



UNAUDITED INTERIM RESULTS

FOR THE SIX MONTHS ENDED
29 FEBRUARY 2016

(INCORPORATED IN THE REPUBLIC OF SOUTH AFRICA)

REGISTRATION NUMBER 1996/006093/06

SHARE CODE: AEE

ISIN: ZAE0000195731

("AEEI" OR "THE GROUP" OR "THE COMPANY")

A SEKUNJALO GROUP COMPANY

HIGHLIGHTS

Revenue

↑18%

from **R259m**
to **R305m**

Operating profit

↑39%

from **R53m**
to **R74m**

Earnings
per share

↑67%

from **8.39c**
to **14.04c**

Headline earnings
per share

↑31%

from **10.72c**
to **14.02c**

Total assets

↑23%

from **R1 245m**
to **R1 536m**

Net asset value

↑23%

from **R690m**
to **R847m**

Net cash generated
from operating
activities

↑169%

from **R11m**
to **R29m**

Dividend

R12,3m

to shareholders on
22 February 2016

AAEI GROUP POSTS EXCELLENT FINANCIAL PERFORMANCE

COMMENTARY

The AEEI Group delivers on record turnover and excellent profit growth due to all the underlying operations and investments achieving consistent growth in the first half of the 2016 financial year.

GROUP PERFORMANCE

The Group delivers a record turnover and excellent profit growth as a result of strong contributions from all its underlying investments after the period under review.

Group revenue showed strong growth for the reporting period, increasing by 18% to R305m (2015: R259m), mainly due to greater revenue growth achieved from the Marine and Technology divisions.

Profit before tax for the period increased by 61% to R74m (2015: R46m) due to consistent improved returns from our diversified portfolio.

Group earnings grew by 65% from R35m in the prior interim period to R58m.

Net asset value ("NAV") of the Group increased to R847m (2015: R690m) as a result of the excellent underlying operational and investment performance. The net asset value per share increased by 28% from 122.20c in the prior period to 156.47c.

The Group's asset base increased by R291m to R1 536m (2015: R1 245m) mainly due to the increase in operations and acquisitions and the increased value in the strategic investments since the prior year interim period.

Headline earnings per share ("HEPS") increased from 10.72c to 14.02c and earnings per share ("EPS") increased from 8.39c to 14.04c for the six months under review.

As a result of the solid financial performance from the underlying divisions and the requirement of less working capital, R29m net cash from operations was generated.

Due to the cyclical nature of the underlying operations and investments, historically the Group's expected performance is stronger during the second half of the financial year.

STRATEGIC INVESTMENTS

The Group's strategic investments consist of British Telecom Communication Services South Africa (Pty) Ltd ("BTSA"), Pioneer Foods Group Limited ("Pioneer"), Sygnia Limited ("Sygnia") and Saab Grintek Defence (Pty) Ltd ("SGD").

AAEI restructured its shareholding in Saab SA (Pty) Ltd by disposing of its 5% investment shareholding in Saab SA and acquiring an equity interest of 25% plus 1 share in its operating subsidiary on 29 October 2015, Saab Grintek Defence (Pty) Ltd.

The investment in Sygnia was acquired on 14 October 2015 for R10m which subsequently increased by 80% during the period under review.

The fully paid up investment in BTSA is well positioned to grow consistently over the next few years. Earnings have grown and dividend returns are expected to continue in the foreseeable future.

The value of Pioneer has performed exceptionally well from the date of acquisition. However, owing to the drought and market perception of the possible impact thereof the share has declined from August last year. We believe this to be a temporary decline. The share value has subsequently shown improvement at reporting date.

MARINE

Premier Fishing SA (Pty) Ltd ("Premier Fishing") is the largest black-owned, controlled and managed fishing company in South Africa and the most transformed in terms of its management and employees.

Premier Fishing delivered excellent growth in earnings for the interim period. Revenue increased by 22% from R139m to R170m as a result of improved catch rates and greater sales volumes. Improved pricing and the weaker rand also contributed to the improved operating profit of R22m (2015: R18m).

The Abalone division's performance is stable and improving year on year. This gives us a degree of control to manage production output consistently.

TECHNOLOGY

The information communication technology (“ICT”) division focuses on the acquisition and development of niche-market information and communication technology companies.

The ICT division performed well with revenues increasing by 12% to R107m from its underlying operations which is in line with their budget.

The ICT division achieved significant growth in operating profit of R19m (2015: R12,5m). The revenue growth experienced is organic, with further acquisitive growth expected during the second half of 2016.

HEALTHCARE

The companies under the Health Care division, focuses on ethical and consumer products, as well as the production of natural products to promote health and hygiene and food security in the agricultural and food processing sectors.

The Health Care division continued to incur marginal operating losses mainly due to further regulatory work undertaken on the dossiers as well as greater investment for trials in the food and sanitation markets in order to diversify its product portfolio.

This division has obtained the right to be the global manufacturer and distributor from its principal. The business is well positioned to commence with local manufacturing and penetration into a larger global market.

BIOTECHNOLOGY

Genius Biotherapeutics (“Genius”), South Africa and Africa’s largest medical biotechnology company, continues with its research and development activities.

Genius management has made good progress to upgrade its erythropoietin (“EPO”) technology and embark on its plans to improve production efficiencies at the Centurion facility.

The collaboration with University of Cape Town on dendritic cell vaccine project is progressing well and has broadened the scope of the novel technology to treat other cancer and infectious diseases.

EVENTS AND TOURISM

The Events and Tourism division manages and owns an event planning and production company, espAfrika, and travel service company, Tripos Tourism Investments as well as a radio station – Magic 828.

AEEI Events and Tourism’s operating loss increased from R1,4m to R5,8m mainly due to the start-up costs incurred by Magic 828. The radio station went live on 1 October 2015 and contributed to the Group’s revenue for the period under review.

espAfrika, a group subsidiary, hosted a very successful 17th Cape Town International Jazz Festival post-interim period. The Company’s performance for the six months is in line with expectations. espAfrika has most of its events during the second half of the financial year.

PROSPECTS

The Group will continue its strategic focus to grow the value of our core operational investments and improve the value add to our strategic investments.

Due to the cyclical nature of the underlying operations and investments, historically the Group’s expected performance is stronger during the second half of the financial year.

The AEEI Group has built a solid platform for further organic growth and has positioned itself well to increase its investments through acquisitions. Management is focused on its five year strategic plan and has firmed up its acquisition pipeline for both its Marine and IT sectors with the view of listing these assets over the next three to five years.

The Group’s auditors have not reviewed nor reported on any comments relating to future prospects.

DIVIDENDS

Dividends were declared and approved by the Board of Directors on 4 November 2015. A dividend of R12,3m was paid to shareholders on 22 February 2016. No interim dividends have been paid.

APPRECIATION

We wish to thank acknowledge the support of our staff, Group executives, management, our board of directors as well as our strategic partners, stakeholders and business partners for their loyalty and dedication in contributing to the success of the Group.

Professor Vukile Mehana
Non-executive chairman

Mr Khalid Abdulla
Chief executive officer

Cape Town
4 May 2016

CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

	Unaudited Group to 29 February 2016 R'000	Unaudited Group to 28 February 2015 R'000	Audited Group to 31 August 2015 R'000
ASSETS			
Non-current assets	1 273 331	1 004 625	1 096 519
Property, plant and equipment	151 712	140 188	153 422
Goodwill	56 832	55 469	56 832
Intangible assets	329 365	319 747	339 697
Other financial assets	718 791	477 773	530 275
Deferred tax	14 460	11 156	16 162
Prepayments	2 171	292	131
CURRENT ASSETS	262 534	238 324	228 952
Inventory	43 622	26 174	31 503
Biological assets	46 262	36 343	46 162
Other financial assets	11 981	2 140	7 734
Current tax receivable	154	521	450
Trade and other receivables	100 760	119 143	111 037
Cash and cash equivalents	59 755	54 003	32 066
Assets of disposal groups classified as held for sale	-	1 852	20 000
Total assets	1 535 865	1 244 801	1 345 471
EQUITY AND LIABILITIES			
Equity			
Equity attributable to equity holders of parent			
Share capital and share premium	403 177	403 177	403 177
Reserves	8 034	8 034	8 034
Retained income	357 594	189 215	300 895
	768 805	600 426	712 106
Non-controlling interest	78 366	89 698	92 443
	847 171	690 124	804 549
Liabilities			
Non-current liabilities	503 666	357 482	354 637
Other financial liabilities	255 647	139 752	112 800
Operating lease liability	2 760	2 436	2 713
Deferred tax	245 188	215 044	239 015
Other non-current liabilities	71	250	109
Current liabilities	185 028	197 195	186 285
Trade and other payables	107 578	122 904	95 698
Other financial liabilities	12 007	20 434	45 609
Current tax payable	9 093	8 595	6 869
Provisions	20 932	17 626	23 568
Other current liabilities	1 580	234	1 122
Bank overdraft	33 838	27 402	13 419
TOTAL EQUITY AND LIABILITIES	1 535 865	1 244 801	1 345 471
Net asset value per share (cents)	156.47	122.20	144.93

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Group to 29 February 2016 6 months R'000	Unaudited Group to 28 February 2015 6 months R'000	Audited Group to 31 August 2015 12 months R'000
Revenue	305 318	258 874	672 185
Cost of sales	(207 594)	(178 010)	(443 546)
Gross profit	97 724	80 864	228 639
Other income	3 761	4 290	3 595
Other operating expenses	(78 752)	(80 904)	(156 517)
Fair value adjustments	50 405	48 686	106 405
Gain on disposal of subsidiaries and equity accounted investments	465	-	6 660
Investment revenue	11 234	3 354	16 976
Loss from equity accounted investments	-	-	(316)
Finance cost	(11 069)	(10 367)	(19 695)
Profit before taxation	73 768	45 923	185 747
Taxation	(16 261)	(10 624)	(36 491)
Profit for the period	57 507	35 299	149 256
Total comprehensive income for the period	57 507	35 299	149 256
Total comprehensive income attributable to:			
Equity holders of the parent	68 991	41 217	152 897
Non-controlling interest	(11 484)	(5 918)	(3 641)
	57 507	35 299	149 256
Basic and diluted earnings per ordinary share (cents)	14.04	8.39	31.12
Headline earnings per ordinary share (cents)	14.02	10.72	31.06
Weighted (and fully diluted) average number of ordinary shares in issue (000s)	491 339	491 339	491 339

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

	Attributable to parent R'000	Non- controlling interest R'000	Total equity R'000
Balance at 01 September 2014	569 036	96 036	665 072
Profit for the period	152 897	(3 641)	149 256
Dividends paid	(9 827)	48	(9 779)
Business combinations	-	-	-
Balance at 31 August 2015	712 106	92 443	804 549
Profit/(loss) for the period	68 991	(11 484)	57 507
Dividends paid	(12 292)	(2 593)	(14 885)
Balance at 29 February 2016	768 805	78 366	847 171

CONDENSED GROUP STATEMENT OF CASH FLOWS

	Unaudited Group to 29 February 2016 R'000	Unaudited Group to 28 February 2015 R'000	Audited Group to 31 August 2015 R'000
Cash generated by operations	32 913	21 090	67 844
Investment revenue	11 234	3 354	16 976
Finance costs	(11 069)	(10 367)	(19 695)
Other operating activities	(4 355)	(3 405)	(14 331)
Net cash from operating activities	28 723	10 672	50 794
Cash flows from investing activities			
Net movement in property, plant and equipment	(7 185)	(11 418)	(33 423)
Net movement in intangible assets	(940)	-	(3 549)
Movement in other investing activities	2 589	(1 541)	(2 786)
Proceeds from sale of financial assets	20 000	-	-
Purchase of financial assets	(136 509)	-	-
Net cash used in investing activities	(122 045)	(12 959)	(39 758)
Cash flows from financing activities			
Repayment of other financial liabilities	(53 925)	(13 073)	(33 006)
Receipt of other financial liabilities	166 809	9 842	8 078
Dividends paid	(12 292)	(10 247)	(9 827)
Net cash from/(used in) financing activities	100 592	(13 478)	(34 755)
Net increase/(decrease) in cash and cash equivalents	7 270	(15 765)	(23 719)
Cash and cash equivalents at beginning of the period	18 647	42 366	42 366
Cash and cash equivalents at the end of the period	25 917	26 601	18 647

CONDENSED GROUP SEGMENTAL REPORT

	Technology Unaudited 29 February 2016 R'000	Marine Unaudited 29 February 2016 R'000	Health care Unaudited 29 February 2016 R'000	Bio- technology Unaudited 29 February 2016 R'000	Events and Tourism Unaudited 29 February 2016 R'000	Corporate Unaudited 29 February 2016 R'000	Group Unaudited 29 February 2016 R'000
Revenue	107 136	170 378	2 024	-	25 780	-	305 318
External sales	107 136	170 378	2 024	-	25 780	-	305 318
Segment results							
Operating profit/(loss)	19 124	22 498	(1 916)	(4 397)	(5 789)	44 083	73 603
Included in segment result:							
Reversal of impairments	-	-	-	335	-	-	335
Fair value of investments	-	-	-	-	-	50 405	50 405
Carrying amount of assets	92 994	289 768	17 899	346 423	52 506	736 275	1 535 865
Carrying amount of liabilities	40 231	153 727	2 007	88 400	40 416	363 913	688 694
	Technology Unaudited 28 February 2015 R'000	Marine Unaudited 28 February 2015 R'000	Health care Unaudited 28 February 2015 R'000	Bio- technology Unaudited 28 February 2015 R'000	Events and Tourism Unaudited 28 February 2015 R'000	Corporate Unaudited 28 February 2015 R'000	Group Unaudited 28 February 2015 R'000
28 February 2015							
Revenue	95 587	139 584	8 856	-	14 759	88	258 874
External sales	95 587	139 584	8 856	-	14 759	88	258 874
Segment results							
Operating profit/(loss)	12 541	18 633	(610)	(19 695)	(1 440)	43 507	52 936
Included in segment results:							
(Impairment)/ reversal of impairments			436	(15 200)	-	-	(14 764)
Fair valuation of investments	-	-	-	-	-	48 686	48 686
Carrying amount of assets	94 841	247 052	29 165	337 448	54 445	481 850	1 244 801
Carrying amount of liabilities	56 506	128 049	8 563	85 735	50 899	224 925	554 677

Notes

Strategic investments have been included under the corporate division as these were managed under the corporate office for the first six months.

DETERMINATION OF HEADLINE EARNINGS

		Unaudited Group to 29 February 2016 R'000	Unaudited Group to 28 February 2015 R'000	Audited Group to 31 August 2015 R'000
Earnings attributable to ordinary equity holders of parent entity	IAS 33	68 991	41 217	152 897
<i>Adjusted for:</i>				
Impairment of intangible assets	IAS 38	241	10 944	4 368
Loss on disposal of property, plant and equipment	IAS 16	-	523	145
Gain on disposal of subsidiaries and equity accounted investments	IFRS 3	(335)	-	(4 795)
Headline earnings		68 897	52 684	152 615
Headline earnings per ordinary share (cents)		14.02	10.72	31.06

RECONCILIATION OF REPORTABLE SEGMENTS PROFIT OR LOSS

	Unaudited Group to 29 February 2016 R'000	Unaudited Group to 28 February 2015 R'000
Total operating profit for reportable segments	73 603	52 936
<i>Adjusted for:</i>		
Investment revenue	11 234	3 354
Finance cost	(11 069)	(10 367)
Profit before taxation	73 768	45 923

SIGNIFICANT EVENTS

OTHER FINANCIAL ASSETS AND OTHER FINANCIAL LIABILITIES

The increase in other financial assets arises from the acquisition of an equity interest of 25% plus 1 share in Saab Grintek Defence (Pty) Ltd ("SGD"), the largest subsidiary of Saab SA (Pty) Ltd concluded on 29 October 2015 for a purchase consideration of R126,5m. The acquisition was funded via a preference share issued at 80% of prime to the value of R103m which will be settled by SGD dividends. The balance was settled in cash upon the sale of AEEI's 5% stake in Saab SA (Pty) Ltd for R20m.

On 14 October 2015 AEEI purchased 1 190 476 (one million one hundred and ninety thousand four hundred and seventy six) shares in Sygnia Limited at R8.40 per share to a total value of R10m. The value of the share as at 29 February 2016 increased to R15.80 per share.

SALE OF BUSINESSES

Included in the six month results is the disposal of non-core subsidiaries as part of the continued restructure which were included under the Corporate and Health Care divisions. The net effect of the disposals resulted in a gain on disposal of subsidiaries amounting to R0,4m. At the date of sale, the NAV of these companies were R4,6m, of which the consideration received amounted to R5m.

REPORTING ENTITY

AEEI is a company domiciled in South Africa. These condensed consolidated interim financial statements as at and for the six months ended 29 February 2016 comprises AEEI the company and its subsidiaries ("The Group") and interests in associates and joint ventures. AEEI is a black-controlled entity, which holds interests in six sectors and promotes Broad-Based Black Economic Empowerment and sound corporate governance practices.

BASIS OF PREPARATION

The condensed consolidated financial statements are prepared in accordance with the JSE Limited ("JSE") Listings Requirements and the requirements of the Companies Act of South Africa, 2008 as amended, applicable to summarised financial statements. The JSE Listings Requirements require financial reports to be prepared in accordance with the framework concepts, the measurement and recognition requirements of International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and also that they, as a minimum, contain the information required by IAS 34 'Interim Financial Reporting'. The accounting policies applied in the preparation of the summarised consolidated financial statements from which the summary consolidated financial statements were derived are in terms of IFRS and are consistent with the accounting policies applied in the preparation of the previous consolidated annual financial statements.

The unaudited interim financial results were prepared by Wakeel Mclachlan B.Com (Hons), CA(SA), and were not reviewed or audited by the Group's external auditors, Grant Thornton Cape Inc.

USE OF JUDGMENTS AND ESTIMATES

In preparing these condensed interim financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited consolidated financial statements as at and for the year ended 31 August 2015.

MEASUREMENT OF FAIR VALUES

The Group has an established control framework with respect to the measurement of fair values. The fair valuation calculations are performed by the Group's finance department and operational team on an annual basis. The finance department reports to the Group's Chief Financial Officer. The valuation reports are approved by the investment committee in accordance with the Group's reporting policies.

RELATED PARTIES

The Group, in the ordinary course of business entered into various sales and purchases transactions on an arms' length basis with related parties.

EVENTS AFTER THE REPORTING PERIOD

Other than the matters disclosed, the directors are not aware of any events arising subsequent to the Statement of Financial Position date up to the date of this report which will affect these results.

DIRECTORS

Khalid Abdulla* (chief executive officer);
Prof Vukile Mehana (non-executive chairman);
Johannes Mihe Gaomab; Salim Young (deputy chairman);
Aziza Amod; Takudzwa Hove; Cherie Felicity Hendricks*; Chantelle Ah Sing*;
Zenariah Barends

*Executive directors

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AUDITORS

Grant Thornton Cape Inc.

SPONSOR

PSG Capital, Stellenbosch



FOR MORE INFORMATION VISIT
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