

PERFORMANCE AND FUTURE OUTLOOK

44 NON-EXECUTIVE CHAIRMAN'S REPORT

45 Our performance

45 Vision 2020 Vision

46 Transformation at AEEI

46 Our people

47 Sustainability at AEEI

47 Governance at AEEI

47 Sincere appreciation

48 CHIEF EXECUTIVE OFFICER'S REPORT

49 Building towards our
Vision 2020 Vision

49 External affirmation

50 Excellence through focus

50 What sets AEEI apart from
its competitors

51 Our strategy

51 Robust performance

52 Review of our investments

55 Excellence through our people

56 Looking to the future

57 Sincere appreciation

58 CHIEF FINANCIAL OFFICER'S REPORT

59 Key financial highlights

59 Overview of the 2016
financial year

61 Group financial performance

62 Group financial position

63 Cash flows

63 Material issues that affect
our performance

65 External factors that impact
the Group's performance

66 Shareholder returns

66 Looking ahead

66 Appreciation

67 Conclusion

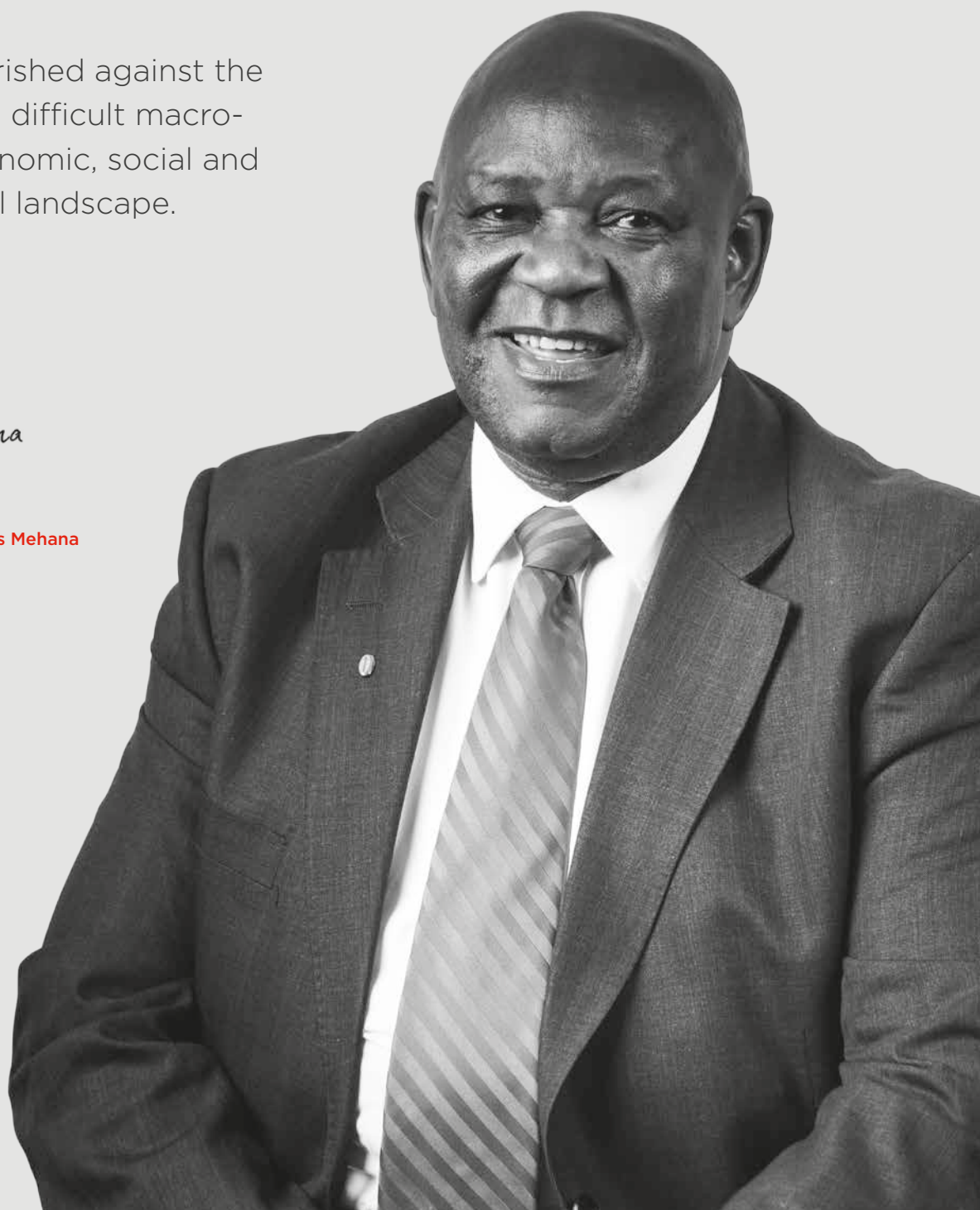
NON-EXECUTIVE CHAIRMAN'S REPORT

AEEI has flourished against the backdrop of a difficult macro- and microeconomic, social and environmental landscape.



Professor Vukile Charles Mehana

Non-executive chairman



DEAR SHAREHOLDER

I am extremely proud of AEEI's financial performance for the year to 31 August 2016. This was an exciting year for the Group, despite operating within a challenging macro environment which included the impact the country's constrained gross domestic product growth, rising unemployment and poverty levels, and experiencing the extreme drought. The exchange rate volatility is being monitored regularly and the negative impacts of the cost of imported products and services have been offset by the benefits of our exported products.

OUR PERFORMANCE

The fruitful, yet ongoing journey of AEEI, ranked as one of the most empowered and fastest growing BBBEE Companies listed on the JSE, should be a case study for future generations. The depth in dynamics that came into play during the growth and emergence of a successful AEEI is what makes me proud to be associated with the Group and proud to be the non-executive chairman of the Board.

Our strong financial performance and positive future outlook - operationally and strategically - provides reliable anchors and relative defensive qualities to assure the continued delivery of stakeholder returns.

“Great things in business are never done by one person, they're done by a team of people.”

Steve Jobs

VISION 2020 VISION

As mentioned previously - the year has indeed been challenging for AEEI, South Africa and Africans in general.

I am sure that you will appreciate the importance of our Vision 2020 Vision strategy and recognise both the honesty of the assessment on which it is based and the fundamental nature of the changes it is set to introduce. We are already seeing tangible positive outcomes as a result of the implementation of the strategy, as well as experiencing an increase in our acquisition pipeline.

What has not changed is the unique ability of the Group to continue to adapt to the evolving environment and to respond in a manner that reflects our values, skills, abilities and experience. However, the journey is not over - the Board's compass remains firmly set on further creating sustainable, stakeholder value with sound growth year on year, with an increase in revenue, operating profit and total assets.

NON-EXECUTIVE CHAIRMAN'S REPORT - continued

AEEI holds a strong financial position with continued solid investment returns for our stakeholders. We remain committed to extend our business beyond South African borders and have already made some inroads into Tanzania, Nigeria and Dubai and abroad, with plans to spread our roots to other African countries.

The Group also retains a firm focus on growing the AEEI brand and strengthening its market perception while expanding its margins. Read more about the operational and strategic investment progress on page 27.

TRANSFORMATION AT AEEI

Congratulations to AEEI on receiving not one, but two awards for our BBBEE credentials and financial performance. I am proud to say that AEEI's black ownership percentage is close to 80%, of which approximately 33% are black women. It is also one of the only companies operating under the new BBBEE codes to score the full 15 points for management control.

AEEI evolved from a qualifying small enterprise through a process of strong organic and acquisitive growth into a multibillion-rand company and is now rated as a generic enterprise. For more information, refer to page 132.

OUR PEOPLE

The AEEI Group is extremely fortunate to have a strong, dedicated team working to grow our various business units. Our commitment to BBBEE and transformation remains imperative and is at the forefront of our agenda.

We are in the fortunate position to have an experienced, highly skilled, driven team of executive managers with a diverse skill set, complementing each other while working as a team. These managers have all contributed to the crafting and implementation of Vision 2020 Vision and have applied it to their respective business units to ensure delivery across all of our strategic focus areas. While they are experienced, the team is constantly approached to further enhance their skills through various accredited programmes.

The executive management team and their responsive and committed staff are tackling cost containment initiatives, the effects of a volatile exchange rate, consequences of extreme weather changes and new regulatory and compliance demands with vigour and determination. I am confident that the positive and effective manner in which we manage these and other challenges will contribute to the further enhancement of value for our stakeholders.

We have a highly competent management team under the leadership of Khalid Abdulla to steer the ship - this strong team takes ownership for the strategy, business performance, skills development and growth. Transformation is easier for some companies than for others, but it has been executed at AEEI as an ethos and the Group is thriving financially and an inclusive business model and strategy was adopted and shared by everyone during 2015.

This has not been easy to accomplish - it took many years of commitment, dedication and real hard work and continues to be a journey that we will be taking, especially in light of the new BBBEE codes.

SUSTAINABILITY AT AEEI

We address our material sustainability focus areas and its impact on our stakeholders by:

- Ensuring sound governance structures are in place and scrutinised regularly – refer to page 68.
- Focusing on transformation practices throughout the Group, not merely meeting BBBEE targets – refer to page 112.
- Meeting all the new and current regulations that govern our business practices – refer to pages 89 and 91.

GOVERNANCE AT AEEI

The Group's policies and charters are updated regularly to remain compliant with the relevant laws, rules, regulations, codes and standards including, but not limited to the JSE listings Requirements. AEEI has embraced King III and is preparing for the implementation of King IV.

We are also conscious of the implementation of the JSE's requirement to increase female representation on the Board by January 2017. Currently, 44% of the Board is already represented by women.

SINCERE APPRECIATION

It is with sincere appreciation that I thank our shareholders for their unwavering confidence in me as the non-executive chairman of the Board. The Group is privileged to have such strong supportive shareholders and I look forward to deliver on the next exciting phase of the Group's development.

I would like to recognise the support and contribution of my fellow Board members during the year. I especially wish to thank Khalid Abdulla for his leadership, insight and dedication in realising the potential of our Group towards 2020 and beyond. Thank you also to the executive management teams and our employees, in the Group without whom we could not have achieved such positive growth.

Dankie baie.



Professor Vukile Charles Mehana

Non-executive chairman

“As we express our gratitude, we must never forget that the highest appreciation is not to utter words but to live by them.”

John F Kennedy



CHIEF EXECUTIVE OFFICER'S REPORT

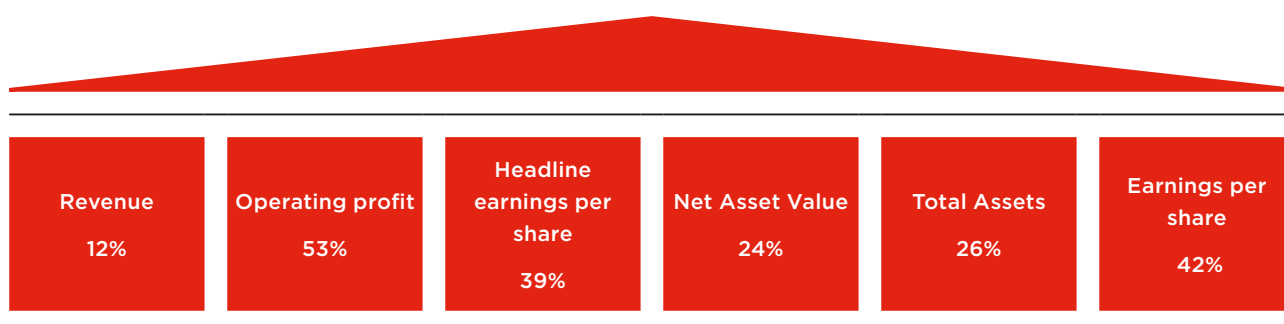
It gives me great pleasure to share AEEI's year-end results and progress made during the year under review to 31 August 2016.



Khalid Abdulla | Chief executive officer



BUILDING TOWARDS OUR VISION 2020 VISION



In the 17 years since listing, AEEI has deservedly earned a reputation for transparency, ethical business practices, good corporate governance, empowerment and transformation.

The financial market has come to accept and has lauded our name change and new branding – a process highly publicised from April 2015 onwards. The striking AEEI brand, still in its infancy, is becoming firmly rooted in the market place and is known to be the brand of a Company that is growing into a business “powerhouse”.

EXTERNAL AFFIRMATION

I am filled with great pride at our most recent achievements and it is a great honour that AEEI was again bestowed the Most Empowered Company and the Most Empowered Management Control Company of the Year by Empowerdex’s Top 100 Empowerment Companies Awards ceremony in October 2016.

We were also ranked 10th in the Financial Mail’s Top 20 JSE listed companies for financial performance in 2016. No other listed or black economic empowered company has ever received all of these prestigious business awards for financial performance and transformation in one year!

In addition to this, we received the Highest Sustainability Data Transparency Index Score – Financial Services Sector by the Integrated Reporting Assurance and Services for governance and transparency in 2016.

Admittedly, AEEI’s status as an award winning empowerment Company has resulted in an upsurge in the number of corporations, large and small, local and international, who have expressed their interest to become part of our innovative business.

In addition to the awards received, the Company’s steady growth, value creation and high focus on implementing its strategy, unlocked new deal flows and create a more exciting and confidence-building environment for all our executives and staff, who are at the forefront of growing the various business units with the Group.

“Productivity is never an accident. It is always the result of a commitment to excellence, intelligent planning and focused effort.”

Paul J Meyer

CHIEF EXECUTIVE OFFICER'S REPORT - continued

“Excellence is the gradual result of always striving to do better.”

Pat Riley

EXCELLENCE THROUGH FOCUS

The South African economy experienced a turbulent year with the recent slowdown of the economy as a result of external factors beyond our control. Depressed commodity prices, the drought of 2015/2016 experienced in the agricultural sector resulted in the price of wheat and staple foods skyrocketing. Together with the country's political environment, local elections and economic volatility, we are unfortunately faced with the reality of contemplating a downgraded economy.

Without being distracted by the above challenges, the board of directors and executive management teams have been focused on the execution of the Vision 2020 Vision strategy.

Some of the Group's focus areas include but are not limited to:

- Stimulate economic growth;
- Grow our business through organic and strategic investments;
- Improve shareholder returns;
- Improve shareholder satisfaction and return on investment;
- Provide and maintain high-quality infrastructures;
- Train and develop of staff and transformation;
- Comply with laws and regulations;
- Develop socially and economically; and
- Create awareness of our carbon footprint and our environmental impact.

Detailed information regarding our material focus areas can be found on pages 39 to 42.

As a result of the implementation of our strategy, the Group is on a positive trajectory to further improve financial performance year on year, thereby driving sustainable returns for all stakeholders over the long term.

A detailed description of the progress made in terms of Vision 2020 Vision is on page 35.

WHAT SETS AEEI APART FROM ITS COMPETITORS

I wish to highlight eight of our most significant key areas that set us apart from our competitors:

- Diversified business portfolio;
- Hands-on approach in our business development strategy;
- BEE partner of choice;
- Solid empowerment credentials and return on investment;
- Successful financial 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; and
- Vision 2020 Vision strategy, implementation plan with clear, short-, medium- and long-term strategies.

A detailed list of what set us apart can be found on page 17.

OUR STRATEGY

AEEI is a business built around excellence and everything we do is done by design, rather than speculation or chance. Our values and Vision 2020 Vision strategy determine our actions. Our guiding principles of custodianship means that we integrate social, governance and environmental priorities alongside the financial performance of the Group.

The focused implementation of our Vision 2020 Vision strategy within the Group has already shown its benefits by achieving key performance indicators which include, among others, an increase in revenue, total assets, operating profit as well as increasing operational cash flow and NAV. Refer to the chief financial officer's report on page 58 for a detailed outline of our results.

I am nevertheless pleased to announce that we have exceeded our growth targets for the financial year.

Our strategy allowed us to continue to create value for our stakeholders by focusing our energies on four strategic objectives:

- Growth;
- Value creation;
- Employees; and
- Brand.

Further details are provided on page 33.

To build on this, the Group has been on a focused acquisition trail to give our current investments more scale and scope, while managing and mitigating risks related to global uneasiness by reducing debt, costs and growing revenues. This includes being mindful that our BBBEE credentials and other competitive advantages are constantly improving.

ROBUST PERFORMANCE

Our diversified investment portfolio includes food and fishing, technology, health and biotherapeutics, events and tourism, as well as our strategic investments, which have all shown remarkable growth during the year under review.

This growth in 2016 has set the stage for further potential acquisitions predominantly in the food and fishing and the technology divisions as well as strategic investments, as we continue to build on the strong performance from our existing operations and investments in reaching our future objectives.

Due to our consistent growth rate, the food and fishing and technology divisions are becoming attractively scalable and the likelihood of separate listings are becoming more of an option in the short to medium term, subject to market conditions.

CHIEF EXECUTIVE OFFICER'S REPORT - continued

REVIEW OF OUR INVESTMENTS**OPERATIONAL INVESTMENTS****FOOD AND FISHING**

Premier Fishing delivered significant growth with revenues increasing by 15% to R401m (2015: R349m) and operating profit increasing to R75m (2015: R68m).

The food and fishing division continues to grow consistently year on year and achieved this success through an efficient, robust and dynamic operating platform, able to adapt to changing global economic environments.

The Board of Premier Fishing and their executive management team have a strong focus on risk mitigation (see page 160), while driving their strategy, operations, finances as well as sales and marketing within their division.

The food and fishing division's revenue is diversified through product and customer location in the USA, Europe and the Far East to mitigate against global risks. For the current year all their product offerings contributed positively despite the turbulent global economic trading conditions.

Their strategies to create further efficiencies within the abalone farm, such as the renewable energy project, which was successfully commissioned in 2015, as well as the reworking of its operational processes, have started to show positive returns.

Because of this, the division generated a significant amount of revenue from exports and the foreign exchange rate variations make this division a stable investment with strong growth potential.

The food and fishing division continues to drive the upliftment of fishing communities by investing in and assisting with finance, administration and infrastructure, as well as commercial, processing and selling activities. As a result of these community-based projects as well as working with the Office of Safety and Quality in Health, the food and fishing division has seen a further increase in its market share in these sectors.

In achieving their Vision 2020 Vision strategy, the food and fishing division continues to build a platform for one of their key focus areas, being the separate listing of this division. This would unlock accelerated growth potential, which should consequently create shareholder value in line with AEEI's investment philosophy.

SEKUNJALO TECHNOLOGY SOLUTIONS

The technology division performed well, with revenues remaining steady, with more than satisfactory growth in operating profit of 6% to R35m (2015: R33m). The technology division's strategy of maintaining quality annuity revenue income through its support divisions and extracting efficiencies in its operations has proven successful.

The key strategic focus for the year ahead and as part of their Vision 2020 Vision strategic plan is to expand their offering nationally and into Africa as well as internationally. The existing products and service offerings have made inroads into Africa this year with contracts awarded in Tanzania and Dubai and further traction achieved in penetrating the Nigerian market.

Within the technology division, the business intelligence and digital marketing companies are engaging with companies to export their development IP and strategic services as the current global economic conditions, especially the rand-dollar exchange rate, makes it an attractive offering to customers abroad.

The technology division is extremely pleased to announce the acquisition of majority shareholdings in Puleng Technologies (Pty) Ltd and Kalula Communications (Pty) Ltd, (trading as Headset Solutions) of 57% and 51% respectively. These acquisitions offer a synergistic fit within the existing IT product basket and will see the technology division at least double its revenue for the year ahead. The acquisition of Puleng Technologies creates a substantial footprint and presence in the Gauteng region, whereas the technology division had traditionally focused its activities in the Western Cape.

The technology division continues to engage further target companies to complement its vision and strategy to enable it to build a platform for listing within the next three to five years.

HEALTH AND BIOTHERAPEUTICS

Wynberg Pharmaceuticals has over the past three years focused on researching and developing products with a core focus on providing the agriculture, food processing and sanitation markets with biological and natural alternatives to harsh chemicals currently utilised in this sector. This investment opportunity was identified due to international markets importing large volumes of South African produce are actively reinforcing regulations, through the Reach Accord, which bans the use of chlorine and similar harmful chemicals. It further speaks to their focus on the food security as a whole.

The products were developed through a joint venture and the transfer of an international patent originally held in the UK with their international partners to South Africa.

During the research and development phase over the last three years, Wynberg focused on testing products in the Western Cape agriculture market and simultaneously created a regulatory platform through the Department of Agriculture, Forestry and Fisheries. This has set up their commercial supply chain through two of South Africa's largest distributors on a wholesale model and the platform is now set for this business to expand through South Africa and over time service the global market.

GENIUS BIOTHERAPEUTICS (GENIUS)

Genius is a research and development investment that will unlock shareholder value through commercialising its 22 various patents and technology transfers. Certain patents, in particular their personalised immunotherapy vaccine targeting cancer Dendritic Cell Vaccine (DCV), will unlock value by achieving key scientific milestones.

Commercialisation and achievement of specific scientific milestones creates a platform which enables the Genius Group to raise capital for the completion and commercialisation of products. The timing to list Genius is, however, monitored carefully to ensure favourable global market conditions. The Genius Group retains its reserve bank approval for listing abroad, which will eventually unlock shareholder value.

CHIEF EXECUTIVE OFFICER'S REPORT - continued

Operationally and scientifically, Genius has made significant progress during the year under review. DCV, a project in collaboration with Groote Schuur Hospital and the University of Cape Town, achieved success with a “proof of concept” achieved under laboratory conditions. The laboratory research resulted in two new patented processes being registered by the University. Currently the team is engaged in patient recruitment and pre-clinical tests as well as developing a logistics plan for the execution of phase 1 human trials at the Groote Schuur Hospital to commence during 2017.

We remain confident that this division will achieve its set milestones over the next three to five years with the implementation of their Vision 2020 Vision strategy.

EVENTS AND TOURISM

The events and tourism division comprises complementary businesses, with service and product offerings falling within a sector which is positioned to grow in South Africa.

espAfrika produced an overwhelmingly successful 17th Cape Town International Jazz Festival (CTIJF) with positive reviews from the media, corporate clients and “Festinos” alike. Sold out status was regularly achieved in respect of general access tickets as well as in the various lounges and the corporate hospitality suites. As part of espAfrika's Vision 2020 Vision strategy, they successfully launched their second owned event in July this year with similar events to follow in the next few years. This strategy aims to mimic the commercial success of the CTIJF. The new event – “The Royal Escape Experience” – was held at Sun City and focused on providing an elite getaway experience.

Tripos Travel performed satisfactorily for the year as it adapted to a constantly evolving travel industry. Planned rebranding and diversification of services and products are key cornerstones to the future success of this business going forward. Traditionally a corporate travel services provider, Tripos' management expanded its focus on inbound and outbound leisure services and in doing so, increasing their revenue significantly.

Magic 828 radio station, launched on 1 October 2015, has seen a reasonable uptake of listenership and keen interest from advertisers in its first year of trading. The strategy in place for the year ahead has been developed and the team is focused on the implementation thereof.

STRATEGIC INVESTMENTS

The Group's strategic investments for the year under review includes British Telecoms South Africa (Pty) Ltd (BT), Saab Grintek Defence (Pty) Ltd (Saab), Sygnia Ltd (Sygnia) and Pioneer Foods Group Ltd (Pioneer Foods).

AEEI has major net exporters status in its diverse portfolio and this hedging strategy assists with militating against global risks and the fluctuating rand.

BT

BT is performing well and has won significant new contracts. Profitability increased steadily and we expect that BT's performance will grow consistently going forward. The growth in BT has resulted in AEEI receiving regular dividends. Read more about our investment in BT on page 218.

SAAB

The restructuring of our shareholding in Saab SA in November last year led to AEEI disposing of its initial 5% equity in Saab SA and acquiring a 25% + 1 equity share in its biggest operating subsidiary, Saab Grintek Defence (SGD). More recently, SGD entered into a Memorandum of Understanding with TATA Power India to manufacture certain products locally to service the Indian market. AEEI is expected to benefit from this initiative in the near future. Read more about our investment in Saab on page 219.

PIONEER FOODS

The share value of Pioneer Foods performed well since we made the acquisition in 2012. However, owing to the current drought conditions and market perception of the possible impact thereof, the share was under pressure during the year. We believe this to be a temporary decline and we have seen the share value steadily increasing by year-end. Read more about Pioneer Foods on page 220.

In summary, the focus of our strategic investments has mainly been to increase shareholder value and improve our portfolio of investments. The benefits relating to these investments will support the Group in achieving our long-term growth as outlined in our Vision 2020 Vision strategy.

SYGNIA

Launched in 2003, Sygnia, the financial services asset management company that has turned the industry on its head, experienced a period of tremendous growth and success, rising to become the second largest multi-management company and the largest investment administration company in South Africa. The value of AEEI's interest in Sygnia increased significantly since its acquisition late in 2015. Read more about Sygnia on page 221.

EXCELLENCE THROUGH OUR PEOPLE

The employees at AEEI truly define our Group and we recognise that they have and continue to play a crucial role in growing our various investments and businesses. Our consistent overall standout performance would not have been possible without our executives and employees and their continued focus on operating efficiencies, risk management and better portfolio management, which remain the key drivers of our performance.

Throughout the year, the Group invested heavily in training and developing employees. I strongly believe that the Group's mentorship and training programmes are gaining traction, and we have received positive feedback from all levels within the Group.

We are particularly strong in AEEI's ownership profile, with black ownership at 79%, of which 33% are women, and the majority of its economic benefits are enjoyed by a broad base of stakeholders.

The Group has a solid management team with clear deliverables and a strong focus on developing managers' and employees' perspectives through diversity.

“Successful organisations understand the importance of implementation, not just strategy, and, moreover, recognise the crucial role of their people in this process.”

Jeffrey Pfeiffer

CHIEF EXECUTIVE OFFICER'S REPORT - continued

Enterprise development also forms an important part of the Group's philosophy. Each executive in the Group has to devote a certain amount of time every week to develop SMMEs. We currently have programmes of support in the food and fishing and technology divisions, including assisting with funding, administration and bookkeeping.

LOOKING TO THE FUTURE

The Group will continue its strategic focus to grow the value of its operational investments and improve the value-add to its strategic investments. The AEEI Group has built a strong and solid platform for further organic growth and has positioned itself well to increase its investments through further acquisitions within all the divisions.

Management remains focused on the implementation of Vision 2020 Vision strategic plan which is well on track to achieve its targets.

The Group is well positioned to take advantage of opportunities that are both available to maintain its current organic growth trend as well as further acquisition opportunities.

The Group is currently in a strong cash-generating position as a result of excellent earnings during the 2016 financial year-end and debt levels are currently low with a single-digit percentage.

The food and fishing division hopes to achieve a smooth and well received public listing in the short to medium term. This will enable this division to grow and expand at an exponential rate.

The technology division also has a clear strategic vision and continues to engage additional target companies to complement its vision and strategy to build a platform for listing the division within the next three to five years.

The events and tourism team successfully completed its first new event - "The Royal Escape Experience" - which was held at Sun City at the end of July 2016. The event was a great success and all patrons had portrayed positive feedback. As previously mentioned, this new event is in line with espAfrika's strategy to minimise its dependency on the CTIJF. espAfrika is expected to launch another new annual event during the 2017 - 2018 financial years to bring the total of company-owned annual events to three and they are on track to achieve their Vision 2020 Vision goals.

In the travel business, the plan is to increase the percentage of their inbound and outbound leisure travel which will aid in increasing their margins. The business now has an efficient base and stable business model with available capacity which can now be leveraged off to grow profitability.

The Magic 828 radio station has the opportunity to be profitable by 2018 year-end after breaking even in 2017 as listenership increases steadily and this will assist in the growth of revenue.

One of the key strategic objectives for the AEEI Group is to create sustainable value for all our stakeholders and to integrate sustainable development in our strategy, management and reporting with the objective of also reducing the negative impact on the environment.

When developing our Vision 2020 Vision, we took into consideration the macro- and microeconomic risks and trends that may have an impact on our businesses due to the nature of our operational investments and adapted it for current changes.

The Board, executive management teams and I endeavour to meet each and every goal as set out in our Vision 2020 Vision strategy. This is monitored on a regular basis and various measures have been put in place to ensure that our strategic goals are implemented.

Through the Company's achievement of economic growth and its emphasis on improving the society in which we operate, it remains one of a few companies to have consistently topped the rankings in its operational sectors over the last few years.

We are one of the top black economic empowerment companies in South Africa due to the Company's strong ethos and sustainable business model that attempts to narrow the inequality gap in our society and uses the talent to build a model South African company for the future. The Company has retained its Level 1 BBBEE credentials year on year.

AEEI is a "PARTNER OF CHOICE" to our clients, partners and future investors and associates. We look forward to further growing our business into greater Africa and internationally.

We have also diversified our strategic investments while unlocking innovative solutions and adding value to our product portfolio and service offerings, taking a long-term view on opportunities opposed to being too reactive in the short term.

SINCERE APPRECIATION

Firstly, I wish to extend a special thank you and sincere appreciation to the board of directors led by our chairman, Professor Vukile Charles Mehana. I would also like to thank the executive management team, employees, strategic partners and associates for their passion, loyalty, dedication and their efforts while they continue contributing to the success of AEEI.

This is an exciting growth phase for AEEI and I look forward to sharing the next set of financial results with you. Our diversified operational and investment portfolio, expanding footprint, pooled experience, knowledge, skills and continued growth will be used to improve and to ensure a sustainable business for years to come. I look forward to this continued trajectory of growth in AEEI based on our Vision 2020 Vision.



Khalid Abdulla

Chief executive officer



*For further information on determining our material matters refer to page 39.
For further information on delivering our strategy through our business units refer to pages 27 and 153.*

CHIEF FINANCIAL OFFICER'S REPORT



Chantelle Ah Sing | Chief financial officer



Our excellent financial results for the 2016 financial year are testament to the resilience of AEEI with its diverse portfolio of investments in a challenging economic environment.

KEY FINANCIAL HIGHLIGHTS

OPERATING PROFIT	HEADLINE EARNINGS PER SHARE	TOTAL ASSETS	NET ASSET VALUE (NAV)	NET OPERATING CASH FLOW
Up 53% from R186m to R285m	Up 39% from 31.06c to 43.13c	Up 26% from R1,3bn to R1,7bn	Up 24% from R805m to R1bn	Up 47% from R51m to R75m

OVERVIEW OF THE 2016 FINANCIAL YEAR

The AEEI Group is pleased to report another year of record financial results in its first year of Vision 2020 vision, and delivered an excellent performance due to:

- organic earnings growth of its core operations in the technology and food and fishing sectors; and
- strong returns and growth in its strategic investments.

Our first strategic priority was to leverage the investment portfolio to drive growth through acquisitions. In doing so, AEEI increased its equity stake in Saab Grintek Defence (Saab) to 25% plus one share, as well as acquiring an interest in Sygnia Ltd. The impact on the Group was an increase of 28% in financial assets.

The second strategic priority for the Group was to maintain gross margins from its underlying operations and retain Group margins within the targeted range of 30% to 35%. The Group maintained its 34% margin by improving operational efficiencies through more efficient vessel scheduling and planning, as well as maximising its relationships in the supply chain to ensure better pricing.

Improving the social, transformation and environmental impacts on our business was the third strategic priority to secure long-term growth for the Group. As a Top Most Empowered Company, it is important that we continue to strengthen relationships with all key stakeholders to deliver improvements in governance, social upliftment, environmental impact and transformation. Refer to our stakeholder engagement on page 85 for further details.

“Predicting the future with any degree of certainty is impossible. The key is to react accordingly to any situation as it arises.”

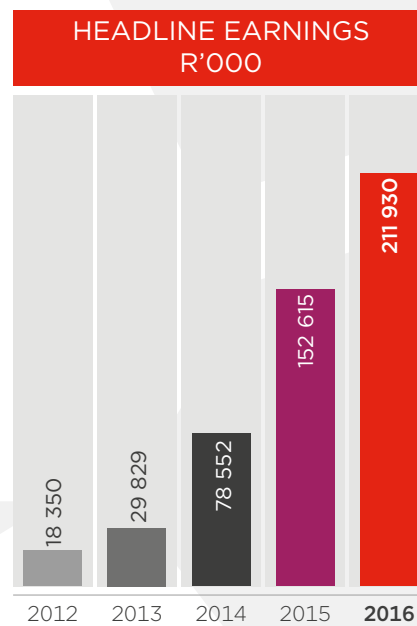
Don Connell

CHIEF FINANCIAL OFFICER'S REPORT - continued

We continued to create substantial value for our stakeholders as follows:

- Revenue grew by 12% to R752m
- Headline earnings growth of 39% to R212m from R152m
- Total assets increased by 26% to R1,7bn
- Net asset value per share increased by 29% from 144.93c to 186.52c per share
- Dividend declared of 3.30c per share – an increase of 32% over the prior year

Despite a volatile macroeconomic environment and slow economic growth in South Africa, the Group delivered strong financial performance. Operating profit increased by 53% compared to the prior year, mainly due to the excellent operational performance and the fair-value gains on our strategic investments. Most of the divisions in the Group delivered against their strategic targets for the 2016 financial year. Refer to page 11 for more details.



The Group's earnings increased by 42% to R215m which was driven by the Groups' diversified asset portfolio which provided a significant increase in fair value and dividends return from the strategic investments as well as a strong operational performance in the fishing and technology divisions. As a result, earnings per share increased from 31.12c to 44.09c compared to the prior year.

AEEI's headline earnings per share increased by 39% from 31.06c to 43.13c with earnings per share increasing from 31.12c to 44.09c compared to the prior year.

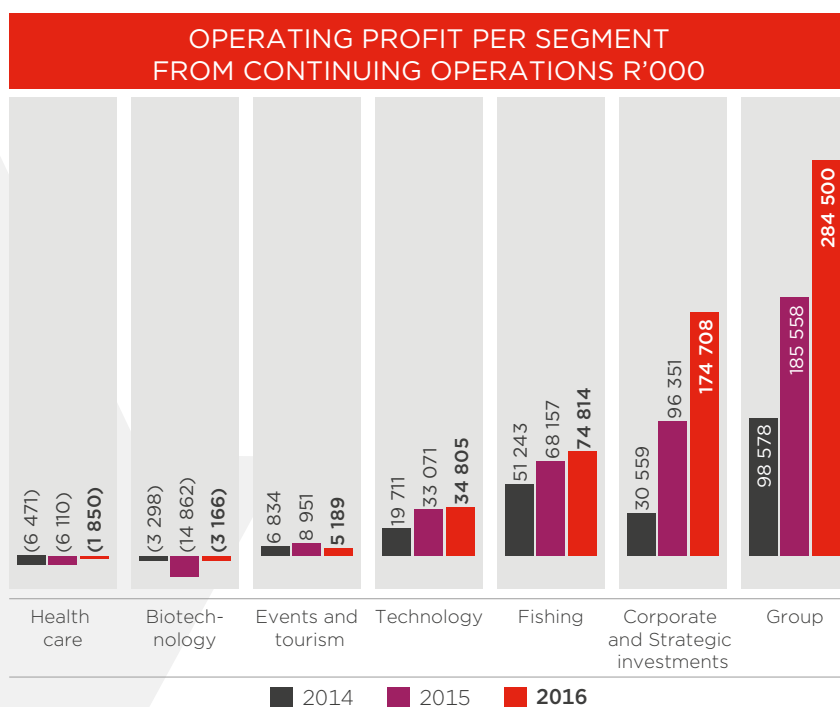
The Group's balance sheet is well positioned for future growth with a strong asset base and robust cash generation. Net asset value increased from 144.93c to 186.52c per share which is a strong indicator of our strengthened financial position.

GROUP FINANCIAL PERFORMANCE

Revenue growth of 12% (2015: 8%) bolstered by the higher-than-expected performance from most of the sectors in the food and fishing division of 15%, and a 30% increase from the events and tourism division. The business units under the events and tourism all reported greater revenue generation from a low base compared to prior year.

Operating profit was R285m, an increase of 53% over the prior year. All the operational divisions, with the exception of the health and biotherapeutics division contributed positively to the operating profit growth for the year.

The food and fishing division produced an excellent operating profit of R75m (2015: R68m) with a 19% operating margin driven from improved catch costs, greater sales volumes and better pricing. The technology division generated higher than expected margins of 16% as a result of the completion of a major health information system contract. The events and tourism division achieved greater revenue with lower margins, while the health and biotherapeutics division incurred a R5m operating loss from continuing operations to the Group in comparison with a prior year loss of R21m.



Operating expenses increased by 17% from R151m to R177m as a result of a full year's operating costs of R9m for Magic 828, the radio station, as well as the 10% increase of R17m from the food and fishing division due to variable costs of commission and freight, repairs and maintenance in correlation with the 15% organic revenue growth.

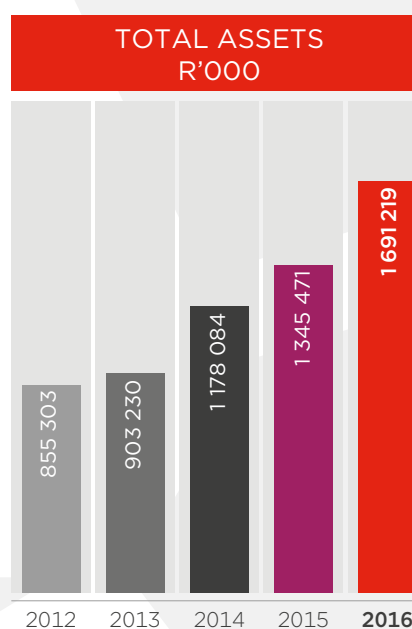
Investment income of R33m included interest of R3m and a dividend of R30m, (2015: R14,6m) was received from the strategic investment portfolio. Finance costs increased by 33% compared to the prior year mainly due to the increased costs of the preference share financing of the equity in Saab.

CHIEF FINANCIAL OFFICER'S REPORT - continued

Taxation amounted to R80,5m which included income tax of R20m and deferred tax of R60m. The effective tax rate was 27.5% mainly due to the inclusion of the capital gains from the increased fair value of strategic investments. The capital rate changed from 66.6% to 80% which impacted the taxation amount by R14m.

GROUP FINANCIAL POSITION

Total assets of the Group increased by 26% to R1,7bn mainly due to a significant increase in the financial assets from R525m to R857m and the increase of R34m in current assets to R263m. The increase in fair value of strategic investments of R331m was mainly due to the addition of the investment in Saab and the increased fair value of the investment in British Telecoms South Africa (BT).



Current assets increased as a result of the organic growth in inventory and cash and cash equivalents as well as the additional biological assets held at the abalone farm.

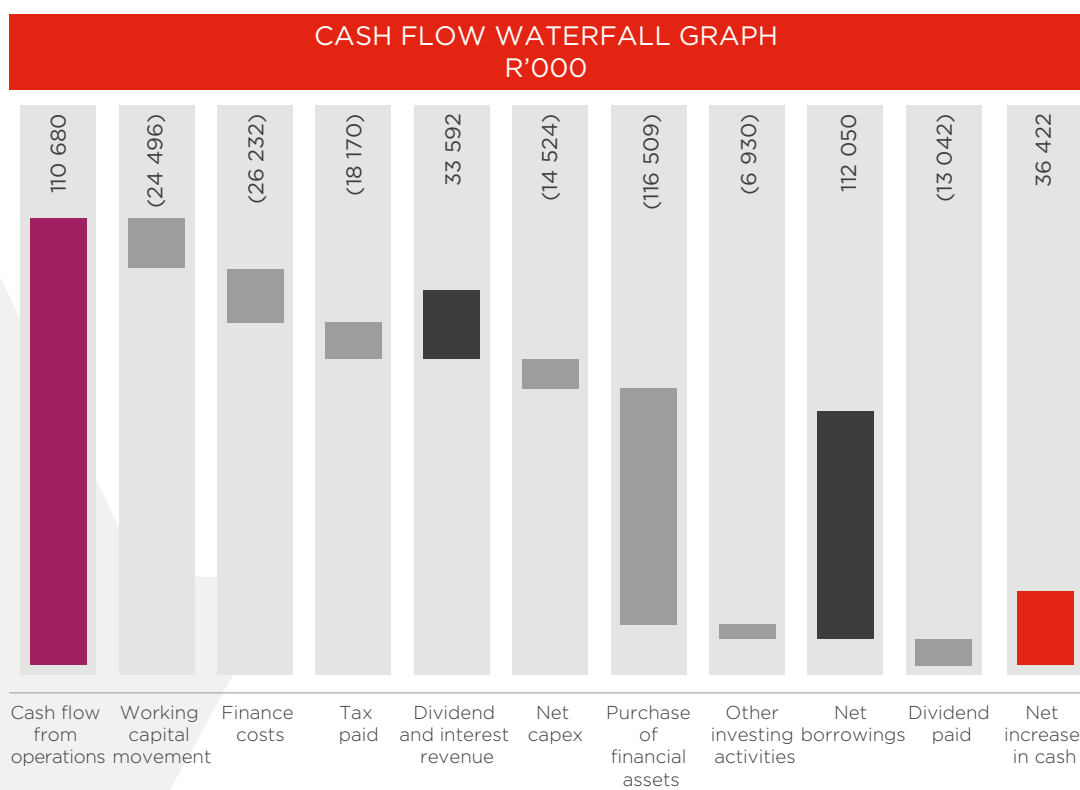
Cash and cash equivalents increased from R32m to R64,8m at year-end due to working capital previously held in current assets being converted into cash from the technology and food and fishing divisions. As a result thereof, the current ratio increased to 2.02 (2015: 1.23) which indicates a great improvement in working capital management.

Total liabilities excluding the deferred tax liability increased to R391m (2015: R302m) due to the acquisition of the additional financial assets during the year. The Group maintained a low gearing ratio of 9% (2015: 6%) and the net debt to EBITDA ratio improved to 0.19 times. The financing of the equity in Saab increased the liabilities by R101m and this has already decreased in the current year through dividends paid out by Saab.

The Group's net asset value growth of 29% was driven by the strong performance of all the underlying investments as well as the increase in the financial assets and current assets. The return on equity increased from 19% to 23% due to the strong earnings growth and strengthened financial position achieved during the year.

CASH FLOWS

Net cash flows increased at year-end due to the strong operational performance with less investment in working capital which decreased from R35m to R24m over the comparative prior year. Operational cash flows in the Group increased from R51m to R72m mainly as a result of greater cash generated from the operations of R16m, increased dividends from strategic investments of R15m, which was offset by higher finance cost charge of R6m and additional taxation paid of R3,8m.



MATERIAL ISSUES THAT AFFECT OUR PERFORMANCE

RESPONSIBLE USE OF CAPITAL GENERATED

The Group incurred R12m (2015: R37m) in capital investments with the replacement of assets of which R9m was invested in the food and fishing division to maintain organic growth. The return on assets increased from 11% to 13%.

CHIEF FINANCIAL OFFICER'S REPORT - continued

Working capital was reinvested into the food and fishing, technology and biotechnology divisions to support strategic initiatives to grow product portfolios and increase income-generating activities. With the strategic plans for expansion of the abalone farm, further capital expenditure is being incurred through a phased operational plan.

Capital was used to reduce our overall debt commitments, ensuring returns from investments exceeded the cost of debt and in turn produced a consistent low gearing ratio. Dividend returns from strategic investments were used to repay debt commitments. Asset efficiency ratios were used to monitor performance on investment returns and these ratios and payback periods were assessed when making investment decisions for growth opportunities.

INVESTMENT IN BUSINESS OPERATIONS

Through its health information systems, the technology division proved itself as a successful system implementer by showcasing its reference site in the Western Cape. This division continues to expand into Africa in line with its strategy by obtaining business in Ghana and Tanzania, in addition to a recent contract concluded in Dubai.

Patent and licence costs were incurred to enhance the product portfolio in the health and bioterapeutics division as the trial phase was completed and the registration of these products have commenced. These costs were capitalised in the intangible assets which grew our organic operating asset base.

The health care division finalised agreements with a key principal and distributor to enable local manufacturing of products to commence in the final quarter of the current year. These strategic initiatives will reduce losses, improve the Group's operating margins as well as increase turnover for this division in the next financial year.

Following eleven months of live broadcasting for Magic 828, the capital investment into the mast and studio installation is showing tangible results. Management's key focus is to increase listenership and brand awareness to bolster advertising income. Working capital was invested into this business with a financial objective to break even by the next financial year.

Working capital was invested in the biotechnology division to continue with research and development activities by advancing the dendritic cell vaccine project to clinical trial phase and to enable more efficient production methods under good manufacturing practice standards. This will ensure the commencement of validation production runs in the next financial year.

GROWTH THROUGH STRATEGIC INVESTMENTS

Total assets increased through acquisitive growth strategy by leveraging the existing investments and initiating further growth. The investment in Saab is an example of how the Group implemented this strategy during this year.

AEEI's investment in Saab continues to perform well and is gaining traction in the export business with international contracts being awarded. We expect future growth in the medium term with a dividend policy of 20% of earnings providing sustainable returns from this investment.

AEEI's investment in BT continues to grow substantially within the Group's asset portfolio. It delivered solid financial results that exceeded our expectations and provided us with a platform to seek complimentary technology businesses to build our operating asset base in the technology division.

Pioneer Foods experienced a year of volatility in its share price despite an increase in earnings. We anticipate that the decline in the share price is temporary and expect a steady increase in the value of this investment.

AEEI's investment in Sygnia, acquired in October 2015, has already returned a maiden dividend in the first year of ownership.

The dividend return for all the strategic investments increased from R15m to R30m and we expect this to be sustainable.

The AEEI Group's portfolio continues to grow in terms of one of its long-term objectives, with total financial assets increasing to R857m this year. Interactive engagement with our key stakeholders strengthened the synergy between AEEI and our various business divisions as well as our strategic investments, enabling long-term growth and value creation.

EXTERNAL FACTORS THAT IMPACT THE GROUP'S PERFORMANCE

The challenging macroeconomic environment with higher fuel prices, volatile exchange rates, increasing electricity prices and higher interest costs meant that we should continue to actively manage the factors within our control. The Group's cost structure and margins were managed by monitoring monthly operating expenditure. Executive management kept a vigilant eye on operating margins from the various business divisions which are reported on through governance structures and key decisions were taken to ensure that it remains within our approved budgeted plans.

A large portion of revenue and operating costs were materially impacted by the weakening of the rand. Due to the volatile nature of the rand/dollar exchange rate, the cost of imported products and services escalated which had a material effect on the technology, food and fishing, health care and events and tourism divisions. A net foreign loss of R1,6m impacted the 2016 financial results. Management in the various divisions responded by finding alternate costs saving measures to reduce the overall impact on their profits by renegotiating pricing and cost structures.

However, the impact of the rising cost of importation of inventory in the health care division caused us to enter into agreements with key principals to enable local manufacturing in South Africa and with this progressive solution provided a reduction in the cost of finished products.

The slow growth in the South Africa economy as well as the political instability in our local economic environment lent itself to exploring opportunities outside of South Africa. We continued to invest in Africa as part of our strategic expansion plans in our technology division to mitigate the slow customer demand for our product offering locally.

CHIEF FINANCIAL OFFICER'S REPORT - continued

The environmental impacts from the adverse weather conditions in the food and fishing division and the drought stricken farming areas affected the health care division which in turn limited revenue and operating profits. Due to the diversification of its business units, they were able to reduce any material impact in the food and fishing division and management continues to expand its product offering in the health and biotherapeutics division.

SHAREHOLDER RETURNS

We return value to our shareholders in the form of dividends and share price appreciation. The share price appreciated during the year with a closing price at 2.95c and we expect this to further increase as we progress with our Vision 2020 Vision strategic plans.

The Board approved a final dividend of 3.3c per shares, an increase of 32% over the prior year. This is the third dividend payment to AEEI shareholders as we continue to deliver on our commitment to pay regular dividends to our shareholders while continuing to grow the Group in terms of Vision 2020 Vision.

LOOKING AHEAD

In 2017, the uncertainty of the political environment, the potential risk of an investment downgrade and the volatile economic outlook in South Africa remains a business challenge. This has increased our focus and efforts to continue to build a strong diversified asset base and to produce sustainable returns as well as secure long-term growth in order to deliver on our Vision 2020 Vision strategy.

Our balance sheet remains strong with sufficient leverage to enable us to execute on our growth plans. We continue to benefit from our existing investment portfolio and diversify through acquisitive growth. Post year-end, the Group acquired two technology companies with a combined equity value of R63m on 1 September and 1 October respectively. This will further enhance our financial performance and financial position to meet our acquisition strategy.

Our financial objective is to maintain gross margins within our targeted range by improving operating efficiencies, monitoring our cost base and implementing innovative solutions to overcome the rising costs in the current environment.

APPRECIATION

I would like to thank the financial teams across the AEEI Group for their hard work, continued support and commitment during a demanding year. We as a team have overcome the challenges presented to us through determination and integrity to deliver quality financial information for our stakeholders.

We appreciate the strategic guidance and support received from the board of directors and the executive management teams that enabled us to strengthen our efforts and to focus on delivering on our Vision 2020 Vision.

For further information on investing in our staff refer to page 87.

For further information on innovating for our clients refer to page 88.



For further information on engaging our regulators refer to page 89.

For further information on delivering value through a commitment to our communities and the environment refer to page 108.

CONCLUSION

I am pleased to report that the Group's financial objective to deliver excellent returns to our shareholders was achieved during the year through the delivery of excellent financial results and a strengthened financial position. We believe the year ahead promises exciting opportunities and challenges as we continue to build on our solid foundation for future success.



Chantelle Ah Sing
Chief financial officer

—

VISION
EDUCATION
OBJECTIVES
ETHICS
STRATEGY
INSPIRATION
PARTNERSHIPS

—