates value for its stakeholders through its innovative and sustainable business model, concise strategy, diverse product portfolio and strategic investments, complimented by an experienced and empowered leadership team focused on stakeholder wealth creation as well as communities.

SEGMENTAL OVERVIEW

RESPONSIBLE INVESTMENTS



FOOD AND FISHING

WHAT WE DO

Premier Fishing SA (Pty) Ltd (“Premier Fishing”) is the largest 100% black-owned fishing Company in South Africa. The Premier Fishing Group holds medium to long-term fishing rights in west coast rock lobster, south coast rock lobster, small pelagics, hake deep-sea trawl, hake longline, swordfish, tuna, seaweed and squid. They own an abalone farm, invest in organic agriculture as well as process wild abalone.

STATUS PROGRESS ON 2016 OUTLOOK

- Expansion of the abalone farm - awaiting Environmental Impact Assessment (“EIA”) approval
- Increase the number of external quota holders - achieved
- Assist small businesses to grow and add value - achieved and ongoing
- Deliver sustainable returns to shareholders - achieved and ongoing
- Drive efficient cost base - achieved and ongoing
- Enhance planning to increase catch rates - achieved and ongoing
- Review options in terms of product diversification - ongoing
- Work towards a future listing of the business - ongoing
- Focus on the environmental impact of their business - ongoing
- *Constructed a packing facility**
- *Installation of phase 1 of renewable energy**

* Not included in the Outlook for 2016 but has been achieved.

OUTLOOK FOR 2017

- Work towards a future listing of the business
- Acquisition of small to medium-sized fishing companies
- Expansion of the abalone farm through a phased approach once the EIA has been completed, commencing with phase 1 in 2017
- Increase abalone spat production once expansion of the abalone farm is completed
- Further installation of renewable energy through a phased approach
- Construct/acquire a processing facility
- Construct/acquire a canning factory
- Continuous growth of outside quota holders
- Explore other growth opportunities present in the market
- Product diversification to further penetrate foreign markets
- Procurement of fish species for local and international markets and enhance marketing capacity



More information on page 153.

CREATING VALUE IN THE SHORT, MEDIUM AND LONG TERM - continued



TECHNOLOGY

WHAT WE DO

The Technology division is comprised of businesses that are leaders in their respective niche markets, have solid client bases and achieve high levels of sustained organic growth with particular focus on the health care and financial services sectors and secondary focus on mobile solutions in the industrial sector as well as the energy efficiency.

STATUS PROGRESS ON 2016 OUTLOOK

- Further expand into Africa and entrenched as a supplier to an African subsidiary of a major mobile operator – achieved in Cameroon, Ghana, Zambia and Uganda – ongoing
- Increase business in the private sector – achieved in Dubai
- Growth by acquisition – achieved
- Expand product range and offering – achieved
- Work towards a future listing of the business – ongoing
- *Raised the profile in the South African Public Sector**
- *Embarked upon a modernisation drive for existing systems**
- *Formed a joint venture company to market state-of-the-art telemedicine solutions as part of the strategy to expand on its product range and services**
- *Development and sale of new products which include rail tracking solutions and mobile applications**
- *Constantly achieved more than 95% compliance on Service Level agreements with customers**
- *Renewal of key contracts at major customers and the expansion of their footprint to increase customer base across the IT Group**
- *Closed Rail Tracking Project for customer in the petrochemical vertical**
- *Reinvested in new and existing product development associated with digital publishing**
- *Ongoing roll-out of digital transformation of print sales team at major publishing group**
- *Expanded into Australia, Zimbabwe, Tanzania, Nigeria, Kenya and Namibia**

* Not included in the Outlook for 2016 but has been achieved.

OUTLOOK FOR 2017

- Reducing dependence on the South African economy by investing in structures to expand activities into Africa
- Increasing the amount of business in the private sector and other African customers
- Continue acquisitive and organic growth through the acquisitions of complementary businesses and the acquisition and/or development of additional products
- Rewrite of InspectionOne Mobile in Android
- Ongoing roll-out of digital transformation of print sales team at major publishing group



More information on page 163.



HEALTH AND BIOTHERAPEUTICS

WHAT WE DO

Included in this division is the manufacturing, sales and marketing of an extensive range of natural chemicals for the food, agriculture, hygiene and general health sectors as well as research and development of biopharmaceuticals and biosimilars for commercialisation.

STATUS PROGRESS ON 2016 OUTLOOK

- Growth of product portfolio – achieved
- Diversified products and markets – achieved
- Expanded into new markets – achieved
- Worked towards a future listing of the business – ongoing
- *Moved product from research to commercialisation**
- *Successful registration of additional products**
- *Introduction of pre-harvest products**
- *Pre-clinical work on breast cancer – ongoing**
- *Infrastructure and facility improvements**
- *Enhancement of production**
- *Concluded various JVs in agriculture and fishing, including international IP and patent transfers**

* Not included in the Outlook for 2016 but has been achieved.

OUTLOOK FOR 2017

- Continue working towards a future listing of the business
- Growth of product portfolio into other sectors
- Conclude Joint Venture negotiations in two sectors
- Expand into new sectors with innovative products
- Retention of business
- Expand into new markets outside of South Africa
- Continue with pre-clinical work on breast cancer
- Continue with infrastructure and facility improvements
- Enhancement of production



More information on page 174.

CREATING VALUE IN THE SHORT, MEDIUM AND LONG TERM - continued



**EVENTS AND
TOURISM**

WHAT WE DO

This division features a cutting-edge global competitive Company in events management and travel solutions. Over the past decade, the events Company staged international music festivals throughout Africa and under their leadership, the Cape Town International Jazz Festival has been named the fourth best jazz festival worldwide and in 2016 was voted one of the World's Best Festivals by FEST300 and voted the Best Festival in Cape Town in the OFLOCAL 2015 poll.

Included in this division is a travel and tourism company which specialises in travel management services, inbound and outbound tours as well as events servicing both the corporate and leisure markets.

New to this division is a medium wave commercial music radio station.

STATUS PROGRESS ON 2016 OUTLOOK

- Worked towards developing owned events – achieved
- Expanded into new markets outside the Western Cape – achieved and ongoing
- Looked at opportunities to grow in the travel, tourism and entertainment industries and expanding footprint – achieved
- Considered and promoted a crossover radio station offering a format appealing to a section of the region's population – achieved

OUTLOOK FOR 2017

- Continue working towards further extending their footprint outside of the Western Cape – long-term
- Work towards securing new third-party events – long-term
- Develop, promote and sell inbound and outbound travel packages
- Conclude partnership agreement
- Sell niche packages
- Grow the leisure part of the travel business
- Increase brand awareness and listenership at the radio station
- Look at opportunities to expand the radio station
- Extending broadcasting via programming at the radio station
- Increase advertising and the broadcast area at the radio station
- Increasing their broadcast area



More information on page 194.



STRATEGIC INVESTMENTS

WHAT WE DO

The Group's strategic investments consist of equity in British Telecoms South Africa (Pty) Ltd ("BT"), Saab Grintek Defence (Pty) Ltd ("Saab"), Pioneer Foods Group Ltd ("Pioneer Foods") and Sygnia Ltd ("Sygnia").

2016 PROGRESS

- Explored further business opportunities – ongoing
- Looked for and explored further opportunities in new strategic investments – ongoing
- Saab – transaction concluded in November 2015: 25% + 1 share
- Acquisition in Sygnia concluded in October 2015

OUTLOOK FOR 2017

- Review further business opportunities within our current strategic investments
- Increase equity in existing strategic investments
- Looking for and explore further opportunities in new strategic investments
- Acquire further strategic investments



More information on pages 218 to 221.

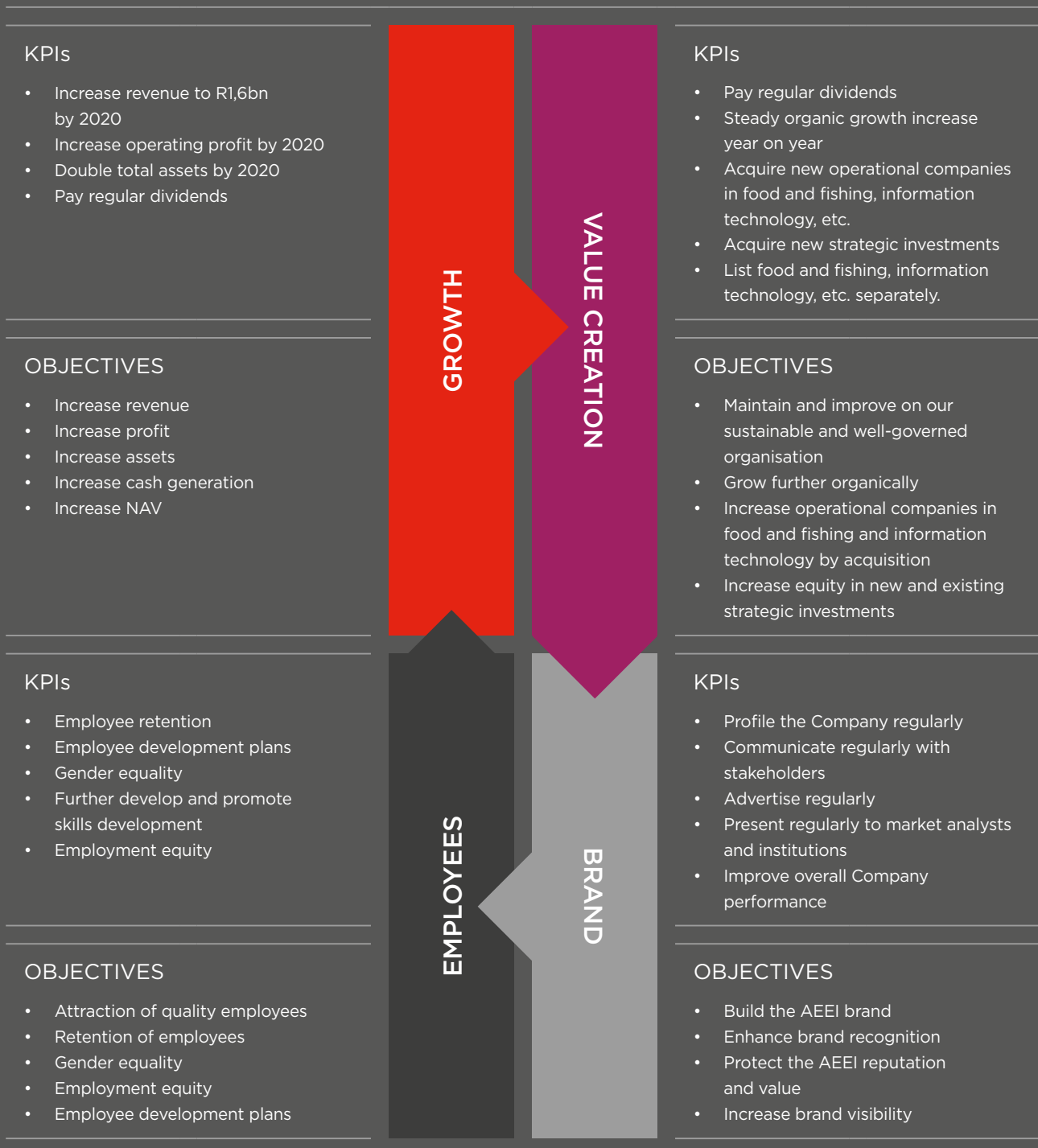
VISION 2020 VISION

ORGANISATIONAL STRUCTURE



BUSINESS MODEL AND STRATEGIC GROWTH OBJECTIVES

CREATING STAKEHOLDER VALUE



OUR 2016 STRATEGY AND VISION 2020 VISION

AEEI's business model, investment approach and philosophy resulted in it acquiring control of the majority of its operational investments as well as holding minority equity in strategic investments. This enables it to add value through its extensive expertise and networks, while promoting an entrepreneurial culture within its management structure and staff. Through our assets and investments, we drive the businesses to become efficient on a sustainable basis, which generates revenue, dividends and cash flow to support the Group as a whole.

“The very essence of leadership is that you have a vision. Its got to be a vision you articulate clearly and forcefully on every occasion. You can't blow an uncertain trumpet.”

Theodore Hesburgh

One of AEEI's key strategic objectives is to create sustainable value for all its stakeholders and to integrate sustainable development into strategy, management and reporting, with the objective of reducing the negative impact on the environment.

AEEI's financial strategy is to grow through acquisitions and leveraging the existing portfolio by maximising the net investment asset base and improving cash generation, thereby growing income sustainably and managing its costs.

Through the Company's achievement of economic growth and its social contract, it remains one of the few Company's to have consistently topped the rankings in its sectors overall over the last few years and is placed as the **number one** empowerment Company in South Africa.

As a result of AEEI being recognised for its leadership qualities in the transformation of society and its innovative business model in South Africa, the Company continues to be invited to participate in a number of global forums and multilateral organisations.

AEEI's strategic approach to risk is to regularly assess whether the risk process is effective in identifying and evaluating risks and to determine whether the business operations have managed the risks in line with the Group's strategy while considering mitigation action and the overall sustainability of the business.

This strategy has served the Group well over the past few years and is reflected in the 2016 achievements listed below:

- Group profit grew to more than R285m from R186m;
- Group assets grew to more than R1,6bn from R1,3bn;
- A significant reduction in debt to equity;
- Solid cash management;
- Payment of regular dividends;
- Provided a safe and healthy workplace and strive to reduce the environmental footprint of products and operations and supported local communities;
- Engaged with and further develop diverse suppliers and enterprise development clients;
- Strengthened management systems that govern responsible operations;
- Pursued partnerships with key stakeholders and formed joint venture initiatives to promote localisation;
- Further identified opportunities for local manufacture and the promotion of skills transfer;
- Fostered equality within our work environment irrespective of gender, race, creed and other forms of diversity;
- Developed personal plans for employees and promoted performance management;
- Further promoted skills development and learnership programmes;
- Continued to build leadership capacity among women;
- Engaged with our staff at all levels provided us with the necessary feedback and input in understanding and responding to improving their skills and training needs; and
- Ensured full compliance with the changing regulatory requirements.

Following the Vision 2020 Vision strategic planning process in 2015 to reposition the Group's next growth phase, the Group's businesses are on track to deliver on its growth plans and goals towards the 2020 financial year. The following high-level key performance indicators are ongoing:

- Double revenue;
- Increase operating profit substantially;
- Increase operational cash flow significantly;
- Increase NAV significantly;
- Substantially increase or double total assets;
- Separate listing of the IT and food and fishing businesses after achieving R500m revenue or R80m profit targets;
- Regular payment of dividends to shareholders;
- Create medium- to long-term shareholder value;
- Develop positive director and stakeholder involvement in the strategy;
- Building the AEEI brand;
- Create employment and opportunities for employee growth; and
- Create a Group that leads in both profits and sustainable business practices.

The board of directors delegated the action plans to the Group's executive management for implementation with clear deliverables. The Group's executives provide feedback at the quarterly Board meeting on progress made.

AEEI continues to support the development of a positive public attitude towards increased innovation, the stimulation of new green enterprises, the upskilling of new and existing employees and managers, investing in research and development and developing research centres relevant to our industry and intellectual property.

OUR COMMON VISION AND COMMON OBJECTIVES

OUR SHARED VALUES

RESPECT AND TRUST

To always respect and trust fellow employees, customers, partners and all stakeholders.

PEOPLE

To always respect fellow employees, partners and all stakeholders. To provide sustainable employment opportunities for all of our employees and others as well as a safe and secure working environment and to maintain zero fatality. Develop, attract and retain the correct skills and structures to meet and support our strategic growth.

INTEGRITY

To always act with integrity in whatever we do based on our values, principles and code of conduct.

ACCOUNTABILITY

To have responsible and accountable leadership that addresses the expectations of diverse stakeholders and to embrace these responsibilities with efficiency.

STAKEHOLDERS

To serve our stakeholders through good corporate governance, value creation, and affordable products and services.

COMMITMENT

To deliver on our promises and add value beyond expectations.

INVESTMENT

To stimulate investment in the areas of green enterprises, social innovation and societal development.

OUR COMMON OBJECTIVES

To sustain profitability by partnering with communities and government in a social contract to achieve economic growth and giving more South Africans access to this growing prosperity.

OUR COMMON GOAL

To ensure that the Group delivers long-term value to all of its stakeholders, increase shareholder wealth, economic transformation and the development and the upliftment of social communities as well as to build long-term stakeholder relationships.

OUR INTEGRATED VALUE CHAIN

The Group looks at innovative ways to sustain its existing businesses by adapting to changing environments as well as through our acquisition and new business development approaches. With our risk management approach and the impact of changing markets, competitors and the economic environment, management is constantly aware of how the Group can improve sustainability through constant change.

USING THE SIX CAPITALS, THE FOLLOWING HAVE BEEN IDENTIFIED:

 <p>FINANCIAL CAPITAL</p>	 <p>HUMAN CAPITAL</p>	 <p>MANUFACTURED CAPITAL</p>
<p>Creating and sustaining shareholder value as well as fund growth projects through the responsible use of our capital generated, use of assets as well as investment in strategic investments.</p>	<p>Addressing the shortage of skills, productivity, diversity and excellence through employee retention, training and skills development.</p>	<p>Providing quality products, services and capital investment in our businesses to enable them to operate assets safely and reliably.</p>
 <p>INTELLECTUAL CAPITAL</p>	 <p>SOCIAL AND RELATIONSHIP CAPITAL</p>	 <p>NATURAL CAPITAL</p>
<p>Retaining our intellectual capital – this includes all our knowledge-based assets including patents, copyrights, software, licences, protocols and procedures as well as forming strategic partnerships and being an empowerment partner of choice.</p>	<p>Attaining this through effective stakeholder engagement and being leaders in transformation and social responsibility.</p>	<p>Responsibly using natural resources, putting effective environment management systems and long-term goals in place to address carbon emissions and water and electricity usage.</p>

VISION 2020 VISION - continued

OUR INTEGRATED REPORTING MODEL

AEEI's strategy is the creation of sustainable value for all shareholders and stakeholders. To ensure that the Company remains attractive to investors, we need to optimise shareholder returns. Sustainable value creation goes beyond short-term profitability and we must recognise and manage the broader economic, social and environmental factors. Our approach to addressing these issues is to prioritise those that matter the most to achieve medium- to long-term sustainable businesses.

We have identified strategic enablers in order for us to execute our business model and achieve sustainable value creation.

SOUND GOVERNANCE

We can only be a sustainable business if we deliver on our promise. This remains dependent on our business model that is built around our sound governance platform and is embedded in our corporate culture.

DEVELOPMENT OF PEOPLE

Together with financial capital, our people are our single most important resource. It is important that we find the right calibre of people, and keep them motivated in a safe, supportive working environment. The AEEI Group instils a culture of excellence and opportunity for all employees.

SOCIETY

In order to remain sustainable as a business, we continually contribute towards and invest in a stable and growing economy. We implement best practices when it comes to responsible investing. Our aim is to invest in businesses that have a sustainable approach to doing business.

ENVIRONMENT

AEEI has a very low direct impact on the environment, but we are affected by the environment in which we operate as well as the impact that climate change in general has on our business. We commit our businesses to a journey of responsible environmental stewardship. We acknowledge that a stable economy and a sustainable business require a sustainable environment. Our Food and Fishing division works closely with the relevant authorities to safeguard the various fish species and pays careful attention to the environmental impact of its operations.

OUR FUTURE OUTLOOK AND PRIORITIES FOR 2017

- Execute our strategic agenda in line with our Vision 2020 Vision;
- Increase revenue and operating profit;
- Drive organic growth;
- Focus on pursuing selective acquisitions;
- Maintain a strong stakeholder focus;
- Further expand into new markets outside of South Africa and the continent and grow our business through greater collaboration with strategic partners;
- Drive greater strategic alignment between our businesses for greater operational coordination;
- Leverage the Group's combined power to further achieve efficiencies and growth;
- Increase efforts to share skills and experience between our various business units;
- Promote responsible business practices and governance throughout the Group;
- Continue building a culture of excellence, which our employees are proud to be part of;
- Build further brand awareness;
- Practice responsible environmental management by helping to monitor, manage and reduce our direct and indirect environmental impact; and
- Through our business initiatives, social development programmes and innovative leadership, narrow the gap between the rich and poor.

OUR KEY STAKEHOLDER ENGAGEMENT AND RELATIONS

AEEI places great value on the high standards of ethics, communication, transparency of information in terms of the Promotion of Access to Information Act, 2000 (No. 2 of 2000), regulatory and other directives relating to the dissemination of information. The Company has identified stakeholder groups with whom it engages in a structured manner. Refer to page 85 for full details.

OUR VALUE-ADD

A measure of the value created by the Group is the amount of value added by its diverse activities to the cost of raw materials, products and services purchased. Refer to page 84 for full details.

OUR MATERIAL ISSUES

The AEEI Group focuses its reporting on sustainable development and those directly affecting the Group's ability to create value as well as reflecting on the Group's impacts and expectations of its shareholders.

AEEI's material issues are those challenges and opportunities that have the most potential to significantly affect the Group's long-term sustainability or impact our stakeholders. AEEI's material issues were identified in terms of relevance from the risk assessment process.

Through a formal process by each Board committee including executives in the Group, material issues were identified in terms of relevance. These material issues were approved by the AEEI Board.

THE FOLLOWING MATERIAL ISSUES WERE IDENTIFIED:

ISSUES	RELEVANCE	STRATEGY COMPONENT	STAKEHOLDER	GOVERNANCE STRUCTURE	REPORT SECTION
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MATERIAL ISSUE: FINANCIAL

<ul style="list-style-type: none"> Responsible use of capital generated Asset efficiency Growth of businesses through strategic investments Shareholder returns 	<ul style="list-style-type: none"> AEEI requires long-term shareholders that understand our businesses and support our strategy Execution of our Vision 2020 Vision requires the successful integration of our acquisition and strategic investments 	<ul style="list-style-type: none"> Double revenue Increase operating profit, cash flow and assets Listing of food and fishing and IT businesses Create medium-to long-term shareholder value Maximise growth and income sustainably Cost containment 	<ul style="list-style-type: none"> Shareholders Providers of capital Strategic partners Stakeholders 	<ul style="list-style-type: none"> Board Executive committee Investment committee Audit and risk committee 	<ul style="list-style-type: none"> Chairman's report CEO's report CFO's report Strategy Vision 2020 Vision
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Combined assurance: Operational reviews, risk management, audit and risk committee, and internal and external assurance of financial information

VISION 2020 VISION - continued

ISSUES	RELEVANCE	STRATEGY COMPONENT	STAKEHOLDER	GOVERNANCE STRUCTURE	REPORT SECTION
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MATERIAL ISSUE: HUMAN CAPITAL

<ul style="list-style-type: none"> Employee recruitment and retention of key skills Training and development of staff Employee health and safety Remuneration and staff recognition Employee job satisfaction and diversity Maintain zero fatality Transformation 	<ul style="list-style-type: none"> Human capital is a key input in the Group's cost efficiency and competitiveness Succession plans for senior executives and management is managed Retention of key skills Human capital 	<ul style="list-style-type: none"> Create employment and opportunities for employee growth Create a Company that leads in both profits and sustainable business 	<ul style="list-style-type: none"> Shareholders Customers (existing and potential) Suppliers Government Employees and trade unions Regulatory bodies Industry bodies Consultants Service providers 	<ul style="list-style-type: none"> Board Remuneration committee Executive committees Develop the human capital strategy, key relationships and monitors progress against KPIs and targets 	<ul style="list-style-type: none"> Remuneration Human capital Transformation
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Combined assurance: Regular management review, policies and procedures and remuneration committee function

MATERIAL ISSUE: BUSINESS OPERATIONS

<ul style="list-style-type: none"> Capital investment in our businesses Quality products and services Provide and maintain high-quality infrastructures Stimulate economic growth Risk and capital requirements 	<ul style="list-style-type: none"> The AEEI Group's strategy is to minimise risk through diversification and through best practice manufacturing processes and managing customer relationships Exchange rate volatility may have an impact on business performance The uncontrollable costs of diesel and electricity Labour strikes and salary demands 	<ul style="list-style-type: none"> Balance in the business Focus on costs Grow and secure product range and market share Launch new products and services Stimulate growth with SMMEs 	<ul style="list-style-type: none"> Shareholders Customers Government Employees Trade unions 	<ul style="list-style-type: none"> Board and executive committees develop strategy Investment committee Audit and risk committee Monitor and execute strategies 	<ul style="list-style-type: none"> CEO's report Vision 2020 Vision CFO's report Responsible investments
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Combined assurance: Operational reviews, investment committee and audit and risk committee function

ISSUES	RELEVANCE	STRATEGY COMPONENT	STAKEHOLDER	GOVERNANCE STRUCTURE	REPORT SECTION
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MATERIAL ISSUE: MACROECONOMIC

<ul style="list-style-type: none"> Shareholder satisfaction Return on investment Alternative technologies Competitors 	<ul style="list-style-type: none"> The Group strategy is to minimise risk through its diverse portfolio Strategic investments Changes in the economic landscape Not achieving investment targets Failure to innovate in areas critical to our clients 	<ul style="list-style-type: none"> Diverse portfolio of investments Strategic investments Organic growth of portfolio Growth by acquisition List Food and Fishing division List IT division List Biotechnology division Increase business into other sectors Further expansion into Africa 	<ul style="list-style-type: none"> All stakeholders 	<ul style="list-style-type: none"> Board Executive management Investment committee Audit and risk committee 	<ul style="list-style-type: none"> CEO's report Vision 2020 Vision Responsible investments
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Combined assurance: Operational reviews, investment committee and audit and risk committee function

MATERIAL ISSUE: NATURAL CAPITAL - THE ENVIRONMENT

<ul style="list-style-type: none"> Energy consumption Water usage Carbon footprint Environmental impact Environmentally friendly products 	<ul style="list-style-type: none"> Our aim is to ensure that we actively manage our impact on the environment through an effective environmental management system, waste, water and electricity management 	<ul style="list-style-type: none"> Capital has been allocated to address the Group's long-term goals Create a Company that leads in both profits and sustainable business practices Reducing the negative impact on the environment Renewable energy alternatives Produce environmentally friendly products 	<ul style="list-style-type: none"> Shareholders Customers (existing and potential) Suppliers Government Employees and trade unions Regulatory bodies Industry bodies Consultants Service providers 	<ul style="list-style-type: none"> Board and executive committees are finalising an environmental strategy and structures have been put in place to monitor progress against targets 	<ul style="list-style-type: none"> CEO's report Environmental sustainability (responsible investments)
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Combined assurance: Management review, audit and risk committee function, internal audit, policies and procedures



For more information refer to the Sustainability Report on page 117.

VISION 2020 VISION - continued

ISSUES	RELEVANCE	STRATEGY COMPONENT	STAKEHOLDER	GOVERNANCE STRUCTURE	REPORT SECTION
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MATERIAL ISSUE: SOCIAL AND RELATIONSHIP

<ul style="list-style-type: none"> • Compliance with laws and regulations • Ethics • Governance • BBBEE • Transformation • Social and economic development 	<ul style="list-style-type: none"> • AEEI's business depends on the close relationships with key stakeholders • Government is an important industry stakeholder for most of our businesses • Incentive programmes 	<ul style="list-style-type: none"> • Compliance with laws and regulations governing our diverse business portfolio as some of the business units are dependent on this • Adhering to ethical standards and avoiding corruption • Adhering to good corporate governance in the Group • Maintaining Level 1 BBBEE accreditation • Meeting transformation targets • Creating value through social investment • Promoting social and economic development by assisting SMMEs • Effective risk management and compliance 	<ul style="list-style-type: none"> • All stakeholders 	<ul style="list-style-type: none"> • Board • Executive management • Social and ethics committee • Transformation committee • Sustainability 	<ul style="list-style-type: none"> • CEO's report • Corporate governance report • Risk management report • Social and ethics report • Transformation report • Sustainability report
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Combined assurance: Management review, policies and procedures, social and ethics committee and transformation committee