

CHIEF EXECUTIVE OFFICER'S REPORT

A black and white portrait of Khalid Abdulla, the Chief Executive Officer, wearing a pinstriped suit, a white shirt, and a patterned tie. He is wearing glasses and has a watch on his left wrist. The portrait is overlaid with a red semi-transparent shape at the bottom.

I am delighted to share the progress that African Equity Empowerment Investments Limited (AEEI) has made against the vision and strategic objectives during the year under review ending 31 August 2015.

Khalid Abdulla | Chief executive officer

MILESTONE YEAR

2015 was a milestone year in the history of the Company as we successfully changed our name to African Equity Empowerment Investments Limited, paid a maiden dividend to shareholders, introduced and applied our growth plans through our Vision 2020 Vision strategy, gained traction in numerous efficiency and cost optimisation initiatives and increased profitability above market expectations as well as expanded our business relations on the African continent.

The Board and I commend the effort and contributions made by the executive management and their teams, who have taken the vision and ownership of the plans into the strategies for their specific divisions.

Warren Bennis said: "Leadership is the capacity to translate vision into reality."

In giving effect to our strategic plan of action, I am pleased to announce the following results for the period under review:

SIX STANDOUT RESULTS FOR AEEI

REVENUE

↑ 8%
from R621m
to R672m

OPERATING PROFIT

↑ 88%
from R99m
to R186m

HEADLINE EARNINGS PER SHARE

↑ 94%
from 16.03c
to 31.06c

NET ASSET VALUE (NAV)

↑ 25%
from R569m
to R712m

TOTAL ASSETS

↑ 14%
from R1 178m
to R1 345m

EARNINGS PER SHARE

↑ 57%
from 19.76c
to 31.12c

According to the latest World Economic Forum's (WEF) Global Risk Report 2015, the probability of a global financial crisis takes a back seat to the interplay between geopolitics and economics, rapid and unplanned urbanisation in developing countries and emerging technologies. There are also high concerns about failure of climate change adaptation and the looming water crises in this year's report.

Despite the global view, at AEEI we have had many successes of which some are again qualitative and quantitative by nature. Our reporting improvements were recognised by the Integrated Reporting and Assurance Services (IRAS), an independent organisation that looks into the reporting and governance of the Top 500 JSE-listed South African companies.

AEEI was ranked 10th overall for its Sustainability Data Transparency Index, up from 16th and 182nd in the prior years, and second in the Financial Services sector within the Top 500 JSE-listed companies. This proves that our team worked tirelessly to ensure that we continuously improve on governance through disclosure and transparent reporting.

HIGHLIGHTS FOR 2015

Upon reflection of the all-encompassing changes that we have introduced during the year, we are confident that AEEI is well positioned as an efficient, dynamic and competitive black economic empowerment company, ready to further build on our new Vision 2020 Vision strategy and to further unlock growth opportunities as well as deliver sustainable value to our shareholders.

Our continued focus on managing the factors within our control underpins a consecutive record set of results. Our balance sheet and cash flow generation remains robust, allowing us to deliver on our strategy while investing in our existing asset base which places us in a position to acquire additional investments, which is in line with our strategic objectives.

Key accomplishments that highlight the year under review include the rebranding of the Company to African Equity Empowerment Investments Limited, the development and implementation of a clear Vision 2020 Vision strategy, delivery on the key objectives set for the 2015 financial year and substantially increasing revenue, asset base and profits.

Also, we are pleased to have declared another dividend of 2.5c during the year under review and we are hoping to pay consistent dividends going forward as part of creating shareholder value.

We are mindful of the potential challenges in the short to medium term, not only in respect of the prevailing market conditions, but also relating to the ability to compete effectively with our peers. However, proper risk management processes have been implemented to address these risks to the business.

WHERE THERE IS CHANGE, THERE IS OPPORTUNITY

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

REVIEW OF OUR INVESTMENTS

STRATEGIC INVESTMENTS

The Group's strategic investments consist of British Telecom Communication Services South Africa (BTSA), Saab SA and Pioneer Food Group Limited (Pioneer Foods) now classified under food and fishing.

The investment in BTSA has been very fruitful and is fully paid for, while Pioneer Foods has performed well; this investment is now accounted for under our food and fishing sector. Saab SA is performing well and we are in the process of restructuring our shareholding in Saab SA by obtaining a 25% plus 1 share in its subsidiary, Saab Grintek Defence (Pty) Ltd, and in turn disposing of our 5% investment shareholding in Saab SA.

FOOD AND FISHING

Premier Fishing SA (Pty) Ltd, under the food and fishing division, has consistently performed well year on year and delivered another set of excellent results for the financial year ended 31 August 2015. This division exceeded revenue and operating budgets and the performance was mainly driven by operational efficiencies across our divisions as well as increased volumes sold in some sectors compared to the prior year.

South coast rock lobster, west coast rock lobster and pelagic contributed strongly to the good financial performance.

During the current year we focused on one of our key divisions and managed to negotiate better pricing. We leveraged off our sizeable fishing quotas to extract greater value and increased revenues and profits.

The food and fishing division is expected to continue its solid performance in the USA and Europe. However, the market in China remains under pressure as a result of stiff competition from other countries with cheaper species. This division is also well positioned to take advantage of opportunities to grow organically on the back of a solid management team, a growing market and an expanded product range.

SEKUNJALO TECHNOLOGY SOLUTIONS GROUP (SEKUNJALO TSL)

Health System Technologies (Pty) Ltd (HST), a leading provider of Hospital Information and Laboratory Information systems, recently entered the North African region through laboratory implementation projects, and this is expected to pave the way for HST to further expand its footprint into the greater African continent.

The subsidiary companies of Sekunjalo TSL include Saratoga Software (Pty) Ltd, a software house primarily focused on the financial industry, and Digital Matter (Pty) Ltd, a 75% Saratoga-owned subsidiary that provides mobile solutions. World Wide Creative, a digital marketing agency, and Afrozaar Consulting (Pty) Ltd, a digital media and content distributing company, performed well.

The majority of companies in Sekunjalo TSL performed well, retaining and growing their current client base and further diversifying their product offering and embedding their income stream across additional business units.

We remain positive that, with the implementation our of Vision 2020 Vision strategy, our leadership team in our underlying companies will lead to more efficient deployment of staff on customer projects.

We look forward to the opportunities and organic growth presented by our presence in Africa, and will eagerly be penetrating the African market through organic growth and acquisitions.

HEALTH AND BIOTHERAPEUTICS

The companies under the Health Care division, Sekpharma (Pty) Ltd, which focuses on ethical and consumer products, and Wynberg Pharmaceuticals (“Wynberg”), which focuses on the production of natural products to promote health, hygiene and food security in the agricultural and food processing sectors.

Sekpharma continued to adapt its outsourced commission income-based model from a fixed cost model. Management embarked on revamping the dossiers and updating its regulatory affairs to meet the ever-changing regulatory requirements. This process is near completion and will position the business for growth in the year ahead.

Wynberg has grown its market share within the Western Cape region and revenue has steadily increased. The business is well positioned to enter full commercialisation in the coming year.

BIOTECHNOLOGY

Genius Biotherapeutics (“Genius”), formerly known as Bioclones (Pty) Ltd, is South Africa and Africa’s largest medical biotechnology company with strategic interests in biogenerics and novel compounds.

Genius made steady progress in its dendritic cell vaccine project with various small wins being achieved and the pre-clinical trials is making headway. The Company’s partnership with the University of Cape Town is progressing well. Management continues with its plans to upgrade its production processes and improve on its regulatory affairs at the facility in Centurion.

We remain confident that we will achieve set milestones over the next three to five years with the implementation of Vision 2020 Vision.

EVENTS AND TOURISM

espAfrika (Pty) Ltd is a cutting-edge global competitor company in events, production and management of third-party events. The Company owns, produces and manages the Cape Town International Jazz Festival, rated as one of the top five largest jazz festivals in the world.

espAfrika continues to work towards developing new owned events and expanding into new markets. A huge focus on the growth and expansion of the travel, tourism and entertainment industries will take place going forward.

Our travel business will seek synergy with the rest of the Group as well as grow further into the private and public sectors.

New to the Events and Tourism division is Magic 828 (Pty) Ltd, a medium wave commercial music radio station that features classic hits on the MW waveband. The radio station was launched during October and is progressing well. The Company is also seeking to increase its listenership by music played to its target audiences.

It is pleasing to note that the Events and Tourism sector has, for the second consecutive year, posted an improved pre-tax profit. Going forward, it will continue to grow its events calendar, improve its profitability as well as ensure sustainable returns to all its stakeholders.

OUR VALUE-ENHANCING “VISION 2020 VISION” STRATEGIC PLAN

Nelson Mandela said: *“Action without vision is only passing time, vision without action is merely a daydream, but vision with action can change the world.”*

OUR VISION 2020 VISION STRATEGY

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

This year the Board approved and management implemented Vision 2020 Vision to achieve its objectives of substantial growth in revenue, increasing operating profit sustainability, significantly increasing NAV, substantially increasing or doubling total assets, and working towards the separate listing of the IT and food and fishing businesses after achieving R500m revenue or R80m profit targets.

When developing our Vision 2020 Vision, we took into consideration the macro and micro economic risks and trends that may have an impact on our business due to the nature of our operational investments.

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.

CONTINUALLY GROWING MARKET SHARE IN NICHE MARKETS WITHIN OUR OPERATIONAL SECTORS

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. Continual business development and research are conducted to assess and broaden our market share in the five sectors.

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, future investors and associates. We look forward to growing our business into greater Africa.

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 as opposed to being too reactive in the short term.

PROUDLY SOUTH AFRICAN AND PROUDLY BEE

Everything begins and ends with performance, and in 2016, we will remain intensely focused on managing, investing and growing the capital entrusted to us by our shareholders.

Our established core strategies will continue to provide a foundation for strategic growth as we continue to selectively expand our product offerings and investments to meet the evolving needs of our clients and stakeholders through our Vision 2020 Vision strategy.

More importantly, I am confident that the Group is exceptionally well positioned with enhanced investment strategies, more intellectual capital and additional avenues for value creation than at any point in our history.

Stemming from the beginning of a new era and as we move into the 2016 financial year, we do so with complete conviction and confidence. This year's financial results are only beginning to reflect the inherent earning power and investment value of AEEI. The operational businesses are performing well, with the potential to list our food and fishing, IT and biotherapeutics business sectors in the medium to long term.

While we are pleased with the 2015 financial year-end results, we have high expectations for 2016 and the years ahead. I believe that there is still considerable upside potential in each of our operations and ample opportunities to create additional value for shareholders through further organic and acquisitive growth.

SINCERE APPRECIATION

First and foremost, I 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 and strategic partners for their passion, loyalty, dedication and their efforts while they continue contributing to the success of AEEI.

My thanks and gratitude go to our shareholders and strategic partners for recognising the value that we offer and for entrusting us to do so.

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

I trust that 2016 will be another exciting year in which we are able to demonstrate our abilities – not only to raise the bar a little higher, but also to meet all of our goals – personally and professionally.



Khalid Abdulla
Chief executive officer