

CHIEF FINANCIAL OFFICER'S REPORT



Strong earnings growth
and an exceptional operational
performance in a challenging
economic environment.

Chantelle Ah Sing | Chief financial officer

HIGHLIGHTS

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

CREATING SUPERIOR VALUE

We continue to create superior value for our stakeholders through:

- Growth in basic earnings increased by 58% from R97m to R153m
- Return on ordinary shareholders' equity (ROE) increased to 19%
- Group revenue grew by 8% from R621m to R672m
- Gross margin increased to 34% from 31%
- Operating profit is up R88m to R186m
- Net asset value per share increased by 25% to 144.93 cents per share
- Total asset increased by 14% to R1 345m

African Equity Empowerment Investments Limited (AEEI), the AEEI Group delivered a strong performance despite the challenges of the macroeconomic environment. The growth was supported by the excellent performances across most of the Group's divisions. This was evident from the increase in revenue, an increase in operating profits and growth in the fair value of investments.

AEEI's headline earnings per share increased by 94% from 16.03 cents to 31.06 cents, with earnings per share increasing from 19.76 cents to 31.12 cents compared to the prior year. The Group's operating profit grew from R99m to R186m during the year, driven by solid growth in the food and fishing, technology and events and tourism divisions as well as in the strategic investments.

The net asset value of the Group increased by 21% from R665m to R805m due to excellent operational performances and a strong investment portfolio. The Group's balance sheet is well positioned for future growth with a strong asset base and our cash generation remains consistent year on year.

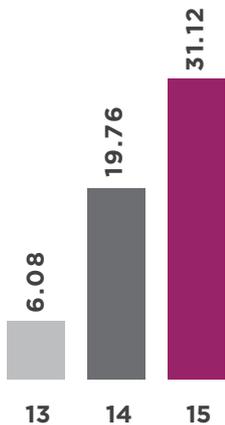
KEY ACHIEVEMENTS IN 2015

AEEI posts another set of record financial results. Our focus on operational improvements enabled us to build a solid platform over the past three years to produce an exceptional performance for this year. Management continues to drive operational efficiencies, improving on cost containment and expanding margins to ensure greater efficiency and competitiveness.

The revenue growth of 8% was bolstered by the increased growth in our two core investments in food and fishing and technology divisions of 11% and 15% respectively. The food and fishing division performed well in all sectors, particularly in the pelagic, lobster and abalone sectors.

Operating profit increased significantly by 88% over the comparative year, mainly due to the fair value gains on our strategic investments and the exceptional performances from our underlying operations, which is evident from their above-50% increase in earnings growth.

Earnings per share (cents)

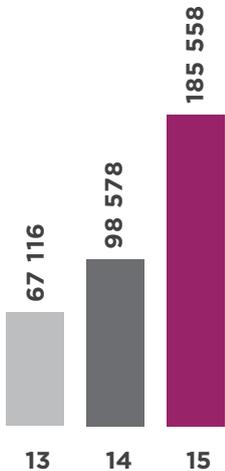


Our total asset value increased by 14% from R1 178m to R1 345m due to the fair value growth in the strategic investments, as well as a greater investment in non-current and current assets. Under our acquisition growth strategy, we are currently ahead of the growth target in total assets.

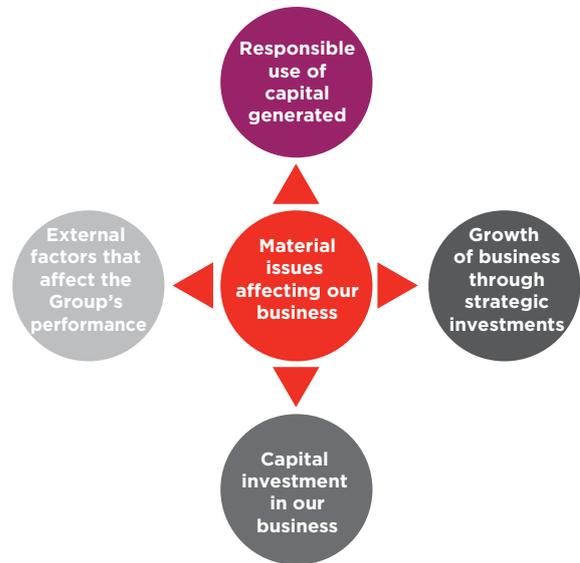
Net asset value per share increased from 115.81 cents to 144.93 cents. This is a 25% increase in the Group's value, which is indicative of how we have created value in 2015.

Our 2015 financial results is a reflection of the benefits of our strategic actions taken over the past three years and the impact is evident in our financial performance and financial position.

Operating profit (EBIT) (R'000)



MATERIAL ISSUES AFFECTING OUR BUSINESS



RESPONSIBLE USE OF CAPITAL GENERATED

Creating medium to long-term shareholder value is an important driver in allocating our capital efficiently. Our strong return on equity of 19% (2014: 17%) is a good indicator of our efficient use of capital.

Cash generated from our underlying investments was utilised to support our strategic objectives to reduce debt and tax commitments and to return dividends to shareholders as per the financing activities in the cash flow statement. Refer to page 171 – statement of cash flows – for more details.

Capital investment made into replacement assets and newly acquired capital assets is less than retained cash for growth and the excess cash was utilised to reduce debt, which produced a consistent low-gearing ratio of 6% year on year.

AEEI Events and Tourism's investment in espAfrika (Pty) Ltd has grown into a strong, cash-generating business with consistent year-on-year returns. The resultant capital was utilised to repay all external long-term debt.

The technology division, through its health information systems, has already established itself as a successful implementer in South Africa and continues to extend its footprint into Africa by expanding into Nigeria and Tanzania.

Capital generated was reinvested into the fishing, health care and biotechnology operations to support the organic growth initiatives which started more than three years ago. This is discussed under capital investments in businesses.

GROWTH OF BUSINESSES THROUGH STRATEGIC INVESTMENTS

Total assets increased over the past three years due to the accelerated growth in our financial assets. The Group's equity stake in the Pioneer Food Group Ltd (now classified under food and fishing) has grown tremendously over the current year from R189m to R323m, an increase of 71%. The capital appreciation during the past few years on the listed share has proven a great asset to our balance sheet.

Our investment in British Telecommunication Services SA was fully paid for in the prior year and the continuous earnings growth of this business produced solid returns on our investment. This provided us with a platform to enter into further empowerment partnerships with multi-international companies.

In the post-reporting period, we acquired over 1,1m shares in Sygnia Ltd for an investment cost of R10m. We are finalising the structure of our 5% investment in Saab SA by acquiring a 25% plus 1 share in its operating subsidiary, Saab Grintek Defence (Pty) Ltd, and in turn disposing of our 5% investment in Saab SA.

CAPITAL INVESTMENT IN OUR BUSINESSES

We expended R24m in the current year to maintain and upgrade our fleet of vessels in the food and fishing division, and this includes infrastructure costs for the abalone farm to expand its farming activities. The technology division continued to invest in software and hardware and the whole Group incurred R34m in capital expenditure during the year under review. With greater capital investments throughout the Group, our return on assets grew from 9% to 11%.

Our most recent innovative investment in Magic 828 (Pty) Ltd required a capital investment to set up the studio and install a broadcast mast to support the newly built radio station that went live on 1 October 2015. Further working capital is required for this investment and we expect returns in the next few years.

Health System Technologies (Pty) Ltd has fully deployed its health information systems to over 230 laboratories and hospitals around the country. This contract has now moved to an annuity-based maintenance income. Some of the technology subsidiaries have expanded their infrastructures to provide for greater human resources and market presence in order to expand their range of quality products. This had an impact on the operating expenditure and working capital requirements of the technology division.

Through the exporting of our luxury fish products to markets abroad, we maintain high-quality standards to meet the requirements of our international partners and countries with a high customer satisfaction and the demand for more fishing products with a low rate of mortalities on live products. This stems from a good supply chain management, starting from the continuous

improvements in our vessel planning and scheduling to careful storage of the fish products before shipment. This infrastructure has been built in line with the FDA and EU certification, South African Bureau of Standards (SABS) and HACCP (hazard analysis and critical control points) standards.

Further investment in working capital was provided to the biotechnology operations in order to facilitate the compliance to the ever-increasing regulatory requirements as well as improve the production standards to produce affordable, high-quality products. Research and development continues in the growth projects in order to produce a portfolio of products in the near future.

The health care division's management focussed its attention on updating its dossiers and regulatory compliance, which is key to the success of their business. This ensures that our regulatory standards are in line with Medicines Control Council requirements.

The ViBacSan product portfolio continues to grow as their market share increases in the Western Cape. Their products have been approved by the SABS as well as BSEN 1275 accreditation in terms of European standards. The Company is well positioned to expand its operations to other provinces in South Africa.

Our investments in the Group are carefully balanced to align with our Vision 2020 Vision as well as our medium to long-term strategic objectives to deliver a diversified investment portfolio. This enables us to provide and maintain high-quality services, products and well-established infrastructures as well as being a credible partner of choice to many businesses.

EXTERNAL FACTORS THAT AFFECT THE GROUP'S PERFORMANCE

Despite the underlying pressures in the global economic environment with rising fuel prices, volatile exchange rates, high electricity and interest costs, our cost structure remains stable and in line with our budgets. A solar energy-efficient system was installed at the abalone farm in order to combat the ever-increasing cost of electricity. We have managed to contain costs by monitoring monthly operating expenditure as well as improving on our operating margins by introducing operating efficiencies over the past three years.

The weakening of the rand on export products afforded some positive impacts, but also provided a natural hedge against the rising cost of importing software and inventory in the technology and health care divisions. A foreign exchange gain of R2,6m was obtained by the fishing division and the technology division incurred a foreign exchange loss of R1,8m. The health care division incurred a loss of R0,6m. A net gain of R0,2m was incurred in the Group.

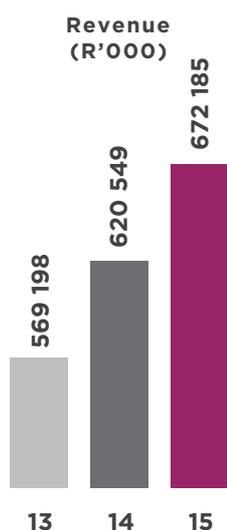
Despite the ever-changing external impacts, one of the Group's strategic objectives is to continue our support to the communities in which our businesses operate and

our corporate social initiative spend for the current year increased from R9m to R12m over the current year. The Group was proud to contribute R6m to its arts and culture projects managed under the events and tourism division.

FINANCIAL PERFORMANCE

Our operational divisions produce competitive, quality products and services and are leaders in the market for their niche sectors by achieving a strong earnings growth of 51%. Our fishing segment produced an operating margin well above 19% and the technology segment is performing above norm at 15%. These are driven by improved operating efficiencies, increased sales volumes and delivery of contracts.

Revenue of R672m (2014: R621m) was achieved, which is above expectation considering the drop in the total allowable catch in west coast rock lobster quotas and delays in the final implementation phase of the contract.



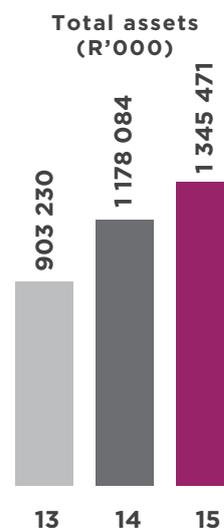
The operating expenses increased by 3% from R145m to R151m and this included a full year of operating expenses of R9m for the biotechnology division as well as the costs incurred for the newly acquired investment in Magic 828 in the last two months. Fair value adjustments mainly include the fair gains achieved from our investment in Pioneer Foods Group Ltd.

Investment income of R16,9m included interest income and a dividend received of R14,6m (2014: R5,4m) from Pioneer Foods as well as a dividend in specie amounting to R10m for the unbundling of Quantum Foods Ltd. Finance costs increased by 3% compared to the prior year and increases interest cover to 17 times (2014: nine times).

Current taxation amounted to R36m, which included an income tax charge of R14,6m and deferred tax of R21,9m. The effective tax rate is 19.65%, mainly due to the inclusion of capital gains from the fair value of investments and biological assets as well as exempt income.

FINANCIAL POSITION

Total assets of the Group were impacted by the increase in financial assets from R427m to R525m and the increase of R24m in current assets to R229m. The Pioneer Foods' share price increased from R118 to R199 at 31 August 2015, which resulted in R116m fair gain for this investment. Current assets increased mainly due to the operational growth in inventory, trade and other receivables, as well as the additional biological assets held at the abalone farm.



Goodwill and intangible assets was directly affected by the acquisition of the radio licence for Magic 828 amounting to R8,8m as well as the internally generated software development costs. This is a reflection of the increasing intellectual property generated within the Group.

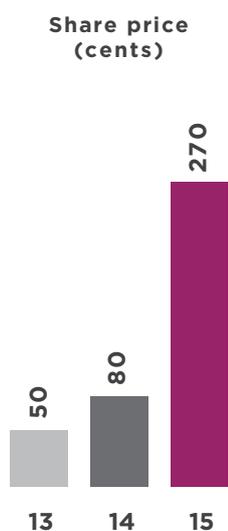
Total liabilities excluding the deferred tax liability declined marginally to R302m, maintaining our low-gearing ratio of 6% (2014: 6%). Our net debt to EBITDA ratio remains low at 0.4 times, which enabled the Group to increase its borrowing capabilities to fund future investments and refinance short-term loans.

Due to the Group's net asset value growth of 21% we retained sound capital levels and improved the liquidity of the Group. The return on equity increased from 17% to 19%, which reflects our improvement on operating efficiency and financial leverage.

Although net cash declined at year-end, the investment in working capital increased from R6m to R35m over the comparative prior year. The operations held greater inventory and trade receivables at year-end compared to previous years, which is a reflection of the sustainable growth achieved under our fishing and technology operations. Operational cash flows declined from R57m to R51m mainly as a result of the above reason.

SHAREHOLDER RETURNS

We continue to return value to our shareholders in the form of dividends and share price appreciation. AEEI's total shareholder return for the three-year period ending 31 August 2015 is reflected in the 147% average annual growth. The dividend declared for the year increased by 25% to 2.5 cents per share, compared to 2.0 cents in 2014. The growth in dividends demonstrates our commitment to deliver consistent value to shareholders.



FUTURE OUTLOOK

With the global economic conditions looking constrained for the near future, we will endeavour to continue leveraging from our existing investment portfolio as well as diversify through acquisitions.

Our financial sustainability is a key focus area where we will further invest in building a strong operating asset base to produce good returns and secure long-term growth in our underlying operational investments.

We are committed to maintaining our gross margins within the 30% to 35% range by further implementing cost improvements that will increase the operating efficiencies and leverage the synergistic benefits between companies.

We believe that the year ahead promises exciting prospects and challenges in order to implement our Vision 2020 Vision Strategy.

APPRECIATION

I wish to express my sincere appreciation to the financial teams in the Group for their determination and commitment throughout the year.

Thank you for the strategic guidance and contributions received from the board of directors and executive management teams who have supported us in our determination to implement our Vision 2020 Vision growth strategy.

CONCLUSION

I am pleased to report that the Group's financial objective to deliver consistent high returns to our shareholders has been achieved in 2015 by the delivery of exceptional financial results and a strengthened financial position through a diversified asset portfolio. The past three years are testament to our commitment to deliver long-term success and our focus to add sustainable value.

Chantelle Ah Sing
Chief financial officer